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Commission

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# Annual Management and Performance Report for the EU Budget

Volume I

FINANCIAL YEAR

2023

#EUBUDGET

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2023 INTEGRATED FINANCIAL AND  
ACCOUNTABILITY REPORTING

Budget

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**REPORT FROM THE COMMISSION**

**TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF  
AUDITORS**

**Annual Management and Performance Report for the EU Budget – 2023 financial year**

The *Annual Management and Performance Report for the EU Budget – 2023 financial year*, together with its annexes, is the European Commission's main contribution to the annual discharge procedure <sup>(1)</sup> by which the European Parliament and the Council of the European Union monitor the implementation of the EU budget. It fulfils the Commission's obligations under the Treaty on the Functioning of the European Union <sup>(2)</sup> and the financial regulation <sup>(3)</sup>. Implementing the EU budget is a shared responsibility, where the Commission works hand in hand with the Member States and with other partners and organisations.

The report is composed of three volumes.

- Volume I provides the key facts and achievements in relation to budgetary management in 2023.
- Volume II presents a more comprehensive picture of the implementation of the EU budget. Annex 1 provides an overview of the performance of the EU budget in 2023 in delivering the six Commission priorities for 2019-2024 and systematically integrating horizontal policy priorities ('mainstreaming') into the EU budget. Annex 2 provides a high-level overview of the internal control and financial management procedures. Annex 3 covers the performance and compliance aspects of the Recovery and Resilience Facility, the instrument at the heart of the NextGenerationEU recovery programme.
- Volume III contains technical annexes supporting the report. It includes Annex 4, with detailed programme-by-programme performance information in the 'programme performance statements'.

This report is part of the broader integrated financial and accountability reporting package <sup>(4)</sup>, which also includes the consolidated annual accounts <sup>(5)</sup>, a long-term forecast of future inflows and outflows covering the next 5 years <sup>(6)</sup>, the report on internal audits <sup>(7)</sup> and the report on the follow-up to the discharge of the previous year <sup>(8)</sup>.

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(1) The annual discharge procedure is the procedure through which the European Parliament and the Council give their final approval on the budget implementation for a specific year and hold the Commission politically accountable for the implementation of the EU budget ([https://ec.europa.eu/info/about-european-commission/eu-budget/how-it-works/annual-lifecycle/assessment/parliaments-approval\\_en](https://ec.europa.eu/info/about-european-commission/eu-budget/how-it-works/annual-lifecycle/assessment/parliaments-approval_en)).

(2) [Article 318](#) of the Treaty on the Functioning of the European Union.

(3) Article 247(1)(b) and (e) of 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, ELI: <http://data.europa.eu/eli/reg/2018/1046/oj> (financial regulation).

(4) Article 247 of the financial regulation.

(5) Article 246 of the financial regulation.

(6) Article 247(1)(c) of the financial regulation.

(7) Article 118(8) of the financial regulation.

(8) Article 261(3) of the financial regulation.

**Contents**

**THE EU BUDGET DELIVERS ON PRIORITIES IN TIMES OF CRISIS ..... 5**

**REVISED RECOVERY AND RESILIENCE PLANS DRIVING TARGETED REFORM AND INVESTMENT ..... 15**

**EFFECTIVE TOOLS ENSURE THAT THE EU BUDGET IS WELL-MANAGED AND SAFEGUARDED ..... 18**

**THE CONDITIONALITY REGIME CONTINUES TO CONTRIBUTE TO THE PROTECTION OF THE EU’S  
FINANCIAL INTERESTS ..... 25**

**MANAGEMENT CONCLUSION..... 26**



## The EU budget delivers on priorities in times of crisis

### Introduction

This Commission's term has been marked by **a string of unprecedented crises requiring fast and effective solutions** to protect people's lives and livelihoods in the European Union. 2023 was yet another significant year, in which the EU continued to meet the aspirations of its citizens and to address challenges as they emerged. At the same time, the **European Commission stayed the course on the six priorities** set out at the beginning of its term and devised comprehensive solutions, especially in relation to the twin green and digital transitions.

The EU is equipped with its **most powerful long-term budget ever**, along with the **landmark NextGenerationEU recovery plan**. This plan is at the heart of the **EU's response to the consequences of the COVID-19 pandemic**. It is also driving the economic transformation of the EU.

The **NextGenerationEU recovery plan for Europe** is the EU's EUR 807 billion programme to support the economic recovery from the impact of the COVID-19 pandemic and build a greener, more digital and more resilient future <sup>(9)</sup>. The Recovery and Resilience Facility makes up 90% of the budget of NextGenerationEU. The facility is a **performance-based financing instrument that gives Member States the flexibility to design and implement reforms and investments** that best serve their national needs, as also identified at the EU level, in full respect of the objectives of the green and digital transformations.

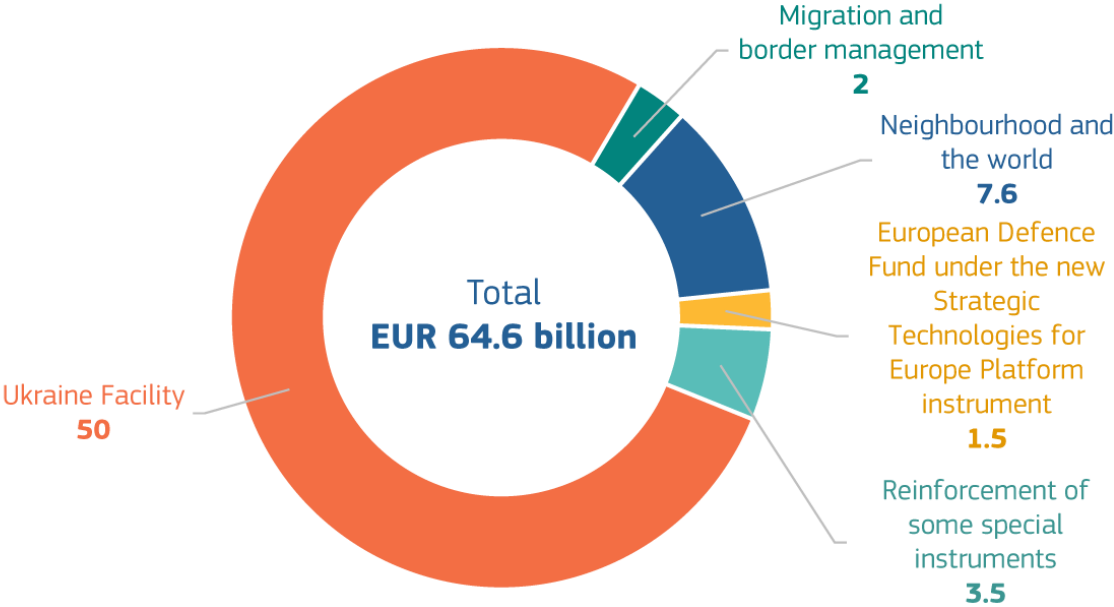
As the EU recovered from the effects of the pandemic and continued building a more competitive and resilient economy, **Russia's war of aggression in Ukraine intensified** in 2023, with a wide range of devastating consequences. The geopolitical situation deteriorated further after the terrorist attacks by Hamas on Israel on 7 October, followed by a full-blown war in Gaza that has had a catastrophic impact on the humanitarian situation there. The EU budget and NextGenerationEU have enabled the EU to support Ukraine and to address the consequences of the wars in Europe and the Middle East, including the disruption of energy markets and high inflation, along with natural disasters and humanitarian crises.

Although the EU budget has played a strong and effective role in addressing unexpected crises in recent years, there is a limit to what it can do. In 2023, not even halfway through the current multiannual financial framework, **the framework's flexibility was being depleted**. Therefore, to ensure that the EU budget had the most essential funding to be able to deliver on shared priorities and needs, the European Commission proposed a targeted revision of the multiannual financial framework. This led to an agreement in February 2024 on the **midterm revision of the EU's long-term budget**. This included, for the first time ever, a revision of its expenditure ceilings.

In line with the priorities identified by the Commission, this allows the EU to provide stable support to Ukraine in the coming years, to continue addressing migration and external challenges and to **strengthen Europe's competitiveness and sovereignty** by means of the Strategic Technologies for Europe Platform, among other initiatives. However, the midterm revision of the multiannual financial framework did not include the proposed increase in the ceiling on administrative expenditure (known as heading 7), which was meant to address the substantial additional tasks for the EU administration and the pressure caused by rising inflation.

<sup>(9)</sup> Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom, OJ L 424, 15.12.2020, ELI: <http://data.europa.eu/eli/dec/2020/2053/oj>. EUR 807 billion in current prices, EUR 750 billion in 2018 prices.

**Overview of the midterm revision of the EU’s long-term budget for 2021-2027**



**Total EUR 64.6 billion**



Source: European Commission

**Maintaining support for Ukraine**

In 2023, the **EU budget continued to provide support to Ukraine** in the face of Russia’s unprovoked and unjustified war of aggression and its illegal annexation of parts of Ukrainian territory. By the end of the year, the EU and its Member States had made available close to EUR 85 billion in overall assistance to Ukraine and its people since the start of the war. This includes EUR 25.2 billion in macrofinancial assistance, including an unprecedented support package of EUR 18 billion of highly concessional loans for Ukraine in 2023 alone through the Macro-Financial Assistance Plus instrument. On top of that, around 100 000 tons of in-kind assistance under the EU Civil Protection Mechanism worth around EUR 300 million have been provided to Ukraine turning this into the longest, the largest and the most complex EU Civil Protection Mechanism operation to date. In addition to support from the EU budget, **assistance, including military assistance, to Ukraine from the EU and its Member States totalled over EUR 27 billion**, including EUR 6.1 billion from the **European Peace Facility**.



**Macrofinancial assistance** is a type of financial aid provided by the EU to help partner countries that are facing serious financial difficulties to stabilise their economies and make the necessary reforms. These funds are helping Ukraine to continue to pay wages and pensions; to keep essential public services running, such as hospitals, schools, and houses for relocated people; and to restore critical infrastructure. In addition, these funds are also helping Ukraine to carry out institutional reforms, such as anti-corruption and judicial reforms, that are crucial to the country's progress.

In addition to the macrofinancial assistance provided to Ukraine, the EU made available funds from cohesion policy to Member States to welcome those fleeing from war in Ukraine. The **Cohesion's Action for Refugees in Europe and Flexible Assistance to Territories packages** were proposed in 2022 to provide the necessary flexibility in cohesion-policy funding rules. By the end of 2023, these measures made available EUR 15.3 billion for social integration programmes, healthcare, food, basic assistance and job market orientation. Activities that were supported included language courses, education, social services and childcare.

### EU budget contributions to help Ukraine and Member States face the consequences of the war in 2022 and 2023



Allocations to Ukraine and Member States to face the consequences of the war from the EU budget and outside the EU budget for the European Peace Facility in 2022 and 2023..

(\*) Support under cohesion policy refers to flexibility offered through the Cohesion's Action for Refugees in Europe and Flexible Assistance to Territories packages, covering a combination of amounts invested (or reprogrammed) and liquidity lines made available to Member States.

(\*\*) Horizon Europe, EU4Health, European Instrument for International Nuclear Safety Cooperation, Common Foreign and Security Policy.

Source: European Commission.

In 2023, **Moldova and Ukraine became participating states of the EU Civil Protection Mechanism** – the European solidarity framework that helps countries hit by disasters. In response to the disastrous **destruction of the Nova Kakhovka dam** in June 2023, the EU mobilised immediate assistance to Ukraine in various ways: via its Civil Protection Mechanism, through the deployment of its rescEU reserves and via its humanitarian partners.

Between January and November 2023, 10.5 million Ukrainians received **humanitarian support in Ukraine** thanks to the EU and other donors. Since January 2023:



- more than 4.1 million people have received **food assistance**;
- **health measures** or supplies have helped 7.5 million people;
- **cash assistance** has reached 3.7 million people;
- **critical protection services** have been extended to 4.5 million people;
- almost 6.5 million people have regained **access to clean water and essential hygiene** and sanitation services.






**Russia's deliberate blocking of grain exports via the Black Sea**, by targeting grain silos and agricultural infrastructure in Ukraine and limiting the export of agricultural goods and fertilisers, led to a **worsening of the world food security crisis**. To tackle this, the EU, its Member States, Moldova and Ukraine, together with international financial institutions set up the EU-Ukraine Solidarity Lanes in 2022 to get grain blocked in Ukraine out to the rest of the world. This work continued in 2023. As Ukraine plays a crucial role in the global supply of cereals and oilseeds, the war has created great uncertainty and volatility on these markets. **Russia's blocking of Ukraine's usual export routes** has also led to an increase in Ukrainian exports to neighbouring EU Member States. Therefore, in 2023, the EU introduced two support packages. More than **EUR 156.3 million was provided from the common agricultural policy agricultural reserve to support those farmers most affected** in the five Member States neighbouring Ukraine. In a third support package, **the European Commission mobilised an additional EUR 330 million of funding to be allocated to EU farmers** in other Member States impacted by high input costs and specific problems, caused in particular by the Russian war of aggression. The EU also disbursed EUR 2.8 billion in 2023 to address food insecurity and to promote sustainable food systems globally.

**A major global financial effort will be required to rebuild Ukraine** once the war is over. The EU is already contributing substantially to boosting the country's resilience. Ukraine is also gradually benefiting more from its **integration into existing EU programmes**, such as the single market programme, the LIFE programme, Erasmus+, Horizon Europe, the Connecting Europe Facility and the creative Europe programme. The EU has also suspended Ukraine's financial contribution obligation for its association to EU programmes for as long as the country's financial challenges caused by the war remain. However, much more support will be needed in the medium to long term to re-establish the foundations of a free and prosperous country, anchored in European values and properly integrated into the European and global economies, and to support Ukraine on its way towards EU membership.

To **help Ukraine in its recovery, reconstruction and modernisation efforts**, the EU has launched a new support mechanism for 2024-2027. The **Ukraine Facility** is a dedicated instrument that will allow the EU to provide Ukraine with up to EUR 50 billion in stable and predictable financial support during this period, including up to EUR 17 billion in non-repayable support and up to EUR 33 billion in loans. The facility underlines the EU's commitment to supporting Ukraine in the face of Russia's ongoing war of aggression and on its path towards EU membership. It will provide direct financial support and accession assistance to

Ukraine and establish a specific investment framework. To finance the loans to Ukraine, the EU will issue bonds on the financial markets until the end of 2027. Ukraine has committed to implementing its recovery and reform plan and to upholding democratic mechanisms.

### Aims of the Ukraine Facility

	Support Ukraine's recovery, reconstruction and modernisation
	Support Ukraine's financing needs to allow the government to deliver uninterrupted public services
	Mobilise investment in Ukraine's private sector for fast economic recovery and reconstruction
	Support Ukraine in making the reforms needed on its path to EU accession
	Support broader Ukrainian society by helping to address the social consequences of the war

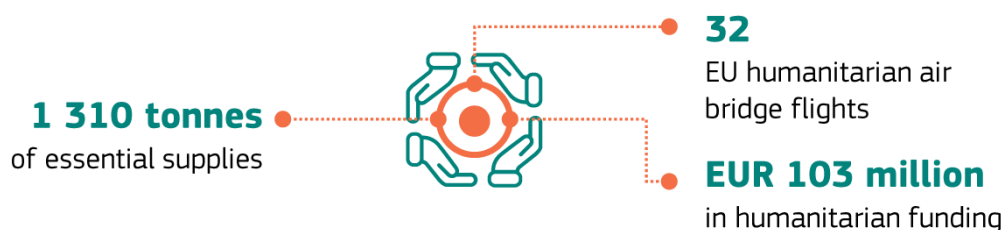
The **European Commission and Ukraine will need to protect the EU's financial interests** by combating fraud, corruption and conflicts of interest. To this end, in 2023, Ukraine cooperated with the European Court of Auditors and the European Anti-Fraud Office, appointed the new head of its Specialised Anti-Corruption Prosecutor's Office (a post that had been vacant since August 2020) and adopted a national anti-corruption strategy and its related implementation programme. Moreover, in March 2024, Ukraine joined the EU anti-fraud programme, which is handled by the European Anti-Fraud Office.

### The EU's response to the Middle East crisis

In addition to the enduring war in Ukraine, the **terrorist attacks by Hamas against Israel** on 7 October 2023 and Israel's ensuing military action in Gaza have led to a drastic deterioration in the geopolitical landscape and caused a humanitarian catastrophe in Gaza. This has also increased the risk of escalation in the region. Emphasising that there is no justification for terror, the **European Commission has condemned Hamas in the strongest possible terms** for the terrorist attacks.

With the rise in antisemitic and anti-Muslim hate speech and hate crime experienced in autumn 2023, the European Commission mobilised the Internal Security Fund to provide EUR 30 million to help Member States protect public spaces and places of worship. Seriously concerned by the deteriorating humanitarian situation in Gaza, the **European Commission quadrupled its humanitarian aid**, mobilising more than EUR 100 million in 2023, and **has been working on overcoming access restrictions in providing humanitarian support** to the Palestinian people, in order to guarantee a sustained, regulated and robust flow of aid, working together with several Member States and international partners.

## EU humanitarian support to the Palestinian people in 2023



Source: European Commission

## Strengthening the EU's security and defence capabilities

Given the **increasingly unstable geopolitical situation** and the need to reinforce the EU's ability to provide security and protection across the continent, the European Commission has been stepping up security and defence efforts. 2023 saw the enactment of **two key initiatives** aimed at strengthening the EU's defence industry.

1. The **Act in Support of Ammunition Production**, backed by a budget of EUR 500 million, aims to improve and expedite the EU's ammunition and missile production. 31 projects covering five areas (explosives, powder, shells, missiles, and testing and reconditioning certification) were selected to assist European industry in increasing its ammunition production and readiness. It is a direct response to the European Council's March 2023 call to urgently deliver ammunition and, upon request, missiles to Ukraine, along with helping Member States to refill their stocks.
2. Complementing this, the **European Defence Industry Reinforcement through Common Procurement Act**, with a budget of EUR 310 million, will motivate EU Member States, for the first time ever, to jointly purchase critical defence products from the EU defence industry.

Moreover, the **European Defence Fund, with a budget of EUR 8.9 billion under the 2021-2027 multiannual financial framework <sup>(10)</sup>, provides essential support to defence research and development in the EU**. It has provided over EUR 2.9 billion for 101 collaborative research and development projects across Member States in 2021 and 2022, with EUR 1.2 billion allocated in 2023. Furthermore, **under the military mobility allocation of the Connecting Europe Facility, EUR 808 million was awarded in 2023** to support the transport of troops and equipment across the trans-European transport network, investing in infrastructure that can be used for both civil and military purposes.

## Strengthening partnerships globally

In 2023, the EU and its Member States together remained **the world's largest provider of official development assistance**. To advance sustainable development goals globally and to strengthen Europe's role in the world, the Commission also moved forward in 2023 with **the Global Gateway strategy** which draws from financial resources of the EU budget and from the Member States. The EU made significant progress in rolling out the Global Gateway – launching 225 new flagship projects across Africa, Latin America,

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<sup>(10)</sup> This amount includes a reinforcement of approximately EUR 1.5 billion in the context of the midterm revision of the multiannual financial framework. The current programming 2021-2027 for the European Defence Fund is EUR 7.3 billion in current prices. EUR 1.5 billion will afterwards be redirected from the European Defence Fund to support the proposal for a regulation establishing the European Defence Investment Programme.

the Caribbean, Asia, the Pacific, the Western Balkans and the Eastern and Southern Neighbourhoods for 2023 and 2024. At the Summit of the EU and the Community of Latin American and the Caribbean States in July 2023, the EU launched the Global Gateway Investment Agenda which is expected to mobilise over EUR 45 billion in the that region by 2027. The EU is also progressing with the implementation of the EUR 150 billion Africa–Europe Global Gateway Investment Package and new Team Europe initiatives.

The long-awaited Post-Cotonou Agreement known as **Samoa Agreement** was signed in November 2023 with 64 partner countries marking the beginning of a revitalised EU–Organisation of African, Caribbean and Pacific States partnership. **Strategic partnerships on mutually beneficial raw materials value chains** were concluded with Argentina, Chile, the Democratic Republic of Congo, Greenland, and Zambia in 2023, in addition to the previously agreed ones with Namibia, Kazakhstan, Ukraine and Canada.

## Supporting border control and addressing migration pressure

The **migration pressure** at the EU's external borders remained significant in 2023. Over 1 million people applied for asylum in the EU in 2023, marking a significant increase of 20% compared to 2022. To address this challenge, Member States have **made use of the Asylum, Migration and Integration Fund to improve reception facilities, particularly for children**. Additionally, they have prioritised integration support for migrants, focusing on vulnerable groups such as unaccompanied minors. The fund has also played a vital role in supporting Member States facing arrivals of displaced people from Ukraine fleeing the war who were granted temporary protection under the temporary protection directive. Emergency assistance was also mobilised following the surge in migrant arrivals on Lampedusa in September 2023, when more than 6 000 migrants landed on the Italian island in only 3 days.

In February 2023, the European Council called on the European Commission to prioritise funding measures that strengthen control of the EU's external borders. **The Border and Visa Instrument's Thematic Facility was used in 2023 to invest nearly EUR 448 million in boosting Member States' border management capabilities**. This included tackling the instrumentalisation of migrants at the borders with Belarus and Russia, supporting Bulgaria and Romania in facing increased pressure on the Western Balkans route, strengthening the operational capacity of the European Border and Coast Guard Agency and optimising border controls in several Member States.

## Continuing to deliver on the Commission's long-term priorities

To deliver on the promises made in 2019, the College of Commissioners has steered work during its mandate to meet **six headline ambitions**. The world has undergone radical changes since 2019, however. The crises of recent years have profoundly shaken deeply anchored certainties, including on the **role of the EU**, on **economic and solidarity models** and on **the rules-based multilateral international order**. But the headline ambitions still hold – in many areas more so than ever, for the benefit of the EU and its citizens. Throughout 2023, the European Commission continued to deploy major policy and legislative initiatives to achieve the long-term priorities.

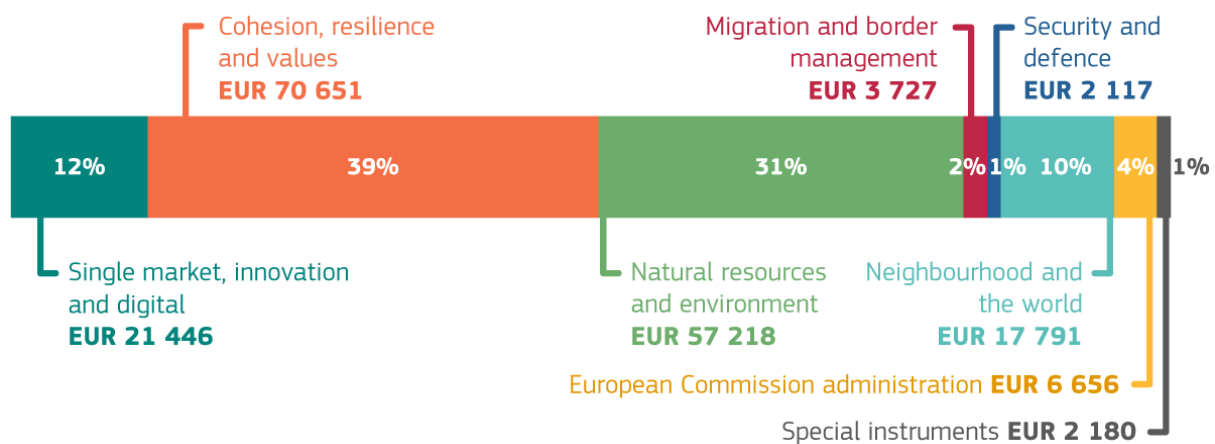
Long-term priorities	Examples of key policy milestones in 2023
 <p data-bbox="248 405 416 465"><b>The European Green Deal</b></p>	<p data-bbox="488 259 1329 342">The <b>fit-for-55 package</b> was supplemented by the adoption of the revised energy efficiency directive, the revised renewable energy directive and the refuelEU aviation regulation. Two new proposals were adopted on soils and forests.</p> <p data-bbox="488 353 1347 499">The <b>Social Climate Fund</b> was established in May 2023 to support Member States' protection of vulnerable groups affected by the green transition. The Commission presented a <b>Green Deal industrial plan</b> to enhance the competitiveness of Europe's net-zero industry and support the fast transition to climate neutrality and a set of measures for greening freight transport.</p> <p data-bbox="488 510 1374 562">Entry into force of the new batteries regulation, an institutional agreement on eco-design for sustainable products and a new proposal on vehicle design and end-of-life.</p> <p data-bbox="488 573 1294 627">The Commission set out <b>the European wind power action plan</b> to support the European wind power industry and the clean energy transition.</p> <p data-bbox="488 638 1366 721">The Commission launched <b>the first auction under the European Hydrogen Bank</b> to support the production of renewable hydrogen in Europe, with an initial EUR 800 million from the Innovation Fund financed by the EU Emissions Trading System's revenues.</p> <p data-bbox="488 732 1337 846">The co-legislators reached an agreement on the <b>law to improve the design of the EU's electricity market</b>, proposed by the Commission in March 2023 to boost renewables, provide better protection for consumers and enhance industrial competitiveness.</p> <p data-bbox="488 857 1385 940">The Commission launched four <b>calls for companies to jointly buy gas through the EU Energy Platform</b>, to address energy security and high prices, matching more than 42 billion cubic meters.</p>
 <p data-bbox="268 1144 400 1234"><b>A Europe fit for the digital age</b></p>	<p data-bbox="488 999 1361 1081">The <b>European Chips Act</b>, proposed by the Commission in February 2022 to strengthen the EU's competitiveness and resilience in the field, entered into force on 21 September 2023.</p> <p data-bbox="488 1093 1374 1176">The first set of very large online platforms and search engines subject to special obligations under the <b>Digital Services Act</b> was designated, followed by a second set of designations of very large online platforms.</p> <p data-bbox="488 1187 1361 1240">The co-legislators (the Parliament and the Council) reached an agreement on the <b>Artificial Intelligence Act</b>, the first comprehensive regulation of artificial intelligence.</p>
 <p data-bbox="209 1413 459 1473"><b>An economy that works for the people</b></p>	<p data-bbox="488 1267 1313 1321">The co-legislators reached an agreement on the <b>Critical Raw Materials Act</b>, just 8 months after the Commission's proposal.</p> <p data-bbox="488 1332 1377 1415">The EU presented a <b>European economic security strategy</b>, to minimise risks arising from economic dependencies while preserving maximum levels of EU economic openness and dynamism.</p> <p data-bbox="488 1426 1318 1480">Member States revised their recovery and resilience plans to introduce <b>RePowerEU chapters</b> and access (additional) loans under the Recovery and Resilience Facility.</p> <p data-bbox="488 1491 1347 1545">The Commission proposed concrete measures for Member States to <b>boost the social economy</b> and create jobs following up on its 2021 Action Plan.</p>
 <p data-bbox="220 1720 448 1780"><b>A stronger Europe in the world</b></p>	<p data-bbox="488 1574 1370 1657">The '<b>Samoa Agreement</b>' (post-Cotonou) was signed with 69 partner countries in Africa, the Caribbean and the Pacific, and the <b>EU's partnership with Latin America and the Caribbean</b> was re-launched.</p> <p data-bbox="488 1668 1115 1695">The first ever Global Gateway Forum was organised in October.</p> <p data-bbox="488 1706 1380 1760">The EU presented the <b>EU space strategy for security and defence</b> for a stronger and more resilient EU.</p> <p data-bbox="488 1771 1042 1798">The EU launched a <b>humanitarian air bridge to Gaza</b>.</p>

 <p>Promoting our European way of life</p>	<p>The co-legislators reached a historic agreement on five key elements of the <b>new pact on migration and asylum</b>, a major step towards a common system for managing migration in the EU.</p> <p>The Member States agreed on <b>Bulgaria and Romania joining the Schengen area</b>, starting with lifting controls at air and sea borders.</p> <p><b>Comprehensive approach to mental health</b>, introducing 20 flagship initiatives and EUR 1.23 billion in funding from different financial instruments.</p> <p>The Commission adopted the <b>demography toolbox</b>, containing a set of policy tools available to Member States for managing demographic change and its impacts on the EU's society and economy.</p>
 <p>A new push for European democracy</p>	<p>The Istanbul Convention on <b>Preventing and Combating Violence against Women and Domestic Violence</b> entered into force for the EU on 1 October 2023.</p> <p>The Commission adopted the <b>defence of democracy package</b> to tackle the threat of covert foreign influence in our democratic life and build democratic resilience.</p> <p><b>European Citizens' Panels</b> have become a regular feature of the Commission's policy-making process.</p> <p>The Commission registered the <b>100th European citizens' initiative</b>, giving citizens the opportunity to add 'Connecting all European capitals and people through a high-speed train network' to the EU's agenda.</p>

The **EU budget is the EU's most powerful tool for delivering on its common policy agenda and investing** in projects of EU added value. Through its programmes, the EU budget, directly or indirectly, supports the EU's internal and external policies. In 2023, a large number of EU programmes under the 2014-2020 and 2021-2027 long-term budgets continued to deliver results to the public. **Total commitment appropriations for the long-term EU budget in 2023 amounted to almost EUR 182 billion, and those for NextGenerationEU amounted to nearly EUR 238 billion.**

**Multiannual financial framework: 2023 EU budget commitment appropriations by budget heading (million EUR)**

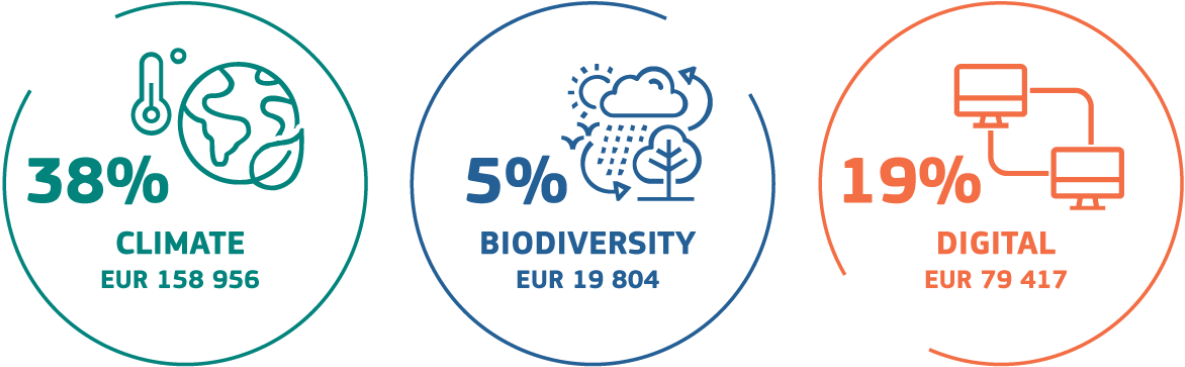
Total **EUR 181 787**



Source: European Commission

The **EU budget focuses on delivering long-term value to the EU**. All EU funding programmes have continued to make progress towards their performance targets. They promote the EU’s sustainability and prosperity. For example, the budget is essential to delivering on **the twin green and digital transitions**. In 2023, a record EUR 160 billion <sup>(11)</sup> is estimated to be dedicated to mainstreaming climate objectives, EUR 20 billion on mainstreaming biodiversity objectives and EUR 79 billion on digital priorities.

**EU budget and NextGenerationEU allocation to horizontal priorities in 2023 (percentage of total budget and estimated amounts in million EUR)**



Source: European Commission.

**Examples of contributions from the EU budget to horizontal priorities**

**Climate**

- 29 million citizens benefited from flood protection between 2014 and 2022 thanks to the interventions financed by cohesion policy funds.
- European Solidarity Fund support totalled EUR 755 million following natural disasters in Belgium, Germany, Italy and Romania.
- Around 188 000 hectares of agricultural land were afforested by 2022 thanks to common agricultural policy support in the 2014-2022 period.

**Biodiversity**

- 20.3 million beehives were supported in 2022 by the common agricultural policy.
- More than 100 species are improving their conservation status as result of 31 LIFE projects.

**Digital**

- 7.9 million additional households had broadband access with a speed of at least 30 megabits per second between 2014 and 2022 thanks to the interventions financed by the cohesion policy funds.
- Additional capacity of 3 000 terabits per second was created by backbone networks, including submarine cables, deployed by the Connecting Europe Facility in 2023.

**Gender equality**

- The monitoring of gender expenditure has been enhanced with the inclusion in the ‘programme performance statements’ of the gender-disaggregated data available per programme. According to the gender tracking methodology, in 2023, 11% of the EU budget contributed to the promotion of gender equality (scores 2 and 1).

<sup>(11)</sup> Based on budgetary commitments.



Annex 1 to this report provides a full summary of the **EU budget's performance in 2023**. It first presents **aggregate information** about the overall implementation of the EU budget and its various spending programmes. It then focuses on **how the EU budget supported the European Commission's headline ambitions listed above**. It draws from the annual activity reports and programme performance statements <sup>(12)</sup> of the Commission's departments to provide **concrete and telling examples** of the EU budget's performance. This includes key policy developments and **support provided to Ukraine** under various spending programmes. The annex also describes how the European Commission tracks and reports on what is spent on specific policies and **horizontal priorities ('mainstreaming')** through the EU's programmes. This concerns, in particular, the financing of initiatives with objectives relating to the climate, biodiversity, gender equality and the sustainable development goals. Information on the contribution of the EU budget to the European Commission's priority of promoting the digital transition is also provided.

## Revised recovery and resilience plans driving targeted reform and investment

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In 2023, the **Recovery and Resilience Facility continued to support economic recovery and reforms** in the Member States. The focus was on the revision of the Member States' recovery and resilience plans to accommodate changed circumstances and new challenges (e.g. inflation and Russian aggression against Ukraine), which led to an additional allocation of EUR 147.2 billion to Member States, to be used by 2026, split into EUR 21.6 billion in grants and EUR 125.5 billion in loans. This resulted in a total amount allocated of EUR 648 billion, EUR 357 billion grants and EUR 291 billion loans, allocated at the end of 2023.





A key feature of the revision was the **addition of specific REPowerEU chapters aimed at addressing the challenges and disruptions in the energy market caused by Russia's war of aggression in Ukraine**. A total of 31 revisions to plans were adopted in 2023 with the support of the **Technical Support Instrument**, 23 of which included REPowerEU chapters <sup>(13)</sup>. These approved REPowerEU chapters included more than EUR 60 billion for reforms and investment to save energy, substitute fossil fuels and address immediate security-of-supply needs, while reducing dependency on Russian fossil fuels. The REPowerEU chapters have also further increased the ambitions of the Recovery and Resilience Facility regarding the green transition. With the 27 revised recovery and resilience plans, **more than 42% (EUR 275 billion) of the total Recovery and Resilience Facility allocation will finance investments and reforms supporting the green transition**, including energy efficiency, renewable energy, electricity grids and other green investments. By December 2023, a total of EUR 1.5 billion had already been transferred from the total Innovation Fund's contribution to REPowerEU actions for the period 2023 - 2026, set at EUR 12 billion.

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<sup>(12)</sup> Each year, the departments of the Commission report on the performance against their objectives in their annual activity reports, which are published on the Europa.eu web portal. The departments also contribute to the programme performance statements (see Annex 4 to this annual management and performance report online), which provide an annual overview of the performance information for all EU spending programmes in the 2021-2027 period.

<sup>(13)</sup> Recovery and Resilience Plans were revised to include REPowerEU chapters or to take into account objective circumstances, thus the number of revisions exceeded the total number of plans (i.e. some Member States had two revisions).

## Key climate and energy commitments for 2026 under the Recovery and Resilience Facility

 <p><b>Renewable energy for all</b></p>	 <p><b>Saving energy</b></p>
<ul style="list-style-type: none"> <li>• <b>Speeding up permitting for renewables thanks to ambitious reforms</b> in 15 Member States.</li> <li>• Enabling at least 20 gigawatts of renewable energy by 2026, on top of 40 gigawatts in the existing plans – more than the entire installed capacity of <b>offshore wind in the EU</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• Long-lasting energy efficiency interventions will reduce energy bills for <b>at least 1 million households</b>.</li> <li>• At least <b>180 000 sustainable heating and cooling</b> systems will be installed by 2026.</li> </ul>
 <p><b>Boosting the competitiveness of EU industry</b></p>	 <p><b>Secure energy networks for the EU</b></p>
<ul style="list-style-type: none"> <li>• More than EUR 12 billion will be made available to <b>decarbonise EU industries</b>, including EUR 2.5 billion for renewable hydrogen production.</li> <li>• Strategic <b>clean-tech investments</b> in electrolysers, batteries and solar panels.</li> <li>• Dedicated <b>green-skills training</b> for more than 100 000 individuals.</li> </ul>	<ul style="list-style-type: none"> <li>• More than <b>3 000 km of transmission and distribution electricity grid lines will be modernised</b> – roughly the distance from Lisbon to Riga.</li> <li>• <b>Grid-scale electricity storage</b> will easily accommodate intermittent renewables.</li> <li>• <b>Key cross-border gas infrastructure projects</b> will meet immediate security-of-supply needs.</li> </ul>

**In 2023, the European Commission disbursed a total of EUR 75 billion (including EUR 28.7 billion in loans) corresponding to payment requests from Member States, along with additional pre-financing payments of EUR 7.1 billion.** This brought the total disbursements by the end of 2023 to EUR 220.8 billion, divided into EUR 141.6 billion in grants (40% of the total EUR 357 billion allocated for grants under the Recovery and Resilience Facility envelope) and EUR 79.2 billion in loans (27% of the total EUR 291 billion allocated for loans under the envelope).

The Recovery and Resilience Facility is making a difference in the lives of EU citizens. Its major achievements include the following <sup>(14)</sup>.

- **Green transition.** By the end of 2023, thanks to the facility, annual energy consumption had been reduced by 28.2 million megawatts and more than 530 000 refuelling and recharging stations for clean vehicles had been installed or upgraded.
- **Digital transition.** More than 5.6 million additional homes had gained access to very-high-capacity internet networks by the middle of 2023, and 309 million users were already using new or improved public digital services <sup>(15)</sup>.
- **Healthcare.** Healthcare capacity has been increased, including in hospitals, clinics, outpatient care centres and specialised care centres. By the end of 2023, thanks to the Recovery and Resilience Facility, up to 45.8 million people annually could benefit from a new or modernised healthcare facility.

<sup>(14)</sup> This information is based on data reported by the Member States in the context of the biannual reporting on the common indicators. More information and data are available from the recovery and resilience scoreboard ([https://ec.europa.eu/economy\\_finance/recovery-and-resilience-scoreboard/index.html](https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html)).

<sup>(15)</sup> The same person can use the service multiple times, in which case they would be counted multiple times.

- **Education and training.** 8.7 million people had participated in education and training and 5.8 million young people aged 15–29 had received support, whether monetary or in kind (i.e. education, training and employment support), thanks to measures supported by the facility by the end of 2023.
- **Support for businesses.** Almost 2 million enterprises had received support – whether monetary or in kind – under the facility by the end of 2023.

The Recovery and Resilience Facility **is designed to support major reforms and enhance the quality of investments in the Member States** <sup>(16)</sup>. The implementation of the national plans was broadly on track at the end of 2023, with progress on most milestones and targets being in line with initial expectations. While the vast majority (82%) of the milestones and targets planned to be achieved by the end of 2023 were either assessed as fulfilled by the European Commission (35%) or reported by the Member States as being completed (47%) by that time, a number of Member States need to accelerate the submission and improve the completeness of payment requests in view of the 2026 deadline. At the time of reporting, over 80% of the milestones and targets planned to be achieved by the third quarter of 2024 were reported as being on track for timely implementation. Only a minority were marked as being delayed (18%).

**The reforms triggered by the Recovery and Resilience Facility not only make the Member States more resilient in the long term, but also improve the conditions for the successful delivery of the related investment under the facility and the cohesion policy funds** <sup>(17)</sup>. This happens, for instance, by modernising regulatory frameworks in key sectors (e.g., digital, renewables, transport), improving permitting and public procurement procedures and strengthening the rule of law and anti-corruption safeguards. The recovery and resilience scoreboard <sup>(18)</sup> contains real-time information about the implementation of the Recovery and Resilience Facility, and information about concrete projects supported under the facility is available in an interactive map that is updated regularly <sup>(19)</sup>. Building on the **NextGenerationEU diversified funding strategy**, the European Commission included all borrowing operations in 2023 under a unified funding approach whereby the Commission only issues EU-Bonds rather than separately denominated bonds for individual programmes. During the year, the Commission raised a total of EUR 115.9 billion through the issuance of EU-Bonds. **The largest share of these funds was used to make disbursements to Member States under the Recovery and Resilience Facility.** Almost EUR 12.5 billion was issued in the form of green bonds. This means the EU is well on track to becoming one of the **world's largest green bonds issuers**. In December, the European Commission published the first NextGenerationEU green bond allocation and impact report, which confirms the **EU's commitment to sustainable finance**.

Further information on the implementation and management of the Recovery and Resilience Facility is provided in **Annex 3** to this annual management and performance report.

<sup>(16)</sup> Member States also benefit from the Technical Support Instrument to design and implement reforms, including those set out in the recovery and resilience plans.

<sup>(17)</sup> Further enhancing the investment enabling conditions required under cohesion policy.

<sup>(18)</sup> [https://ec.europa.eu/economy\\_finance/recovery-and-resilience-scoreboard/index.html](https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html).

<sup>(19)</sup> [https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility\\_en#rrf-supported-projects-in-the-member-states](https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility_en#rrf-supported-projects-in-the-member-states).

## Effective tools ensure that the EU budget is well-managed and safeguarded

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**The European Commission attaches great importance to making the best possible use of taxpayers' money.** It is fully committed to ensuring that funding reaches the intended beneficiaries at the right cost and in compliance with the applicable rules. To achieve this objective, the Commission relies on a number of tools that have proved to be fit for purpose over the years, and have also proved to work in relation to the new challenges encountered by the EU.

### A robust chain of accountability

**The European Commission's governance system and chain of accountability are tailored to its unique structure and role.** The College of Commissioners is politically responsible for managing the EU budget. It delegates the day-to-day operational management to the 51 authorising officers by delegation <sup>(20)</sup>, who manage and steer their departments and are accountable for the share of the EU budget implemented in their department.

The annual activity reports transparently demonstrate how the authorising officers by delegation have obtained the assurance that resources assigned to them have been used in accordance with the principle of sound financial management and that the control procedures in place give the necessary guarantees concerning the legality and regularity of the underlying transactions. If the authorising officers by delegation identify weaknesses, they may qualify their declaration of assurance with reservations.

The assurance is built on: (1) an assessment of the internal control system, including anti-fraud measures; (2) the results of the controls carried out and their assessment of the risks to which their department is exposed and the mitigating measures taken; (3) the preventive and corrective measures they have applied as a result of the controls they have carried out, together with the Member States in the case of shared management; (4) the observations and conclusions of the internal auditor and of the European Court of Auditors; and (5) the mitigating measures taken to address the weaknesses identified, i.e. the high-level risk areas.

### An internal control framework and measures to fight fraud that are continuously updated

**The European Commission's internal control framework is crucial to ensuring the effectiveness, efficiency and economy of its operations, along with their legality and regularity.** This is especially true in a context of scarce resources and an increasing number of priorities. In 2023, the Commission continued to adapt its internal control framework as needed, for instance to implement the Recovery and Resilience Facility, build on the experience gained, further fine-tune and develop specific audit and control strategies, and publish new guidance documents for the Member States. In view of the implementation of the new programmes for the 2021-2027 period, other audit and control strategies have also been revised to take into account the new features and technological evolutions. Based on the departments' self-assessment, the Commission considers that its internal control systems are functioning well, with a few weaknesses identified for which mitigating measures are in place.



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<sup>(20)</sup> The term 'authorising officers by delegation' covers Directors-General of Commission departments and heads of executive agencies, offices, services, task forces, etc. Article 74(1) of the financial regulation states that: 'The authorising officer shall be responsible in the Union institution concerned for implementing revenue and expenditure in accordance with the principle of sound financial management, including through ensuring reporting on performance, and for ensuring compliance with the requirements of legality and regularity and equal treatment of recipients.'

**On the fight against fraud, the European Commission revised its anti-fraud strategy action plan and further promoted the use and effectiveness of the early detection and exclusion system,** which aims to prevent and tackle fraud. Based on the Commission's proposal, the political agreement by the co-legislators on the recast of the financial regulation includes a proportionate extension of the scope of application of the early detection and exclusion system, to better protect the EU budget from fraud and irregularities. The legislator also agreed to Member States' compulsory feeding of key data into a single integrated information technology system for data mining and risk scoring to access and analyse data on the recipients of EU funding and allow the identification of contracts and recipients that might be susceptible to risks. Important political initiatives, in particular on ethics and the fight against corruption, were also put in place in 2023, in particular a Commission proposal for a directive to combat corruption by means of criminal law and a joint communication proposing to establish a regime of sanctions against serious acts of corruption committed outside the EU <sup>(21)</sup>.

## Control results that confirm the EU budget is well protected

**As part of their control strategies, within the internal control framework, the European Commission and the Member States perform hundreds of thousands of checks every year to prevent, detect and correct errors and weaknesses in the control systems.** For shared management, the Commission relies on the checks carried out by the national authorities and supervises them with its own controls and audits where necessary, in line with the single-audit principle, which rationalises audit and control and minimises the audit burden on beneficiaries. This is similar for indirect management, where the Commission relies on implementing partners' checks, whereas for direct management it is the Commission itself that performs the controls. For the Recovery and Resilience Facility, checks and controls are performed according to a clear division of responsibilities between the European Commission and the Member States.

In agriculture 	In cohesion 
Member States carried out more than <b>900 000</b> checks and the Commission reviewed the annual reports and opinions for all <b>75</b> paying agencies and carried out <b>61</b> audits.	Member States audited more than <b>8 300</b> operations, and the Commission reviewed the annual reports and opinions for <b>441</b> programmes and carried out <b>86</b> audits.

**As a result of these controls and audits, preventive and corrective measures totalling EUR 3 836.7 million were implemented in 2023.** EUR 2 399.1 million is the amount of errors prevented, as a result of controls and audits carried out before payments take place, and EUR 1 437.6 million is the amount of corrections implemented by the Commission and the Member States, as a result of controls and audits carried out after payments take place.

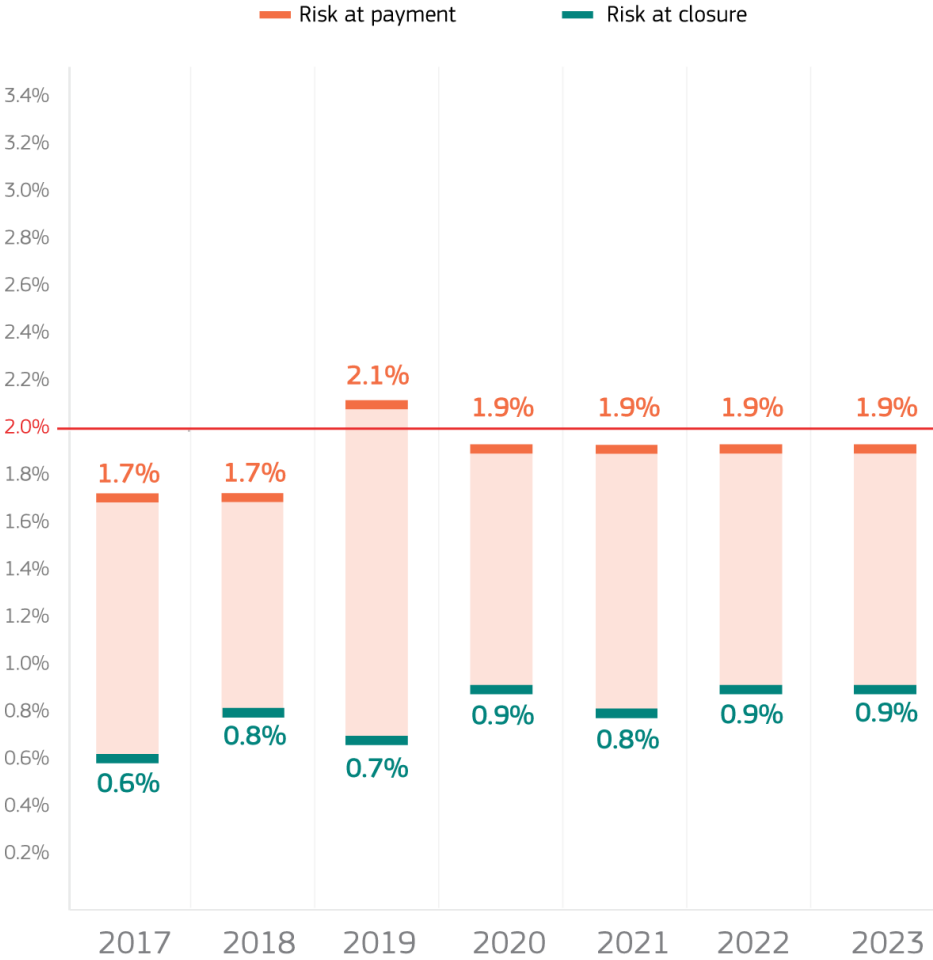
**Based on these controls and audits, the European Commission estimates the risk at payment, measuring the risk that payments made are not legal and regular. It has remained stable since 2020, at 1.9%. This is close to the materiality threshold of 2%.** This is consistent with the fact that

<sup>(21)</sup> Proposal for a directive of the European Parliament and of the Council on combating corruption, replacing Council Framework Decision 2003/568/JHA and the Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union and amending Directive (EU) 2017/1371 of the European Parliament and of the Council, [COM\(2023\) 234 final](#) of 3 May 2023; Joint communication to the European Parliament, the Council and the European Economic and Social Committee on the fight against corruption, [JOIN\(2023\) 12 final](#) of 3 May 2023.

expenditure still mostly relates to the 2014-2020 programming period and, in the case of agriculture, that the vast majority of expenditure is still related to the 2014-2022 programming period <sup>(22)</sup>. This shows that the approach to internal control has remained robust, even in the specific context of the last several years.

**The European Commission also determines a risk at closure, estimated at 1% for 2023 (also similar to previous years). This represents the remaining level of error at the end of the programming cycle after all controls and all corrections have been implemented.** Given the multiannual character of the funding programmes, the Commission, together with Member States in the case of shared management, makes a substantial effort to perform controls after payment and to make corrections until the closure of the programmes. These efforts are reflected in the estimated risk at closure.

**Risk at payment and closure for the European Commission for the 2016-2023 period**



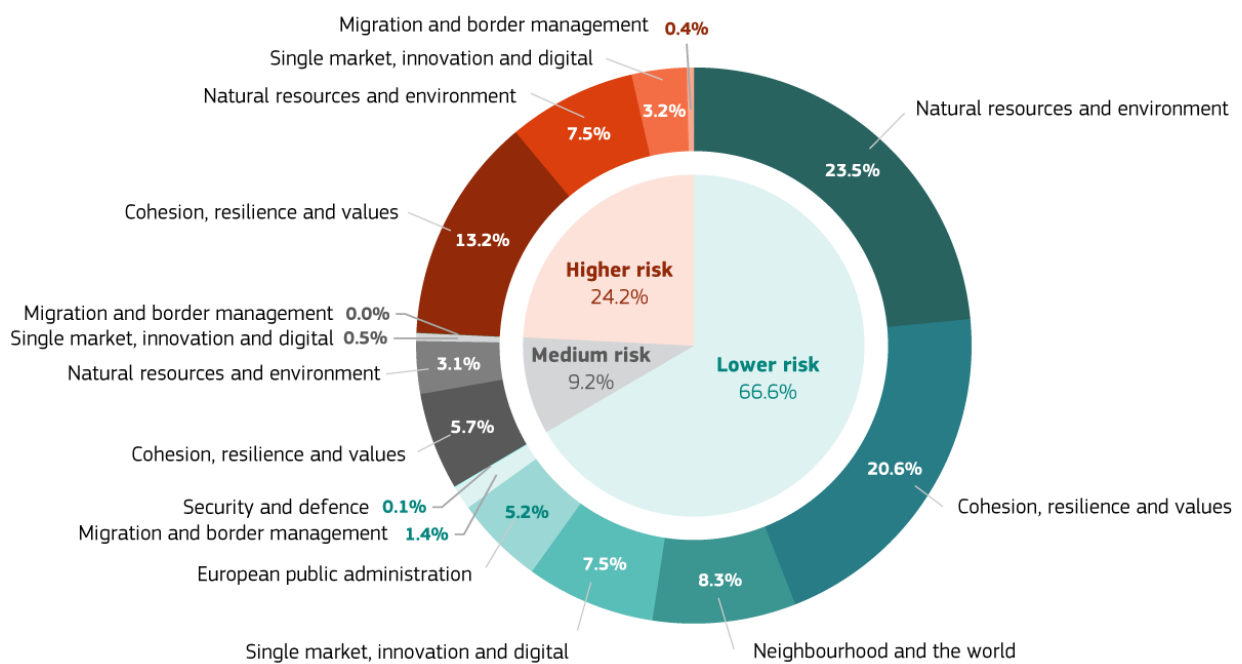
Source: European Commission, 2017-2023 annual management and performance reports for the EU budget.

<sup>(22)</sup> As extended by 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, pp. 1-29, ELI: <http://data.europa.eu/eli/reg/2020/2220/oj>.

**Based on all the controls and audits carried out, the European Commission has detailed and robust evidence of the differentiated risk level for the EU budget's expenditure.** This evidence is detailed down to the level of programmes for cohesion policy and down to the level of paying agencies for natural resources. This allows the Commission to split expenditure into three risk categories based on the risk at payment: low (below 2.0%), medium (between 2.0% and 2.5%) and high (above 2.5%). This in turn makes it possible to address and correct weaknesses precisely in the segments of expenditure where they occur and to focus action where it is deemed necessary.

**This also allows the European Commission to present a nuanced picture of the managed expenditure.** Horizon 2020 and cohesion policy as a whole carry a risk at payment above 2%, and natural resources (as a whole) and administrative expenditure are low risk. However, the majority of cohesion policy programmes are low and medium risk, and the Commission is able to report precisely which programmes in which countries have a risk at payment above 2% <sup>(23)</sup>. Similarly, for expenditure for natural resources that are low risk in general, and more specifically for direct payments, the Commission is able to identify paying agencies that are high risk <sup>(24)</sup>. Furthermore, it identifies market measures and rural development measures in the high-risk segment. Where the risk at payment is above the materiality threshold, including cohesion policy, the Commission applies corrective **measures** with the objective of bringing the level of error to below 2%

### European Commission categorisation of expenditure into higher-, medium- and lower-risk segments, as a percentage of the total of relevant expenditure for 2023



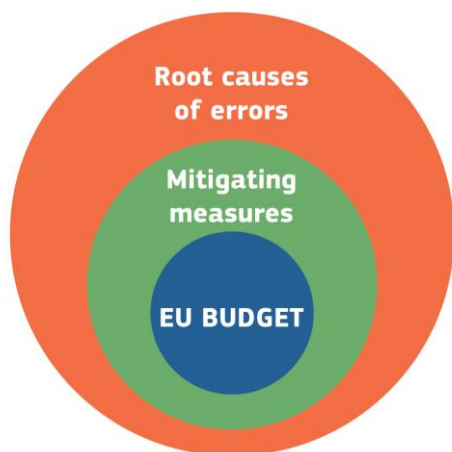
Source: The European Commission's annual activity reports for 2023.

**The European Commission's risk at payment is based on a control approach that is specific to its role.** The Commission's duty as manager of the EU budget is, on a multiannual basis, to prevent errors and, if necessary, to correct them, recover funds unduly spent and address identified weaknesses. The Commission's approach differs from the European Court of Auditors' audit approach, as it comes from a management perspective, provides more detailed information and is multiannual.

<sup>(23)</sup> In 2023, reservations were made in relation to 43 programmes in 17 Member States and the United Kingdom for both the 2014-2020 and the 2021-2027 programming periods.

<sup>(24)</sup> In 2022, reservations were made in relation to 33 paying agencies in 17 Member States and the United Kingdom.

**The Commission reports transparently on expenditure with a high level of risk that is deemed to be material, with significant weaknesses in the management of funds or with reputational risks. This is done in the annual activity reports through reservations qualifying the declaration of assurance.** For 2023, there are 14 reservations with a total financial impact of EUR 1 291 million, 0.8% of the total expenditure. Reservations are a keystone in the accountability chain. They outline the challenges and weaknesses encountered and are systematically accompanied by a description of the measures envisaged to address them. Appropriate financial corrections are also applied.



#### Root causes of errors

- Ineligible costs in cost claims
- Non-compliance with EU or national rules (procurement, State aid, etc.)
- Ineligible participants
- Missing supporting documents

#### Mitigating measures

- Continuous update of control strategies
- Simplified cost options
- Awareness actions
- Guidance
- Training
- Digital solutions

**The European Commission also uses appropriate measures to address the main weaknesses identified through its controls,** taking into account the recommendations made by the European Parliament, the internal auditor and the Court of Auditors.

**The Commission also takes into account the lessons learned, in particular on simplification measures, when designing new regulations.** This was done, for instance, for the legal bases for the 2021-2027 programming period, and will continue when preparing the next programming period. As explained above, the impact of such provisions will increase in the years to come, when more expenditure has taken place under this programming period.

**Based on the above, the European Commission considers that the budget as a whole is effectively protected. This is confirmed by the internal auditor's overall opinion<sup>(25)</sup>, in which she considered that, in 2023, the Commission put into place governance, risk management and internal control procedures, which taken as a whole, are adequate to give reasonable assurance over the achievement of its financial objectives, with the exception of those areas of financial management over which authorising officers by delegation have expressed reservations in their declarations of assurance.**

<sup>(25)</sup> See Annex 2, Section 3.2 'Work of the Internal Audit Service and overall opinion'.



## Transparent reporting

**The European Commission reports transparently on the operational and budgetary implementation of the funds it is managing.** This is done through a wide range of reports and publicly accessible databases, some examples of which are given in the box below.

- The Commission's **integrated financial and accountability reporting** brings together comprehensive information on the implementation, performance, results, sound financial management and protection of the EU budget. It includes the final consolidated accounts, this Annual Management and Performance Report, the long-term forecast of future inflows and outflows, the annual internal audit report and the report on the follow-up to the discharge.
- In their **annual activity reports**, the authorising officers by delegation of all 51 Commission departments report on the progress achieved towards their objectives in implementing the funds. They report on the control results, the weaknesses identified in the internal control systems and the measures taken to address them. They transparently mention in their declaration of assurance the reservations for high-risk expenditure or revenues.
- The **Financial Transparency System** web portal is open to those members of the public who are interested in finding out who received funding from the EU budget and the European Development Fund and how much they received, along with the commitments for entities entrusted to manage the EU budget under direct and indirect management.
- The **NextGenerationEU green bonds dashboard** provides a real-time overview of the measures financed by the NextGenerationEU green bonds and related expenditure. These data demonstrate that the Commission is issuing green bonds in line with the highest standards and the best market practices. In December 2023, the Commission published the first NextGenerationEU green bond allocation and impact report. It shows how the proceeds from green bonds have been used and disclosing the first assessment of the climate impact of the measures financed by them.
- **Kohesio** <sup>(26)</sup>, **the public platform for visibility and transparency of cohesion policy funds**, includes the lists of operations published by all the Member States in line with applicable regulatory provisions and is now available in all 24 EU languages. In May 2024, Kohesio contained information on nearly 2 million projects and some 630 000 beneficiaries supported by the European Regional Development Fund, the Cohesion Fund and the European Social Fund, amounting to over EUR 500 billion in total investment. In 2023, Kohesio won the Ombudsman Award for Good Administration in the category 'Open administration'.
- In **natural resources**, transparency of information is achieved at Member State level through the development and management of national systems and, as applicable, databases accessible through the internet, for example for the identification of land parcels for the agricultural funds, and the regular publication of the beneficiaries for agriculture and maritime, fisheries and aquaculture funds. This was reinforced in 2023 with a new online catalogue of common agricultural policy initiatives <sup>(27)</sup>, which provides a transparent overview of all strategic plans under the policy and related interventions, including the planned result indicators and outputs dashboard and financial allocation to the common agricultural policy specific objectives dashboard.
- For the **Recovery and Resilience Facility**, a new section has been added in the scoreboard on the implementation of the facility, displaying the data reported by Member States on the 100 final recipients that receive the largest amount of funding under the facility. The Commission has also published methodological notes on the scoreboard to transparently explain the pillar tagging methodology and the methodology to calculate disbursements for each pillar.

<sup>(26)</sup> <https://kohesio.eu/>.

<sup>(27)</sup> [Catalogue of common agricultural policy interventions](#).

## For the Recovery and Resilience Facility, control results confirm the satisfactory fulfilment of all milestones and targets for the payments made in 2023

**For the Recovery and Resilience Facility, the Commission has put in place a dedicated control environment.** This control set-up ensures on the one hand that the Member States put in place an effective control system for the protection of the EU's financial interests, as per the requirements of the regulation, and on the other that the payments to the Member States are legal and regular, meaning that the milestones and targets underlying the payments are satisfactorily fulfilled.

**All of the audit and control milestones and targets<sup>(28)</sup> have been assessed as fulfilled for all of the Member States that had received a first payment by the end of 2023** and for which such milestones and targets had been added to the national recovery and resilience plan. Particular attention was paid to the achievement of the milestones and targets added in relation to the Member States' arrangements to ensure the protection of the financial interests of the EU. Some Member States also made follow-up commitments to ensure compliance with the requirements in respect of management and control systems. The Commission took the opportunity of the revision of the recovery and resilience plans in 2023 to add new audit and control milestones where this was deemed necessary<sup>(29)</sup>. Member States cannot receive payments, except for pre-financing, as long as these milestones and targets are not fulfilled.

**By the end of 2023, the Commission had carried out systems audits in all of the Member States to make sure that they had put in place and were maintaining sufficiently robust national control systems.** The Commission identified a variety of situations regarding the audited bodies. Similar to 2022, the main deficiencies related to the lack of sufficient coordination and supervision by the coordinating bodies, incomplete anti-fraud strategies, missing elements in the fraud risk assessments, the need to improve the controls carried out to prevent conflicts of interest, low participation in training organised to raise fraud awareness and deficiencies in the reporting of irregularities to the European Anti-Fraud Office. The Commission also carried out an assessment of the Member States' compliance with their obligation to check regularly that the financing provided has been properly used in accordance with applicable rules, including compliance with rules for public procurement and State aid, where applicable. The outcome was positive.

**In relation to legality and regularity, the Commission's control results confirm the satisfactory fulfilment of all the milestones and targets for the payments made in 2023.** These results are based on the Commission's careful assessment<sup>(30)</sup> of the evidence provided by the Member States to substantiate the fulfilment of milestones and targets, along with the management declarations and audit summaries accompanying each payment request submitted and paid in 2023. This allowed a very small number of milestones and targets<sup>(31)</sup> to be identified that had not been achieved at the time the payment requests were submitted, and for which suspensions of payments were applied in accordance with the methodology on payment suspensions adopted in February 2023<sup>(32)</sup>, for a total amount of EUR 890 million. This assessment was completed by on-the-spot audits<sup>(33)</sup> after the payment had taken place.

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<sup>(28)</sup> Twenty-one out of 27 recovery and resilience plans. At the end of 2023, 14 of the 23 Member States for which the first payment had taken place since the start of the Recovery and Resilience Facility.

<sup>(29)</sup> Ten audit and control milestones and targets added in seven revised recovery and resilience plans.

<sup>(30)</sup> In its assessment, the Commission retains a margin of discretion as regards a limited number of circumstances where minimal deviations linked to the amounts, formal requirements, timing or substance can be accepted.

<sup>(31)</sup> Seven milestones and targets were assessed as not satisfactorily fulfilled at the time of payment in three payment requests of four member states: LT, RO and PT.

<sup>(32)</sup> Communication from the Commission to the European Parliament and the Council – Recovery and Resilience Facility: Two years on – A unique instrument at the heart of the EU's green and digital transformation, [COM\(2023\) 99 final](#).

<sup>(33)</sup> For payment requests submitted by six different Member States.

**The responsible authorising officer by delegation reported that he had reasonable assurance of the legality and regularity of the payments made in 2023** for the Recovery and Resilience Facility, based on the results of the controls carried out. In addition, based on clearly established criteria, the Commission concluded that 22 payments made in 2023 were considered to be at a low level of risk of error, and one was considered at a medium level of risk. In addition, regarding the compliance of the use of fundings received with all applicable rules, and the obligation to correct cases of fraud, corruption, conflict of interest, or serious breach of an obligation resulting from the financing and loan agreements, only one Member State was found to be at a high level of risk (for the correction aspect) but as the case was not deemed material, no reservation was issued. All other Member States were assessed at either a medium level of risk or a low level of risk.

## The conditionality regime continues to contribute to the protection of the EU's financial interests

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**Since 2021, with the entry into force of the conditionality regulation<sup>(34)</sup>, the EU budget has had an additional layer of protection in cases where breaches of the principles of the rule of law in the Member States affect or seriously risk affecting EU financial interests in a sufficiently direct way.** The rule of law is one of the founding values of the EU, and respect for it is also key for the sound financial management of the EU budget and the effective use of EU funding. The conditionality regulation complements other tools and procedures to protect the EU budget, for example checks and audits or financial corrections under sectoral rules, including those put in place by the Recovery and Resilience Facility regulation<sup>(35)</sup> and by the common provisions regulation<sup>(36)</sup> governing several EU funds, or investigations by the European Anti-Fraud Office.

**The conditionality regulation allows the EU to take measures to protect the EU budget, for example through the suspension of payments or financial corrections.** Where the conditions set by the conditionality regulation are met, the Commission must propose that the Council adopt appropriate and proportionate measures in relation to the Member State concerned. The Council decides on the adoption of measures by qualified majority. If measures are adopted, only the Member State concerned should be affected: the relevant EU programmes should continue to be implemented. The final recipients and beneficiaries of EU funding must be protected, and the Member State remains bound to fulfil its obligations, including that of paying the final recipients.

**In 2023, the European Commission continuously monitored the situation in all 27 Member States and also followed up on the ongoing case of Hungary.** In December 2022, the implementation of the conditionality regulation led to the adoption of the first Council implementing decision with measures to protect the EU budget from breaches of the principles of the rule of law, in the case of Hungary. The Council decided to suspend 55% of the commitments for three programmes in relation to cohesion policy, which corresponds to around EUR 6.3 billion for 2021-2027. The Council also prohibited entering into new legal commitments with public interest trusts, or entities maintained by them, under any EU programme directly or indirectly managed by the Commission in view of the risks of conflicts of interests in those trusts and entities. During the procedure, Hungary committed to adopting a number of remedial measures. However, in the light

<sup>(34)</sup> Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget, OJ L 433, 22.12.2020, ELI: <http://data.europa.eu/eli/reg/2020/2092/oj>.

<sup>(35)</sup> 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, ELI: <http://data.europa.eu/eli/reg/2021/241/oj>.

<sup>(36)</sup> 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 Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy, OJ L 231, 30.6.2021, ELI: <http://data.europa.eu/eli/reg/2021/1060/oj>.

of the Commission's assessment, the Council considered that the remedial measures notified by Hungary, taken as a whole, as adopted and in view of their details, and the ensuing uncertainty about their application in practice, did not put an end to the identified breaches of the principles of the rule of law. In December 2023, in line with the conditionality regulation, the Commission reassessed the situation in Hungary and concluded that the protective measures adopted by the Council should remain in place <sup>(37)</sup>.

In a process under the common provisions regulation, the Commission previously considered that Hungary did not fulfil the horizontal enabling condition on the required respect of the Charter of Fundamental Rights of the European Union because of several concerns, including on judicial independence. This led to the Commission blocking reimbursement of expenditure under the common provisions regulation. In 2023, after a number of exchanges with the Hungarian government and a thorough assessment, the Commission considered that Hungary had taken sufficient measures for the Commission to consider the horizontal enabling condition on the charter fulfilled as regards issues relating to judicial independence. Following this decision, a portion of the funds under the common provisions regulation became unfrozen. Parts of the funding are still not reimbursable, however, as other issues under the horizontal enabling condition on the Charter of Fundamental Rights and under thematic enabling conditions remain unaddressed.

## Management conclusion

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**Against a backdrop of unprecedented challenges, continued close cooperation between the Commission and co-legislators remains essential.** As was true for the pandemic, Russia's war of aggression against Ukraine has made a robust EU-level response both necessary and justified from the perspective of adding value over and above national responses, and on the condition that it is well coordinated.

**The Commission ensures that the EU budget serves citizens.** Thanks to the effective tools in place and the proactive management of the EU budget, the Commission has been able to deliver on its policy objectives and respond to multiple unforeseen challenges. The Commission has provided its beneficiaries, implementing partners and the Member States with the appropriate flexibility, while ensuring sound financial management and maintaining an appropriate level of assurance on the management of the EU budget.

**All authorising officers by delegation have provided reasonable assurance, although this has been qualified with reservations where appropriate.** The annual activity reports demonstrate that all Commission departments have put in place solid internal control systems and provide evidence of the actions taken to improve cost-effectiveness, further simplify the rules and adequately protect the budget from fraud, errors and irregularities.

**The internal auditor, in her overall opinion,** considered that, in 2023, the Commission put into place governance, risk management and internal control procedures that, taken as a whole, are adequate to give reasonable assurance over the achievement of its financial objectives, with the exception of those areas where reservations were issued in the declarations of assurance.

**On the basis of the assurances and reservations in the annual activity reports, taking into account the opinion of the internal auditor, the College of Commissioners adopts this *Annual Management and Performance Report for the EU Budget - 2023 financial year* and takes overall political responsibility for the management of the EU budget.**

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<sup>(37)</sup> Commission Decision of 13.12.2023 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 final](#).

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