



2024/2233

10.10.2024

RESOLUTION (EU) 2024/2233 OF THE EUROPEAN PARLIAMENT

of 11 April 2024

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 2022, 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 2022, 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 2022,
- having regard to Rule 99 of and Annex V to its Rules of Procedure,
- having regard to the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Culture and Education, the Committee on Civil Liberties, Justice and Home Affairs, the Committee on Women's Rights and Gender Equality,
- having regard to the letter from the Committee on Agriculture and Rural Development,
- having regard to the report of the Committee on Budgetary Control (A9-0139/2024),
- having regard to the inter-institutional agreement of 16 December 2020 on cooperation on budgetary matters and sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources;

Political priorities

1. Recalls its strong commitment to the fundamental principles and values enshrined in the Treaty on European Union (TEU) and the Treaty on the Functioning of the European Union (TFEU), including sound financial management as set out in Article 317 of the TFEU and the combating of fraud and protecting the financial interests of the Union as set out in Article 325 of the TFEU;
2. Highlights the importance of the Union budget for achieving the Union's political priorities, as well as its role in assisting Member States in unforeseen circumstances such as the COVID-19 pandemic, international conflicts or crises and their consequences; notes in this regard the continuing relevance of investments and support from the Union budget for reducing disparities between Member States and regions, for promoting economic growth and employment, for combating poverty and social exclusion, and thus for improving the daily life of Union citizens and economic impact within the Union; urges the Commission not to water down the pace and ambition needed to achieve the climate-related goals set in the European Green Deal and stresses the need for increasing the necessary investments for this purpose; stresses the fact that in 2022 the Union has fallen much short of the level of efficiency needed to achieve the climate-related goals set for 2030, 2040 and 2050;
3. Stresses that the sound and timely implementation of the budget contributes to addressing needs and challenges in different policy areas more efficiently and effectively; stresses that the simultaneous implementation of multiple instruments with different rules under time constraints, in addition to the pressure of the final closure of the 2014 - 2020 MFF, may lead to a delay in implementation and an increase in errors, irregularities and fraud; recalls the role of the Commission as guardian of the Treaties to protect the financial interests of the Union;
4. Stresses the contribution of the Recovery and Resilience Facility (RRF) in supporting Member States in recovering from the economic and social consequences of the COVID-19 pandemic and creating a resilient Union that can shoulder the challenges of the future; notes the contribution of the RRF and RePowerEU in addressing the energy-related challenges caused by Russia's war of aggression against Ukraine; 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;

5. Highlights the crucial role the Union budget played in 2022 in addressing the consequences of Russia's war of aggression against Ukraine, namely to secure food supply chains, address energy-related challenges, support Member States in welcoming Ukrainian refugees, and provide assistance to Ukraine in caring for its citizens; notes that this has put pressure on the budget and that all available flexibility measures have been used; notes in that regard the adoption of the mid-term review of the Multi-annual Financial Framework (MFF) that re-orientes funds, raises fresh funds; stresses the importance the Commission presents a clear and realistic roadmap to repay EU debt;
6. Recalls the importance of a strict application of the financial rules of the Union in all programmes and on all beneficiaries, in order to avoid all forms of fraud, conflicts of interest, corruption, double funding and money laundering; reminds in this framework of the key role played by the whole Union's anti-fraud architecture and expresses some concerns about the refusal of some Member States to cooperate with one of its elements, notably the EPPO;
7. Recalls the importance of carrying out *ex post* and mid-term evaluations of financial programmes created to respond to crises, concerning their relevance, coherence and European added value on top of compliance and regularity, efficiency, effectiveness, performance and long-term economic impact; notes that decisions related to the COVID-19 response instruments were made under enormous time pressure, although such instruments will be implemented until 2026; stresses that a quick response should not be to the detriment of proper control over expenditure and calls, therefore, on the Commission to draw lessons from such instruments;
8. Recalls the importance of the RRF in facing the economic downturn following the COVID-19 pandemic, reminds that the RRF delivery model puts much, lighter requirements on the Commission, and reduces the control burden from the Commission towards the Member States; is concerned 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; is worried that such weaknesses have led to the establishment of 'control milestones' indicating that the relevant Member State systems were not fully functional when implementation of the plans began, thus posing a risk to the regularity of RRF expenditure and the protection of the Union's financial interests;
9. Underlines the risk of conflicts of interest in cases where actors involved in the implementation of the Union budget, at any level, might be compromised for reasons beyond economic interest; notes the highly fragmented legal framework across Member States and regions concerning conflicts of interest and calls for the Commission's guidance to ensure legal clarity and promote a uniform interpretation and application; supports the Court's observation in its Special Report 6/2023 that 'data mining, by comparing information from different sources, has the potential to help detect possible conflicts of interest';
10. Emphasises the role of the European anti-fraud office (OLAF), the European Public Prosecutor's Office (EPPO), the European Union Agency for Criminal Justice Cooperation (Eurojust) and the European Union Agency for Law Enforcement Cooperation (Europol) in the fight against corruption; calls 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; appreciates the efforts of the EPPO in the investigation and prosecution of fraud and other criminal offences affecting the financial interests of the Union and highlights the importance of its full independence and impartiality for the effective exercise of its functions; recalls the importance of providing the EPPO and OLAF with sufficient financial and human resources; calls for common anti-corruption rules applicable to all staff of Union bodies and calls to make the inter-institutional Transparency Register mandatory for all EU Institutions and Agencies, to ensure that the independence which is required of certain EU institutions is not affected; reiterates the need to step up the efforts in the fight against fraud both at Union and Member State level, in close cooperation with the EPPO and OLAF;
11. Stresses the deterioration of the rule of law in some Member States and emphasises the major importance of the rule of law conditionality mechanism for the protection of the Union budget; calls on the Commission to make full use of the tools available to address the clear risk of a serious breach of Union values and to promptly invoke the Conditionality Regulation when breaches of the rule of law risk impacting the Union's financial interests; supports the blocking of Union funds as long as the conditions are not entirely fulfilled and not giving in to blackmail; urges 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;
12. Emphasises, in the context of the rule of law principle, the need to ensure clear standards and the effective separation of powers; highlights that all Union institutions and bodies should fully respect the principle of the rule of law and the independence of the judiciary and should refrain from acting as a disciplinary chamber outside of the independent judicial system; highlights that in the case of breaches of law, the relevant Union institutions or bodies or the national authorities should be responsible; emphasises the need to avoid unfair denunciation or whistleblowing procedures and that such procedures should be based on clear rule of law standards;

13. Notes the measures undertaken by the Commission in 2022 under the Conditionality Regulation, but considers them to be introduced with considerable delays and following long-lasting political considerations; asks the Commission to conduct thorough assessments and ensure adequate control mechanisms to guarantee the sound financial management and the protection of the Union budget in current and future cases of lack of respect for Union values and the rule of law which affect or threaten to affect the Union's financial interests;
14. Welcomes the agreement reached in the negotiations on the revised Union financial rules in December 2023; welcomes, in particular, the enhancements related to tracking Union funds through digital tools and interoperability that will bolster the protection of the Union Financial Interests, the targeted extension of the Early Detection and Exclusion System (EDES) to shared management post MFF 2027, the reference to the rule of law conditionality mechanism and Union values as enshrined in Article 2 TEU, as well as the opportunity to streamline support for small and medium-sized enterprises and individual applicants by the introduction of very low-value grants;
15. Reminds the Commission that all legislative proposals that have a significant economic, social and environmental impact have to be accompanied by solid and thorough impact assessments, including their impact on the cost of living for Union citizens, the level of bureaucratisation for beneficiaries and administration as well as gender-related issues, to guarantee a fair distribution of the Union budget; stresses that this is part of the Commission's Better Regulation agenda; underlines that the Commission should conduct impact assessments in a completely neutral and impartial way; furthermore, expects the Commission to improve the costs-and-benefits analysis of the concerned options by enhancing the participation rate of different stakeholders with different views in open public consultations;
16. Highlights that gender equality is one of the founding values of the Union and is enshrined in the EU Charter of Fundamental Rights; recalls the long-standing commitment of the Union to gender mainstreaming in its policy-making in order to identify and redress inequalities, as well as it being a necessary condition for the achievement of the Union's objectives of growth, employment and social cohesion; stresses the importance of continuing the efforts made in gender budgeting in particular, such as the pilot methodology to track gender equality expenditure in the multiannual financial framework, in order to ensure that gender mainstreaming in the Union budget is a success;
17. Recalls that spending areas subject to more complex rules and eligibility criteria are at higher risk of errors and create an excessive administrative burden for recipients of support, specially newcomers; reiterates the need to implement simplification in Union spending programmes to the extent possible, striking a balance with robust checks and controls; stresses that the digitisation of the management, reporting and auditing of Union funds is essential to improve access for potential recipients in an equitable way and to make the management of funds more efficient and transparent for all citizens;
18. Is concerned that the late adoption of several sectoral regulations governing different Union policies, such as the Cohesion policy, resulted in a significant delay in the implementation of the 2021-2027 programming period; urges the Commission and the Member States once more to take all necessary measures to continue to speed up the implementation of the policies on the ground with a better geographical balance, while keeping a high focus on compliance with the rules, quality of projects, achievement of results and protection of the financial interests of the Union; highlights in this context the risk that outstanding commitments bear on the Union budget, possibly generating significant decommitments which in turn would decrease its impact; calls on the Commission to indicate to the discharge authority which measures it intends to take to address this situation;
19. Calls on the Commission to take initiatives, such as technical assistance, to increase the absorption rate in the Member States on a permanent basis; calls on the Commission to closely monitor the progress of implementation in Member States, in particular in cases of under-implementation and low absorption rates and to deliver a country-analysis to the discharge authority, identifying the recurrent problems, as well as the measures taken to optimise the situation;
20. Stresses the importance of Union cohesion policy for economic and territorial convergence and development in the regions of the Union, as well as for supporting the implementation of the European Pillar of Social Rights; highlights the synergies of the cohesion funds in coordination with other Union programmes, particularly the RRF, to maximise the impact and the efficiency of public spending;

CHAPTER I

Multi-annual Financial Framework (MFF)**The European Court of Auditors' statement of assurance and budgetary and financial management***Reliability of the accounts*

21. Welcomes that the Court finds in its Annual report on the implementation of the budget for the financial year 2022 ⁽¹⁾, that the consolidated accounts of the European Union for the year 2022 are reliable; notes with satisfaction that the Court has given a clean opinion on the reliability of the accounts every year since 2007;
22. Notes that at 31 December 2022, total liabilities amounted to EUR 577,2 billion, compared with EUR 445,9 billion of total assets; notes that the difference of EUR 131,3 billion represented the (negative) net assets, comprising reserves and the portion of expenses already incurred by the Union up to 31 December 2022 that must be funded by future budgets;
23. Notes that at the end of 2022, the estimated value of incurred but not yet claimed eligible expenses due to beneficiaries, recorded as accrued expenses, was EUR 148,7 billion (2021: 129,9 billion), of which EUR 22,6 billion is related to accrued RRF expenditure;
24. Notes that after the end of the transition period following the UK's withdrawal process, the Commission estimated that, at the balance sheet date, the Union accounts showed a net receivable due from the UK of EUR 23,9 billion (2021: 41,8 billion), of which it is estimated that EUR 9,1 billion will be paid in the 12 months following the reporting date; considers that any amount in excess of the estimated EUR 9,1 billion that is received from the UK should be used to reduce the debt incurred through the borrowing and lending activities of the Commission;
25. Notes that the Court has assessed the impact of Russia's unprovoked and unjustified war of aggression against Ukraine on the Union accounts; welcomes the Court's conclusion that this impact has been appropriately accounted for and disclosed in the consolidated annual accounts;
26. Welcomes the Court's conclusion that the assets, liabilities, revenue and expenses, including those related to the European Recovery Instrument 'NextGenerationEU' (NGEU), are presented fairly in the consolidated annual accounts;

Legality and regularity of Union revenue and expenditure

27. Regrets the adverse opinion on the legality and regularity of the Union budget expenditure issued by the Court for the fourth year in a row; underlines the importance of reinforcing the control mechanisms of the Commission and Member States which are considered unreliable by the Court, therefore compromising the reliability of the Annual Management and Performance Report (AMPR); notes the Court's conclusion that the revenue is free from material error and that the managing systems examined by the Court were generally effective;
28. Is concerned that the Court estimates the level of error for the 2022 expenditure to be 4,2 %, which is more than double the materiality threshold; notes that this is a further deterioration compared to the previous two years (3,0 % in 2021 and 2,7 % in 2020); notes with concern that the Court detected substantial issues in reimbursement-based expenditure, which accounts for 66 % of the Court's audit population, where the estimated level of error is 6 %; notes that the effects of the errors found by the Court are estimated as both material and pervasive to the year's accepted expenditure;
29. Notes that the Commission's own estimation of the risk at payment is 1,9 % for 2022 (similar to 2020 and 2021), which is below the materiality threshold; notes that the Commission's estimation of the risk at closure, after *ex post* controls and corrections have been applied, is 0,9 %; notes the divergence between the Court's overall error rate and the Commission's risk at payment, which is observed for the overall Union budget expenditure in 2022, although not in all expenditure areas, notes that this is particularly evident in Headings 1 and 2 as in the past; and remarks the fact that the Commission's estimates for risk at payment are consistently in the lower range or below the statistical estimations of the Court; welcomes the Court's estimate of the level of error as important indicator for the existing risks; calls for a common understanding to be found to avoid such divergence between the Court's overall error rate and the Commission's risk at payment;

⁽¹⁾ OJ C, C/2023/103, 4.10.2023.

30. Reiterates the concerns about the Court observation that the Commission's risk assessment is likely to underestimate the level of risk in several areas; is also concerned by recurrent weaknesses identified by the Court on Member States' *ex post* checks in Heading 2, limiting the reliance that can be placed on their work;
31. Underlines that the general estimate of the level of error in the Union budget, as presented in the Court's Statement of Assurance, is an estimate of the money that should not have been paid out because it was not used in accordance with the applicable rules and regulations, and not an indicator of fraud or corruption; regrets that the general estimate of the level of error in the Union budget might give each year a negative impression to citizens;
32. Recalls that the audit approach and methodology of the Court are based on international audit standards that require the testing of a random, representative sample of transactions that result in an estimate of the error rate; recalls that the Court differentiates between low-risk expenditure, i.e. entitlement-based payments under simplified rules, and high-risk expenditure, i.e. reimbursement-based payments subject to complex rules; notes that for the 2022 expenditure, the Court has selected 66 % of its audit population from the high-risk expenditure (63,2 % in 2021), amounting to EUR 110,1 billion, and 34 % from the low-risk expenditure, amounting to EUR 56,7 billion; notes that the Court's estimated error rate for 2022 (4,2 %) is mainly driven by 'Cohesion, resilience and values' (2,5 % of the overall error rate), 'Natural resources and environment' (0,8 %), 'Neighbourhood and the world' (0,4 %), and 'Single market, innovation and digital' (0,3 %), for the most part considered high-risk expenditure areas by the Court; notes that the Commission in its AMPR categorises the expenditure into higher, medium and lower risk segments; notes that the Court uses the risk categories in a large part to determine the sample size to ultimately support its opinion on the legality and regularity of expenditure, whereas the Commission's use of risk categories serves to identify areas where additional managerial attention is needed to correct errors; emphasises that the use of different risk categories by the Court and the Commission hinders the possibility for the discharge authority to make a comparative analysis between clerical form errors and substantial administrative errors;
33. Recalls that the Court's audit focuses on the year under review; considers, nevertheless, that the Court takes into account findings of several years in its annual report and deepens the focus on specific topics within its special reports; notes that in contrast to this method, the Commission takes into account the whole lifecycle of Union programmes and funds covering multiple years, as well as corrections and recoveries after the end of the year under review; is of the opinion, however, that these different approaches do not entirely explain the large difference in the estimation of the error rate;
34. Recalls that Union spending programmes are multiannual by design and consequently their related control systems and management cycles also cover multiple years; recalls that the Commission's estimates of the risk at closure have a multiannual perspective that takes account of corrections and recoveries over several years; notes that the Commission's approach is based on tests as defined in control strategies aiming to check compliance with Union rules to ultimately establish whether funds need to be recovered from beneficiaries; notes that the range of the risk at payment, determined as part of this approach, resembles most of the Court's estimated error rate and is considered by the Commission as the best estimate to express the exposure to the Union budget;
35. Considers that both approaches serve different purposes and have their benefits, disadvantages, strengths, and weaknesses, and should be used to complement each other while understanding the differences and particularities, such as the different concepts of error and the risk categorisation used by each institution; considers the Court's error rate to be an important indicator of compliance with the legality and regularity of the implementation of the Union budget; is concerned about the great divergence in the rates provided by the Court and the Commission in relation to the weaknesses identified on the Commission side; welcomes in this regard the Court's findings, observations and recommendations as a very useful contribution to the further improvement of the budget management and implementation under different management modes and by all relevant stakeholders; deplores that the analysis of the risk alone neglects the real performance, the quality, the sustainability and the European added value of implemented projects; reiterates its support for the audit approach and methodology of the Court which should qualify the impact of corrective measures on the overall level of error and invites the Commission to cooperate with the Court with a view to increasing harmonisation and to providing for more comparable figures;
36. Notes that, on several issues, the Court's and Commission's findings are aligned, most notably concerning the main sources of irregularities in 'Cohesion', and the higher risks for market measures and rural development in 'Natural resources and environment'; notes that specifically in 'Cohesion' some cases of eligibility errors identified and quantified by the Court are not necessarily considered to be ineligible by the Commission; the Commission does not see a legal basis to qualify the error as an irregularity to be corrected in line with the definition laid down in Article 2(36) of Regulation (EU) 2021/1060 of the European Parliament and of the Council ⁽²⁾ ('the Common

⁽²⁾ Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the

Provisions Regulation' or CPR) and thus, the Commission cannot pursue financial correction procedures, and such errors would not enter into the Commission's estimate of risk at payment;

37. Welcomes that the Commission improved its reporting on preventive and corrective measures to protect the Union budget from illegal and irregular expenditure; notes that the Commission clarified that the total amount reported in the Annual Management and Performance Report (AMPR) as financial corrections and recoveries (EUR 4,95 billion) includes preventive and corrective measures taken by the Commission and Member States; notes that the Commission reported EUR 734 million in net corrections and EUR 195 million in recovered undue payments from final recipients;
38. Notes that the Court, in the exercise of its mandate, does not investigate fraud but does take account of the risk of fraud; notes that the Court forwards to the EPPO suspicions of criminal offences falling in its competences and to OLAF suspicions of fraud, corruption or other illegal activity affecting the Union's financial interests identified while performing its audits; notes that, in 2022, the Court reported 14 cases of suspected fraud to OLAF, and in parallel reported 6 of these cases to the EPPO, resulting so far in 6 OLAF investigations and 3 EPPO investigations;

Budgetary and financial management

39. Highlights that in 2022, 98,5 % of the available commitment appropriations were used (EUR 179,4 billion out of EUR 182,2 billion); notes that the available appropriations were higher than the MFF ceiling of EUR 179,9 billion due to the use of special instruments, justified by unforeseen events, using all flexibility available under the MFF; notes that 98,1 % of payment appropriations were used (EUR 167,3 billion of EUR 170,6 billion available); commends the Commission and the budgetary authority for its decisive and flexible budgetary response to the challenges faced in 2022;
40. Notes with concern that the total outstanding commitments, which represent future debts if not decommitted, reached an all-time high of EUR 450 billion in 2022, caused by both increased commitments related to NGEU (with all National Recovery and Resilience Plans adopted in 2022) and the slow start of the implementation of the 2021-2027 programming period; notes that the Commission expects this amount to further increase in 2023 towards EUR 460 billion, and foresees a decrease from 2024 to 2027 when committed amounts for both NGEU and the 2021-2027 programming period should be paid out; notes that approximately EUR 90 billion of loans will not be used and recalls that the Commission and Member States are currently behind schedule for payments established in the implementing decision approving their national recovery and resilience plans (RRPs); notes that commitments under MFF are still increasing and will continue to rise in the coming years due to the slow start of the programming period with payments following even later;
41. Highlights that the time available for implementing shared-management funds under the 2021-2027 MFF is shorter than under previous MFFs because of the n+2 rule for the last year of the period; is aware of the challenges in relation to managing and controlling the combined MFF and NGEU funds due to their volume and the different managing, programming, implementing and controlling mechanisms; notes with concern the significant differences in absorption rates per Member State; regrets the insufficient initiatives taken by the Commission, in conjunction with the Member States, to increase the absorption capacity of the programs and thus bring about a sharp and lasting reduction in outstanding commitments; demands the Commission takes all the necessary measures and administrative support to the Member States needed especially to improve their absorption capacity;
42. Underlines that the Commission's projections for the reduction of the outstanding commitments are based on the assumptions that Member States effectively make more efforts to accelerate the absorption of the 2021-2027 shared management funds and that automatic technical adjustments of payments ceiling are sufficient to cover the payments needs; is concerned that these two assumptions may not be fulfilled hence creating a very dangerous situation for the Union budget;
43. Notes the Court's warning that for the 2021-2027 shared management funds under the CPR, the decommitment risk has risen significantly due to a series of factors, namely the slow start because of the late adoption of sector-specific regulations, the prioritisation of the remaining European Structural and Investment (ESI) Funds and NGEU funding, the fact that those funds have a shorter payment timeframe by one year compared to the previous MFF period and the overlap with NGEU payments until 2026; stresses, therefore, the Court's 2021 recommendation for the Commission to ensure that there is additional advisory support to national authorities so all bodies responsible for managing and controlling these funds can ensure sound financial management;

Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (OJ L 231, 30.6.2021, p. 159).

44. Welcomes the vital role played by NGOs in representing civil society and in promoting and defending the values enshrined in the Treaties and the Charter of Fundamental Rights of the European Union ('the Charter') while implementing programmes and projects financed by the Union budget in full respect of the Union's financial rules and the protection of the Union's financial interests; calls to ensure that all Union funding beneficiaries, including NGOs, that have misused or misappropriated Union funds, or engaged in activities contrary to Union values, including inciting terrorism, hate speech, supporting or glorifying violence, political and religious extremism are listed in the Early Detection and Exclusion System (EDES) and blocked from access to Union institutions and funding programmes; considers that fraud, conflicts of interest, double funding, corruption and money laundering or embezzlement must be prevented and tackled in all situations and for all beneficiaries irrespective of their nature and legal status (as noted in Parliament resolution of 17 January 2024 on the transparency and accountability of non-governmental organisations funded from the Union budget); calls on the Commission to implement the recommendations of that resolution;
45. Notes with concern that Union debt increased from EUR 236,7 billion in 2021 to EUR 344,3 billion in 2022; notes that of the entire debt, only the share of NGEU non-repayable support (EUR 185,6 billion, 53,9 %) creates interest rate risk for the Union budget; notes that, due to growing market interest rates, the cost of new NGEU funding rose from 0,14 % in the second half of 2021 to 1,24 % in the first half of 2022, and a further increase to 2,60 % in the second half of 2022, resulting in EUR 0,5 billion of interest payments for NGEU in 2022, and a considerable increase was projected for 2023; is concerned about the strong increase in interest rates since 2020 resulting in a higher financial burden for the annual budget; recalls that, in addition, the repayments of NGEU borrowing should start in 2028 and must be completed by 2058, which will require sufficient financial resources; notes that the maximum utilisation of the Union budget in 2022, using all available flexibility, does not allow any repayment of debts, unless cuts are made in other areas of Union expenditure; calls on the Members States to develop and agree on a repayment plan out of new own resources without damaging the new MFF;
46. Notes that since December 2022, the Commission has a new debt management strategy in place, namely a 'diversified funding strategy' which consists of the techniques and funding instruments used by sovereign issuers; recalls the Court's Special Report 16/2023 on NGEU debt management that concluded that the Commission quickly established its debt management system, allowing for a timely start of borrowing operations, that met all regulatory requirements concerning debt portfolio and risk management;
47. Supports the Court recommendation that the Commission should act more proactively to ensure the tools available to mitigate the exposure risks have sufficient capacity;
48. Notes that the total exposure of the Union budget because of guarantees and contingent liabilities for loans rose to EUR 248,3 billion, of which EUR 57,8 billion for an additional safeguard has been created through the Common Provisioning Fund ('CPF'); notes that higher interest rates also require a higher provisioning rate in the future;
49. Notes that in 2022 the Commission changed the disclosure of contingent liability in its consolidated accounts, making the comparison of year by year extremely complex and long; invites the Commission to report more clearly on its annual account, in order to facilitate conclusions and analysis also in view of the discharge procedure;
50. Notes that the exposure of the Union budget to Ukraine increased in 2022 to EUR 15,6 billion, with related provisions; notes with concern that for the MFA+ support to Ukraine with a value of EUR 18,0 billion, agreed at the end of 2022 and disbursed throughout 2023, no provisions were required in the CPF to cover the risks of default, posing a serious risk to the Union budget as expressed in the Opinion 07/2022; draws attention that possible losses related to MFA+ will have to be covered by future Union budgets or by the budgetary 'headroom' between the MFF ceiling and the own resources ceiling; invites the Commission to provide additional measures to protect the Union budget from future losses related to the MFA+;
51. Notes that during 2022 consumer price inflation increased significantly, affecting the Union budget in several ways, by reducing the relative size of the Union budget and reducing the efficiency of the Union funds to achieve the objectives to the same extent as initially planned; considers that high inflation affects the proportion of revenue from different sources, with a net reduction of the share of the GNI-based own resources; strongly supports the Court recommendation to the Commission to assess the impact on the Union budget of increasing inflation in order to proactively apply mitigating measures;
52. Welcomes the online based transparency platforms developed and maintained by the Commission which provide data on the implementation of Union spending programmes and allow to search through the recipients Union funding and projects, such as the Financial Transparency System, giving information about Union funding under direct and indirect management, the RRF Scoreboard, the Cohesion Open Data Platform and Kohesio platform;

53. Notes the Commission's methodology for tracking gender aspects of expenditure as of 2023; recalls that only 2 % of the Union's budget was assessed as having a principle objective of improving gender equality; calls on the Commission to improve this score by mainstreaming gender from the start of programme design; reiterates that further detail is needed so that the majority of spending (73 %) currently assessed as 0* 'potential to contribute to gender equality' can be fully understood; notes with concern that Special Report 10/2021, published by the ECA confirmed that the Union's budget cycle does not yet adequately take gender equality into account since key elements, such as gender analysis, gender-related objectives, indicators and accountability through reporting, are largely missing;
54. Repeats its calls for a dedicated budget line for gender equality, in particular within the Daphne programme in the light of the crisis of gender-based violence facing the Union; stresses the importance of strengthening the specifically dedicated Daphne initiative by increasing its resources, in particular measures that aim to combat all levels and all forms of gender-based violence against women and girls and domestic violence in line with Article 7(6) of Regulation (EU) 2021/692 of the European Parliament and of the Council⁽³⁾ and to properly support victims; stresses, in addition, the importance of using European Structural and Investment Funds such as the European Social Fund Plus (ESF+) to promote gender equality, women's employment, women's empowerment, entrepreneurship, leadership and management roles, as well as long-term care facilities; notes that a study requested by FEMM committee⁽⁴⁾ shows that men are often favoured over women and marginalized groups when it comes to the design of subsidies and support under the Fit for 55 package, as well as in other policies, programmes and funding for the green transition;

Recommendations

55. Strongly supports the recommendations of the Court in its Annual Report on the implementation of the budget for the financial year 2022 ('Annual Report for the 2022 financial year')⁽⁵⁾ as well as in related special reports; calls on the Commission to implement them without delay and to keep the discharge authority informed on the progress of the implementation;
56. Calls on the Court of Auditors to:
- (i) differentiate the types of errors and to make more transparent the rate of errors caused by severe misuse, fraud or other criminal activities and the errors caused by administrative oversight or inaccurate application of rules;
 - (ii) to assess more intensively also the quality, the European added value, the sustainability, the performance and the practicability of the implemented projects;
57. Calls on the Commission, in particular, to:
- (i) engage with the Court in order to increase understanding, convergence and comparability of the two approaches to address irregularities;
 - (ii) undergo an *ex post* evaluation of the reliability of their own estimation of the risk at closure for the financial year for which the programs were closed and presents the results of such an evaluation to the Discharge authority;
 - (iii) continue to simplify rules and procedures without compromising the quality of the controls; and continue to digitalise audit procedures;
 - (iv) step up efforts to improve transparency in the use of funds, including as regards information on final beneficiaries;
 - (v) continue to support the administrative capacity of Member States' authorities; identify ways to help member states accelerate the use of Union funds, and reduce the level of outstanding commitments, notably in shared management funds under the Common Provisions Regulation;
 - (vi) report as part of its disclosure on contingent liabilities and what the annual exposure of the Union budget is, arising from budgetary guarantees and from financial assistance to third countries, making public its estimate of total annual exposure;
 - (vii) provide sufficient measures to protect the Union budget from the different risks identified in particular the RAL, the increasing debt, the increased budget exposure including to Ukraine, the increasing inflation, etc;

⁽³⁾ Regulation (EU) 2021/692 of the European Parliament and of the Council of 28 April 2021 establishing the Citizens, Equality, Rights and Values Programme and repealing Regulation (EU) No 1381/2013 of the European Parliament and of the Council and Council Regulation (EU) No 390/2014 (OJ L 156, 5.5.2021, p. 1).

⁽⁴⁾ [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/736899/IPOL_STU\(2022\)736899_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/736899/IPOL_STU(2022)736899_EN.pdf).

⁽⁵⁾ OJ C, C/2023/103, 4.10.2023.

- (viii) continue monitoring the possible risk of corruption and fraud across all funds, using feedback from investigations by the EPPO and OLAF; and encourage the systematic use of Archane and EDES databases systems;
- (ix) provide and fund IT infrastructure to the EPPO for as long as is necessary for the EPPO to implement an independent and adequate IT system, in order to ensure a smooth transition and to avoid loss of data;
- (x) ensure the protection of the Union budget by making general and systematic use of digital and automated systems for reporting, monitoring and audit and urgently establish a compulsory integrated and interoperable system building on, but not limited to, existing tools and databases in the context of the concluded recast of the Financial Regulation;
- (xi) modify and improve the Recovery and Resilience Scoreboard as well as the respective Commission RRF website to ensure that the implementation, the performance and fulfilment of indicators are regularly updated, accurate and, clearly structured and transparent;
- (xii) ensure that the outcome of the audits is transparent;
- (xiii) ensure that all Member States use the systems and central registers to report on beneficial owners and final beneficiaries;
- (xiv) assess the impact on the Union budget of high inflation continuing over several years and identify tools to mitigate resulting key risks;

Performance of the Union budget

- 58. Notes the re-integration of the Court's work on performance of the Union budget into its Annual Report; regrets to note that the content of the related chapter is of considerably less depth than the previous year's annual report on performance; regrets in particular that the link to the Sustainable Development Goals has become much less evident in the current set-up; notes that the Court's work on performance as included in its 2022 Annual Report lies primarily in summarising the findings from special reports;
- 59. Notes that the Court has followed-up on the implementation of 213 of its recommendations made in 2019, out of which 179 were addressed to the Commission; notes that four of the 179 recommendations were not yet due for implementation by the time the follow-up review was carried out and that, of the remaining 175 recommendations, the Commission has fully implemented 101 (58 %), 26 in most respects (15 %), 24 in some respects (13 %), and has not implemented 17 (10 %) of them at all, the Court being unable to conclude in 7 cases (4 %) where the auditee had not accepted them or it was too early to assess the implementation;
- 60. Considers the overview of special reports, which spans the largest part of chapter three of the Court's Annual report, gives a good overview of reports presented by the Court that relate to 2022 strategic areas; considers a deep analysis of the performance of the Union budget could be an added value to the follow-up of the auditor recommendations; notes the issue of timing concerning to the publication of the AMPR;
- 61. Notes that the Commission publishes the 'Programme Performance Statements', which is an overview of the performance information of the programmes of the 2021-2027 Union budget, and the 'Horizontal priorities', a section on how the Commission tracks and reports on what is spent on green budgeting, gender equality mainstreaming, digital tracking and the sustainable development goals;
- 62. Notes the Court's review 06/2023 on the Commission's 2022 AMPR for the Union budget and its conclusion that Volume I of the 2022 AMPR followed the Commission's corporate management board strategic guidance when it presented the facts and achievements concerning budgetary management for 2022, and notes that there was scope to improve the quality of performance data; notes the Commission's replies to written questions on an IAS audit on the Commission's control system in relation to the reliability of performance information and the reassurance given that the identified issue is being dealt with;
- 63. Welcomes that the Commission has included information in its AMPR on green budgeting, digital tracking and the gender-equality dimension in the Union budget; notes that the number of programmes for which the contribution to gender equality is unknown decreased to 72 %; supports the Commission's position that this figure needs to be reduced further;

64. Recalls the findings of the Court's Special Report 09/2022 'Climate Spending in the 2014-2020 EU budget'; notes in addition the Court's Special Report 26/2023 on the Performance monitoring framework in the RRF; concludes that the Court identified in both special reports issues with the method the Commission presents performance information, both in the MFF and the RRF; notes in particular that disclosure about shortcomings in the performance monitoring methodologies show weaknesses in particular because of mixing estimates with actual numbers of achieved results and realised projects or blending budgeted amounts with actually paid amounts; considers that performance data presented by the Commission should not include estimations but only figures of realised actions; remains concerned about the Court's finding that limited improvements are expected in the 2021-2027 climate reporting; regrets that the Commission has not yet addressed weaknesses in the reported figures of their new methodology;

Revenue

65. Notes that the revenue of the Union budget comprises own resources, external assigned revenue and other revenue; notes that in 2022 the Gross National Income (GNI)-based own resource accounted for EUR 103,9 billion (42,3 %), external assigned revenue accounted for EUR 62,2 billion (25,4 %), traditional own resources (TOR) accounted for EUR 25,9 billion (10,6 %), contributions and refunds connected with the Union agreements and programmes accounted for EUR 20,9 billion (8,5 %), value added tax (VAT)-based own resource accounted for EUR 19,7 billion (8,0 %), non-recycled plastic packaging waste-based own resources accounted for EUR 6,3 billion (2,6 %), and other revenue accounted for EUR 6,4 billion (2,6 %);
66. Notes the Court's Special Report 25/2022 on verification of Gross National Income (GNI) for financing the Union budget; recalls that the GNI data reported by Member States are the basis for calculating the Member States' contributions and considers it therefore essential for the Commission to improve the efficiency in the verification cycle following the recommendations of the Court; welcomes the Court's conclusions that the verification process of the GNI data carried out by the Statistical Office of the European Union (Eurostat) was effective; welcomes that Eurostat has prepared an action plan to address the recommendations with a view to implementing them after the 2020-2024 cycle;
67. Notes that the Union budget needs to respond to multiple challenges with additional financial programmes, such as the NGEU recovery instrument; notes that for 2022, the revenue from traditional own resources remained relatively stable, while budgetary guarantees for borrowing and lending operations were a substantial part of revenue; recalls in that regard Parliament's resolution of 10 May 2023 on own resources: a new start for Union finances, a new start for Europe;
68. Welcomes the Court's conclusion in its Annual Report for 2022 that the level of error in revenue transactions was not material and that the systems for managing the revenue are generally effective; is concerned by the weaknesses identified by the Court in certain Member States' accounting and management of TOR, and in the Union action taken to reduce the customs gap and ensure that TOR is complete; welcomes the actions undertaken by the Commission and Member States in that regard;
69. Notes from the Annual Report on the Protection of the Union financial interests (PIF Report ⁽⁹⁾) that in 2022, the number of fraudulent irregularities relating to TOR (454) fell by 6,8 % and non-fraudulent irregularities (4 207) rose by 9,4 % compared to the 5-year average for 2018-2022; notes that most fraudulent cases reported in 2022 relate to incorrect value and incorrect classification or misdescription of goods, while smuggling remains one of the primary modus operandi; notes that most fraudulent cases are detected by inspections by national anti-fraud services together with customs release controls; notes that the recovery rate is currently 48 %, although it can be expected that it will go up in the future due to the length of the process;
70. Notes the summary of waivers of recoveries and established amounts receivable in Annex 9 of the 2022 AMPR; notes that the total general value of waived recoveries was EUR 40,4 million, an increase of 28 % in comparison with 2021 (EUR 31,4 million) and considers this is a loss of revenue for the Union budget;

⁽⁹⁾ COM(2023) 0464 final.

71. Calls the Commission to conduct a deep analysis of all amounts recovered on the basis of EPPO notifications and to inform the discharge authority about the results; recalls that the Member States play the primary role in the follow up and recovery of damages to the EU budget under shared management, including recoveries following EPPO notifications, and the Commission can impose financial corrections; regrets that EPPO until now is not aware of the mechanisms set up by the Commission to that effect; notes that the issue of EPPO notifications has been raised in the inter-institutional exchange of views on Regulation (EU, Euratom) 2020/2223 of the European Parliament and of the Council ⁽⁷⁾; welcomes the EPPO Working Arrangement and the set up of a working group to ensure that EPPO notifications will enable the Commission to maximize recovery to the EU budget;
72. Welcomes the developments that have resulted in lifting both the quantified and unquantified reservation in the area of textiles and shoes imported from China; notes with satisfaction that the United Kingdom has now paid the total amount due (final payment of EUR 1,57 billion in January 2023) including interest (EUR 1,4 billion in February 2023); notes that by the end of 2023, 27 Member States had made significant provisional payments for their expected amounts due to the Union budget and that in line with the CJEU judgment in Case C-213/19 the Commission will apply the same quantification method for these Member States as for the United Kingdom, which will result in recalculated amounts, allowing the Commission to finalise the exercise completely;

Recommendations

73. Calls on the Commission to:
- (i) take over the suggestions of the European Parliament in its resolutions on own resources in order to ensure sufficient resources to repay the investments made under NGEU;
 - (ii) make use of all means available to stimulate cooperation between anti-fraud services and customs agencies to detect, prevent and correct fraud affecting Union revenue;
 - (iii) inform the discharge authority about the results of the review of the collected own resources;
 - (iv) examine carefully the differences in recovery rates by Member States in order to identify possible specific weaknesses;
 - (v) provide detailed explanations to the discharge authority on reasons why the Commission only partially implemented 13 % of the Court's recommendations from 2019 and has not implemented further 10 % of their recommendations;

Single market, Innovation and Digital

74. Notes that the budget for the programmes under MFF Heading 1 'Single Market, Innovation and Digital' was EUR 25,2 billion (12,9 % of the Union budget) distributed as follows: EUR 15,8 billion (62,8 %) for Research, EUR 3,5 billion (14,0 %) for Transport, Energy and Digital, EUR 2,7 billion (10,6 %) for InvestEU Programme, EUR 2 billion (8,0 %) for Space, and EUR 1,2 billion (4,6 %) for other areas; notes that as of 31 December 2022 the final adopted budget commitments appropriations were EUR 21 845,08 million and 99,99 % of them were implemented (EUR 21 842,58 million); notes further that the final adopted budget payment appropriations amounted to EUR 20 605,64 million and 99,35 % of them were implemented (EUR 20 471,31 million);

Innovation and research

75. Highlights the importance of Union R&I funding programmes for the scientific, societal, and technological/economic development of the Union, to reduce inequalities, for the recovery, the green and digital transitions and the need to decrease Union energy dependency on Russia; recalls that Horizon Europe is the most significant research and innovation programme in Europe, with a total budget of EUR 95,5 billion, including EUR 5,4 billion from the NGEU instrument; notes that the RRF has allocated around EUR 48 billion in investments to R&I;
76. Notes the late adoption of the Horizon Europe legal bases in 2021 and welcomes that the Commission managed to reach close to 100 % budget implementation in 2021 and 2022; notes that the number of grant agreements signed by the end of 2022 was 5 509; notes that, despite the fact the average success rate of proposals has increased from 11,9 % in Horizon 2020 to 15,9 % in Horizon Europe, 7 out of 10 high-quality proposals still cannot be funded and an extra EUR 34,3 billion would have been needed to fund those proposals;

⁽⁷⁾ Regulation (EU, Euratom) 2020/2223 of the European Parliament and of the Council of 23 December 2020 amending Regulation (EU, Euratom) No 883/2013, as regards cooperation with the European Public Prosecutor's Office and the effectiveness of the European Anti-Fraud Office investigations (OJ L 437, 28.12.2020, p. 49).

77. Notes that the Court has examined 127 transactions covering the full range of spending under this MFF heading, notably the Horizon 2020 programme, the Connecting Europe Facility (CEF), financial instruments and the space programme, including the regularity information in the annual activity reports of the Directorate-General for Research and Innovation (DG RTD) and Directorate-General for Defence Industry and Space (DG DEFIS);
78. Notes that the Court estimates that the level of error in spending on 'Single Market, Innovation and Digital' in 2022 was material at 2,7 %; notes with satisfaction that this is a considerable decrease compared to 4,4 % in 2021; notes the Court's observation that the research and innovation expenditure is most affected by error, particularly in the area of personnel costs; is concerned that the Commission calculated an error rate of 1,5 % for this heading, which is in the lower half of the range of the Court estimation; is concerned that the Court's observation of the underestimation of the rate by the commission has persisted for a number of years, with a specific weakness identified in the Commission's *ex post* audits;
79. Notes that quantifiable errors relating to ineligible costs represent 98 % of the Court's estimated level of error of 2,7 % in 2022; notes with concern, in particular, that the rules for declaring personnel costs under Horizon 2020 remain complex and that their calculation remains a significant source of error (67 % of the estimated error level in 2022); notes that the Commission has developed and promotes the use of the 'Personnel Costs Wizard' to help beneficiaries to declare their personnel costs correctly;
80. Notes that Horizon 2020 continues to represent the large majority of projects in the Court's sample, with just one Horizon Europe project in the 2022 sample; stresses that, according to the Court, certain simplifications in Horizon 2020, in particular the introduction of a flat rate for indirect costs, have reduced the administrative burden on beneficiaries and have the potential to reduce the risk of error;
81. Notes the remarks made by the Director-General for Research and Innovation in his discharge hearing that the Commission intends to increase the disbursement of Horizon Europe funds through lump sums from 2 % in 2022 to 50 % in 2027; notes, in that context, the Court's specific review of the Commission's procedures and guidance on lump-sum funded grants in research; notes the Commission's statement that the level of scrutiny in terms of economy, efficiency and effectiveness is higher in the evaluation of lump-sum proposals; emphasises the need to check the actual implementation of projects using lump sums;
82. Stresses the crucial role of the private sector in addressing the innovation gap in the Union and improving Union competitiveness and growth; believes, in particular, that it is imperative to keep promoting and facilitating as much as possible the participation of small and medium-sized enterprises (SMEs) in Union R&I funding programmes; notes the Court's conclusion that SMEs and newcomers are more prone to errors than other beneficiaries, since they lack the experience and resources to administer the funds, and welcomes the efforts made by the Commission to specifically support them, for example through information campaigns, contacts with the system of National Contact Points and the dedicated helpdesk of the Research Enquiry Service; considers that the simplification of rules and procedures are the most important driver for increased participation of SMEs;
83. Stresses the importance of having transparent and clear rules applied to the selection procedure and to the public procurement procedures in all executive agencies; regrets the rise of complaints of researchers for non-transparency, notably for the Research Executive Agency; recalls that under the 2021-2027 long-term Union budget, the REA manages several Union programmes and support services; calls for the Commission to conduct an assessment of all procedures and an *ex post* evaluation of the added value of all their executive agencies in accordance with Article 3.1 of Council Regulation (EC) No 58/2003 ⁽⁸⁾;
84. Notes that the R&I Family Fraud Risk Assessment was updated in 2022 as work preceding the 2023 update of the Common Anti-Fraud Strategy; notes the drafting and adoption in 2022 of the 'Guidance on Horizon Europe *ex ante* anti-fraud checks', which is part of the Horizon Europe *ex ante* control strategy; notes that the main forum of the R&I Family on anti-fraud matters is the committee for Fraud and Irregularities in Research (FAIR Committee), that met two times in 2022; notes that DG RTD also updated its Anti-fraud Strategy in 2022; considers that a zero-tolerance policy for fraud is also necessary in the area of research; in light of the ongoing simplification efforts it is important to guarantee that all European grants and subsidies benefit the projected goals and to develop effective tools to identify fraud and fraud patterns in the context of lump sums; notes that one important element to avoid fraudulent misuse is the referral of respective cases to the Early Detection and Exclusion System panel;

⁽⁸⁾ Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes (OJ L 11, 16.1.2003, p. 1).

85. Recalls that fostering, attracting and retaining talent is one of the five flagships comprising the New European Innovation Agenda (NEIA), adopted on 5 July 2022; notes the statements of Commissioner Ivanova in her discharge hearing on the efforts made by the Commission to increase inclusivity in Horizon 2020 and Horizon Europe; notes the Commissioner's acknowledgement that further efforts are necessary to increase the participation of women and young people in Union R&I programmes; notes in that regard the efforts made by the Commission to implement the provisions on gender equality plans in Horizon Europe, and the joint RTD-EAC effort to attract female talent to STEM; welcomes that, in addition to other Union initiatives aiming to support and empower women in tech and innovation, in 2022 the Commission launched the second edition of Women TechEU call with an increased budget of EUR 10 million, which attracted a record number of interest with 467 applications from 35 Member States and Horizon Europe Associated Countries;
86. Welcomes the role of the ERC in supporting top researchers in Europe, which is underlined by numerous awards, including 14 Nobel Prizes, 6 Fields Medals and 11 Wolf Prizes; welcomes the 2 300 patent applications and 400 spin-off companies generated thanks to ERC projects;
87. Stresses the independence and autonomy of the ERC when fulfilling its role in supporting excellent research in the Union; recalls that the ERC requires a unique set-up to host ERCEA staff, the ERC Scientific Council and the experts responsible for the panel evaluations and that this configuration is indispensable for its work; is astonished by the Commission's plan to move several executive agencies and the ERCEA into new buildings without proper consultation and their agreement, while disregarding their actual office needs and thus endangering business continuity; highlights that even some Commission services were not adequately informed about these plans; stresses that the ERCEA has the right to sign lease contracts on its own and without the Commission's approval to maintain its extraordinary business model; underlines that the Commission must plan and collaborate with the ERCEA in good time to find suitable office spaces that fulfil their requirements and do not endanger their activities;
88. Notes the disparities in R&I development within the Union and welcomes the different measures taken by the Commission to boost Member States' R&I investments, especially less performing R&I countries, including around EUR 48 billion from the RRF, coupled with EUR 43 billion from the cohesion Policy and EUR 3 billion from the 'Widening participation and spreading excellence' component of Horizon Europe; notes that despite the Commission's efforts to increase funding allocated to researchers in widening countries several 'catch-up countries' are not yet showing progress;
89. Notes that, following Russia's war of aggression against Ukraine, the Commission stopped the participation of Russian public entities in ongoing Horizon 2020 projects and future Horizon Europe projects; notes that the latest amendment of the 'main' Horizon Europe work programme 2021-2022, adopted on 10 May 2022, included actions to support researchers previously active in Ukraine; notes that the Commission provided financial support in the form of a grant of EUR 1,5 million to the National Research Foundation of Ukraine for the establishment of a Horizon Europe Office in Ukraine (Kyiv), which will promote funding opportunities and offer support in drafting proposals and finding partners in Europe;
90. Acknowledges that, in 2022, CEF reached its full implementation phase and deems it an achievement; regrets the decrease, compared to 2021, in funding for calls for proposals under the CEF Transport 2022 funding instrument on projects targeting new, upgraded and improved European transport infrastructure; takes note that CEF Transport 2022 calls that were launched during the 3rd quarter of 2022 opened additional funding possibilities with an extra EUR 6 billion of Union co-funding; insists that a sufficiently high CEF Transport budget line is key to ensuring implementation of the Trans-European Transport Network (TEN-T) network, including the enlargement in the Eastern region to provide connection to the Eastern partners such as Ukraine, greening of European transport, increased military mobility and offsetting the unprecedentedly high inflation rates;
91. Applauds the initiative of the European Air Traffic Management Voluntary Solidarity Fund for Ukraine and Moldova under the responsibility of Eurocontrol, aiming to sustain staff/training costs and any other costs to ensure operational readiness when air traffic recovers; furthermore, welcomes another Eurocontrol solidarity mechanism to assist the front-line states struggling with the effects of a sharp drop in air traffic; points out that the Eurocontrol Member States decided to establish two specific funds: one in the form of a donation to Ukraine and Moldova of EUR 46,5 million and one in the form of a loan of EUR 46,1 million to Estonia, Latvia, Lithuania and Poland;

Energy

92. Notes the complexity of the energy policy framework in the Union and stresses that ensuring better interconnectivity is at the core of the Union energy market; welcomes the adoption of the new trans-European energy infrastructure Regulation (EU) 2022/869 of the European Parliament and of the Council ^(*) ('TEN-E Regulation'); considers that the Union has, through TEN-E, CEF and the RRF/RePowerEU Plan, made a robust legal framework available for investments in energy infrastructure, addressing the challenges of decarbonisation and decreasing dependency on imports of fossil fuel; notes the efforts made to coordinate the construction of high-priority electricity infrastructure across Member States, digitalise the Union energy system, and stimulate the grid investment with the right regulatory environment, in particular through CEF Energy;
93. Notes that, in total, CEF Energy 1 and 2 (2014-2022) provided EUR 6,24 billion of support to energy projects (EUR 5,74 billion works, EUR 0,5 billion studies) to 118 Projects of Common Interest (PCIs) and by the end of 2022, 123 actions that received support from CEF-1 Energy were completed;
94. Notes that Russia's war of aggression against Ukraine and weaponisation of energy upended energy markets in 2022, triggering price volatility and energy insecurity across the Union's energy system; highlights the Commission's response to the crisis by developing the REPowerEU Plan aiming to reduce dependence on Russian fossil fuels and phase out Russian energy imports before 2030; notes that the REPowerEU Plan mobilises close to EUR 300 billion, approximately EUR 72 billion in grants and EUR 225 billion in loans; notes that the REPowerEU Plan has additionally provided a legal basis for both Member States and the Commission to modify national RRFs and to check whether Milestones and Targets (M&Ts) are well defined to clarify them where necessary;

Recommendations

95. Calls on the Commission to:
- (i) include extra funds needed for Horizon 2020 and Horizon Europe in the draft 2025 budget to improve on the current state where 7 out of 10 high-quality proposals still cannot be funded;
 - (ii) continue to apply simplified rules and procedures, digitalisation measures and simplified cost options (SCOs) while addressing, in particular, the risk of irregularities and fraud and the costs of controls;
 - (iii) continue to simplify rules and procedures in line with the new financial regulation, to support training sessions and practical information for applicants in member states, in particular for SMEs, spin-offs, start-ups, regional NGOs or local action groups;
 - (iv) continue to promote the use of the 'Personnel Costs Wizard' to beneficiaries, in particular newcomers and SMEs, to decrease the error level related to personnel costs;
 - (v) continue its efforts to achieve a more inclusive Union research programme by giving support, setting clear targets and organising special research programmes for under-represented target groups, such as women and young people, also aspiring for balanced geographical distribution across the Union;
 - (vi) encourage and support Member States, specially 'catch-up countries', to fully exploit the synergies between available Union funds, including RRF and Cohesion funds, to increase the number of research and innovation activities in these countries; and
 - (vii) continue the funding to create an integrated, innovative and resilient Energy Union that promotes secure, sustainable, competitive and affordable energy for all, particularly SMEs and vulnerable and energy-poor consumers, while accelerating Europe's clean and just energy transition for it to become the first climate-neutral continent by 2050;
 - (viii) increase awareness, coherence, and sustainability of the support to SME internationalisation;
 - (ix) check the actual implementation of projects using lump sums;
 - (x) report to the discharge authority:
 - (a) how many cases of suspected fraud have been referred by the competent Commission departments to the EDES panel, for what exclusion grounds, and how many of these cases have resulted in 1. an early detection decision, 2. an exclusion decision of the panel;
 - (b) for how long entities have been excluded from participation in Union funds;
 - (c) if any of the excluded entities has received Union funds after the exclusion decision had ended;

^(*) Regulation (EU) 2022/869 of the European Parliament and of the Council of 30 May 2022 on guidelines for trans-European energy infrastructure, amending Regulations (EC) No 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/EC and (EU) 2019/944, and repealing Regulation (EU) No 347/2013 (OJ L 152, 3.6.2022, p. 45).

Cohesion, Resilience and Values

96. Notes that the budget for the programmes under MFF Heading 2 'Cohesion, resilience and values' was EUR 79,1 billion (40,4 % of the Union budget) distributed as follows: 53,6 % for the European Regional Development Fund (ERDF) and other regional operations, 23,6 % for the European Social Fund (ESF), 12,6 % for the Cohesion Fund (CF), 4,4 % for Erasmus+, 2,3 % for CEF Transport, 0,6 % for ESI and 2,9 % for other areas; notes that as of 31 December 2022 the final adopted budget commitments appropriations were EUR 67 805,19 million and 98,29 % of them were implemented (EUR 66 644,24 million); notes further that the final adopted budget payment appropriations amounted to EUR 63 104,31 million and 99,86 % of them were implemented (EUR 63 054,76 million);

97. Notes that in 2022, the implementation of the cohesion policy under the 2014-2020 programming period continued and that for the 2021-2027 period, the Commission concluded the negotiations of all programmes and made only advance payments, which amounted to EUR 6,5 billion;

98. Recalls that spending under the subheading 'Economic, social and territorial cohesion' (Subheading 2a) focuses on reducing development disparities between the different Member States and regions of the Union; stresses the importance of Union cohesion policy in supporting the implementation of the European Pillar of Social Rights and achieving its headline targets and assisting Member States and regions to harness new opportunities and address challenges, such as globalisation, unemployment, poverty and social exclusion, industrial change, digitalisation and supporting up and re-skilling and lifelong learning;

99. Recalls the Court's Special Report 27/2021 'EU Support to tourism – Need for a fresh strategic orientation and a better funding approach'; recalls the Court's recommendation to the Commission to set out a consolidated new strategy for the Union's tourism ecosystem in cooperation with the Member States in order to develop an effective tourism agenda for 2030 and to apply selection procedures for ERDF-funded tourism investments to support this new strategic orientation; underlines the Commission's responsibility to support the Member States in promoting tourism-related investments, in accordance with the strategic agenda;

100. Notes that the absorption rate for cohesion policy funds under the programming period 2014-2020 reached 79,2 % at the end of 2022 (86 % at the end of 2023, including newly added Recovery assistance for cohesion and the territories of Europe (REACT-EU) in 2021-2022), having a similar level at the same point in time as in the period 2007-2013; is concerned that this level of absorption was only achieved through a temporary 100 % Union co-financing rate waiving any requirement for national co-financing of projects that have been a long-established principle of Union finances; notes that the 2014-2020 programmes account for over 1 million projects and that so far, they have supported 2,4 million businesses, created 370 000 new jobs, increased the energy performance of more than 540 000 households, created 6 000 megawatts of new renewable energy sources and that 6,3 million households benefited from broadband; notes that absorption in 2022 improved for a large part because of CRII, CRII+, CARE, and FAST-CARE for the purpose of crisis response, diminishing projects to support the structural cohesion objectives of creating convergence and cohesion in the Union;

101. Welcomes the financial flexibility available in the use of cohesion funds and underlines that, thanks to this flexibility, cohesion policy played a frontline role in addressing the COVID-19 crisis, the war-related emergencies, as well as the energy crisis; reminds, however, that the rationale of this policy is to ensure a long-term planning of measures that should strengthen economic, social, and territorial cohesion between European regions; believes that post-2027 cohesion policy must provide the flexibility needed in the use of funds to enable the Member States and regional and local authorities to steer resources in an appropriate and reliable manner, always in line with cohesion policy long-term objectives;

102. Notes further that, in 2022, Cohesion's Action for Refugees in Europe (CARE) and the Flexible Assistance to Territories (FAST-CARE) mobilised over EUR 1,3 billion to help Member States and regions to support millions of Ukrainian refugees seeking shelter in Union territory, including mainstream social integration programmes, healthcare, food or essential assistance, and orientation for the job market; welcomes that the proposed measures are subject to the same obligations regarding adequate management and control systems and sound financial management that apply to cohesion policy funds;

103. Notes that the Court has examined a sample of 260 transactions covering the full range of spending under MFF Heading 2; notes with concern that the Court's estimated overall level of error in 'Cohesion, resilience and values' in 2022 increased to 6,4 %, which is significantly above the materiality threshold, having already taken into account corrections with a total value of EUR 618 million applied by Member States in 2022; draws attention to the marked increase in the overall level of error estimated by the Court in 2022 compared to previous years (3,6 % in 2021, 3,5 % in 2020) while the Commission's estimates of the payment risk for 2022 is between 1,9 % and 2,7 %, similar to previous years (1,9 %- 2,5 % in 2021, 2,1 %- 2,6 % in 2020); draws attention to the Court's report that a significant part of errors (3 % out of 6,4 %) were made in expenditure originating from CRII and CRII+;
104. Is concerned about the Court's observation that approaching the end of the eligibility period for 2014-2020 programmes (31 December 2023) added absorption pressure and that during the COVID-19 period, the effectiveness of the checks and verifications by managing and audit authorities may have been reduced, potentially increasing the risk of undetected errors and irregularities; notes that the Commission acknowledges that the specific situation and flexibilities given during COVID-19 may have played a role in the risk of irregularities due to the need to find alternative (remote) ways to control expenditure; stresses, however, that according to the Commission the risks and irregularities identified are rather linked to the type of actions implemented during the COVID-19 period or to the implementation or understanding of the flexibility introduced in public procurement rules;
105. Notes the Court's explanations that its error rate refers to the share of expenditure declared, for which it considers that the conditions for payment set out in Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council ⁽¹⁰⁾ ('the Financial Regulation'), the CPR and in Directive (EU) 2017/1371 of the European Parliament and of the Council ⁽¹¹⁾ on the protection of the Union's financial interests ('PIF Directive') have not been fully met, leading to a direct and measurable financial impact on the payment amount authorised at the time from the Union budget; notes the Court's clarification that the error rate should not be interpreted as being equivalent to the potential amount of financial corrections the Commission can impose in accordance with the applicable rules; considers that the high error rate indicates a waste of resources, in particular in cohesion policy, where many managing authorities are confronted with the parallel implementation of the RRF;
106. Notes that in the annual activity reports, the Commission reports the risk at payment, for each programme and overall for the funds, that refer to irregularities leading to financial corrections; notes that to impose financial corrections, the Commission needs to conclude that an irregularity within the meaning of the Article 2(36) of the CPR has occurred, while not all formal breaches and errors included by the Court as quantifiable errors in its estimated error rate lead to ineligible expenditure because they do not qualify as an irregularity as defined in Article 2(36) of the CPR; notes that it is helpful for the discharge authority to have a managerial perspective on errors identified;
107. Notes that the Commission accepts all recommendations of the Court under MFF Heading 2 'Cohesion, resilience and values', although divergences persist in the classification of the errors identified by the two institutions; calls on the Commission to work closely with the Court, and all relevant stakeholders, to further clarify the applicable rules and reduce divergences while ensuring that audits do not lead to an excessive administrative burden on beneficiaries;
108. Notes with concern that the Court identified an increase in the specific types of errors, such as ineligible costs and projects and infringements of internal market rules, including public procurement and state aid rules, stresses that these types of errors could be related to poor governance; notes that 3 % of the Court's estimated 6,4 % error rate in Heading 2 is related to 100 % co-financed priorities under the Coronavirus Response Investment Initiative (CRII+) which allowed for more flexible spending; reiterates that more flexibility should never lead to compromising quality and controls; asks for a review from the Commission of the current situation in order to avoid similar situations in the future; notes that the Commission has not found audit evidence of a significant impact overall of the new types of measures and flexibilities introduced on the programme error rates and notes the fact that the Commission took measures to prevent such risk;
109. Notes that the Court identified cases of projects for which ineligible expenditure was accepted, as well as their contribution to the overall estimated level of error; stresses the importance of remedying the systemic root causes and the need for audit authorities to effectively assess the eligibility criteria;

⁽¹⁰⁾ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

⁽¹¹⁾ Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, 28.7.2017, p. 29).

110. Notes that the Commission considers that self-declarations are a useful tool for providing assurance when finding alternative supporting evidence would be difficult or administratively too costly for the beneficiaries; supports the Court's recommendation to improve checks by audit authorities of self-declarations issued by beneficiaries of the funds in order to ensure their validity and reliability;
111. Notes that for ERDF and CF, the Commission implemented financial corrections and withdrawals amounting to EUR 11 billion over the programming period, including EUR 2,4 billion for the accounting year 2021-2022; notes that these financial corrections have not resulted in any loss of funding for Member States so far, as the Commission has not yet implemented any net financial correction in the 2014-2020 period; notes further that the Commission continues the implementation of its targeted 'action plan on public procurement and State aid' in cooperation with Member States; acknowledges that national authorities are primarily responsible for making the financial corrections decided by the Commission but believes that additional checks shall be implemented in order to confirm that all corrections have been implemented correctly;
112. Notes the Court's remark that the overlap of programming periods, combined with the availability of additional funding instruments under NGEU (REACT-EU and the RRF), with a more limited lifetime, may have put a strain on the administrative capacity of Member States in the programming period and at the start of the implementation of their 2021-2027 cohesion programmes; notes that in 2022, national and regional authorities had to shift their focus on reprogramming the 2014-2020 cohesion policy programmes, including the introduction of measures funded under CRII(+), REACT-EU, Flexible Assistance to Territories (FAST-CARE) and Supporting Affordable Energy (SAFE), as well as implementing the national plans under the RRF, in order to address different crisis, recovery and rescue measures; notes that the Directorate-General for Regional and Urban policy (DG REGIO) provides support to the national and regional authorities to ensure full implementation of the 2014-2020 programmes;
113. Expresses strong concern about the recent case of alleged misuse of Union funds in contracts involving the purchase of face masks known as the 'Koldo case'; is concerned that this misuse of Union funds and Union taxpayers' money involved EUR 14,6 million from the European Regional Development Fund (ERDF) and EUR 3,1 million from the EU Solidarity Fund; regrets that the EPPO received the relevant information from a private individual and not from the relevant national authority; urges Member States to report without delay to the EPPO any suspicion of misuse of Union funds in compliance with Article 24 of the EPPO Regulation; encourages the Commission to make use of external experts for audit purposes if a severe lack of capacity is identified in a Member State; notes that the alleged misuse of funds in the case was not discovered by the Commission despite having conducted audits; encourages the use of the four-eyes principle and a multiple step verification during the awarding of contracts in crisis situations if procurement procedures are not possible due to the crisis, in order to avoid possible misuse of Union funding; emphasises that the Commission should conduct in-depth *ex post* audits for contracts awarded without procurement procedures during crises in all Member States concerned; further notes that similar situations have occurred in other Member States including in a recently uncovered case of alleged fraud in Portugal involving ERDF funds and several cases in the Czech Republic on alleged misuse of REACT-EU funds in the purchase of medical equipment;
114. Notes that complementarity characterises the relation between the cohesion policy funds and the other Union funding instruments; recalls that, although the cohesion policy funds and the RRF are different in terms of general objectives, timeline, management mode and financing, current experience shows that several RRFs foresee investments which would have been eligible for financing under cohesion policy; highlights that complementarity between cohesion policy funds and RRF is possible and expected, provided that the RRF brings real added value and that the same costs are not covered twice; underlines that the risk of overlaps will increase towards the end of the RRF lifetime and points to the Commission to do its utmost to mitigate these risks;
115. Urges the Commission to monitor the situation, in particular when RRF national coordinating authorities are the same as for cohesion policy funds, and insisted on having sufficient additional administrative capacity and human resources allocated to the different strands of Union funding; nevertheless, points to the potential risks that this parallelism may lead to unidentified cases of double funding; calls on the Commission to draw lessons from the experiences out of two different funding models;
116. Welcomes that for the moment neither the Court nor the Commission identify any cases where the obligatory national co-funding of a cohesion project was paid for by RRF funds in the 2022 RRF disbursements; urges the Commission to continue to monitor the situation and prevent such financing from happening;
117. Is concerned by the Court's persistent comments on the shortcoming identified in the way audit and managing authorities work notably weaknesses in the *ex post* checks by the audit authorities and in controls by the managing authorities that do not always effectively prevent or detect irregularities in expenditure declared by beneficiaries and the over-reliance of the Commission on the quality of programme authorities' work, related to inherent limitations in the Commission's desk reviews;

118. Notes the Commission's reply that its assessment, based on a combination of desk and on-the-spot audit work covering the different individual programmes and assurance packages, enables it to establish a reasonable and fair estimate of the error rates for each programme, every year, and cumulatively for cohesion policy funds; agrees with the Court that the Commission's desk reviews have inherent limitations in confirming the validity of the residual total error rates reported by audit authorities; notes that these weaknesses might also affect the Commission's estimated risk at closure, as the Commission may not in all cases carry out the necessary corrections to bring the residual error rate below materiality;
119. Stresses with concern that the Court's finding that the proportion of assurance packages with residual error rates of above 2 % reached a peak of 61 % of the expenditure in the Court's sample in 2022 compared to 39 % in the previous year, reflecting the persistent shortcomings in the work of the audit authorities; stresses with concern that the Court's audit results over the last six years demonstrate that the controls currently in place do not yet sufficiently offset the high inherent risk of error in cohesion, and that managing authorities do not always effectively prevent or detect irregularities in expenditure declared by beneficiaries; notes with concern that the errors found by the Court represent significant weaknesses in the audit authorities' work on verifying the eligibility of expenditures and projects, and the compliance with internal market rules; notes that a part of the residual error rates recalculated by the Court above 2 % in the audited assurance packages are attributable to the aforementioned divergences;
120. Is concerned about the persistent shortcomings observed by the Court in the national audits, which can be due to inadequate scope, unclear documentation of audits and sample filtering performed by national audit authorities, as well as resource issues, such as inadequate funding and a lack of skilled experts; stresses its concern that the Court observed weaknesses in a wide range of audits, for example cases of insufficient checks on information provided by beneficiaries on the eligibility of projects, on the compliance with internal market rules and on the risk of fraud and conflict of interest; notes that the Commission, on the other hand, considers the work of the majority of the audit authorities to be reliable and that only 10 out of 116 audit authorities need serious improvements; recalls its recommendations in the Parliament resolution of 21 November 2023 on possibilities to increase the reliability of audits and controls by national authorities in shared management;
121. Notes the Commission's commitment to continue its close work with the audit authorities in order to strengthen their capacity to prevent and correct errors, to better document their audit work and therefore to contribute to the assurance process;
122. Notes the Court's finding that, as a way to simplify expenditure, beneficiaries of cohesion policy funding used SCOs for 77 transactions, or 30 % of its sample, applying either flat rates, standard sales of unit costs or a combination of both; stresses that SCOs are one of the most important measures to reduce administrative costs and burdens for the beneficiaries and thus, to facilitate the access of small beneficiaries to the funding and focus more on the achievement of the objectives while reducing the error rate; highlights that the Court considers that SCOs are not always adequately implemented and shares the Court's audit conclusion that SCOs should not result in an excessive financial benefit for a member state; on the other side SCO should in practice lead to real reductions of bureaucratic burden and not to an exhaustive *ex ante* and *ex post* control; notes that slight variations of prices in SCO estimates compared to the prices identified during *ex post* controls should be acceptable;
123. Notes that, for the 2021-2027 programmes, the Commission has encouraged the use by programme authorities of the simplification measures foreseen under the CPR, in particular, the use of SCOs and financing not linked to costs (FNLC) schemes to tackle eligibility issues, ease management verifications and control the burden on beneficiaries; notes that, as a result of this effort, for the ERDF and the CF for example, 120 SCO schemes at programme level were adopted so far in 11 Member States and for Interreg programmes (EUR 5,7 billion of total contribution) as well as 4 FNLC schemes in 4 Member States (for EUR 1,2 billion of total contribution); underlines that urgently further simplification and flexibility is needed; calls on the Commission to find the right balance between necessary flexibility for slight price variations and on the other side inappropriate intentional cost and price overestimations;
124. Is concerned by the Court's finding regarding an ERDF programme in Slovakia aimed at renovating a public building's interior space, despite the fact that under that program only energy-efficiency measures were eligible; notes the Court's observation that this project should not have passed the evaluation phase, as in the application the threshold of at least 25 % of the expenditure for the project linked to energy efficiency was not met; notes similar cases identified by the Court that lack a Commission response;
125. Recalls that for the 2021-2027 period, Member States need to comply with certain horizontal or thematic enabling conditions of the CPR, which are prerequisite conditions for the effective and efficient implementation of the specific objectives of the funds; recalls that when enabling conditions are not fulfilled at the time of submission of a payment application to the Commission for the specific objective concerned, the related expenditure will not be reimbursed from the Union budget until the Commission is satisfied that the enabling condition has been fulfilled;

126. Recalls that on 15 December 2022, based on a Commission proposal, the Council adopted Implementing Decision (EU) 2022/2506 ⁽¹²⁾ on measures for the protection of the Union budget against breaches of the principles of the rule of law in Hungary; stresses that the decision was based on the Commission's concerns regarding severe issues related to the public procurement system in Hungary; welcomes the temporarily suspension of 55 % of commitments for certain cohesion policy programmes for the period 2021-2027; notes that the Commission has been monitoring the implementation of the remedial measures proposed by Hungary in the framework of the 'Conditionality Regulation'; notes that in December 2023, the Commission reassessed on its own motion the situation in Hungary and concluded that the Union's budget remains at the same level of risk as there are still commitments that were neither correctly nor timely fulfilled;
127. Notes that in December 2022, the Commission concluded that Hungary was not fulfilling the horizontal enabling conditions under the CPR on the Charter with regard to judicial independence and the provisions of several laws posing serious risks to LGBTIQ+ rights, academic freedom and the right to asylum; strongly regrets the Commission Decision of 13 December 2023 ⁽¹³⁾ considering that Hungary has fulfilled the horizontal enabling condition related to the judiciary independence, thus enabling the Hungarian authorities to submit reimbursement claims of up to EUR 10,2 billion without adequate control mechanisms or public procurement procedures in place to guarantee sound financial management and the protection of the Union budget; believes that this decision politically contradicts the prolongation of the measures adopted under the Conditionality Regulation and expresses its disappointment that Parliament was not adequately informed during the process; reiterates its concerns regarding the judicial independence, even after the recent reforms, as expressed in its Resolution of 18 January 2024 on the situation in Hungary and frozen Union funds;
128. Reiterates the need of treating as a single, integral package all the measures required for the release of Union funding under the Conditionality Regulation, the CPRs and the RRF Regulation; stresses the importance of the protection of the Union financial interests also for disbursement of pre-financing;
129. Notes from the PIF Report for the year 2022 that from 2021 to 2022, the number of fraudulent irregularities relating to the Cohesion Policy decreased by 11,6 % (233 reported in 2021 compared to 206 reported in 2022), while non-fraudulent irregularities increased by 9,3 %; notes that the Commission requested audit authorities to pay particular attention to new risks related to the multiplication of Funds and additional funding under NGEU, in particular, 'double funding', conflicts of interest, fraud or corruption; notes the efforts made by the Commission to promote the use of the Arachne risk scoring tool to the reluctant Member States, and to introduce improvements in the tool; notes that the audit authorities explicitly addressed the risk of fraud for 65 % of the audited operations in the 2014-2020 period, which is an improvement on the 38 % found in 2021 by the Court;
130. Stresses that the Court, OLAF and the EPPO should have access to a single integrated IT system for data-mining and risk-scoring provided by the Commission, in a proportionate manner, within the exercise of their respective competences, as is envisaged in the recast of the Financial Regulation;
131. Highlights the importance of the legality and regularity of cohesion spending as well as the crucial role that managing and audit authorities play in this respect; recalls the need to simplify and rationalise audits, concentrating on what is necessary to fight against fraud; recalls, in addition, that according to the 21-27 Common Provisions Regulation, Member State authorities should report all cases of suspected or established fraud related to Union-funded projects that they identify, and that they should report these cases even if they detect them before declaring expenditure to the Commission;
132. Highlights the significant role of the European Anti-Fraud Office and the European Public Prosecutor's Office (EPPO) in protecting the Union budget; calls on all Member States to join the EPPO; reminds that, in her appearance before the Committee on Regional Development on 25 May 2023, the European Public Prosecutor noted that the management and control system for Union expenditure currently in place is not designed to detect fraud and that audits or administrative investigations rarely detect financial crime, which often has a cross-border dimension; stresses the need to provide the EPPO with the necessary means to carry out its duties; is of the opinion that a strengthened EPPO would make it possible for the legislator to further simplify the regulatory framework for cohesion in order to improve the implementation of the funds;

⁽¹²⁾ Council Implementing Decision (EU) 2022/2506 of 15 December 2022 on measures for the protection of the Union budget against breaches of the principles of the rule of law in Hungary (OJ L 325, 20.12.2022, p. 94).

⁽¹³⁾ Commission Decision of 13 December 2023 on the reassessment, on the Commission's initiative, of the fulfilment of the conditions under Article 4 of Regulation (EU, Euratom) 2020/2092 following Council Implementing Decision (EU) 2022/2506 of 15 December 2022 regarding Hungary, C(2023) 8999.

133. Requests OLAF to carry out a thorough investigation on the possible misuse of Union funds through Erasmus+ and the European Solidarity Corps by networks of associations that present false projects, with the aim of verifying recent reports on this matter by some national agencies, measuring the scale and importance of such cases of fraud, and analysing their treatment by competent authorities in the Member States;

Recommendations

134. Calls on the Commission to:

- (i) proactively engage in constructive dialogue with the Court to overcome the growing number of situations where the Commission's official response to the Court's findings is to 'agree to disagree' and continue its cooperation with the Court in order to align the results of their estimated error rates and the interpretation of legal texts;
- (ii) match the Court's findings concerning Member States' declarations with the information coming from the Commission's risk at payment and risk at closure exercise on managing authorities to identify error hotspots that need to be addressed with urgency;
- (iii) continue its close work with the audit authorities in order to strengthen their capacity to prevent and correct recurring errors, to better document their audit work and therefore to contribute to the assurance process;
- (iv) improve and strengthen Member States' management and control system to ensure member states declare only eligible expenditure to the Commission;
- (v) ensure that audit authorities have appropriate methods in place to check self-declarations by means of identifying good practices and issuing a guidance to Member States;
- (vi) carry out specific targeted checks as part of the closure audits to ensure that Member States have applied the necessary financial corrections for errors detected;
- (vii) pay particular attention in its audits to the risks linked to the flexibilities introduced with the CRII/CRII+ amendments; launch an immediate review of spending under these programmes to identify and correct systemic issues which have led to an abrupt increase of the error rate;
- (viii) continue its support to Member States and at the same time prepare an action plan on how to best avoid the administrative over-burden towards the end of the MFF that will come on top of the planned RRF eligibility period, given the completion of the 2014-2020 programming period and the implementation of the current one, in particular by supporting administrative capacity building;
- (ix) continue the implementation of its 4th revision of the 'action plan on public procurement' in cooperation with Member States to help programme authorities and contracting authorities to improve their practices in the area of public procurement, including how to avoid the most common errors in public procurement linked to the management of the ESI Funds, as well as targeted training sessions for Member States' officials;
- (x) deliver on its promise to provide both the Discharge Authority as well as the general public with the list of Union funds' biggest final beneficiaries, where such a list considers the final beneficiary to be the natural person or an entity that, as the last in the chain of recipients, receives the Union funds;
- (xi) further enhance simplification in the implementation of cohesion programmes; furthermore encourages the Commission to implement tools for digitalisation of public procurement based on the model of e-procurement, and to help Member states in this transition;
- (xii) work, in order to achieve a successful uptake of SCOs, in parallel with all stakeholders, on methodological and assurance harmonisation so that there is sufficient predictability for the beneficiaries on how those options are expected to be implemented; and ensure that audits do not lead to further bureaucratisation of implementation and an unnecessary audit burden on beneficiaries; ensure SCOs are not implemented in a way that Member States gain excessive financial benefit, while guaranteeing an appropriate flexibility in the cost and price estimations;
- (xiii) work together with Member States' audit authorities to ensure that the specific risk of double funding, especially with the RRF financing, is reduced by adequate national controls and audits; insists that the Commission performs thematic or compliance audits tailored to target high-risk areas and Member States; and
- (xiv) establish a comprehensive mechanism for the use of cohesion funds in the event of exceptional or unforeseen circumstances using guiding provisions on its scope, funding availability, governance, audit and control, and application; underlines that such use for exceptional circumstances should be restricted to specific and well defined situations, limited in time and scope and with an increased degree of controls to mitigate risks;

- (xv) calls on the Commission to re-assess its decision to 'unfreeze' EUR 10,2 billion of cohesion funds to Hungary and to refrain from disbursing any funds until the relevant legislation has been implemented and the adopted measures have proven to be effective in practice;
- (xvi) make the use of IT tools such as EDES and Arachne mandatory and systematic for all Union funds including shared management and ensure better use of new technology in order to increase controls and protect the Union budget against fraud and misuse of funds in the context of the concluded revision of the Financial Regulation;
- (xvii) grant the Court, OLAF and the EPPO access to a single integrated IT system for data-mining and risk-scoring provided by the Commission, in the terms agreed in the recast of the Financial Regulation;
- (xviii) report on the early preventive system audits (EPSA) performed at the beginning of the programming period, in order to confirm the effectiveness of the control systems in the Member States, including the system in place to prevent irregularities;
- (xix) report to the discharge authority how the use of flexibility measures in cohesion policy, that have improved absorption, has affected the structural cohesion objectives of convergence and cohesion;

Culture and education

- 135. Welcomes the Commission's and the European Education and Culture Executive Agency's (EACEA) efforts to adapt Erasmus+, the European Solidarity Corps and Creative Europe to a changing reality, for instance by reviewing upwards individual support rates for grants to safeguard their inclusive character, extending application deadlines and project duration, and a voluntary refocusing of activities on Ukraine, and expects more efforts to further reinforce inclusion measures and support to facilitate the participation of vulnerable groups;
- 136. Appreciates that the Commission and the EACEA managed to achieve nearly full budget execution for Erasmus+ and full budget execution for the European Solidarity Corps in 2022, making it even necessary to redeploy credits from other programmes to cover payment needs; notes the challenges to the payment implementation of Creative Europe in 2022, with some EUR 50 million having been deferred to 2023 as a result of operational issues and delays in the granting processes; recognises DG Education, Youth, Sport and Culture's (DG EAC) and the EACEA's efforts to limit the impact of these delays and return to a normalised pace in 2023;
- 137. Reaffirms the need for increasing further the budgetary envelopes of the EU's youth, cultural and educational programmes, in particular to increase the outreach to and involvement of young people, artists and professionals with fewer opportunities and to support citizenship education; in this respect, requests the Commission to continue cooperating closely with the Member States;
- 138. Welcomes the fact that, thanks to a EUR 3 million reinforcement of the 2022 European Year of Youth at the Parliament's insistence, a number of actions under the Year could be strengthened, such as solidarity projects, volunteering and networking activities; underlines that the successful results of the Year should now be sustainably implemented to ensure its lasting legacy;
- 139. Notes the continued frontloading of the Creative Europe budget in 2022 for mitigating the persisting impact of the COVID-19 pandemic on the cultural and creative sectors; notes that, thanks to this frontloading, a higher number of European cultural cooperation projects could be selected in 2022 than ever before; is, however, concerned that the frontloading of 2021 and 2022 may lead to a shortage of funding from 2023 and deplores that the programme as a whole remains underfinanced in relation to the objectives to be achieved, notably given its high subscription rate;
- 140. Notes with concern the persisting challenges in 2022 with the e-Grant tools for beneficiaries of calls managed by the EACEA; strongly urges the Commission and EACEA to address these IT issues once and for all to avoid repercussions on target achievement, to reduce the risk of errors and to simplify procedures; believes that a more efficient and accessible IT infrastructure would also facilitate small beneficiaries' access to programme resources;
- 141. Notes the positive development in the EACEA's staffing situation, with a significant increase of staff by the end of 2022;

Natural resources

142. Notes that the budget for the programmes under MFF Heading 3 'Natural resources' was EUR 58,3 billion (29,7 % of the Union budget) distributed as follows: 65,9 % for direct payments under the European Agricultural Guarantee fund (EAGF), 26,2 % for the Agricultural Fund for Rural Development (EARDF), 4,7 % for market-related expenditure under the EAGF, 1,8 % for Maritime and Fisheries, 0,9 % for Environment and Climate (LIFE), and 0,5 % for other areas; notes that as of 31 December 2022, under MFF Heading 3 'Natural Resources and Environment' the final adopted budget commitments appropriations were EUR 56 681,11 million and 98,92 % of them were implemented (EUR 56 069,86 million); notes further that the final adopted budget payment appropriations amounted to EUR 55 826,77 million and 98,89 % of them were implemented (EUR 55 205,48 million);
143. Notes that 2022 was the second and last year of the transitional period during which funds from the Common Agricultural Policy (CAP) 2021-2027 budget allocation and an additional EUR 8 billion of externally assigned revenue from the NextGenerationEU funds for the European Agricultural Fund for Rural Development Fund (EAFRD) could be committed by Member States in anticipation of the entry into force of the new CAP on 1 January 2023 and that the related payments by Member States to farmers and other CAP beneficiaries can be made until 31 December 2025;
144. Notes that, in the financial year 2022, there were more than 5,9 million beneficiaries of direct support schemes, around 3,5 million beneficiaries of rural development measures and some 0,11 million beneficiaries of market measures; stresses that the resilience of the Union farmers and food system has continued to ensure food security in the Union and beyond, despite the challenges they faced in 2022;
145. Notes that Russia's unprovoked war of aggression against Ukraine triggered, among other actions, the activation of the crisis reserve in the form of a support package that amounted to EUR 500 million, out of which EUR 350 million was made available for affected producers from the reserve and another EUR 150 million from the EAGF; welcomes the high execution rate (above EUR 492 million) and the fast implementation; notes that Member States were given flexibility in deciding on the sectors they considered most hit by the market disturbance and also the types of aid schemes, which determined the control system applied;
146. Notes that the Court has examined a sample of 218 transactions covering the full range of spending under this MFF heading; notes that the Court also examined the regularity information given in the annual activity reports of the Directorate-General for Agriculture and Rural Development (DG AGRI) and the Directorate-General for Climate Action (DG CLIMA), as well as selected systems in 17 Member States and the United Kingdom; notes that the Court estimates the level of error for 'Natural Resources' to be 2,2 % (1,8 % in 2021) and that the majority of the errors found affected rural development transactions; notes that DG AGRI estimates a risk at payment of 1,76 %;
147. Notes that the Court found 21 quantifiable errors in rural development, 7 in direct payments, 2 in expenditure related to market measures and 2 in non-CAP expenditure; is reassured by the fact that the Commission stated that 8 of the quantifiable errors have a financial impact below EUR 100 (over-declaration of areas) and for most of them, the amount misspent is below EUR 1 000;
148. Notes that the majority of errors found by the Court were related to the provision of inaccurate information on areas or animals (42 %) and ineligible beneficiary, activity, and project, expenditure; notes with concern, as in 2021, that the Court found in several cases that the Member State authorities and the Commission had sufficient information to prevent, or to detect and correct the error before accepting the expenditure and that, had the Member States' authorities and the Commission made proper use of all the information at their disposal, the estimated level of error for this chapter would have been 1,3 percentage points lower;
149. Recalls that both the Commission and Member States are responsible for addressing fraud in CAP spending; Points out that anti-fraud measures should remain a high priority for the Union and Member States as fraud prevents Union resources from achieving the policy objectives.
150. Notes the Commission's statement that the 2023-2027 CAP delivery model aims to simplify rules and to emphasise the use of new technologies, such as the Area Monitoring System, that will help reduce errors; notes that, together with errors made by the farmers, the Land Parcel Identification System (LPIS) is the basis for the geospatial aid application and recalls the significant potential benefits of technologies for monitoring area aid for farmers, administrations and the environment;

151. Notes the example of an incorrect declaration of agricultural activity presented by the Court in its annual report, quoted in several media outlets as the 'lemon trees' case', where a farmer declared to cultivate permanent crop, where in reality the plot was not cultivated for several years; notes the financial impact of this error was EUR 8 349,06 as reported by the Commission, along with the corrective actions taken by the responsible national authorities, including the recovery of the claimed amount; commends the thorough audit work of the Court and the Commission and the swift follow-up by the paying agency concerned; stresses though that this case should not be understood as an rare and individual coincidence but rather as a risk of systematic way allowing for fraudulent way to receiving the Union funds and should thus not be underestimated;
152. Notes that SCOs are applied across the CAP, including in rural development where eligibility conditions are more complex and the risk of error is higher, and that there is still potential to simplify measures that are not based on area or animal declarations, where Member States can decide whether to reimburse actual costs or pay according to predefined outputs; notes that the Commission reports almost 92 % of Rural Development Programmes make use of SCOs; calls on the Commission to disclose the amount disbursed through SCOs;
153. Recalls that the CAP assurance model includes the first level controls by the paying agencies, the audit work carried out by the independent certification bodies that provide annual opinions on the legality and regularity of the expenditure of paying agencies, and the Commission's work through the clearance of accounts; welcomes that, despite some inconsistencies due to the different update schedules of the control and payment datasets, the Court found that the selected paying agencies' systems reliably calculated the aid payments, which is a testament to the overall quality and coherence of the Member States' control statistics and payments data reported to the Commission;
154. Welcomes the increased interest in and use of the integrated IT tool for data mining Arachne by the Member States, with 13 Member States using the tool for at least some measures, and five Member States participating in a general introduction workshop on Arachne; regrets the fact that the use of the integrated IT tool for data mining Arachne by the Member States, is not compulsory; notes the obstacles reported by Member States and the continued efforts of the Commission to improve Arachne; regrets the selective adoption of Arachne by Member States;
155. Notes that, in 2022, the Commission reported an implementation rate of 99,69 %, for commitments under the European Maritime, Fisheries and Aquaculture Fund (EMFAF), a marked improvement from the 15,98 % implementation rate of EMFAF in 2021; notes, however, that 94,76 % from the EUR 1 135,74 million committed appropriations in 2022 and 97,06 % from EUR 148,12 million in 2021 remained unpaid at the end of the corresponding year; notes further that the implementation rate of the authorised payment appropriations for EMFAF in 2022 was 99,99 % and for EMFF in 2021 was 86,55 %;
156. Notes the Court's Special Report 09/2023 on securing agricultural product supply chains during COVID-19 and its conclusion that the Commission's response to the threat posed to agricultural product supply chains by the COVID-19 pandemic was appropriate in most respects but insufficiently targeted; recalls that direct support, with a budget of EUR 712 million, was implemented quickly through reallocation of unused funds from EAFRD, which resulted in this measure mostly being taken up by the Member States with a significant portion of the EAFRD budget unused at the end of 2019; recalls further that 5 of the 14 member states made the Union funding available to all farmers that suffered losses, whereas the other 9 targeted selected sectors and supported beneficiaries irrespective of whether they had suffered losses;
157. Notes that preliminary estimates (based on commitment appropriations) of the climate contribution of the main programmes show that 34,8 % of the Union budget in 2022 was dedicated to climate action, in line with the Interinstitutional Agreement plans for at least 30 % of 2021-2027 MFF to be used for this purpose;
158. Notes the changes made to the Commission's climate-tracking methodology in 2022 in response to the concerns expressed about the Court's finding in Special Report 09/2022 ⁽¹⁴⁾, stating that the reported spending was not always relevant to climate action, that the amount reported as having been spent for that purpose had been overstated by at least EUR 72 billion, meaning that only around 13 % of the 2014-2020 budget was spent on climate related purposes; is of the opinion that this fact serves as a warning; urges the Commission to distinguish between climate mitigation and climate adaptation in the tracking methodology by breaking monitoring and reporting category into climate adaptation and climate mitigation;

⁽¹⁴⁾ Climate spending in the 2014-2020 EU budget – Not as high as reported, 30 May 2022.

159. Underlines the importance of proper scrutiny of climate and biodiversity expenditure in the Union budget, and holds the Commission accountable for the implementation of a robust and reliable methodology, in line with the commitments undertaken in the MFF agreement and paragraph 16d of the IIA of 16 December 2020; calls on the Commission to avoid misleading approximation of the spending contribution to climate and biodiversity objectives, lack of explicit targets, as well as only partial coverage of potential negative or unclear climate and biodiversity impacts; acknowledges that there are the interventions with common benefits but underlines the need to avoid double counting;
160. Calls on the Commission to provide Parliament with an annual report setting out in detail the contribution of each budget item to the climate mainstreaming and the biodiversity targets, in order to facilitate their monitoring; calls further on the Commission to report whether any budget item fails to respect the 'do no significant harm' criterion as referred to in the Taxonomy Regulation;
161. Notes that the European Health Emergency Response Authority (HERA), following its establishment as an internal Commission service on 1 October 2021, increased its operations throughout 2022 and that its mission is to support the Commission's priorities for public health, preparedness and crisis management in the sectors of health, research and innovation and industry; notes with concern the overlap of responsibilities and duplication of efforts between mandates of DG HERA with DG SANTE and the ECDC; calls on the Commission to ensure the added value of HERA as an integral part of the Commission and to prevent duplication of work and resources;
162. Regrets that the Commission's decision on financing HERA heavily relied on the EU4Health Programme, cutting its budget by more than half with an EU4Health contribution of EUR 2,795 billion to HERA between 2021 and 2027; notes with concern that such reduction affected EU4Health's capability of ambitious financing of other activities as foreseen by Regulation (EU) 2021/522 of the European Parliament and of the Council ⁽¹⁵⁾, including putting at risks actions under Europe's Beating Cancer Plan and the necessary support for creation of the European Health Data Space; deplores that by assigning such significant amounts to HERA, the Commission breached the agreed funding ceilings for minimum and maximum spending set in the EU4Health Regulation;

Recommendations

163. Calls on the Commission to:
 - (i) devote explicit attention in the *ex post* evaluation of the CAP 2014-2020 to the transitional period 2021-2022 and the additional requirements included in the transitional provisions in Regulation (EU) 2020/2220 of the European Parliament and of the Council ⁽¹⁶⁾;
 - (ii) keep the discharge authority informed on the use of SCOs in the current and new CAP and evaluate their use with Member States' authorities and (potential) beneficiaries to understand the relatively slow uptake of these options;
 - (iii) continue to promote the use of Arachne to increase both the number of Member States using the system, and to increase the extent of use to include all programmes in the context of the concluded revision of the Financial Regulation;
 - (iv) to carefully consider the risk indicators in Arachne with the aim of reducing the number of false indicators and make the remaining ones more efficient in detecting situations with a high risk for the protection of the Union's financial interests; and
 - (v) promote, provide incentives and support the Member States' paying agencies in using IT tools like Copernicus Satellite imagery and other imaging technologies in the field of agri-monitoring;
 - (vi) make better use and encourage the use of AI and data from new technologies such as the Union owned Copernicus Sentinel satellites to monitor and control the correct use of CAP funds;

⁽¹⁵⁾ Regulation (EU) 2021/522 of the European Parliament and of the Council of 24 March 2021 establishing a Programme for the Union's action in the field of health ('EU4Health Programme') for the period 2021-2027, and repealing Regulation (EU) No 282/2014 (OJ L 107, 26.3.2021, p. 1).

⁽¹⁶⁾ Regulation (EU) 2020/2220 of the European Parliament and of the Council of 23 December 2020 laying down certain transitional provisions for support from the European Agricultural Fund for Rural Development (EAFRD) and from the European Agricultural Guarantee Fund (EAGF) in the years 2021 and 2022 and amending Regulations (EU) No 1305/2013, (EU) No 1306/2013 and (EU) No 1307/2013 as regards resources and application in the years 2021 and 2022 and Regulation (EU) No 1308/2013 as regards resources and the distribution of such support in respect of the years 2021 and 2022 (OJ L 437, 28.12.2020, p. 1).

Migration and Border management, Security and Defence

164. Notes that the budget for the programmes under MFF Heading 4 'Migration and Border Management' was EUR 3,4 billion (1,7 % of the Union budget) distributed as follows: 43,9 % for the Asylum, Migration and Integration Fund (AMIF), 23,1 % for the Integrated Border Management Fund (IBMF) and 33 % for three decentralised agencies: European Border Coast Agency (Frontex), European Union Agency for Asylum (EUAA) and European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA); notes that, as of 31 December 2022, the final budget commitment appropriations adopted amounted to EUR 3 410,39 million and 99,54 % of them had been implemented (EUR 3 394,69 million); notes further that the final adopted budget payment appropriations amounted to EUR 3 372,54 million and 97,61 % of them have been implemented (EUR 3 292,03 million);
165. Notes that the budget for the programmes under MFF Heading 5 'Security and Defence' was EUR 1,2 billion distributed as follows: 45,6 % for the European Defence Fund (EDF), 17 % for the Internal Security Fund (ISF), 19,2 % for decentralised agencies The European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), Europol and European Union Agency for Law Enforcement Training (CEPOL), 6,8 % for nuclear safety and decommissioning, and 11,4 % for other areas; notes that, as of 31 December 2022, the final adopted budget commitment appropriations were EUR 1 813,03 million and 99,8 % of them had been implemented (EUR 1 809,43 million); notes further that the final adopted budget payment appropriations amounted to EUR 1 158,67 million and 97,54 % of them have been implemented (EUR 1 130,20 million);
166. Notes that a significant portion of the spending under MFF Headings 4 and 5 in 2022 concerned the completion of projects remaining from the 2014-2020 MFF; notes that significant amounts of AMIF and ISF national programmes for 2014-2020 remain undisbursed (26 % for AMIF and 33 % for the ISF at the end of 2022) while funding for 2014-2020 has to be spent by June 2024;
167. Notes that the Court examined a sample of 23 transactions, which is not representative enough of the spending under MFF Headings 4 and 5 and, therefore, cannot provide an estimate of the error rate; stresses with concern that the Court's audit results show that the expenditure is affected by eligibility and procurement issues and that it is a high-risk area (11 out of 23 transactions audited, i.e. 48 %, were affected by errors) and thus, invites the Court to provide a clear estimation of the error rate for this chapter; notes that the Court quantified nine errors which had an impact on the amounts charged to the Union budget and that it also found four cases of non-compliance with legal and financial provisions, which had no impact on the Union budget; notes that the Commission concludes that the risk at payment is below 2 % for the expenditure on migration and border management, as well as for security and defence;
168. Welcomes the progress identified by the Court in its review of the work done by six Member States' audit authorities in preparation for the 2021-2027 AMIF, the Border Management and Visa Instrument (BMVI) and ISF annual accounts; notes the Court's observation that, at the time of its visits (between September 2022 and February 2023), the six Member States' audit strategies had not yet been adopted, which is a prerequisite for submitting an 'assurance package'; notes that, at the time of the Court's visit, the IT systems to store information and documentation needed for audits of the six Member States' managing authorities were either under development or yet to be developed;
169. Notes that DG DEFIS' anti-fraud strategy was updated in February 2022 and its implementation is being monitored and reported to the management annually; welcomes that 100 % of OLAF's recommendations regarding DG DEFIS were implemented and that no incidences of fraud have been reported at the Commission level or by its partners; notes that the last update of the Directorate-General for Migration and Home Affairs (DG HOME)'s anti-fraud strategy took place in October 2021 and is currently being implemented; welcomes that, by the end of 2022, 72 % of OLAF's financial recommendations from the previous year were fully implemented and 28 % were under implementation;

Migration and border management

170. Notes that in 2022 the funds under MFF Heading 4 were instrumental in addressing the impact of Russia's war of aggression against Ukraine; notes that more flexibility was introduced under the 2014-2020 funds to enhance Member States' possibilities to channel funding towards new needs, and EUR 400 million of Emergency Assistance was triggered under the Thematic Facilities; notes that the adoption of the Member States' programmes for 2021-2027 allowed them to access to more than EUR 10 billion under the new funds for the programming period;

171. Notes that more than 16 million people from Ukraine and Moldova have been recorded as having entered the Union since the beginning of Russia's war of aggression against Ukraine, and over 4 million persons fleeing the war obtained protection in the Union; notes that the Commission provided financial support to the International Organisation for Migration to support the process, as part of a EUR 15 million project facilitating transfers from Moldova of vulnerable people fleeing Ukraine; notes further that on 30 November 2022, the Commission announced the decision to award financial support of EUR 5,5 million to a project to be carried out by the International Federation of the Red Cross and Crescent Societies (IFRC) to support hosts and all those involved in providing private accommodation to displaced people, putting together good practices for future needs; notes that, in 2022, in the context of financing Ukraine, the Commission adopted decisions authorising the use of the funding not linked to costs amounting to EUR 248 million (May 2022) and EUR 137 million (August 2022), as well as for smaller grants, safe homes and psychosocial support amounting to EUR 15 million;
172. Notes that in 2022 DG HOME provided EUR 27 million for the exchange of security-related information and EUR 25,5 million for combatting and preventing crime, including terrorism; notes further that in July 2022, through the Internal Security Fund (ISF), the Commission allocated EUR 15,7 million to Member States to further support long-term projects and activities within the European Multidisciplinary Platform Against Criminal Threats (EMPACT) – a security instrument 'driven' by Member States to identify, prioritise and address threats posed by organised and serious international crime,

Security and defence

173. Welcomes that the participation of SMEs in the EDF (European Defence Fund) (in particular the cross-border participation of SMEs in industrial consortia) is being facilitated through targeted EDF calls, financial bonuses, specific award criteria, and the use of SCOs to decrease the administrative burden; notes that in the 2022 EDF calls, 38,2 % of the participating entities were SMEs, and 20 % of the total funding available through these calls will be for SMEs (EUR 166 million);
174. Recalls that the Preparatory Action on Defence Research (PADR) was a precursor programme of the EDF with a budget of EUR 90 million that funded 18 research projects selected following calls for proposals in the years 2017 to 2019; notes with concern that the Court, in its Special Report 10/2023 'The Preparatory action on defence research', observes that the Union still lacks a long-term strategy for the projects under the EDF, particularly in terms of impact, additional research, development, manufacturing, procurement, and other aspects; welcomes that the Commission has accepted all of the Court's recommendations;
175. Notes the Court's observations in its Special Report 10/2023 regarding the limited availability of human resources at the Commission and the subsequent risk for the EDF; notes that, as a result of security issues, the number of staff needed to manage defence projects is higher than for other projects; notes that the ever-growing number of proposals to evaluate and projects to manage puts considerable pressure on human resources and creates challenges in terms of recruiting qualified and suitably experienced staff;

Recommendations

176. Calls on the Commission to:
- (i) develop a longer-term strategy for the EDF, building on the experience with PADR and the Court's recommendations;
 - (ii) secure the provision of adequate budget and skilled human resources to enhance defence cooperation and investment and to implement the EDF; and
 - (iii) focus its controls on expenditure found by the Court to be highly affected by eligibility and procurement issues in 2022 and asks the Court to expand a sample of audited transactions to be able to provide an estimate of the error rate;
 - (iv) monitor the implementation of the outstanding OLAF's financial recommendations;

Neighbourhood and the world

177. Notes that the budget for the programmes under MFF Heading 6 'Neighbourhood and the world' was EUR 14,5 billion (7,4 % of the Union budget) distributed as follows: 64,8 % for the Neighbourhood, Development and International Cooperation Instrument - Global Europe (NDICI-Global Europe), 16,8 % for Humanitarian Aid (HUMA), 14,4 % for Pre-Accession Assistance (IPA III) and 4 % for other actions and programmes; notes that as of 31 December 2022, the final adopted budget commitment appropriations were EUR 17 670,49 million and 99,79 % of them were implemented (EUR 17 632,52 million); notes further that the final adopted budget payment appropriations amounted to EUR 13 156,10 million and 99,19 % of them were implemented (EUR 13 049,50 million);

178. Notes that the Court examined a sample of 72 transactions, which is not representative enough of the spending under this MFF heading and, therefore, cannot provide an estimate of the error rate; considering that the Court's audit results show that this is a high-risk area (34 out of 72 transactions audited, i.e. 47 %, were affected by errors), invites the Court to provide a clear estimation of the error rate for this chapter; notes that the Court found 25 errors that had a financial impact on the Union budget, relating to ineligible costs, absence of supporting documents, public procurement and expenditure not incurred, areas that could point to risks of unreliable functioning of the national authorities' control mechanism or even the administrative or political unwillingness to properly execute Union financial rules;
179. Recalls that the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR) reports the risk at closure in its Annual Activity Reports (AARs) based on a study carried out by an external contractor, known as the residual error rate (RER), the aim of which is to estimate the rate of errors not detected by the internal control system and to conclude whether it is effective or not; notes the results of the 2022 RER study that the residual error rate in 2022 is 1 % and thus, below the materiality threshold of 2 %;
180. Notes that the Court identified limitations regarding the methodology used to determine the RER that may contribute to its underestimation, in particular, that the contractor can rely entirely on the results of previous control work in some cases and the fact that the estimation of the residual error rate for grants under direct management is not included in the calculation of DG NEAR's overall RER; notes that the Commission affirms that it is not subject to such limitations because (i) the reliance on previous control work is subject to strict conditions and (ii) the global error rate includes grants under direct management;
181. Welcomes that the Commission implemented the Court's recommendations to disclose the limitations of the RER study in DG NEAR's AARs since 2021, to strengthen checks by identifying and preventing recurrent errors, and for DG NEAR to establish obligations for the RER study contractor to report to the Commission any suspected fraud against the Union budget detected during its work on the RER study;
182. Notes with concern that the AARs of DG NEAR and the Directorate-General for International Partnerships (DG INTPA) reported difficulties in the implementation of the new operational information system OPSYS, which was at times unstable, failing to meet expectations, and requiring frequent intervention from DG DIGIT support teams, leading to it being identified as a critical risk in DG NEAR's risk assessment exercise;
183. Notes that the Court assessed awareness raising among Union delegation staff in the areas of fraud prevention, ethics and integrity; notes with concern that some members of staff interviewed by the Court had not been trained in fraud prevention in the past five years; notes that DG NEAR makes a series of tools and resources available to its staff to cover fraud-related issues, such as training, an anti-fraud network with focal points and guidance; notes the positive results of the surveys carried out by DG NEAR to monitor the level of fraud awareness of its staff, as well as that some areas for improvement were identified and an action plan is being implemented;
184. Recognises the importance of NGOs in ensuring that the Union, as the largest donor of development aid in the world, continues to contribute to promoting stability and peace, overcoming poverty and advancing sustainable development; commends in particular the activity of NGOs in areas of conflict in ensuring that humanitarian aid reaches the civilian population in a rapid and effective manner; notes the control and audit, transparency and accountability requirements applicable to all Union funding and different stakeholders, but considers that there is always room for improvement, particularly by making the most of digitalisation;
185. Stresses the role of local NGOs and partners in service delivery and support to local communities; underlines the importance of enhancing their capacity to manage and implement actions financed by the Union and invites the Commission to facilitate adequate training towards this aim; is concerned about the continued difficulties faced by small local organisations to access Union funding; encourages the Commission to improve these funding procedures and to systematically prioritise local organisations in order to provide better capacity-building on the ground; highlights the efficacy of local ownership in project implementation in terms of prioritisation, allocation of resources and building local know-how;
186. Highlights the fact that the legitimacy and effectiveness of Union development cooperation hinges on the correct implementation of activities and their proper funding; recognises the work of the Commission in applying controls to make sure that transactions are made in a legitimate manner and that activities are implemented in accordance with the priorities set by the legislator; calls on the Commission to further improve controls in order to decrease the amount of transactional errors, to act upon ECA recommendations that have not been implemented and to redouble efforts to find eligible projects and to ensure a sufficient amount of payments under the current expenditure ceiling; welcomes the finding of the ECA report on the Union budget for 2022 that DG ECHO implemented ECA recommendation and established a procedure ensuring that partner organisations base their allocation of shared costs on expenditure actually incurred;

187. Calls on the Commission to send clear signals to those candidate countries in which a backlash against rule of law standards – including limitations on the freedom of expression, the freedom of press, women's and minority rights, the harassment of NGOs and human rights defenders – is jeopardising or delaying their accession to the Union; invites the Commission to examine the efficiency of the funds spent on the improvement of the state of the rule of law in the accession countries and report back to the AFET and CONT committees;
188. Welcomes the implementation by the Commission of several mechanisms to mitigate risks and safeguard the proper use of Union funds spent in unstable or conflict zones; notes that the Commission systematically assesses corruption risks in partner countries and uses an array of tools to mitigate them, at the same time applies conditions and performance indicators to promote fiscal transparency and accountability through its budget support; welcomes the fact that, according to World Bank data, countries benefiting from Union budget support have improved in the control of corruption over time;
189. Notes with concern that the Court, in its Special Report 14/2023 'Programming the Neighbourhood, Development and International Cooperation Instrument – Global Europe' found that, although the Commission and the EEAS had merged funding into a single instrument, the NDICI-Global Europe Instrument, which covers more than 70 % of the Union funding allocated for external action in the 2021-2027 financing period, they followed two different fund allocation methodologies for Neighbourhood and non-Neighbourhood countries, and that the multiannual indicative programmes did not ensure that the selected sectors of intervention were those in which Union funding could achieve a high impact;
190. Emphasises the significance of meeting all spending and program-related targets outlined in the NDICI-GE instrument and calls for comprehensive information to be provided on the progress achieved; expresses regret over the significant shortfalls in reaching the Instrument's 30 % climate target, in contributing to the 10 % biodiversity target in the MFF for 2026 and 2027, and in ensuring that the Union's global financial commitments under the UN framework are fulfilled, in particular as regards the contribution to the Loss and Damage Fund; highlights the increasing pressure climate change puts on food production and access, particularly in vulnerable regions, impacting food security and nutrition; reminds that biodiversity is key in combating climate change, and its loss undermines progress on approximately 80 % of the assessed targets for the SDGs; calls on the Commission for a detailed plan outlining how it intends to meet spending and gender targets by the end of the MFF;
191. Urges the Commission to increase transparency and accountability of the programming and implementation of Home Affairs funds in third countries, and NDICI funding, such as in countries like Tunisia and Libya; calls the Commission to generate a publicly available overview of all migration related spending in third countries, and urges for *ex ante* human rights impact assessments for migration related spending in third countries, and to share these assessments with the Parliament where required by rules;
192. Stresses that, following the despicable terrorist attacks carried out by Hamas against Israel on 7 October 2023, the Commission announced on 9 October 2023 its decision to review the Union's assistance for Palestine; notes that the review, finalised on 21 November 2023, has shown that the Commission applies adequate *ex ante* and *ex post* controls, that the safeguards in place are effective and that no evidence has been found to date that money has been diverted for unintended purposes; insists on the need for European funds to go only to beneficiaries that share Union values regarding rule of law, democracy and human rights; recalls in this regard the Parliament's report 2023/2122(INI) adopted the 17 January 2024 on transparency and accountability of non-governmental organisations funded from the Union budget calling for a reinforcement of the Commission control mechanisms and the development of a harmonised monitoring system aiming to track Union funds up to final beneficiaries;
193. Underlines that the Union budget must continue to provide support to build peace and stability in the Middle East region, to combat hate and fundamentalism and to promote human rights; awaits the review the Commission is conducting on the use of Union funds; underlines the interlinkages between stability and sustainable development, particularly in fragile countries and regions;
194. Stresses that Union aid should under no circumstances – directly or indirectly – be financing terrorism, hence it should not support any entity connected to Hamas or any other terror organisation; stresses that the Union should help the Palestinian civilian population and should foster peace in the region; asks the Commission to keep Parliament informed about new developments and efforts undertaken to provide direct support to Palestinian civilians and refugees and to prevent terrorist from diverting funds;

195. Is concerned about credible reports that Union taxpayers' money or funds of other donors could have been partially misused by the terrorist organisation Hamas; emphasises that the relevant Union funds should benefit the Palestinian civilian population and provide food, medical supplies, housing and basic infrastructure to the suffering population and notably to children, women, elderly and disabled persons; urges the Commission, in the context of delivering support and humanitarian aid to the Palestinian population, to diversify trusted partners, such as the WHO, UNICEF or different Red Crescent organisations; furthermore, is worried about other credible reports that certain employees of UNWRA could have been involved in or associated with acts of terror by the Hamas terrorist organisation; urges the Commission to guarantee independent controls of UNRWA by external experts, the European Court of Auditors and experienced international partners, such as, but not limited to, Global Affairs Canada or AusAid;
196. Expresses deep concern regarding the recent announcement by some countries of suspension of funding to the UN Relief and Works Agency for Palestine Refugees (UNRWA) pending the outcome of the investigation; calls for increased and sustained funding in recognition of the agency's crucial role in the humanitarian response in Gaza, and to ensure the uninterrupted delivery of vital services to a vulnerable population in the Middle East; recalls the essential role of humanitarian aid given to the Palestinian refugees throughout the Middle East;
197. Stresses the importance of education and the critical need to denounce and eradicate all manifestations of hate speech and violent actions on both sides; underscores that the suspension of funding should not occur arbitrarily or without transparent and independent evidence of misuse;
198. Recalls that the findings of the study commissioned by the Commission to Georg Eckert Institute on the Palestinian Textbooks revealed a complex picture where the textbooks (i) adhere to UNESCO standards and adopt criteria that are prominent in international education discourse, including a strong focus on human rights, (ii) express a narrative of resistance within the context of the Israeli-Palestinian conflict and (iii) display an antagonism towards Israel; notes that the Union does not fund the Palestinian Textbooks and that neither are they the responsibility of UNRWA, which works to deliver quality education with an emphasis on fostering a human rights culture, even in challenging times; underlines that education and pupils' access to peaceful and unbiased textbooks is essential; stresses Parliament's position that textbooks drafted by Union funds, must be made conditional on full compliance with UNESCO standards of peace and tolerance; as already was decided upon by the Parliament in its 2023 recommendation on relations with the Palestinian Authority, and as repeatedly requested in its latest adopted resolutions on Prospects for the Two-State Solution;
199. Recalls the Union strategy to promote and ensure quality education for children across the world, especially when specific Union financial support is provided; condemns the problematic and hateful contents encouraging violence, spreading antisemitism and inciting hatred in Palestinian school textbooks drafted by Union-funded civil servants as well as in supplementary educational materials developed by UNRWA staff and taught in its schools; reaffirms in the context of the despicable terrorist attacks carried out by Hamas on 7 October 2023, that education to hatred have direct and dramatic consequences on the security of Israelis as well as on the perspectives of a better future for young Palestinians; therefore requests the Commission to closely scrutinise that no funds are allocated or linked directly or indirectly to the use of such educational materials and that the Palestinian Authority modifies the full curriculum expeditiously as repeatedly requested in the discharge decisions in respect of the implementation of the general budget of the Union for the financial years 2016, 2018, 2019, 2020 and 2021; stresses that financial support from the Union to the Palestinian Authority in the area of education shall be provided on the condition of a national Palestinian curriculum, with reference textbooks and educational material, that is free from anti-Semitic contents and incitement to violence and complies with quality education; calls in that regard the Commission and Member States to provide expertise, share knowledge, guidance and technical support to empower Palestinian teachers, trainers and experts towards the implementation of education that fully complies with UNESCO standards;
200. Highlights that according to the answers of commissioner for Neighbourhood and Enlargement for the 2021 Discharge Report the ongoing development portfolio for the Palestinians, under the Neighbourhood, Development and International Cooperation Instrument (NDICI) Regulation, is EUR 681 million between 2021 and 2023, for the Palestinian Authority, UNRWA and development projects in the West Bank and Gaza; notes that about one third of the funding benefitted projects in Gaza and two third in the West Bank; underlines that the Union provided EUR 271 million to UNRWA for the provision of social services to the Palestinian refugees and in addition, the Union provided support to the Palestinian Authority's recurrent expenditures, mainly the salaries and pensions of civil servants, the social allowances paid through the cash transfer programme and part of the costs of referrals to the East Jerusalem Hospitals through the PEGASE mechanism;

201. Expresses shock over the terrorist attacks of 7 October 2023 in which Hamas perpetrated violence, rape and other forms of sexual torture against women, female teenagers and girls of Israeli and other nationalities; emphasises that this targeted form of sexual violence and torture against women is systematically used as a war crime and terrorism; regrets the lack of focus of the EEAS and the Commission in the area of conflict-related sexual violence against women; calls for the setup of a mechanism to identify and provide support to victims, collect testimonies, identify perpetrators and take timely actions to ensure that similar situations do not occur in the future; calls for the establishment of a platform to provide visibility to victims and their suffering; calls for increased support to entities such as the Association of Rape Crisis Centres in Israel or similar entities in conflict areas; emphasises that additional Union funding should be provided to victims of conflict-related sexual violence as well as to relevant education activities; notes the lack of data in annual activity reports on the amount of Union funds budgeted to support such victims and relevant entities; recommends the Commission provide clearer reporting on Union aid provided to such victims and relevant entities;
202. Underlines that the ECA AR 2022 highlights an example of ineligible expenditure included in the cost claim concerning a project in Palestine on the sustainable use of natural resources to support Palestine's transition to a green economy with an incentive component that was intended to support SMEs in the form of grants for 'green' projects in the areas of energy efficiency, renewable energy and pollution abatement; Underlines that EUR 190 500 had been approved and paid to a development agency, with the task to monitor the implementation of the project by the final beneficiary, but the project was not realised ⁽¹⁷⁾;
203. Is concerned about the destruction and confiscation of Union-funded projects in the West Bank and notes that in 2022, 101 structures funded by the Union or Member States were demolished or seized by Israel with a value at EUR 337 019, representing the third highest financial injury since 2016; recalls that representatives of Union institutions, concerned Member States and other donors have requested on several occasions the return or compensation for Union-funded assets demolished, dismantled or confiscated; recalls the position of the Council expressing its commitment to ensure that all agreements between Israel and the Union must unequivocally and explicitly indicate the inapplicability to the territories occupied by Israel since 1967, as well as to continue the effective implementation of existing Union law and bilateral arrangements applicable to settlement products;
204. Notes that, in 2022, DG NEAR paid EUR 910,8 million in bilateral assistance to Ukraine, out of which EUR 698 million was paid through Budget Support; notes that close to EUR 200 million of ongoing projects were successfully repurposed to reach the beneficiaries before humanitarian partners could mobilise their aid programmes; notes that the constraints on adequately monitoring projects in Ukraine lead to a reservation in the 2022 AAR of DG NEAR and that corrective actions are being implemented, such as monitoring progress on project implementation through desk reviews, remote solutions and using a service provider;
205. Notes the Reform Growth Plan for the Western Balkans which was proposed by the Commission to further support convergence efforts in the region; stresses the need for more clarity on the use of different financial instruments toward the region, primarily among IPA III, Economic and Investment Plan, and the Reform Growth Plan; urges the Commission to provide the sub-national level to have more direct access to Union funds;
206. Welcomes that the Ukraine Facility lays out provisions to ensure effective controls; recalls that on 7 April 2022, the Parliament called for the confiscation of Russian assets owned by Russian individuals and entities, frozen as a result of Union restrictive measures, in order to finance Ukraine's reconstruction;
207. Welcomes the Global Gateway strategy as a concerted Union response to global challenges bringing together public and private investment; notes that 2022 was the first full year of the implementation of the Global Gateway strategy; stresses the need for more transparency, accountability and regular assessments of the Global Gateway implementation as well as for enhanced Parliament's involvement in respect of its democratic scrutiny role;
208. Welcomes that OLAF signed administrative cooperation arrangements with both the Prosecutor General's Office of Ukraine on 11 February 2021 and the State Audit Service of Ukraine in March 2023; notes that Ukraine is soon expected to be associated with the Union Anti-Fraud Programme (UAFP) and welcomes that OLAF is providing support to the Ukrainian authorities in their national anti-fraud efforts and strategies; welcomes that the EPPO signed working arrangements with the National Anti-Corruption Bureau of Ukraine, in July 2023, aiming to facilitate the cooperation in investigating corruption cases, and with the Ukrainian Prosecutor General's Office, in March 2022, to protect the financial interest of the Union and Ukraine through effective investigation and prosecution;

⁽¹⁷⁾ https://www.eca.europa.eu/ECAPublications/AR-2022/AR-2022_EN.pdf.

Recommendations

209. Calls on the Commission to:

- (i) as regards the OPSYS application system, enhance the quality of the new software, stabilise the application and improve interfaces between the different OPSYS modules, and allocate resources needed to enhance its maturity/robustness;
- (ii) continue ensuring that all contracts involving Union funding fully respect applicable Union values, Union legislation, including accountability, transparency and protection of Union funds; ensure that strict monitoring and *ex ante* and *ex post* control mechanisms make sure that all individuals involved in Union funded actions exclusively pursue the Union objectives and activities approved for Union funding, request, where necessary, the restitution, or compensation for Union-funded assets that have been demolished, dismantled or confiscated;
- (iii) to intensify its communication with international organizations in order to provide the ECA with complete, unlimited and timely access to documents necessary to carry out its task in accordance with the TFEU, and not just in read-only format;
- (iv) put in place adequate *ex ante* and *ex post* control measures in unstable or conflict zones to ensure the proper control of spending of Union funds and ways to recover the Union funds;
- (v) ensures the proper, timely and thorough audit, including with the inclusion of the EPPO and European Court of Auditors, of all funds provided under the Ukraine Facility and the upcoming Western Balkans facility;

European public administration*Human Resources*

210. Notes that the budget for the programmes under MFF Heading 7 'European Public Administration' was EUR 11,6 billion (5,9 % of the Union budget), which comprises the expenditure of the Union institutions and bodies on human resources and pensions (about 70 % of the total), buildings, equipment, energy, communications and information technology; notes that of the total amount, 58,6 % is spent by the Commission (EUR 6,7 billion); notes that, as of 31 December 2022, the final adopted budget commitment appropriations for the European Commission were EUR 6 298,13 million (99,84 % of them were implemented, i.e. EUR 6 288,14 million), as well as that the final adopted budget payment appropriations amounted to EUR 6 298,22 million (94,66 % of them were implemented, i.e. EUR 5 961,72 million);
211. Notes that the Court examined a sample of 60 transactions covering the full range of spending under the MFF Heading 7 involving all the Union institutions and bodies; notes that the Court also examined the regularity information given in the AARs of all the institutions and bodies, including those of the Commission's Directorates-General and offices primarily responsible for administrative expenditure, and then included in the Commission's AMPR; notes with satisfaction that the Court estimates that the level of error in the MFF Heading 7 was not material and notes that there are no new recommendations addressed to the Commission;
212. Notes that the Commission adopted its new Human Resources strategy ('HR Strategy') in April 2022, which aims to address emerging needs after the COVID-19 crisis and focuses on achieving an attractive workplace, faster and more agile selection and recruitment, and a flexible and rewarding career for all staff; notes that the document is a set of intentions for change and improvement that should gradually be implemented, and that part of its content shall be first negotiated in social dialogue with staff representatives;
213. Notes that the Commission has increasingly recruited contractual or temporary agents on permanent posts to carry out new tasks stemming from rapidly evolving priorities, in response to special or urgent situations and even to compensate geographically unbalanced recruitments; recalls its concerns about the loss of knowledge for the institutions, as well as the negative impact on perspective and job security of the members of staff concerned; highlights that recruiting contractual or temporary agents is not a sustainable solution to the decreasing and geographically unbalanced applications of those applying for Union competitions and, most importantly, to the long-identified and complex issue of the Union's decrease of attractiveness as an employer;
214. Notes with satisfaction that the percentage of women in management functions has risen considerably since the beginning of the mandate: in July 2023, the share of women in management functions was 45,2 % at senior management level (up nearly 9 percentage points since the beginning of the mandate) and 47,5 % at middle management level (up 6 percentage points);

215. Acknowledges that, in order to ensure recruitment on the broadest possible geographical basis it is necessary to address the causes of the under-representation from the point of initial recruitment; welcomes that, to strengthen geographical balance across different categories of Commission staff, the Directorate-General for Human Resources and Security (DG HR) met all Member States to discuss their representation and finalised all joint action plans taking into account the specificities of each Member State to address the possible causes of under-representation jointly;
216. Notes the adoption and implementation of an action plan to increase the attractiveness of careers in Luxembourg; notes the Commission's considerations against introducing a correction coefficient for Luxembourg at this stage in its report assessing the evolution of purchasing power of remuneration and pensions of Union officials (COM (2022)0180 final); recalls its reiterated requests to the Commission to find ways to mitigate the growing problem of the purchase power disparity suffered by the members of staff posted to Luxembourg, which is mainly due to the cost of living;
217. Recalls the Court's audit of the activities of the European Personnel Selection Office (EPSO) and the observations regarding its efficacy and efficiency ⁽¹⁸⁾; notes that, in 2022-2023, EPSO introduced remotely proctored testing and deplores that this system is now being reappraised due to the numerous technical difficulties experienced by many candidates; regrets the inconvenience caused to candidates, the direct budgetary costs of the suspension of the external competitions, and the additional effort made by the Commission's recruiting services to find an adequate replacement;
218. Recalls the Court's conclusion in its Special Report 13/2019 that 'any unethical behaviour by staff and Members of EU institutions and bodies is unacceptable and, even if it is only alleged, attracts high levels of public interest and reduces trust in the EU'; regrets the two cases of potential conflicts of interests involving high-ranked officials in DG MOVE for missions and DG NEAR for ownership reported by the press in 2022; notes the Commission implements effective internal control system in matters of ethics management according to the Court in its 2019 report and the European Ombudsman in its decision on the revolving doors inquiry; points out that unethical behaviour also has a budgetary cost for the institution concerned and reiterates its position and expectations of the Union's Ethics Body;
219. Notes the creation and subsequent recruitment of an EU SME Envoy which is an Hors-Classe Temporary Agent at grade AD 15; regrets that multiple media outlets reported that the successful applicant was ultimately appointed despite having been outqualified in the recruitment assessments by the two remaining female candidates from underrepresented Member States, which questions whether the principles of merit, gender and geographical balance were taken into consideration; notes with concern that the successful candidate is an outgoing Member from President von der Leyen's own German political party; calls on the Commission to rectify the situation by rescinding the appointment and launching a truly transparent and open process for the selection of the EU SME Envoy;

Buildings and administration

220. Notes that the new central corporate financial system of the Commission, SUMMA, was planned to go into production by the end of 2023 and had progressed in line with the objective of going live at the beginning of 2024; regrets that the deadline for implementing the new accounting system was extended by one year because implementing the connections of operational programmes (shared management, e-grants, e-procurement, staff payments) with SUMMA simultaneously has proven to be a more complex exercise than expected; stresses with concern that the cost of the SUMMA programme since its inception at the beginning of 2018 until the end of 2022 was around EUR 95 million and that its timeline extension will require additional resources in 2024, estimated at around EUR 7 million euro;
221. Notes the adoption on 5 April 2022 of the 'Communication on greening the Commission', which aims to achieve climate neutrality by 2030, including an action plan to reduce its greenhouse gas emissions; notes the Commission intends to achieve these objectives by acquiring more energy efficient and greener buildings, shifting to dynamic collaborative workspaces and reducing the number of offices, and reiterates its warning that staff wellbeing and satisfaction should be taken into account in all future decisions in this regard;
222. Notes the media reports on negotiations between the Belgian Government and the Commission on a real estate transaction worth nearly EUR 1 billion and, likewise, the Commission's plans to rent office spaces in the Brussels North area, including reluctance on the part of the staff concerned; stresses that any development in the Commission's real estate policies shouldn't degrade the working conditions of its personnel;

⁽¹⁸⁾ European Court of Auditors' Special Report 23/2020 'EPSO: Time to adapt selection process to changing recruitment needs'.

223. Is concerned that the Commission has refused to provide records of the discussions with a pharmaceutical company and regrets the lack of transparency related to the text messages between the Commission's President and the pharmaceutical companies regarding the purchase of COVID-19 vaccines; notes the European Ombudsman decision on the related case 1316/2021/MIG considering that not recording text messages in its document register constitutes 'maladministration' and is concerned that the Commission has not followed up on the recommendation to conduct another search for relevant text messages; notes that, to date, the Commission has not made available to the Members of the European Parliament the non-redacted versions of the contracts signed; recalls the Parliament resolution of 13 July 2023 on public access to documents – annual report for the years 2019-2021;

European Schools

224. Notes with satisfaction that the Court, in its Annual Report on the accounts for the European Schools for the 2022 financial year, found no material errors in the final consolidated annual accounts of the European Schools for 2022; welcomes further improvements highlighted by the Court in the quality of the final individual and consolidated accounts compared to previous years;
225. Notes with concern that both the Court and the external auditor found immaterial errors, which mainly related to the calculation of provisions for post-employment benefits and that the audit opinions of the external auditor were not in line with the framework contract concluded with the Office of the Secretary-General (the 'Central Office');
226. Notes that the Court, while praising improvements in recruitment and procurement procedures in the Central Office, found, for two out of the seven schools it reviewed (Frankfurt and Luxembourg I), shortcomings in these procedures; notes with concern that the Court, once again, noted weaknesses in terms of payment procedures for both the Central Office and the two schools that were reviewed;
227. Recalls that the Parliament, in its resolution of 12 September 2023 on the system of European Schools: state of play, challenges and perspectives ⁽¹⁹⁾, stressed that the current system of teacher recruitment in the European Schools System (EES) has serious shortcomings, resulting in a mismatch between the needs on the ground and the actual staff seconded by the Member States, issues with yearly recruitment plans, difficulties in finding qualified teachers and staff, precarious working conditions for locally recruited teachers and other educational staff and problems with continuous professional development;

Recommendations

228. Calls on the Commission to:
- (i) take into account on an equal footing the efficient use of office spaces and the health and well-being of staff while implementing the new HR strategy, in particular regarding people with disabilities, as well as duly involve staff representatives when changing work conditions;
 - (ii) remain vigilant regarding the prevention, identification and adequate management of burnout cases in the larger context of staffing, workload and staff well-being;
 - (iii) reinforce the measures to support women pursuing a management career in order to increase the number of applications from highly qualified women to middle and senior management functions within both the Commission and the Union agencies;
 - (iv) continue its work to strengthen the geographical balance of its staff at all levels while at the same time fulfilling the requirements in the Staff Regulations regarding competences and merits of candidates;
 - (v) address without further delay and in an efficient way the challenges faced by members of staff who are assigned to and reside in Luxembourg;
 - (vi) making appropriate investments in building IT capabilities and resources for EPSO to be more efficient and effective and, in particular, to ensure optimal testing conditions in future selection processes; and
 - (vii) ensure a better and stricter risk management approach towards the readiness of the SUMMA deployment and avoid material risks of temporary disruption until the new accounting system is fully operational;
 - (viii) follow up on the Ombudsman's recommendation in case 1316/2021/MIG, as well as ensure that its internal guidelines on document registration are in line with Regulation (EC) No 1049/2001 of the European Parliament and of the Council ⁽²⁰⁾;

⁽¹⁹⁾ Texts adopted, P9_TA(2023)0306.

⁽²⁰⁾ Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents (OJ L 145, 31.5.2001, p. 43).

229. Furthermore, calls on the Commission to continue to support the European Schools to:

- (i) implement without delay the Court's recommendations in its Report on the accounts of the European Schools for the 2022 financial year, and to keep the discharge authority informed on the progress;
- (ii) urgently resolve ongoing teacher shortages and ensure a stable and fair employment situation for all by retaining staff and reducing turnover, thereby also avoiding a brain drain; and
- (iii) perform an in-depth review under an independent chairperson of the governance and management structures across the System of European Schools and involve the Directorate General for Education, Youth, Sports and Culture of the Commission;

CHAPTER II

Recovery and Resilience Facility (RRF)

General remarks

230. Recalls that the outbreak of the COVID-19 pandemic in 2020 abruptly changed the economic and social outlook of the Union and led to a unified effort to launch the recovery package for Europe, consisting of the 2021-2027 MFF and NGEU, of which the cornerstone is the RRF; recalls that the objective of the RRF is to provide Member States with financial support to mitigate the serious economic and social impact of the COVID-19 pandemic and make European economies and societies more sustainable, resilient, inclusive and better prepared for the challenges and opportunities of the green and digital transitions; recalls that the RRF is an innovative, temporary instrument based on performance, which means that payments are linked to the satisfactory fulfilment of milestones and targets (M&Ts) reflecting progress on reforms and investments included in the national recovery and resilience plans (RRPs), which are set in a Council Implementation Decision;
231. Notes that all 27 RRP were adopted by the end of 2022, allocating EUR 335,1 billion in grants and EUR 165,3 billion in loans, that will be paid out upon the fulfilment of 2 557 measures (consisting of approximately one third for reforms and two thirds for investments), and their related 6 237 milestones and targets, by 2026; notes that, in 2022, the Commission disbursed a total, including pre-financing, of EUR 74,4 billion (EUR 47,2 billion in grants and EUR 27,2 billion in loans);
232. Notes that the REPowerEU Plan was launched in May 2022 to help the Union to reduce its dependency on Russian fossil fuels by saving energy, producing clean energy and diversifying its energy supplies, which is aligned with the green transition; notes that the amendments introduced to Regulation (EU) 2021/241 of the European Parliament and of the Council ⁽²¹⁾ ('the RRF Regulation') by Regulation (EU) 2023/435 of the European Parliament and of the Council ⁽²²⁾ on REPowerEU added additional financing and priorities to the RRF; notes that all 27 Member States have submitted modified RRP to include REPowerEU chapters, but also to request additional loan support, to make adjustments following the update of the maximum financial contribution or to make amendments due to objective circumstances, as enabled by the RRF Regulation; notes that the revision of the RRP are subject to the same assessment criteria as the original plans, together with specific requirements applicable to the REPowerEU chapters;
233. Recalls that, under NGEU, the Commission can raise up to EUR 806,9 billion between mid-2021 and 2026 through the issuance of Union-bonds; notes that in June 2022, the Commission announced a funding plan for the period June to end-December 2022 and raised an additional EUR 50 billion in long-term funding for NGEU, complemented by short-term EU-bills issuances, bringing the total outstanding amount of NGEU bonds to EUR 171 billion, of which EUR 36,5 billion were raised by issuing green bonds; notes that this debt consists of borrowed amounts with different maturities, ranging from 1 year to more than 25 years; notes that repayment of NGEU debt will only start after 2028;

⁽²¹⁾ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

⁽²²⁾ Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1).

234. Notes the efforts of the Commission to raise funds on the financial markets to provide the financial means for the RRF; notes that, in 2020, an amount of EUR 14,9 billion was planned in the MFF 2021-2027 to cover the interest payments for NGEU non-repayable support; is concerned about the impact of the higher interest rates on the purchasing power of the Union budget, with the interest rates on 10-year EU-Bonds increasing from 0,09 % in 2021 to 3,2 % in 2023; notes that Commission's AAA borrowing costs are higher than some Member States with a lower rating; notes that borrowed amounts need to be repaid and borrowing activities remain needed not only to raise new funds, but also to replace existing debt; is concerned about the rising interest rates, particularly in 2022, and the resulting debts and uncertain capacity to repay the loans, taking into account the large amount of money that the Commission is borrowing in order to finance the RRF; notes however that the debt is currently EUR 90 billion less than initially forecasted; notes the Commission's long-term plan for repayment of the debt and calls on the Commission to regularly update it and inform the discharge authority of any new risks that might influence its implementation; notes the Commission's statement that the Union will meet its obligations towards bondholders in all circumstances and its proposal for a technical modification to the MFF to optimise the budgetary treatment of NGEU borrowing costs; notes that information on the EU debt and planned repayments are part of the regular reporting within the NGEU dialogue; requests that the Commission continues to provide more information to the European Parliament on how repayment will be made and from which institutions funds are being borrowed; emphasises that this debt burdens the EU budget;
235. Welcomes the Commission's estimate that the full implementation of quantifiable milestones and targets up until the end of 2026 funded by NGEU Green Bonds, corresponding to 57 % of the NGEU Green Bond eligible expenditure, can reduce Greenhouse gas (GHG) emissions by 44 million tonnes of CO₂ per annum – equivalent to 1,2 % of the aggregate for the Union's GHG emissions in 2022, and insists on proper implementation; stresses furthermore the importance that reforms and investments under the Recovery and Resilience Plans meet the climate targets of the regulation and fully respect the 'do no significant harm' principle;

Court's observations

236. Notes that the Court issued a qualified opinion on the legality and regularity of the RRF expenditure in 2022; is concerned that the Court concluded that 11 out of 13 RRF payments made in 2022 were affected by quantitative findings and that 6 of these payments were affected by material error; notes that in the Court's opinion, except for those matters, the RRF expenditure accepted in the accounts for the year 2022 is legal and regular in all material respects; notes that the nature of the RRF spending model relies on the assessments to be made by the Commission and thus, the Court does not provide an error rate but estimates the minimum financial impact of its findings to be below, but close to the materiality threshold;
237. Notes that the Court audited 244 out of 274 milestones and all 37 targets included in 2022 payment requests for grants; regrets that the Court considers that 15 of them were affected by regularity issues (below 5 % of the total); notes that the Court considers that the requirements had not been satisfactorily fulfilled for 8 M&Ts in 8 payments and that the Commission had made the corresponding payments; notes that the Court's conclusions are based on extensive audit work and that the Commission contests the Court's interpretation of the legal requirements set by the Council or qualitative judgments different from the Commission; notes that all the RRF payments must be assessed against the framework communicated and applied by the Commission, who must take into consideration for each payment the opinion of the Economic and Financial Committee and the scrutiny by Member State experts under the comitology procedure;
238. Notes that the Court has identified what it considers to be two cases of continuation of a pre-existing project, that started before the eligibility period, and targets that were a substitution of recurring national budgetary expenditure; is concerned about such situations, although this conclusion does not agree with the Court's own consideration that recurring actions refers to types of expenditure like staff and operating costs of government entities; recalls that the RRF shall not be used to finance recurring budgetary expenditure and calls for adequate measures to be taken, including partial payments, when such cases are identified by the Commission;
239. Recalls the Court's observation in Special Report 21/2022 and its Annual Report for 2021 that milestones and targets often lack clarity and are not well defined and that the Court makes the same observation in its annual report 2022; calls on the Commission to draw on lessons learned when designing future performance based instruments;

240. Is concerned by the Court's findings in Special Report 26/2023 that milestones and targets vary in ambition between Member States and considers this is yet another example where the Commission does not treat Member States equally; notes that the Commission confirmed the differences and will try to enhance equal treatment during the implementation phase; considers that Member States by default should be treated equally and regrets this has not been the case when negotiating the RRFs; insists that equal treatment should be ensured when evaluating the completion of milestones and targets;
241. Notes with concern that the Court considers that a case of double funding occurred in 2022, even though the measure in question does not have any costs attached to it under the RRF; notes the Commission's observation that, according to the RRF Regulation, 'double funding' is explicitly linked to costs and thus, there can be no 'double funding' if the Member State has not submitted any cost estimate as part of its national plan; notes that the Commission underlines that no-cost reforms do not increase the financial envelope but are nevertheless essential criteria for the Commission's positive assessment of RRFs, as well as their full implementation for the relevant payments;
242. Notes with concern that the Court also identified several cases of weak design in M&Ts and problems with the reliability of information that Member States included in their management declarations, notes that the Commission agrees to review M&Ts provided there is a legal justification to change the elements of a Council Implementing Decision, namely that a Member State submits an amended plan and a legal basis justifies the changes;
243. Stresses that, by end 2022, the Commission reported 6 cases of potential irregularities to OLAF, identified during *ex post* audits or from open sources in respect of RRF supported actions; welcomes that, in 2022, OLAF disseminated a risk framework for the RRF and provided over 50 fraud awareness-training sessions to Commission departments, agencies and other external partners, including Member States' authorities;
244. Emphasises that the protection of the financial interests of the Union is a top priority and that more precise implementation and performance monitoring will help prevent and reduce fraud at early stages; emphasises that in particular rule of law and anti-corruption related M&Ts are essential in hindering corrupt individuals, organisations, governments or criminal systems; calls on the Commission to monitor closely the fulfilment of rule of law and anti-corruption M&Ts and report on possible reversals;
245. Expresses concern about the Court's finding that reporting of fraud involving RRF expenditure lacks a standardised approach with strong coordination and cooperation between Member States; welcomes that the Commission has already adapted the Irregularity Management System so it can be used for the RRF by the competent national authorities; encourages the Commission, EPPO and other relevant entities on Union and national level to engage in a structured cooperation to identify and report, according to their respective competence, cases and possible patterns of fraud and crimes against the financial interest of the Union to better protect the taxpayers' money; asks Member States to strengthen their capacities to uncover crimes in this area;
246. Welcomes the effort made in the systematic and comprehensive audit work of the Court regarding the RRF, with emphasis on the protection of the Union's financial interests, which provides a thorough analysis of the relevant aspects of the Facility and valuable insight into its implementation; notes with satisfaction that the Commission broadly accepts and applies the Court's recommendations and acknowledges that many of the issues identified by the Court are related to the legal basis of the RRF; considers that the Court's recommendations stemming from its audit work on the RRF are particularly relevant to the co-legislators for future Union performance-based financing instruments;
247. Stresses the fact that the RRF was established as the Union's common instrument for mitigating the serious economic and social impact of the COVID-19 pandemic and for making European economies and societies more sustainable, resilient, inclusive and better prepared for the challenges and opportunities of the green and digital transitions, and its financial means thus can not be understood as Member States' own budget resources; emphasises the crucial role of the Court and the Commission in their proactive *ex ante* and *ex post* controls in making sure the funds are spend effectively with satisfactory fulfilment of M&Ts;

Audit and control

248. Underlines that the control framework is tailored to the unique nature of the RRF and built upon two types of controls, namely (i) controls by the Commission to provide reasonable assurance over the legality and regularity of commitments and payments, based on the satisfactory achievement of M&Ts as set in the Council Implementing Decisions approving the RRFs, and (ii) controls by the Member States to ensure adequate protection of the financial interests of the Union as provided in Article 22 of the RRF Regulation;

249. Notes that, based on the Court's recommendations and the experience gained, the Commission presented its methodologies on (i) assessing the satisfactory fulfilment of M&Ts, (ii) calculating the suspended amounts in case of non-fulfilment of a milestone or target, and (iii) dealing with potential situations where M&Ts initially assessed as satisfactorily fulfilled by the Commission were subsequently reversed by the Member State;
250. Notes that the framework for assessing M&Ts lacks explanations, including why the verification mechanism as described in the operation arrangement should not be considered for the assessment; notes that definitions of 'satisfactory fulfilment' of the relevant M&Ts are defined through terms that lack a clear definition and contain discretionary elements, such as 'minimal deviation from a requirement' or 'proportional delays', and that the methodology for the determination of partial payment does not provide an explanation for the values chosen as coefficients; asks that further clarifications are given;
251. Expresses concern that the Commission is dependent on the information provided by the Member States and recommends a more active communication to proactively identify any potential reversal of M&Ts; welcomes that the Commission accepts the recommendation to carry out a revision of its *ex post* audit procedures to verify the potential reversal of M&Ts after the payment, although regrets that it does not foresee any post-2026 monitoring on potential reversals; is particularly concerned that there is no legal provision in the RRF Regulation that addresses the reversal of M&Ts after the last date for payments from the RRF and that the Commission's methodology, consequently, does not provide legal clarity in case a M&T is reversed after the implementation period of the RRF once all payments have been made, especially given that some important M&Ts included in RRFs are probably to be fulfilled in the last part of the RRF lifetime;
252. Notes that 12 national RRFs contain rule of law or anti-corruption reforms in their milestones and targets; notes the recent case of a potential reversal of two milestones concerning the rule of law in one Member State; emphasises the need for the Commission to pay more attention to the potential reversal of M&Ts in the area of the rule of law as they are particularly vulnerable to arbitrary governmental decisions;
253. Notes that the Commission verified the adequacy of the control systems of Member States as a precondition for the positive assessment of the RRFs; notes that additional specific 'control milestones' were added, in turn, as a precondition for the first payments in the RRFs of 16 Member States where gaps or deficiencies required additional measures to ensure the full adequacy of the systems to protect the financial interests of the Union; is concerned about the Court's observation of persisting weaknesses in the Member States' control systems that put the sound financial management of RRF funding at risk and urges the Commission and national authorities to address them swiftly; welcomes that the Court did not raise any issues related to their satisfactory fulfilment assessed during 2022; notes problems with the reliability of the information provided in the management declarations by Member States, casting doubts on the possibility to rely on them when assessing milestones and targets; notes that the Commission performed 16 system audits in 2022 and 14 in 2023, including whether they check compliance with Union and national rules, so that all Member States' control systems will have been audited at least once by the end of 2023; understands that the RRF Regulation places the principal responsibility to ensure respect for national and Union law on the Member States but is concerned about the Court's observation on an assurance and accountability gap regarding compliance because there is an absence of compliance audits by the Commission on RRF funded investments projects; calls on an adequate and equal application of Article 22 of the RRF Regulation for all Member States and recalls that non-fulfilment of M&Ts related to a Member State's control system may lead to the suspension of the full instalment and all future instalments;
254. Recalls that Council Regulation (EU) 2017/1939⁽²³⁾ (the 'EPPO Regulation') provides that the EPPO shall be competent in respect of the criminal offences affecting the financial interests of the Union that are provided for in Directive (EU) 2017/1371 in the terms set out in the EPPO Regulation and specifically in its Chapter IV;
255. Expresses concern about the cases reported to the EPPO after the first year of implementation of the RRF, namely 15 active cases as reported in the EPPO Annual Report 2022; calls on the Commission to cooperate with OLAF and the EPPO in order to identify patterns of fraud, corruption and money laundering related to RRF and calls on the Commission to act in such situations; calls on the Commission to draw consequences for Member States with too many cases of fraud;
256. Notes with concern, that EPPO's responsibility in investigating crimes involving RRF funds is being put into question in 9 cases in a Member State; notes that the European Court of Justice was asked via a preliminary question to give an opinion in one of these cases;

⁽²³⁾ Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L 283, 31.10.2017, p. 1).

Implementation and impact

257. Notes that in 2022, the Commission made 13 payments to 11 Member States amounting to a total of EUR 72,2 billion, following the satisfactory fulfilment of 366 M&Ts (328 milestones and 38 targets); notes that as of the date of publication of the second implementation report in September 2023, the Commission has received 32 payment requests from 20 Member States and disbursed a total amount of EUR 153,4 billion (EUR 106,3 billion in grants and EUR 47,1 billion in loans);
258. Notes that the Commission reports that the achievement of M&Ts is broadly on track, after the first year of the RRF's functioning was more focused on the necessary reforms to build the framework for subsequent investment projects to have a higher impact; notes that the Commission reports delays compared to the indicative calendar of payments, due to the process of revising the RRP in the context of the REPowerEU Plan and implementation challenges Member States are facing, such as administrative capacity issues, investment bottlenecks, and consequences of Russia's war of aggression against Ukraine, including the energy crisis, unexpected price shocks, shortages of certain materials and high inflation;
259. Notes that Member States may be overwhelmed administratively with the transfers of large RRF funds and cohesion funds at the same time, thus delaying implementation and potentially threatening transparency; notes the risk of double funding between the RRF and the European Structural and Investment Funds and encourages the Commission to actively check, including the relevant databases, and to communicate with Member States about their administrative capacities to ensure double funding does not occur;
260. Notes that several Member States have proposed to use RRF funds through financial instruments implemented by the EIB and other national investment banks to incentivise private investments under certain conditions; is concerned about the possible use of these instruments with the goal of extending the use of RRF funds beyond 2026; recalls that the RRF is a crisis instrument and that funding should be implemented within its lifetime;
261. Notes that the Commission is supporting all Member States in accelerating the implementation and revision of their plans, including through the Technical Support Instrument; stresses the importance of the Commission's proactive role in supporting the Member States to best avoid the delays and under-implementation problem, as well as to ensure that Member States protect the financial interests of the Union and that EU taxpayers' money is adequately spent; points out that, in particular, the countering of serious irregularities and double funding should receive appropriate resources and attention; notes concerns, as brought to the attention of the discharge authority, about the administrative capacity of the Member States to absorb the funds and the implementation of high quality projects, especially towards the end of the RRF period;
262. Is concerned that according to the Commission's RRF scoreboard, 3 Member States have not submitted any payment request to the Commission by end December 2023; calls for speedy implementation of RRPs, including an evaluation by the Commission regarding barriers and results; is concerned that under-implementation, unless swiftly mitigated, might result in a payment crisis;
263. Criticises that in contradiction to the main goals of the facility the definition of 'resilience' is insufficient to ameliorate the preparedness of future crisis situations; notes that very little emphasis is placed on resilience or added-value in contributing to resilience when milestones and targets are emphasised; urges the Commission to create a 'contribution to resilience' indicator for the RRF scoreboard and to present the impact in the area of resilience in a table; further urges the Commission to consider contribution to resilience when considering new milestones and targets that are introduced into revised national recovery and resilience plans; encourages the Court to look more closely at RRF impact of resilience in all the pillars in a future study;
264. Emphasises that when reviewing revised national recovery plans, the Commission should still diligently apply the 'Assessment guidelines for the Facility' as outlined in Annex V of the RRF Regulation, which requires the Commission to assess and rate national recovery and resilience plans under the criteria of relevance, effectiveness, efficiency and coherence (Article 19(3)), as well as coverage of the six pillars, namely a) green transition, b) digital transformation, c) smart, sustainable and inclusive growth, d) social and territorial cohesion, e) health and economic, social and institutional resilience, f) policies for the next generation (Article 3); asserts that this is an important process to avoid revised national recovery plans that are much weaker than the original plans or that no longer fulfil the criteria;
265. Notes that the RRF should create synergies and measures implemented should lead to structural reforms that have added-value; is concerned that some countries have repackaged old national reforms into the national RRPs;

266. Emphasises that there should be a better co-governance approach in all Member States so that local and regional authorities, civil society organisations, social partners, academia or other relevant stakeholders are adequately involved in the design and the implementation of the national RRFs; calls for their involvement based on clear, fair, transparent and non-politicised principles, in the implementation of the national RRFs to the maximum extent possible under the national legislative framework;
267. Calls on the Commission to ensure that Member States apply a zero-tolerance approach to corruption and fraud, including embezzlement, without any exception;
268. Welcomes the RRF's crucial contribution to preventing a severe economic downturn and social crisis following the COVID-19 pandemic, and the fact that it enabled an unprecedented wave of reforms and investments across the Union that will have an important long-lasting effect on the Gross domestic product (GDP); points out that the European added value of the RRF has long been proven by the fact that its innovative and flexible nature allows Member States to achieve common Union policy objectives; notes that, at the same time, the RRF enables Member States to address country specific challenges through the design of the RRFs while a single assessment framework is applied equally for all Member States and payments requests;
269. Welcomes that reforms and investments proposed by the Member States in support of the green and digital transitions have exceeded the objectives set in the RRF Regulation, as the estimated climate expenditure amounts to about 40 % and the digital expenditure to 26 %, while the objectives were set at lower percentages of 37 % and 20 % respectively;
270. Notes the progress reported on the six pillars of the RRF and, in particular, on the implementation of country-specific recommendations (CSRs), with at least some progress having been made for 68 % and substantial progress in 12 % of 2019-2020 CSRs, which shows the incentives provided by the RRF; notes that progress in the implementation of the 2022 CSRs has also been substantial, with at least some progress in almost 52 % of the recommendations addressed to Member States in July 2022;
271. Recalls that the COVID-19 pandemic revealed structural weaknesses in health systems across the Union, such as lack of resilience and crisis response capacity; highlights that health is a policy area within one of the six pillars of the RRF, which make possible reforms and investments to strengthen their capacity, quality and resilience; notes that 531 M&Ts and 223 measures, as well as 48 % of the estimated contribution to this pillar is related to healthcare but regrets that some national RRFs have a health-related milestones or targets that do not contribute to strengthening the national health system; notes that an estimated 45 million people can use or be served by new or modernised health care facilities thanks to the RRF; urges the Commission to strengthen M&Ts related to preparedness and resilience in the health sector where possible when revising national RRFs and to report to the discharge authority;
272. Notes from Special Report 26/2023 that, despite the little time available to design the performance model of the RRF, the Commission and Member States managed to set up a monitoring system, including an IT-system, that allows implementation progress to be measured; welcomes the Commission's commitment to work on the identified issues and implement the related recommendations;
273. Stresses that the mere completion of projects financed by the RRF funds does not guarantee a positive economic and social impact as well as quality and sustainability; notes the Court's observations highlighting some of the drawbacks of using a performance-based framework, in particular trying to quantify results as M&Ts rather measure outputs; urges the Commission to apply the lessons learned and the Court's observations, and to ensure that the design of future performance-based instruments also measure results and not only outputs;
274. Welcomes the considerable progress shown by the common indicators and across all policy pillars by December 2022, such as 22 million Megawatt ('MWh') of savings in annual energy consumption achieved, 1,43 million enterprises helped either through monetary or in-kind support, 4 million people trained, and support provided to 4 115 196 young people aged 15-29 years;
275. Recalls that on 15 December 2022, the Council adopted an Implementing Decision on the approval of the assessment of the RRF for Hungary based on the Commission's positive evaluation; recalls that 27 'super milestones' were added to the national RRF with remedial and audit and control measures; notes that on 7 December 2023, the Council adopted the Implementing Decision approving Hungary's amended RRF, including a REPowerEU chapter, which allows Hungary to receive EUR 0,9 billion in pre-financing of the REPowerEU funds; regrets that the mentioned pre-financing is not subject to the ongoing procedure under the rule of law conditionality mechanism;

276. Notes that the RRF Scoreboard provides real-time information on the disbursements and progress made by Member States, as well as additional data, indicators and thematic analysis and welcomes the launch of the Union-wide interactive map showing RRF projects by geographical location and providing information on the state of play; is concerned, however, that the Court concluded that presented performance lacks transparency as regards inclusion of estimates and that aggregated information is not comparable, as well as that the information on the progress under the six pillars is misleading, i.e. when a measure is assigned to a primary and a secondary policy area belonging to the same pillar, the contribution of each measure is counted twice; highlights that transparency about limitations is of the utmost importance as it affects the (perceived) reliability of all presented information; calls on the Commission to immediately remedy the detected shortcomings and to proactively inform on the limitations of the data presented on the RRF Scoreboard;
277. Notes that many purely national projects are listed as cross-border projects as soon as they have energy saving or energy reducing elements; criticises the overestimation of the published number of cross-border projects as misleading;
278. Notes that the Court found that, concerning reporting on the common indicators, quality and underlying methodologies are not checked by national audit authorities in any visited Member State; is astonished that in a Member State, for expenditure under MFF Heading 3, the indicated planting of trees did not exist when the Court made an on-the-spot check; notes that the Commission does not require supporting evidence or explanations on the reported data, except in cases where estimates are reported; notes that the Court concludes that this poses a risk to data reliability and comparability across member states; concludes that data reliability in the absence of audits might affect the performance information reported on common indicators to a larger extent than information based on milestones and targets; considers this, given the issues identified in the milestones and targets by the Court, a worrying situation and calls on the Commission to improve its assurance on the reporting on common indicators; notes the differing practices among audit authorities regarding the timing of the checks on the fulfilment of targets and reforms; believes that such checks should be better harmonised and should include a compulsory check on the reliability and accuracy of the data on milestones and targets before those milestones and targets are included in a payment request; points out the risks of an approach that uses mostly *ex post* checks and calls on Member States to avoid such practices;

Transparency

279. Notes that the Ombudsman acknowledges that progress has been made in pro-active transparency, specifically through the RRF Scoreboard and the publication of the 100 largest recipients; notes however the points for improvement indicated by the Ombudsman and supports its recommendations to ensure greater transparency and accountability with regard to the RRF;
280. Notes that, following an explicit demand of the Parliament, the amended RRF Regulation requires Member States to publish information on the 100 final recipients receiving the highest amount of funding under the RRF; regrets the late publication of the lists by Member States and notes that all Member States have published the required list on the RRF Scoreboard by December 2023; observes a large variety of the size of the payments both across the Member States and within each country, which is explained by the heterogeneous nature of RRFs; expresses concern over the interpretation of the Commission of the concept of 'final recipient' under the RRF, as often they are listed only at the ministry level, and that the descriptions are extremely vague, with many examples available in almost all lists provided by Member States; reiterates its demand that the list of 100 largest final recipients provides the factual natural person or entity that is the last in a chain of money transfers; is concerned that otherwise it will be problematic to measure the impact and guarantee visibility of the RRF funds to the citizens;
281. Recalls that transparency and accountability in the implementation of the Union budget are crucial and stresses, in this context, the need for further efforts by both the Commission and the Member States; welcomes the other initiatives undertaken by the Commission to increase transparency on the implementation of the RRF; notes that key documents governing the implementation, such as RRFs, Operational Arrangements, methodologies for assessment, and documents supporting or containing key decisions concerning Member States' implementation are publicly available and easily accessible;
282. Is concerned about reports from the Court regarding difficulties in accessing RRF data to perform its duties; urges the Commission to ensure full access to the Court to the relevant databases of the Member States and the Union; urges the Commission to guarantee that data in the FENIX database are updated in a timely manner for the purposes of audit and control; underlines that data should be accurate and transmitted in a standardised format;

283. Recommends when implementing performance-based instruments in the future, that milestones and targets are clearly defined and linked in a timely manner to avoid accountability gaps and that the measuring of outputs and results is possible; recommends for performance based instruments to create a clear and precise verification mechanism from the beginning; notes that this is crucial in the context of transparency and accountability to the Union taxpayer;
284. Is concerned about transparency and accountability towards the public; urges that the Commission communicates with Member States about appropriate labelling of projects including reference that a project received Recovery and Resilience Funds; regrets following the Court's annual report 2022 that even at the Commission level there is no clear oversight what specific projects RRF funds are supporting; underlines that the European taxpayer has the right to see what projects EU funds are supporting, where the projects are occurring, and what their added value is; calls on the Commission to increase visibility to insist on clear labelling of projects whether in the form of plaques for physical buildings or renovations, notifications on websites, announcements at conferences or trainings, or labelled on printed documents;

Recommendations

285. Supports the Court's recommendations in its Annual Report as well as in related special reports, and welcomes that the Commission accepts a majority of them; calls on the Commission to implement them and to keep the discharge authority informed on the progress of the implementation;
286. Furthermore, calls on the Commission to:
- (i) improve the *ex post* monitoring of the continued satisfactory fulfilment of M&Ts, including in the area of the rule of law, and strictly apply the provisions of the RRF and the adopted guidelines to address concrete instances of reversal resorting to clear financial measures, including suspension of payments and recovery of funds when reversal of M&Ts occurs in accordance with the RRF Regulation and methodologies;
 - (ii) work in close cooperation with the discharge authority to map different options, and the relevant legal base, to address the reversal of milestones after the end of the implementation period of the RRF;
 - (iii) keep improving the clarity of the measures and the related M&Ts, as well as ensure that they fully respect the horizontal principles of the Regulation, when the Member State submits a revision of the national RRP;
 - (iv) include clear verification mechanisms in the operational arrangement for M&Ts to allow for an unambiguous assessment of their fulfilment and to better outline its purpose in future performance-based instruments, as well as taking into account the verification mechanism when analysing the satisfactory fulfilment of M&Ts to contribute to the accuracy of measurements;
 - (v) continue to undertake Member States' system audits in order to check their adequacy, as well as to obtain reasonable assurance on the compliance with Union and national rules, particularly public procurement, and work closely with the Court to find ways to remove its concerns about the assurance gap;
 - (vi) look not just into the adequacy of the set-up, but also into the actual functioning of the Member States' audit and control systems for future performance-based instruments;
 - (vii) help Member States to implement the RRF projects in the foreseen timeline and to change the methodology of categorisation of cross-border projects so only a real geographical cross-border component is considered;
 - (viii) further support Member States to increase their administrative capacity to handle the simultaneous implementation of funds and help them reduce unnecessary administrative burdens, particularly for SMEs, simplify tenders and provide for more targeted information;
 - (ix) pay special attention and maintain an ongoing dialogue with the Member States so that reforms and investments meet the climate targets of the RRF Regulation and fully respect the 'do no significant harm' principle;
 - (x) address reported delays at an early stage by providing, inter alia, technical assistance to Member States;
 - (xi) keep working with the Court in order to bring the interpretation of M&Ts as close together as possible;
 - (xii) improve the transparency and presentation of the RRF Scoreboard by eliminating any possibility of misinterpretation of figures and to measure the contribution to resilience more accurately as part of the RRF's *ex post* evaluation;
 - (xiii) consistently and accurately apply the provisions related to the 'final recipients' of the RRF Regulation and to communicate with Member States on the correct application of the definition of 'final recipients';
 - (xiv) grant the Court, OLAF and EPPO access to the RRF related data, including to FENIX, within the exercise of their respective competences;

- (xv) communicate actively with Member States on EPPO's competence for criminal cases related to RRF funds since corruption or fraud using RRF funds constitutes a crime against the financial interests of the European Union;
 - (xvi) to communicate more actively with Member States regarding fraud prevention and to encourage them to align the reporting on fraud in a digital standardised way and to make use of the Irregularity Management System;
 - (xvii) report to OLAF at an aggregated level on the cases of suspected fraud, corruption, and conflict of interests detected in its own audits and by the Member States as reported in the management declarations, and to evaluate the information received to offer guidance to Member States if necessary;
 - (xviii) address the interaction between Cohesion and RRF funds and, in particular, those requirements that may facilitate using one fund rather than the other, and as well as to work with and guide Member States to select funds according to what is most fitting and efficient for the project in question; actively cross-check between databases to ensure double funding does not occur;
 - (xix) encourage Member States to put more emphasis on the involvement of local and regional authorities needs by requesting Member States to work more actively in a co-governance approach;
 - (xx) keep the goal of resilience and recovery in mind, in particular with regard to sectors that are critical in case of crisis, such as the health and the good sectors;
 - (xxi) use the recommendations of the Court from its work on the RRF and the experience gained in the implementation for the design and implementation of future Union performance-based instruments when relevant;
 - (xxii) ensure a comparable and proportionate level of precision in the assessment of milestones and targets and keep ensuring equal treatment to Member States when evaluating the satisfactory fulfilment of M&Ts;
 - (xxiii) be more proactive in publishing documents and statistics regarding how they handle document access requests, as such information would help with assessing the institutions' proactive approach to document access; calls that an application for access to a document must be handled promptly.
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