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European Commission

Annual Activity Report 2024

Directorate General for Economic and Financial affairs

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DG ECFIN IN BRIEF

The mission of the Directorate General for Economic and Financial Affairs (DG ECFIN) is to contribute to raising the economic welfare of citizens in the European Union and beyond by ensuring that the Treaty obligations set out in Title VIII (Economic and Monetary Policy) of the Treaty on the Functioning of the European Union (TFEU) are met. We also contribute to the External Action of the Union and provide an economic service function for key EU policy initiatives.

The coordination of economic policy in the EU foresees that Member States are required to regard their economic policies as a matter of common concern and coordinate them in the Council of the EU. DG ECFIN facilitates these requirements. In 2024, the European Parliament and the Council adopted the legislative proposals on the reform of the **economic governance framework**, which aim to establish a simpler and more integrated economic surveillance of EU Member States. DG ECFIN implemented the first cycle of economic surveillance under the new economic governance framework, including through decisions under the excessive deficit procedure. Additionally, DG ECFIN played a key role in advancing the wider Commission priorities and agenda through its work within the European Semester, supporting Member States in implementing reforms and investments that foster competitiveness and promote prosperity. The work of DG ECFIN is conducted in particular through interactions with the **Economic and Financial Committee (EFC)**, the **Economic Policy Committee (EPC)**, and the **Eurogroup Working Group (EWG)**.

Besides its work on economic surveillance, DG ECFIN worked in close cooperation with the Commission's Reform and Investment Task Force (SG-REFORM) to implement the EU's **Recovery and Resilience Facility (RRF)**, which supports investments and reforms in the Member States. Given the scale of RRF funds - EUR 650 billion in loans and grants have been committed - DG ECFIN's activities are primarily funded through direct management with Member States, alongside grants, purchases, and indirect management with entrusted entities and budgetary guarantees. As Authorising Officer by Delegation, DG ECFIN must ensure reasonable assurance on all expenditures under its responsibility, including RRF funds disbursed to Member States and other programmes. Additionally, DG ECFIN managed the **InvestEU Programme**, which supports investment in core Union priorities.

DG ECFIN is also committed to supporting regional stability and economic recovery beyond the EU and remains actively engaged in providing financial support. DG ECFIN continued to provide financial support to enlargement and neighbourhood countries in the form of **Macro-Financial Assistance (MFA)** operations, especially in recent times to Ukraine**.** DG ECFIN also supported the Commission's contribution to global economic policy coordination, by conducting economic surveillance of EU enlargement countries, analysing global economic developments, and being active in the IMF/G7/G20 fora. Close cooperation continued with the European Investment Bank (EIB) Group, the European Bank for Reconstruction and Development (EBRD), the World Bank Group, and other multilateral development banks to enhance policy coordination and ensure alignment with EU priorities.

Human resource management continued to be challenging because DG ECFIN's work on highly political priorities, e.g. priorities linked to the consequences of Russia's war of aggression against Ukraine (e.g., MFA to Ukraine, REPowerEU initiative) as well as the sensitive work on the EU economic governance framework, and the on-going implementation of the RRF continued to result in a remarkably high workload.

DG ECFIN continued to apply the flexible methods set up at the end of the COVID-19 period, adapting their functioning as much as possible to local needs. Most of DG ECFIN's staff work in Brussels, 13 colleagues work in Luxembourg and 12 in other countries, inside and outside the EU.

As part of the **Commission's commitment to mainstream equality** internally and across all policy areas, DG ECFIN adopted an Equality work plan in 2021. In 2024, mainstreaming of equality in existing policies continued, e.g. with monitoring the equality dimension in the implementation of InvestEU and the RRF.

EXECUTIVE SUMMARY

This annual activity report is a management report of the Director-General of the Directorate-General for Economic and Financial Affairs (DG ECFIN) to the College of Commissioners. Annual activity reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties ([1]).

([1]) Article 17(1) of the Treaty on European Union.

A. Key results and progress towards achieving the Commission's general objectives and department's specific objectives

In 2024, DG ECFIN achieved a significant milestone with the adoption of **the reform of the EU economic governance framework, which entered into force on 30 April 2024**. It is the most ambitious and comprehensive reform of the rules on the EU's economic governance and national fiscal frameworks since the aftermath of the economic and financial crisis.

The new framework introduces risk-based surveillance which differentiates between Member States based on their individual fiscal situations. A single operational indicator - net primary expenditure - serves as a basis for fiscal surveillance, thereby simplifying fiscal rules. For Member States exceeding the 3% deficit or 60% debt thresholds, the Commission issues a country-specific **reference trajectory** that guides the preparation of the medium-term plans, which set fiscal and reforms and investment objectives for the next four or five years. On 26 November, the Commission adopted recommendations for Council recommendations on the **medium-term plans of 21 Member States**, in line with the new economic governance framework. On the same day, the Commission adopted recommendations for Council recommendations under Article 126(7) TFEU with a view to correct the excessive deficit in 8 Member States. DG ECFIN has worked closely with Member States in the preparation of the plans through technical exchanges and by issuing detailed guidance on content.

Besides fiscal policy, the annual cycle of economic surveillance focused on the need to support the EU competitiveness. The Commission published its bi-annual **European economic forecast** providing a detailed analysis of the economic outlook in the short and medium-term, including for public finances. The annual **country reports and the proposals for country-specific recommendations (CSRs)** were published on 19 June 2024 and put a strong emphasis on the implementation of EU-financed programmes and on productivity and competitiveness challenges.

DG ECFIN also advanced in the **implementation of the RRF** in cooperation with SG REFORM ([2]). DG ECFIN assisted Member States in the revisions of RRPs in order to address implementation bottlenecks, to simplify and reduce administrative burden. Over 2024, 17 plan revisions were adopted, of which 3 related to the inclusion of **REPowerEU** chapters. In parallel, DG ECFIN continued with the disbursement of RRF funds and successfully disbursed 41 payments in 2024. The total amounts disbursed by the end of 2024 amount to 55% of the total RRF grant envelope and to 37% of the total RRF loan envelope. DG ECFIN also continued to implement the **InvestEU Programme**, with two Guarantee Agreements signed in 2024. In particular, InvestEU supported projects aligned with priorities of the **STEP Regulation** with its existing EU Guarantee.

Regarding the Commission's **geopolitical agenda**, DG ECFIN played an important role in strengthening Europe's role as a global player by engaging in numerous multilateral and bilateral relationships with international financial institutions, global fora and third countries. Notably, the Commission and DG ECFIN played a significant role in the EU's continued assistance to Ukraine. DG ECFIN established the **Ukraine Loan Cooperation Mechanism**

([2]) SG.RECOVER became SG.REFORM as of 1 February 2025. The name SG REFORM will be used for this report.

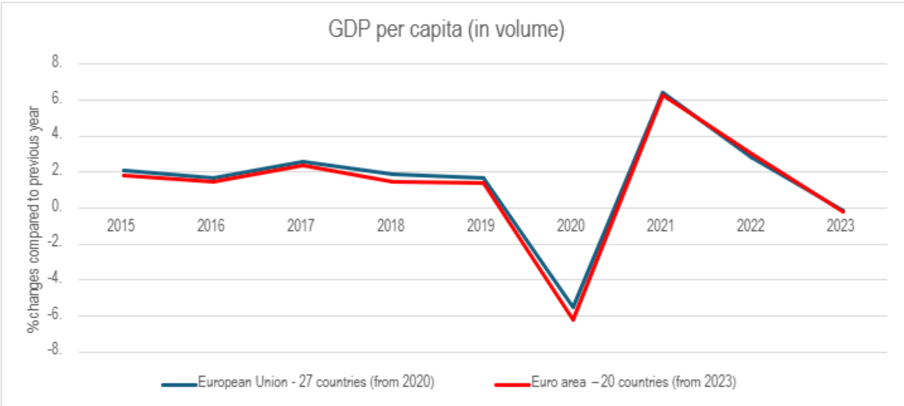
to implement additional USD 50 billion loans to Ukraine under the G7 Extraordinary Revenue Acceleration (ERA) Loans initiative, leveraging the extraordinary revenues of the immobilized Russian sovereign assets. In parallel, DG ECFIN proposed and implemented the EU's contribution to the ERA initiative, an EUR 18.1 billion Macro Financial Assistance 'ERA MFA', to be disbursed in over the course of 2025. DG ECFIN also oversees and facilitates the operationalisation of all other G7 partner loans. These resources add to the funds provided under the ´**Ukraine Facility'**, under which EUR 16.1 billion was disbursed in 2024. DG ECFIN supported the development of the economic policy conditions contained in the Ukraine Plan. Alongside policy work, DG ECFIN actively used communication tools to explain, promote, and engage with a diversity of audiences on DG ECFIN activities.

In 2024, DG ECFIN specifically focused on (i) the implementation of the national RRPs, (ii) the Economic Governance Framework, and (iii) other initiatives aimed at supporting workers and businesses.

B. Key performance indicators

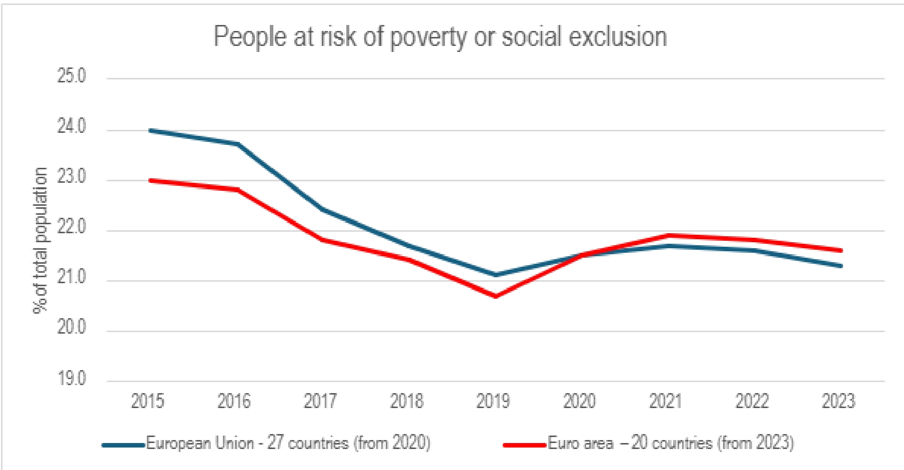
DG ECFIN selected the **real GDP per capita growth rate** and **people at risk of poverty or social exclusion** as its two **key performance indicators** in its Strategic Plan 2020-2024. Increasing GDP growth and reducing people at risk of poverty reflect DG ECFIN's ultimate goal: raising living standards fairly. These indicators are based on official statistics released on an annual basis by Eurostat.

Figure 1 shows that GDP per capita in both the EU and the euro area grew between 2015 and 2019, followed by a sharp decline in 2020 as a consequence of the COVID-19 pandemic. This was followed by a robust recovery in 2021, with GDP per capita reaching approximately 6% growth in both the EU and the euro area. Growth slowed significantly in 2022 due to supply chain disruptions, inflation, and geopolitical tensions (such as the Russia-Ukraine war).



Source: Eurostat

Figure 2 illustrates a consistent downward trend in the percentage of the population at risk of poverty or social exclusion in both the EU and the euro area between 2015 and 2019. However, this trend was briefly disrupted by a minor increase in 2020 and 2021, attributed to the impacts of the COVID-19 pandemic. The data for 2022 and 2023 suggests a return to a slight decrease once more.



Source: Eurostat

C. Key conclusions on internal control and financial management

In line with the Commission's Internal Control Framework, DG ECFIN has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed. Please refer to section 2.3 for further details.

In addition, DG ECFIN has systematically examined the available control results and indicators, including those from supervised entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by the Internal Audit Service (IAS) and the European Court of Auditors (ECA). These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Moreover, the estimated overall risk at payment and closure was 0.04% in 2024 ([3]), which is significantly below the 2% materiality threshold. Please refer to sections 2 and 4 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated. Improvements are necessary concerning the implementation of IAS' recommendations resulting from its audit on the preparation of the Macro Financial Assistance programme to enlargement and neighbourhood countries. DG ECFIN accepted all the recommendations and submitted an action plan in January 2025, which was approved by the IAS, with actions to be implemented by the end of December 2025. In particular, actions will be taken with regard to the two 'very important' findings related to the control strategy for MFA operations and the protection of sensitive non-classified information (see section 2.2 for further details).

The Director-General, in his capacity as Authorising Officer by Delegation, has signed the Declaration of Assurance albeit qualified by a reservation concerning conflict of interests cases that affect the protection of the financial interests of the Union (Article 22 (5) of the RRF Regulation ([4])) detected in Czechia.

([3]) Excluding the RRF (RCS 1), for which there is no error rate, but a level of risk.

([4]) Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility

D. Provision of information to the Commissioners

In the context of the regular meetings during the year between DG ECFIN and the Commissioner on management matters, the main elements of this report and assurance declaration, including the reservation envisaged, have been brought to the attention of Commissioner Gentiloni, responsible for Economy (2019-2024), as well as Commissioner Dombrovskis, responsible for Economy and Productivity (2024-2029), who served from 1 December 2024.

1. KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION'S GENERAL OBJECTIVES

This section provides detailed information on the key results and progress towards the achievement of the general and specific objectives set in DG ECFIN's Strategic Plan for 2020-2024. It is organised according to the four general objectives of the von der Leyen first Commission: (i) an Economy that Works for People, (ii) a European Green Deal, (iii) a Europe Fit for the Digital Age, and (iv) a Stronger Europe in the World.

Figure 3 illustrates the Specific Objectives and activities that DG ECFIN has pursued in 2024 to contribute to these general objectives. Performance tables covering progress towards all objectives set in DG ECFIN's Strategic Plan for 2020-2024 and the outputs identified in the 2024 Management Plan are presented in Annex 2.

Figure 3: General and Specific objectives, Activities

An economy that works for people

Delivering on an economy that works for people is the primary objective for DG ECFIN over the years 2020-2024. It does this through surveillance, analysis, coordination, legislative actions, and through the provision of EU financing to Member States.

One of DG ECFIN's key priorities in 2024 was the timely implementation of the RRF, which makes available up to EUR 723.8 billion (in current prices) in loans and grants. Work in 2024 focused on monitoring progress in the implementation of national Recovery and Resilience Plans (RRP) and the assessment of Member States' payment requests. DG ECFIN worked in close cooperation with the Commission's Recovery and Resilience Task Force (SG REFORM).

The promotion of investment for recovery, employment, and well-being across Europe is also supported by the InvestEU Programme, described in the section on "A stronger Europe in the world". InvestEU remains a key Commission tool to stimulate jobs, growth, and investment in Europe. DG ECFIN will also continue to ensure coordination with the EIB, EIF, EBRD and other European and International Financial Institutions (EFIs and IFIs) in the implementation of EU policies, including to promote growth and sustainable development.

A. Support the Member States' economies to become more economically and socially resilient and minimise the lasting impact of the COVID-19 pandemic on the EU

Implement the Recovery and Resilience Facility (RRF)

The priority in 2024 has been to facilitate and accelerate the implementation of Recovery and Resilience Plans. To accommodate changed circumstances and new challenges, 17 Recovery and Resilience Plans (RRPs) were revised**,** in particular to address implementation bottlenecks, to simplify and reduce administrative burden. The Commission guidance issued on 19 July 2024 aims to facilitate this process. As part of these plan revisions, three Member States (LU, IE, and DE) also adopted their REPowerEU chapters.

In 2024, the Commission disbursed 41 payments to Member States for a total of EUR 85.3 billion (out of which EUR 29.4 billion in loans). This brings the total disbursements by end of 2024 to EUR 306.1 billion, divided into 197.5 billion in grants (55% of the total EUR 359 billion RRF envelope) and EUR 108.7 billion in loans (37% of the total EUR 291 billion RRF envelope). This includes a total of EUR 66.9 billion in pre-financing disbursed to Member States.

There was significant progress in the implementation of milestones and targets of the plans. The implementation of the RRPs was broadly on track as of end-2024. Most milestones and targets planned to be achieved by the end of 2024 have either been assessed as fulfilled by the Commission (47.2%) or reported by Member States to be completed (29%). Only a minority were marked as not completed (15%).

Deliver on the REPowerEU Plan

The RRF is a key instrument for delivering on the REPowerEU Plan, which aims at reducing Europe's dependency on Russian fossil fuels by accelerating the clean energy transition and achieving a more resilient energy system. DG ECFIN, jointly with SG REFORM and DG ENER, worked with the Member States towards the adoption and implementation of their REPowerEU chapter and provided necessary guidance. In 2024, three Member States (IE, DE, and LU) submitted their modified RRPs including REPowerEU chapters, which were adopted by the Council. This brought the number of REPowerEU chapters in force to 26, for a total amount of additional funding to EUR 64.75 billion. The RRF Annual Report 2024 gives a comprehensive analysis of the measures included in the adopted REPowerEU chapters. At the end of 2024, 38 milestones and targets related to REPowerEU measures were assessed as satisfactory fulfilled, and 15 reported as completed.

Implement the instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE)

SURE was established in May 2020 to provide Union financial assistance to Member States in the form of loans, primarily to help finance their national short-time work schemes and similar measures in response to the COVID-19 pandemic. As per its legal base, the policy use of SURE was discontinued in December 2022. Over its lifetime, SURE has provided EUR 98.4 billion to 19 Member States. Beyond 2022, the Commission will continue managing borrowing operations until 2051, when the last SURE loans will be due.

During 2024 DG ECFIN prepared an evaluation report on the implementation of SURE. The evaluation drew on a range of sources including an independent evaluation study finalised by an external contractor in 2024. The evaluation report and the external evaluation study were published on 18 February 2025. The evaluation confirmed that SURE successfully met its objectives and helped cushion the impact of the pandemic. The instrument's collective approach provided added value beyond what individual Member States could have achieved on their own, resulting in substantial benefits, including additional jobs saved, stabilisation of income and significant interest savings for national budgets.

Monitor Balance of Payment needs

Balance of Payment support is available for non-euro area Member States that are experiencing or are seriously threatened with difficulties in their balance of current payments or capital movements. Should a non-euro area Member State request such assistance, DG ECFIN stands ready to conduct the analysis and prepare the documents for financial assistance to be granted, as per the legal framework.

B. Integrate the Sustainable Developments Goals (SDGs) into the European Semester, supporting green and digital economic transformations in the post-COVID-19 recovery

The European Semester is the framework for integrated multilateral economic surveillance and related policy recommendations to EU countries. The European Semester, revised following the reform of economic governance framework, includes the formulation and the monitoring of implementation of the country-specific recommendations (CSRs) and of the recommendation on the economic policy of the euro area. In 2024, the Commission published its annual country reports and its recommendations for CSRs as part of the Spring package released on 19 June. The European Semester also integrates the surveillance of macro-stability risks under the Macroeconomic Imbalance Procedure

Adapt the European Semester processes, tools and outputs to respond to the needs of the RRF, and to integrate the new economic governance framework and the UN Sustainable Development Goals

The European Semester has been adjusted to incorporate the RRF and to take into account the relevant elements of the reformed economic governance framework which entered into force in April 2024. The European Semester Country Reports provided a holistic overview of the economic and social developments that were published in spring 2024 together with proposals for CSRs. The 2024 country reports put specific emphasis on policy challenges related to competitiveness and productivity and on the implementation of the RRF and cohesion policy programmes. The CSRs insisted on the need to pursue the swift implementation of the RRF and, where needed, to take policy actions to address emerging delays.

In 2024, the European Semester remained the outlet for the analysis of macroeconomic imbalances that form the basis for the implementation of the Macroeconomic Imbalance Procedure (Alert Mechanism Report, In-depth Reviews).

DG ECFIN has progressively integrated the United Nations' Sustainable Development Goals (SDGs) into the Semester as from the 2020 European Semester cycle and will continue to provide updated and consistent reporting on progress towards the achievement of the SDGs across Member States.

Strengthen the analytical framework for macroeconomic policies

Amidst a challenging geopolitical environment, persistent inflationary pressures, bond market tensions amid high public deficits and debt, and the need to advance swiftly with the green and digital transitions, the EU is facing significant macroeconomic policy challenges. DG ECFIN continued building and maintaining analytical frameworks to assess reform and investment needs and productivity dynamics. In particular, DG ECFIN continued to undertake macroeconomic analysis of the euro area, including analysis of inflation, interest rates and exchange rates developments and their impacts, supported by analytical tools developed in close collaboration with the Joint Research Centre (JRC). This led to the publication of a number of discussion papers and to the organisation of workshops and events to discuss economic policy challenges.

As regards fiscal policy, DG ECFIN conducted in particular work on the policy mix, on the assessment and implications of high government debt, financing needs and high investment needs. Analyses also focused on tools to strengthen national fiscal frameworks and institutions. In particular, DG ECFIN has further worked to develop the analysis of the management of public investment and of fiscal risks from climate change and related disasters, and of tools to align budgets with new priorities, particularly through spending reviews and green budgeting.

C. Review and implement the economic and fiscal surveillance framework to deliver conditions for sustainable economic growth

Economic and fiscal surveillance is at the core of DG ECFIN's work. Within the encompassing framework of the European Semester – which is covered under **specific objective 2** – this includes fiscal surveillance under the new Economic Governance Framework, the surveillance of macroeconomic imbalances under the Macroeconomic Imbalances Procedure (MIP), a range of procedures specifically introduced to address euro area countries facing difficult circumstances, including economic adjustment programmes, the assessment of Member States' draft budgetary plans as well as minimum standards for the Member States' fiscal frameworks.

Design an improved economic governance framework

The legislative proposals for a reform of the EU economic governance, in particular the fiscal framework, published on 26 April 2023, were adopted by the European Parliament and the Council in spring 2024. The revised framework focuses on national medium-term fiscal-structural plans to be proposed by Member States and approved by the Council. These plans integrate fiscal, reform and investment objectives, including those to address macroeconomic imbalances, into a single holistic medium-term plan, thus creating a coherent and streamlined process.

The new fiscal governance framework introduces risk-based surveillance, which differentiates between Member States according to their individual fiscal positions. A single operational indicator – net primary expenditure – serves as the single operational reference for setting the fiscal adjustment path and carrying out annual fiscal surveillance, thus significantly simplifying the framework. The amendments to the Budgetary Frameworks Directive to strengthen national fiscal frameworks and national ownership apply to all EU Member States and include provisions for national independent fiscal institutions and to reflect macro fiscal risks from climate change in national fiscal frameworks to the extent possible.

Forecast and monitor fiscal and macroeconomic developments and risks: implementation of surveillance

In 2024, DG ECFIN published two fully-fledged forecasts, in spring and autumn, and one interim forecast in winter. The forecast publications included analysis of relevant macroeconomic special topics. It is supported in particular by the economic sentiment data from the harmonised Business and Consumer Survey programme (BCS), which provides timely information feeding into macroeconomic monitoring and forecasts. The economic forecasts serve as a basis for the economic monitoring performed by DG ECFIN.

The reformed fiscal framework in force since April 2024 has been quickly operationalised. The Commission provided detailed guidance to the Member States on the submission of the medium-term fiscal-structural plans and on the criteria for their assessment. Additionally, the Commission engaged in constructive technical dialogues to discuss the content of the plans. DG ECFIN promptly operationalised the implementation of the new framework by creating dedicated workspaces and databases. On 26 November 2024, the Commission published its assessment of 21 national medium-term fiscal structural plans, 17 Opinions on Draft Budgetary Plans for 2025 of euro area Member States as well as recommendations for Council Recommendations under the Excessive Deficit Procedure for 8 Member States. Meanwhile, as part of EU regular fiscal surveillance, DG ECFIN updated its annual assessment of fiscal sustainability risks in Member States in its Debt Sustainability Monitor in March 2024, which has become the methodological reference point for the preparation of national Medium-term Plans under the new economic governance framework. A new working group for debt sustainability analysis was set up under the EFC-A to explore "potential methodological improvements to the European Commission's debt sustainability analysis".

As regards the MIP, DG ECFIN continued analysing emerging macro stability risks to facilitate timely preventive action and help build long-term resilience of the EU's economies. DG ECFIN presented the In-Depth Reviews under the MIP in March and April 2024 and concluded on the existence or not of imbalances or excessive imbalances in June. In December 2024, the 2024 Alert Mechanism Report was published, selecting Estonia for an IDR in the forthcoming spring, alongside the countries with imbalances or excessive imbalances. DG ECFIN completed its review of the MIP Scoreboard and presented a new scoreboard in the 2025 Alert Mechanism Report. In spring 2024, guidance on addressing these imbalances was set out in the country-specific recommendations issued as part of the 2024 Spring Package, Finally, DG ECFIN continued to undertake post-programme surveillance (PPS) for Ireland, Portugal, Spain, Cyprus and Greece. As part of the Commission's broader efforts to simplify procedures, DG ECFIN worked throughout 2024 to reduce the administrative burden of PPS missions and reporting.

Strengthen national fiscal frameworks and public finance management, explore and promote adoption of green budgeting

In order to enhance national ownership, DG ECFIN examined and discussed ways to improve the effectiveness and compliance of national fiscal frameworks with the provisions in force. In 2024, particular attention was devoted to the transposition and implementation of the EU requirements for national fiscal frameworks, considering also the implications of the amendments to the Council Directive on budgetary frameworks of Member States done as part of the economic governance review. DG ECFIN supported Member States in the transposition and implementation of these amendments on national independent fiscal institutions and on reporting of climate-related fiscal risks, contingent liabilities and costs.

In addition, DG ECFIN continued to promote the adoption of green budgeting practices across Member States, including through organising, with the Belgian government, the annual green budgeting conference. DG ECFIN also conducted further work on the potential fiscal impacts of climate change mitigation (i.e., transition risks) and adaptation policies on debt dynamics.

DG ECFIN has engaged with relevant stakeholders and international organisations and established community of practitioners on disaster risk financing and public investment management to promote the exchange of best practices.

Deepen analysis of economic, fiscal and social aspects of demographic change and ageing

The first volume of the 2024 Ageing Report, describing assumptions and methodologies, was published already in Q4 2023. This formed the basis for calculating projected expenditure on pensions, healthcare, long-term care and education in the second volume of the 2024 Ageing Report, which was published in April 2024. The key findings of this report, together with those of the 2024 Pension Adequacy Report, were presented at a high-level conference, which took place in June 2024.

D. Promote a deeper and more resilient EMU in both the economic and financial dimensions

DG ECFIN monitored the economic challenges faced by the euro area, particularly related to inflation and its economic and social impacts, as well as competitiveness concerns. This materialised in particular in the publication of the euro area report and the recommendation for Council recommendation on the euro area, which were published in the Autumn.

In parallel to that monitoring work, DG ECFIN contributed to the work on the further deepening the EMU, including in particular the Banking Union, the Capital Markets Union, the work on a digital euro, and the international role of the euro. DG ECFIN also conducted actions to avoid counterfeiting, thus further contributing to the well-functioning EMU.

Finally, Bulgaria participates in ERM II since July 2020 and DG ECFIN will continue to support and review progress in Bulgaria towards meeting the convergence criteria, also providing technical support on the practical preparations for Bulgaria's accession to the euro zone.

Contribute to overall EMU deepening, focusing on aspects of financial union which are relevant for economic, monetary and fiscal policy

As part of the Digital Euro package, DG ECFIN continued to engage with co-legislators on the Proposal for a Regulation of the European Parliament and of the Council on the establishment of the digital euro (COM/2023/369 final) with the co-legislators. Negotiations on the proposal have advanced but need further momentum to reach a conclusion in 2025.

DG ECFIN also supported the implementation of the Commission's 2020 Capital Markets' Union (CMU) action plan, and the advancement of the Banking Union, both of which will continue under the new Savings and Investments Union (SIU) in 2025.

Lastly, DG ECFIN monitored the EU bond issuances and sovereign bond markets in the context of macro-financial stability and performed technical assessments for the maintenance of the sovereign financial assistance architecture.

Protect the euro against counterfeiting and managing euro cash policy and legislation

The overall protection of the euro banknotes and coins against counterfeiting and related fraud is achieved through specific legislative measures, training actions financed by the Pericles programme, technical assistance provided by the European Technical Scientific Centre (ETSC) and coordination among relevant stakeholders within the established cooperation fora including the Member States, the European Central Bank (ECB), and Europol. In 2024, DG ECFIN continued implementing the Pericles IV programme ([5])and prepared the Communication on the conclusions of the independent mid-term review and addressed the priorities identified in the annual Pericles strategy prepared with the contribution of the ECB and Europol and endorsed by Member States' experts at the Euro Counterfeit Experts Group (ECEG).

The Commission also continued monitoring the application of the regulatory framework governing the authentication and fight against counterfeiting. As part of the priority put on simplification, the co-legislators adopted in September 2024, the Commission's proposal for a Directive amending the Directive 2014/62/EU and removing the redundant biannual reporting as part of the rationalisation of reporting requirements (Directive (EU) 2024/2808).

In parallel to the action on counterfeiting, DG ECFIN continued implementing euro cash policy and legislation, in close cooperation with Member States and the ECB. In particular, in the framework of the Digital euro package, DG ECFIN took part in the negotiations with co-legislators on the Proposal for a Regulation of the European Parliament and of the Council on the legal tender of euro banknotes and coins {SEC(2023) 257 final} - {SWD(2023) 233 final} - {SWD(2023) 234 final}.

Promote Exchange Rate Mechanism (ERM) II participation and expand euro area membership if possible

In 2024, DG ECFIN monitored and supported within the appropriate frameworks the economic convergence progress of Bulgaria and of the other EU Member States that have not yet adopted the euro. In the case of Bulgaria, DG ECFIN continued to work with the competent national authority to monitor and report on the implementation of their post-Exchange Rate Mechanism (ERM) II entry commitments. DG ECFIN also continued to advise Bulgarian national authorities to ensure an appropriate technical preparation for a possible euro changeover.

The 2024 Convergence Report was published on June 26, 2024. In 2024, none of the Member States with a derogation fulfilled all the criteria for euro adoption.

([5]) Regulation (EU) 2021/840 of the European Parliament and of the Council 'establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting for the period 2021-2027 (the 'Pericles IV' programme)' and Council Regulation (EU) 2021/1696 extending the application of 'Pericles IV' to the Member States that do not have the euro as their official currency

A European Green Deal

In 2024, DG ECFIN contributed to the European Green Deal, principally through the implementation of the RRF and InvestEU, which support the economy and provide funds for the green and digital transformations. In each national RRP, at least 37% of the financial support should be dedicated to climate-related investments and reforms. DG ECFIN work on economic monitoring, in particular as part of the EU Semester (see above), also contributes to the European Green Deal.

The promotion and implementation of ambitious environment, climate and energy policies require global collaboration, not isolated action. Reaching agreement in international fora on the issues and strengthening Europe's role as a global player on economic issues is also important to the success of the European Green Deal.

Implement the Sustainable Europe Investment Plan

The Sustainable Europe Investment Plan, also referred to as the European Green Deal Investment Plan (EGDIP), is the investment pillar of the European Green Deal. The Investment Plan, which is also supported by the EIB Group, combines funding under the EU budget as well as private investment leveraged through EU budget instruments such as InvestEU (see below) to support the climate transition. In parallel to that work, DG ECFIN participated in the discussions on the EIB Strategic Roadmap 2024-2027, which aims among other to consolidate the EIB Group position as EU Climate Bank in support of the EGDIP.

The third edition of the annual EU Sustainable Investment Summit in January 2024 took stock of developments of the European Union towards reaching its 2030 climate and environmental goals and, on the longer-term, climate-neutrality by 2050. It provided a forum for constructive dialogue among high-level international stakeholders to address the challenges of climate change through enhanced international cooperation. Speakers called for an increase of global finance for green investments and innovative technologies, clear and simple implementation rules as well as effective international coordination.

Deliver and implement the InvestEU Programme

The InvestEU programme provides long-term financing by mobilising significant public and private funds to promote investments and support a sustainable recovery, aligned with European priorities such as the European Green Deal, the digital transition, and support for SMEs. The InvestEU programme consists of three elements: the InvestEU Fund, the InvestEU Advisory Hub, and the InvestEU Portal, and aims to mobilise at least EUR 372 billion of additional investment though EU budget guarantees.

By December 2024, Guarantee Agreements had been signed with 17 Implementing Partners following a successful completion of the appropriate assessment process. Until the end of 2024, the Investment Committee approved 257 operations for a total EU guarantee amount of EUR 22.02 billion under the EU compartment. In addition, 21 operations for a total amount of EUR 2.15 billion were approved under the Member State compartments, for the benefit of Bulgaria, Finland, Greece, Malta, Romania, and Spain. Following a second Call for the Expression of Interest in October 2023, DG ECFIN prepared and signed Guarantee

Agreements with Cassa depositi e prestiti S.p.A. (CDP), the Nordic Investment Bank (NIB), the Council of Europe Development Bank (CEB), the Bulgarian Development Bank (BDB), Banco Português de Fomento, S.A. (BPF) and the European Bank for Reconstruction and Development (EBRD). Furthermore, DG ECFIN concluded a Contribution Agreement with Spain in November 2024 to expand the financial capacity of InvestEU in this country, through an additional guarantee provided to the EIF.

Under the InvestEU Advisory Hub, which offers EU funded advisory support for project development and capacity building, six advisory partners (EIB, EBRD, CEB, Cassa depositi e prestiti S.p.A. (CDP), Bpifrance, and Caisse des Dépôts et Consignations) provided advisory services in 2024. A second call for expression of interest was launched during which new advisory partners have been selected for the implementation of additional advisory services. Agreements with the selected partners are expected to be signed in 2025.

The InvestEU Portal – the EU's online matchmaking tool – offers a free, online, user-friendly tool, providing EU businesses and project promoters in search of financing with the visibility and networking opportunities with investors worldwide. The InvestEU Portal continued to cooperate with the European Business Angel Network (EBAN) and the EuroQuity (BPI France) for the organisation of the networking events. As of end-December 2024, in total 1613 investment opportunities were published on the InvestEU Portal.

An independent interim evaluation of the application of the InvestEU Regulation started in October 2023. The independent evaluation aimed to assess the use and the allocation of the EU Guarantee under the InvestEU Fund, the inclusion of the Implementing and Advisory Partners, the partnership between the EIB Group and the Commission, the implementation of the InvestEU Advisory Hub as well as of the InvestEU Portal. The evaluation took into consideration data and results from the start of the programme through to 31 December 2023. The evaluation fed into a Commission Staff Working Document which was submitted to the European Parliament and Council – as well as to the Committee of Regions and the European Economic and Social Committee – on 30 September 2024.

External communication

DG ECFIN promoted sustainable investment in line with the European Green Deal objectives and contributed to the dissemination of sustainable practices among private and public investors. The EU Sustainable Investment Summit was preceded by a high-level InvestEU event, "Financing Europe's Future", organised in Brussels and attended by policy makers and stakeholders (310 participants on site and additional 4779 online). InvestEU-related events and roadshows were organised in different countries. The institutional communication on InvestEU, including through press and social media, continued to showcase projects and investment opportunities supported by InvestEU and to promote the use of the InvestEU Portal.

A Europe fit for the digital age

While the digital transformation of our economy and our society brings many opportunities, it also brings many challenges on both an economic and a social level. The fast development of artificial intelligence (AI) has further accelerated this transformation offering a new opportunity for innovation while raising ethical concerns and stressing the need for regulatory frameworks. In 2024, DG ECFIN continued to support the Commission's digitalisation agenda through the specific instruments that have been put in place to provide financing for the recovery and will focus on impacts on the economic and social resilience of our economies.

In 2024, DG ECFIN delivered on this objective through activities under the RRF, as 20% of each RRP's total allocation has to contribute to fostering the digital transition. The implementation of the InvestEU programme also contributed to a Europe fit for the digital age. As part of its economic service function, DG ECFIN contributed to assess the short- and long-term macroeconomic and fiscal impacts of digitalisation. Furthermore, it worked on the development of a digital euro, including legal issues, legal tender aspects, economic analysis and monetary policy and financial stability considerations (see above).

A stronger Europe in the world

In 2024, DG ECFIN contributed to the Commission's geopolitical agenda, through its conduct of economic policy and its interactions with global partners in international fora. The EU is a strong global power, representing the second largest market in the world, and DG ECFIN contributed to strengthening the EU's global leadership and to increase the international role of the euro.

DG ECFIN has contributed to mobilise financial support to Ukraine and has set up MFA programmes for enlargement and neighbourhood countries to help them weather the economic ripple effects of Russia's war of aggression against Ukraine. DG ECFIN also contributed to the coordination of Member States' and European financial institutions' (such as the EIB Group and EBRD) strategies at international level. DG ECFIN contributed to EU's role as a global leader in international and multilateral organisations –in particular in the G7, G20, and the International Monetary Fund (IMF)– as well as through bilateral macroeconomic dialogues and exchanges with key non-EU partner countries. DG ECFIN also collaborated with the Organisation for Economic Co-operation and Development (OECD) on economic analysis, policy recommendations, and global economic governance. This collaboration took place through OECD Committee meetings -including the Economic Policy Committee, STEP, WP1, and WP3- as well as biannual consultations to support the preparation of the EDRC Economic Survey of the EU and the euro area. In addition, ECFIN and OECD staff cooperated on research initiatives related to for instance productivity or labour market.

E. Strengthen Europe's role as a global leader on economic issues and increase the international role of the euro

Provide dedicated financial support to Ukraine

Since the onset of Russia's war of aggression against Ukraine, the EU has stood resolutely with Ukraine, mobilising significant support, with the EU and its Member States, as well as EU IFIs providing almost EUR 148 billion in assistance. In 2024, the Ukraine Facility provided approximately EUR 16.1 billion in support, reflecting the Ukrainian authorities' successful implementation of steps under the Ukraine Plan. In this context, DG ECFIN acted as a key player in the drafting the reforms under the Ukraine plan as well as the assessment of implementation.

In addition to the Ukraine Facility, and in light of Russia's intensified war of aggression, the G7 Leaders agreed during the Apulia Summit in June 2024 to provide financial assistance through Extraordinary Revenue Acceleration (ERA) loans of up to EUR 45 billion, leveraging the extraordinary revenues generated from immobilised Russian assets. DG ECFIN led work related to the establishment of the Ukraine Loan Cooperation Mechanism (ULCM) and a new Macro-Financial Assistance loan of an amount of EUR 18.1 bn, which entered into force in October 2024. The ULCM collects the windfall profits from immobilised Russian assets to support Ukraine in repaying the up to EUR 45 billion of loans to be provided by G7 partners.

In end-December 2024, the Commission adopted the release decision for the MFA loan, which is expected to be disbursed in several tranches throughout 2025. Additionally, DG ECFIN assessed and approved the eligibility of the US ERA Loan of USD 20 billion under the ULCM, paving the way for the US to disburse the entirety of its contribution to the World Bank Financial Intermediary Fund. Besides the ULCM and the MFA, DG ECFIN also contributed to the work of European financial institutions, including the EIB Group and the EBRD. This included in particular the EU's decision ([6]) to take part in the EBRD's EUR 4 billion increases in paid-in capital in 2024, which enables the EBRD to invest at least EUR 1.5 billion per year in Ukraine during wartime and to increase its annual investment in the country to up to EUR 3 billion during reconstruction. In 2024, the EBRD deployed €2.4 billion through 61 projects in both private and public sectors.

Provide support to neighbourhood countries and enlargement partners

In light of the increased external shocks and geopolitical tensions in the EU neighbourhood, exacerbated by Russia's war of aggression against Ukraine, and the war between Israel and Hamas, the EU has significantly stepped-up efforts to help partner countries address urgent financing needs. In line with its mandate to support neighbouring countries experiencing a balance of payments crisis, financial aid in the form of MFA was provided to Moldova, North Macedonia, and Egypt.

In 2024, the MFA to Moldova was completed with the payment of the 3rd and final tranche of the regular MFA operation (in December), as well as the payment of the 2nd and last instalment of the MFA top-up (July). The 1st instalment of the MFA to North Macedonia was disbursed in May. A proposal for a new MFA to Jordan was adopted by the Commission in April 2024, to be adopted by co-legislators in H1 2025. Proposals underpinning an MFA package for Egypt (EUR 5 billion) were adopted by the Commission in April, divided into two operations. The first MFA operation (EUR 1 billion) was adopted by the Council in April, entered into force in November and the single instalment was disbursed in December. The second part of the MFA package (EUR 4 billion) is expected to be adopted by the co-legislators in H1-2025.

([6]) Decision (EU) 2024/1246

The evaluation on Moldova, Georgia (MFA III), and Ukraine (MFA IV) was completed in 2024. The evaluation SWD report and the external evaluation study are expected to be published in early 2025. The evaluation of the COVID-19 MFA package is ongoing and will be finalised in 2025.

DG ECFIN also worked to promote, manage, and enhance bilateral relations with partner countries, and conducting macroeconomic dialogues, in cooperation with the European External Action Service (EEAS) and relevant line DGs. DG ECFIN continued engaging with enlargement countries. In 2024, this included in particular analytical work and policy dialogues, to support the recovery and structural transformation of these economies and help them advance on their EU accession path. DG ECFIN assessed enlargement countries' economic reform programmes for 2024-26 which served to prepare the long-standing Economic and Financial Dialogue of the EU with the enlargement partners held in May 2024. This dialogue was extended for the first time to the new enlargement countries (Moldova, Georgia, and Ukraine, the latter as an observer). Separately, DG ECFIN assessed the level of preparedness and progress by all enlargement countries towards meeting the economic criteria for joining the EU, published under the annual Enlargement Package in autumn 2024.

Increase the international role of the euro

Strengthening the EMU and enhancing the international role of the euro are interconnected strategies needed to increase Europe's 'economic and financial strategic autonomy', make the global financial system less vulnerable to shocks, and bring concrete benefits for the euro and the EU. DG ECFIN monitors developments with respect to the international role of the euro, providing and provided contributions to the discussions in the Eurogroup in June 2024, based on the annual report by the ECB. More generally, DG ECFIN's efforts to support the EU's recovery and improve its resilience, in particular thanks to economic surveillance and monitoring, contribute to the international role of the euro.

Support coordinated positions through the IMF, G-groups and IFIs

A key challenge for DG ECFIN in 2024 was to maintain international coordination and the cohesion of international fora. Russia's war of aggression against Ukraine, tensions in the Middle East, the signs of increased geo-economic fragmentation and increased overcapacity in China, with high debt levels world-wide pose increasing challenges. In that context, the EU played a vital part via its leading role in economic policy discussions that take place in the finance track of the G20 and G7 fora and strived to achieve common positions on issues of key interest for the EU/euro area in the IMF and other IFIs. These included rallying support for Ukraine's war and reconstruction effort; macroeconomic and financial stability; engaging strongly with African countries, especially in the context of the 2025 G20 South African Presidency and the need to implement further the Common Framework on Debt Treatment as well as the roadmap to better, bigger, and more effective Multilateral Development Banks.

Together with other Commission services, DG ECFIN continued working on a concerted approach on climate matters and on infrastructure financing to maximise the EU's impact in international fora, notably in the G7/G20 finance track. In addition, DG ECFIN organised regular dialogues with the IMF on climate-related matters.

In 2024, DG ECFIN also continued to coordinate the EU position in the governing bodies of the EIB, the EIF, and the EBRD. In addition, for the EIB empowerment procedures were approved in the context of Article 19 project screening. DG ECFIN is also liaising with the Council of Europe Development Bank and with the Asian Infrastructure Investment Bank as well as in the OECD working group on infrastructure finance. DG ECFIN also worked on the enhancement of the European financial architecture for development, including on ensuring their Statutes' alignment with the G20 Capital Adequacy Framework recommendation and managing the Commission shareholdings aspects in the relevant IFIs. This work stream will continue in 2025.

Develop strategic economic cooperation with key partner countries

Against the background of increasing risks of geo-economic fragmentation, DG ECFIN has put particular emphasis on strengthening relations with key emerging market economies, as well as with like-minded G20 partners. In 2024, regular Macroeconomic dialogues took place with China, India, Brazil, Argentina, Mexico, South Africa, the Gulf Cooperation Council countries, Japan, South Korea, Australia, and Canada. In addition, a first dialogue with Indonesia was held. While macroeconomic policies remained the key focus, the dialogues also increasingly provided a forum to discuss common geopolitical challenges and risks, including geoeconomic fragmentation, impact of US-China tensions and relevant G7/G20 topics. Bilateral economic cooperations with the US and UK, which are not formalised under the umbrella of a Macroeconomic Dialogue, took place in a form of regular exchanges.

The bilateral exchanges were supported by relevant analyses on key macroeconomic trends, risks and policies at global, regional, and country level. As part of this work and of economic surveillance tasks, DG ECFIN produced regular forecasts of the global economy and global trade, including forecasts of key non-EU countries and regions. DG ECFIN also conducted analysis of global economic issues and macroeconomic developments. Finally, DG ECFIN also contributed to the work on economic security, discussing the topic with the EU's partner countries and analysing macroeconomic aspects of economic security.

External communication

DG ECFIN carried out external communication activities to promote, explain, and engage with institutional partners, stakeholders and the public on its main policy initiatives, in particular: (i) the implementation of national RRPs, explaining how they contribute to the green and digital transitions; (ii) the new economic governance framework and its potential to better coordinate economic and fiscal policies within the EU; and (iii) macro-financial assistance to Ukraine and other neighbourhood countries.

For this purpose, DG ECFIN used a broad range of communication tools including (i) regular press releases, Q&As, and replies to journalists; (ii) an up-to-date website as well as innovative social media and visual content, for instance in the context of the economic forecast; (iii) major events, such as the Brussels Economic Forum, which attracted 750 in-person participants and gave rise to 10,600 online views, as well as the financing of stakeholder events organised in Member States by the network of economic counsellors in Commission Representations; (iv) academic publications by DG ECFIN experts, and; (v) the external DG ECFIN newsletter and the Euronews 'Real Economy' series, which is estimated to have reached a TV audience of 11.2 million viewers.

The 25th anniversary of the euro on 1 January 2024 offered an opportunity to raise the public's awareness of the benefits of the euro and a well-functioning EMU. The Eurobarometer surveys were an important tool to gauge sentiment, both in non-euro and euro area countries.

DG ECFIN continued to strengthen its ties with key stakeholders and to cooperate closely with other EU institutions. In particular, DG ECFIN further strengthened its intelligence gathering and networking activities with the European Parliament in the aftermath of the European election.

2. INTERNAL CONTROL AND FINANCIAL MANAGEMENT

This section presents the control results and other relevant information that support assurance on the achievement of the financial management and internal control objectives. It reports on the performance of internal control and management systems covering all activities, programmes, and management modes relevant to DG ECFIN.

Assurance is provided on the basis of information on the efficiency and effectiveness of internal control systems and governance processes. Management monitors the functioning of the internal control systems on a continuous basis and carries out an objective assessment of their efficiency and effectiveness, considering the results of the audits carried out by internal and external auditors as well as their recommendations. Annex 7 provides a list and details of the reports that have been considered to establish that the available evidence is reliable, complete, and comprehensive.

The systematic analysis of the available evidence provides sufficient guarantees as to the completeness and reliability of the information reported and results in the full coverage of the budget delegated to the Director-General of DG ECFIN. The results of this assessment are explicitly documented and reported to the Director-General.

Section 2 is structured into 2.1. Control results, 2.2. Audit observations and recommendations, 2.3. Assessment of the effectiveness of internal control systems, 2.4. Conclusions on the assurance, and resulting in 2.5 Declaration of Assurance and reservation.

2.1. Control results

Management uses control results to support its assurance and reach a conclusion about the cost-effectiveness of those controls, meaning whether the right balance between the following elements is achieved:

- Effectiveness: The level of error found, based on the controls carried out (i.e., low error rates (below the materiality threshold of 2%) mean that controls are effective).

- Efficiency: The average time taken to inform or pay (i.e., payments are made within the legal deadline).

- Economy: The ratio between the cost of controls and the funds managed and its evolution over time.

The overall objective is ensuring an adequate balance between low error rates, fast payments, and low cost of controls.

2.1.1. Overview of the budget and relevant control systems (RCS)

At DG ECFIN, financial operations relate to two main categories: **direct budget management** and **indirect budget management**. Each has its own specificities, so the DG's control system uses these categories as building blocks.

Direct management specifically encompasses expenditures related to grants under various programs and instruments, including the Recovery and Resilience Facility (RRF) (RCS1), Macro-Financial Assistance (MFA) grants (RCS 7), grants from the European Investment Advisory Hub (EIAH) (RCS 8), and grants for the Business Consumer Surveys (BCS), the Pericles programme and the HERO Pilot Project (RCS 11a). Additionally, direct management involves equity investments such as the Marguerite Fund (RCS 4) and the provisioning for the Common Provisioning Fund (CPF) - EFSI and InvestEU compartments (RCS 6), as well as procurement and other administrative expenses (RCS 11b).

Indirect management covers Financial instruments managed via IFIs (RCS 2), ELENA (RCS 3), InvestEU Advisory Hub (IEUAH) (RCS 9), and budgetary guarantees such as the EU Guarantee under the EFSI (RCS 5) and the EU Guarantee under the InvestEU Fund (RCS 10), as well as other actions under indirect management (RCS 11c).

The tables below illustrate the scope of the assurance, with an **overview of DG ECFIN's activities by relevant control system (RCS)**, including expenditure (i.e., payments made and relevant expenditure during the year) and non-expenditure items (NEIs) such as revenues, financial instruments, financial assets, financial liabilities, guarantees, and other commitments. For a detailed description of the **department's RCSs design, including control strategies and the three key "EEE" indicators** (effectiveness, efficiency, and economy of controls), please refer to Annex 6. The **results of the controls** are presented across section 2.1, with additional details provided in Annex 7.

The **RRF represents 93% of the total expenditure under DG ECFIN's management**, with EUR 55.9 billion. The control system of the RRF is detailed in section 4 and Annex 14.

DG ECFIN uses internal control processes to ensure sound management of risks relating to the **legality and regularity** of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned. DG ECFIN uses the following definitions of a positive conclusion for the five Internal Control Objectives and their associated indicators:

- **Legality and Regularity**: DG ECFIN will come to a positive conclusion regarding the residual error rate ([7]), if it stays below 2% ([8]).
- **Cost-Effectiveness**: cost of controls ratios and error rates remain low and stable compared to last year, with no unjustified increases. In addition, efficiency indicators consistently demonstrate strong performance over time, with payments being made promptly and reliably within the legal deadline.

([7]) The residual error rate represents the rate of error remaining after corrections (e.g., recoveries, off-settings) have been made.
([8]) This does not concern the payments under the RRF, since there is no error rate in the case of the RRF, but a level of risk.

- **Anti-Fraud Strategy**: no qualification to the Declaration of the Assurance.

- **Safeguarding of assets and information**: adequate return with no or minimal breaches to assets guidelines.

- **Reliability of Reporting**: no material error and no reservations.

The **main benefit of controls is the achievement of control objectives**, e.g. error-free financial statements and legally compliant transactions. Some control objectives are explicitly provided for all DGs such as time-to-pay (all), time-to-inform (grants), and time-to-contract (grants). DG ECFIN considers that these **controls will be cost-effective** if their costs are considered acceptable by management and if periodically these controls are re-assessed, improved, made less costly, and/or more risk differentiated. Nonetheless, some controls, identified through periodic risk-assessments, must be exercised irrespective of their historic outcome.

The **effectiveness of controls** is assessed in section 2.1.2, which examines the level of error found and distinguishes between expenditure items (sub-section a)) and NEIs (sub-section d)). Sub-section b) presents the evolution of **overall risk at payment and risk at closure** since 2021, excluding the RRF. Sub-section c) analyses the **quantitative benefits of controls**, including preventive and corrective measures, while sub-section e) presents DG ECFIN's efforts to **prevent, detect, and correct fraud**.

The **efficiency of controls** is evaluated in section 2.1.3, which focuses on the average time taken to inform or pay.

Section 2.1.4 examines the **economy of controls**, assessing the ratio between the estimated cost of controls and the funds managed.

Finally, section 2.1.5 **concludes** on the extent to which the applied control strategy in DG ECFIN has achieved the relevant control objectives efficiently and at a reasonable cost, striking a balance between low error rates, fast payments, and low control costs.

For additional context, Annex 5 provides a detailed explanation of how the AOD defined the **materiality threshold**, including in the context of the RRF, which serves as the basis for determining whether significant weaknesses should be subject to a formal reservation in the Declaration of Assurance.

Overview table – Expenditure items

Risk-type / Activities	Grants (e.g. actual costs based, or lump sums, or entitlements)	Procurement (e.g. minor or major values)	Delegation / Contribution agreements with EE (EIB, Int-Org, etc)	Other	Main indicators		Total Expenditure (share of total)	
					Pay Time	Ex-ante Measures	Total Expenditure	Share of total
RCS 1 - Recovery and Resilience Facility (RRF)				55,896,287,449.00	100%	0.00	55,896,287,449.00	93.48%
RCS 2 - Financial Instruments managed via IFIs (period 2007-2013) / indirect entrusted management			7,810,920.00		100%	0.00	7,810,920.00	0.01%
RCS 3 - CA/DAG under ELENA / indirect entrusted management			21,585,172.61		100%	0.00	21,585,172.61	0.04%
RCS 4 - Marguerite Fund / Financial instruments direct management								0.00%
RCS 5 - EU Guarantee under the EFSI / budgetary guarantee indirect management								0.00%
RCS 6 - EFSI and InvestEU compartments of the CPF / budgetary guarantee direct management				3,471,324,973.91	100%	0.00	3,471,324,973.91	5.81%
RCS 7 - MFA (grant + CPF MFA loan compartment GF external action) / direct management	27,500,000.00			285,207,081.00	100%	0.00	312,707,081.00	0.52%
RCS 8 - Grants under the European Investment Advisory Hub (EIAH) / direct management						0.00	0	0.00%

RCS 9 - InvestEU Advisory Hub (IEUAH) / indirect entrusted management			67,329,026.57		100%	0.00	67,329,026.57	0.11%
RCS 10 - EU Guarantee under the InvestEU Fund / budgetary guarantee indirect management								0.00%
RCS 11a - Grants (Business Consumer Surveys (BCS), Pericles, HERO Pilot Project, other grants)	7,003,142.95				100.00%	2,844.94	7,003,142.95	0.01%
RCS 11b - Procurement and administrative expenses		10,274,467.07			99.59%	31,744.82	10,274,467.07	0.02%
RCS 11c - Other Actions under indirect mgmt			1,325,005.14		100.00%	0.00	1,325,005.14	0.00%
Cross-delegations to other DGs (other AOSDs)							0.00	
EIF capital and dividends							0.00	
Enforced budgetary surveillance								
Totals (coverage)	**34,503,142.95**	**10,274,467.07**	**98,050,124.32**	**59,652,819,503.91**		**34,589.76**	**59,795,647,238.25**	
NGEU Company code								
Totals (Annex 3)	**34,503,142.95**	**10,274,467.07**	**98,050,124.32**	**59,652,819,503.91**		**34,589.76**	**59,795,647,238.25**	
Links to AAR Annex 3	***Overall total (EUR); see Table 2 – payments made***						***Overall total***	

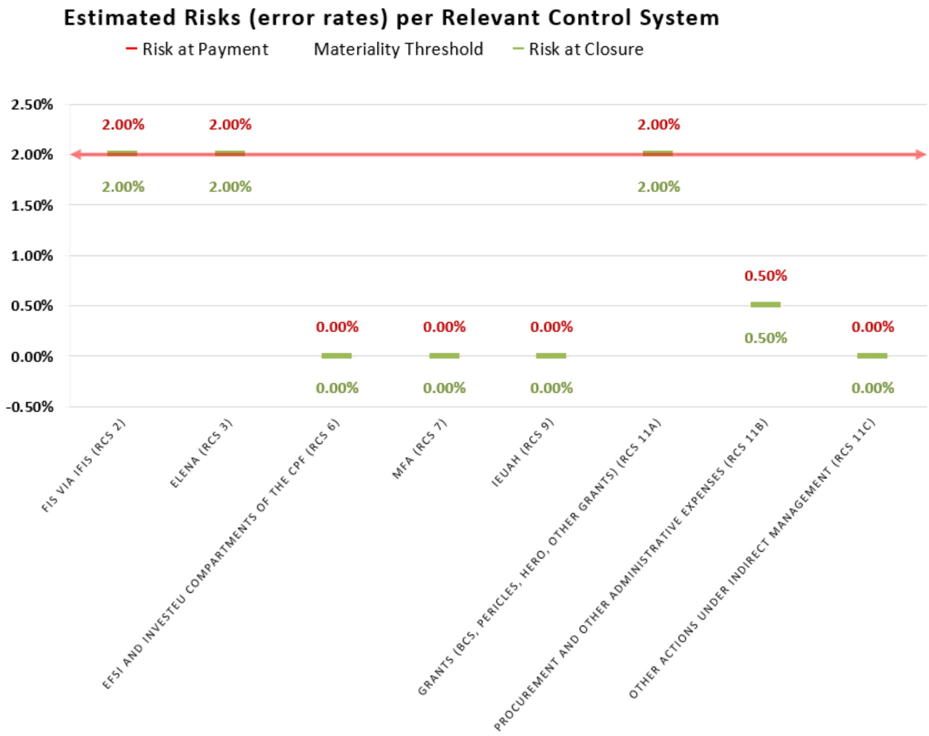
Overview table – Non-expenditure items (NEIs)

Risk-type / Activities	NEI, e.g. Revenues, Assets, OBS ((in)tangible or financial assets & liabilities)					
	Revenue	Financial assets & cash, receivables (+)	Financial liabilities (-)	Financial income (-)	Financial costs (+)	Guarantees received (+) Guarantees received given (-) disbursed and not disbursed
RCS 1 - Recovery and Resilience Facility (RRF)	5,580,546,885.00	N/A	N/A	N/A	N/A	N/A
RCS 2 - Financial Instruments managed via IFIs (period 2007-2013) / indirect entrusted management	55,475,815.37	388,949,309.79	-13,808,258.00	-22,439,512.28	41,813,988.00	-91,256,870.00
RCS 3 - CA/DAG under ELENA / indirect entrusted management	1,937,286.70	0.00	0.00	0.00	0.00	0.00
RCS 4 - Marguerite Fund / Financial instruments direct management	1,126,760.57	213,422,916.00	0.00	-4,408,338.01	0.00	0.00
RCS 5 - EU Guarantee under the EFSI / budgetary guarantee indirect management	0.00	1,170,615,543.22	-57,479,710.00	-114,395,733.98	97,288,281.45	-22,997,898,253.00
RCS 6 - EFSI and InvestEU compartments of the CPF / budgetary guarantee direct management	1,479,986,328.42	N/A	N/A	N/A	N/A	N/A
RCS 7 - MFA (grant + CPF MFA loan compartment GF external action) / direct management	0.00	N/A	N/A	N/A	N/A	N/A
RCS 8 - Grants under the European Investment Advisory Hub (EIAH) / direct management	0.00	N/A	N/A	N/A	N/A	N/A
RCS 9 - InvestEU Advisory Hub (IEUAH) / indirect entrusted management	4,927,000.00	N/A	N/A	N/A	N/A	N/A

RCS 10 - EU Guarantee under the InvestEU Fund / budgetary guarantee indirect management	407,242.28	1,840,092,709.04	-3,222,384,686.11	-575,596,535.55	1,090,514,105.37	-11,119,817,826.94
RCS 11a - Grants (Business Consumer Surveys (BCS), Pericles, HERO Pilot Project, other grants)	81,896.64					
RCS 11b - Procurement and administrative expenses						
RCS 11c - Other Actions under indirect mgmt						
Cross-delegations to other DGs (other AOSDs)						
EIF capital and dividends	7,656,833.41	1,445,878,898.62				
Enforced budgetary surveillance						
Totals (coverage)	**7,132,146,048.39**	**5,058,959,376.67**	**-3,293,672,654.11**	**-716,840,119.82**	**1,229,616,374.82**	**-34,208,972,949.94**
NGEU Company code		424,236,666,652.65	-437,627,740,822.22	-4,240,216,358.61	22,921,577,845.72	0.00
Totals (Annex 3)	**7,132,146,048.39**	**429,295,626,029.32**	**-440,921,413,476.33**	**-4,957,056,478.43**	**24,151,194,220.54**	**-34,208,972,949.94**
Links to AAR Annex 3	***Table 7 - Income***	***Table 4 – Assets (A.I.3 A.I.4 A.I.6 A.II.1 A.II.3 A.II.6)***	***Table 4 – Liabilities (P.I.3 P.II.3)***	***Table 5 - P&L (II.121)***	***Table 5 - P&L (II.28)***	***Table 5 bis - OBS (OB.1 OB.2)***

2.1.2. Effectiveness of controls

a) Assessment of control results per RCS for expenditure



DG ECFIN's portfolio consists of segments with a low error rate (target error rate of 0%), i.e., expenditures with low inherent risk such as the Marguerite Fund (RCS 4) ([9]), the provisioning of the EFSI and InvestEU compartments of the CPF (RCS 6), MFA (RCS 7), the European Investment Advisory Hub (EIAH) (RCS 8) ([10]), the InvestEU Advisory Hub (IEUAH) (RCS 9), or procurement and other administrative expenses (RCS 11b) (0.5%). Other actions under indirect management (RCS 11c) have a 0% error rate.

Certain segments have a target error rate above 0% but still below 2%, i.e., grants with the reimbursed cost mechanism (BCS, Pericles, HERO Pilot Project, and other grants (RCS 11a)) as well as ELENA (RCS 3) and Financial Instruments managed via IFIs (RCS 2).

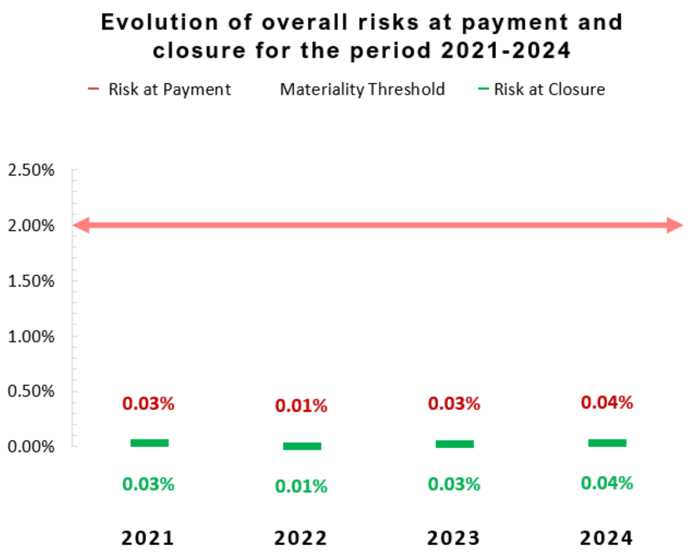
These error rates are low for each segment thanks to the inherent risk profile of the activities and the performance of the related control systems. Please refer to Annex 7 and Table X in Annex 9 for further detail. The table below provides a summary of the DG's assessment of the control results for DG ECFIN’s control systems for expenditure items. As further detailed in Annex 7, the assessment of the five internal control objectives yields a positive conclusion, with no material control issues or weaknesses identified that would impact the assurance framework related to the five internal control objectives:

([9]) The Marguerite Fund (RCS 4) is not represented in the graph, as no payments were made in 2024.
([10]) The European Investment Advisory Hub (EIAH) (RCS 8) is not represented in the graph, as no payments were made in 2024.

Expenditure items		
	Direct management	**Indirect management**
RCS or programme or other expenditure type	RRF (RCS 1)* Marguerite Fund (RCS 4) CPF – EFSI and InvestEU (RCS 6) MFA (RCS 7) EIAH (RCS 8) BCS, Pericles, HERO Pilot Project, other grants (RCS 11a) Procurement and administrative expenses (RCS 11b)	FIs managed via IFIs (RCS 2) ELENA (RCS 3) IEUAH (RCS 9) Other actions (RCS 11c)
Internal Control Objectives – Indicators	Legality and regularity Reliability of reporting Safeguarding of assets and information Fraud prevention and detection Cost-effectiveness	Legality and regularity Reliability of reporting Safeguarding of assets and information Fraud prevention and detection Cost-effectiveness
Internal Control Objectives – Conclusions	Positive	Positive
Negative opinion from auditors	No	No
Reservation	Yes, regarding RRF (RCS 1)*, see Annex 9	No

*Please refer to section 4 and Annex 14 for further detail on the RRF (RCS 1).

b) *Estimation of the overall risk at payment and risk at closure*



As DG ECFIN carried out ex-ante controls for non-RRF expenditure in 2024, the estimated overall risks at payment and at closure for this period coincide (0.04%) ([11]).

([11]) The estimated overall risk at payment for 2024 expenditure is the AOD's best conservative estimate of the amount of relevant expenditure during the year that is not in conformity with the contractual and regulatory provisions applicable at the time the payment was made. If applicable, this expenditure will subsequently be subject to ex-post controls and a proportion of the underlying errors will be detected and corrected in subsequent years, corresponding to the conservatively estimated future corrections for 2024 expenditure. The difference between those two results in the estimated overall risk at closure, which is the AOD's best, conservative estimation of the expenditure authorised during the year that would remain not in conformity of applicable regulatory and contractual provisions by the end of implementation of the programme.

The overall error rate was calculated considering the error rate established for each RCS, detailed in Annex 7 and Table X in Annex 9, excluding the RRF (RCS 1), for which there is no error rate, but a level of risk.

The overall risks at payment and at closure remained relatively stable in 2024 compared to the 0.03% level reported in 2023, due to the consistency of the overall DG ECFIN's portfolio and the effectiveness of ex-ante controls. As illustrated in the graph above, the overall risks at payment and at closure have exhibited a stable trend since 2021.

For an overview at Commission level, the departments' estimated overall risk at payment, estimated future corrections, and risk at closure are consolidated in the AMPR.

c) Quantitative benefits of controls: Preventive and corrective measures

DG ECFIN has an effective mechanism in place for detecting and correcting errors through its ex-ante and ex-post controls. In 2024, a total of EUR 34,590 was detected and corrected, entirely attributed to ex-ante controls, with no corrections resulting from ex-post controls. In comparison, the year 2023 saw EUR 66,593 in ex-ante corrections and EUR 327,247 in ex-post corrections. This represented a decrease in ex-ante corrections compared to 2023 and the absence of ex-post corrections in 2024. Further details can be found in Annex 3, Table 8.

d) Assessment of control results for non-expenditure items (NEIs)

The control results for the main non-expenditure items (NEIs), including the EU budgetary guarantee under EFSI (RCS 5) and InvestEU Fund (RCS 10), the Marguerite Fund (RCS 4), the Financial Instruments managed via IFIs (RCS 2), and the EFSI and InvestEU compartments of the Common Provisioning Fund (CPF) (RCS 6), are provided in Annex 7. The lack of negative results from the implemented control procedures for NEIs and the absence of control issues or weaknesses indicate compliance with the relevant internal control objectives. Please refer to Annex 6 for a detailed description of the department's RCSs.

e) Fraud: prevention, detection, and correction

Since 2014, DG ECFIN developed and implemented a comprehensive **Anti-Fraud Strategy (AFS)** that encompassed all its activities, utilising the methodology provided by the European Anti-Fraud Office (OLAF). The AFS is updated every three years. The most recent update took place on 2 May 2022 and covers a three-year period, with implementation extended until September 2025. This update took into account the increased responsibilities stemming from the implementation of the RRF. By the time of signature of the AAR, DG ECFIN had already initiated the process of updating its AFS for the period 2025-2028.

The implementation of the current AFS is monitored and reported to management through half-yearly reporting on the Management Plan and the AAR. Notably, ten out of the 11 actions envisaged in the AFS were fully achieved by the cut-off date of 27 May 2025. The objective of having 80% of Member States use the Commission-provided risk-scoring tool

ARACHNE as their risk-scoring tool in the implementation of the RRF was not met. ([12])In addition, DG ECFIN also contributed to the **revised Commission Anti-Fraud Strategy (CAFS) action plan of May 2025**. Five specific actions strengthening the anti-fraud measures in the implementation of the RRF in particular were added to the CAFS action plan.

The results achieved during the year thanks to the **anti-fraud measures** in place can be summarised as follows: virtually all RRF involved DG ECFIN's staff received specific training on fraud awareness and the internal guidance of 2 May 2024 on management of irregularities reported by external sources. Moreover, RRF auditors received training on the use of ARACHNE and information was shared with Member States' relevant services in meetings organised with individual Member States and all-Member States working groups both for RRF management and audit authorities.

Since 2023, Memoranda of Understanding on enhancing the cooperation between DG ECFIN audit unit and the Joint Audit Directorate for Cohesion (DAC) are in place. A similar memorandum was concluded with the CINEA audit unit.

DG ECFIN also strengthened further the anti-fraud governance at EU level for the RRF, namely through **increased cooperation with OLAF and the European Public Prosecutor's Office (EPPO).**

As of 27 May 2025, DG ECFIN reported to **OLAF** 34 cases of potential irregularities identified during ex-post audits or from open sources in respect of RRF supported actions and OLAF informed DG ECFIN of 40 other cases, making a total of **74 potential irregularities**. Out of these 74 cases, four were under evaluation, 28 were under investigation, 42 were closed or dismissed, and four cases were forwarded from OLAF to the EPPO for further investigation.

As a result of its investigations, OLAF issued a total of nine recommendations as of 27 May 2025, comprising **seven financial recommendations** and **two administrative recommendations** concerning in total seven Member States.

On **8 May 2025**, following one of the OLAF recommendations, the Commission adopted its first implementing Decision on the **reduction of support by EUR 1.225 million for Slovakia** in accordance with Articles 22(5) of the RRF Regulation and Article 19(1) and (2)(a) of the Financing Agreement pursuant to the **framework for "Reductions and Recoveries under the Recovery and Resilience Facility"** ([13]) (please see also section 4.2.2.g)).

Following another OLAF recommendation, the Commission issued a **final review report** and the affected Member State committed to recover the funds (please see also section 4.2.2.g)). The case will remain open until the national authorities recover the undue payment made to the relevant company. In relation to a third OLAF recommendation, the national authorities withdrew the project in question from the list of projects submitted in the subsequent payment requests, thereby preventing any potential damage to the EU budget. As of the date of signature of this report, DG ECFIN is assessing the remaining recommendations.

([12]) As of 27 May 2025, 18 Member States were actively using ARACHNE by uploading data to the tool (BE, BG, CY, CZ, DK, EL, HR, HU, IE, IT, LV, LU, MT, PL, PT, RO, SK, and SI). Five Member States (AT, EE, FR, DE, and LT) were unlikely to use ARACHNE, as they intended to use alternative national systems. DG ECFIN was in discussions with four Member States (ES, FI, NL and SE) regarding potential use, while two Member States (HU and PL) had an audit and control milestone that required the use of ARACHNE.

([13]) C/2024/4618 Commission Notice – Guidance on recovery and resilience plans

Since the start of the implementation of the RRF and up to 27 May 2025, DG ECFIN received in total 75 notifications from the **EPPO**, of which 64 were active cases in Court proceedings or on-going investigations. To be noted that 80% of the notified on-going cases by the EPPO to the Commission related to one measure in a single Member State. These numbers demonstrate that national and EU level control systems are effective in detecting conflicts of interest, fraud, or corruption.

On the basis of the available information, DG ECFIN has reasonable assurance that the anti-fraud measures in place are effective.

2.1.3. Efficiency of controls

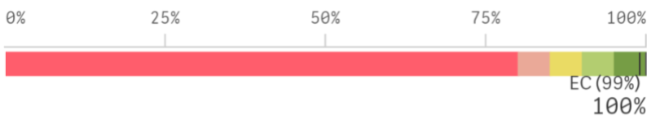
Three main indicators are used to monitor control efficiency in the management of grants: time to pay, time to inform, and time to grant.

Since May 2023, DG ECFIN followed systematically the monthly Financial Scorecard Dashboard indicators. This close monitoring allowed for the improvement of a number of indicators, such as 'Timely payments', 'Timely decommitment', 'Timely registration of invoices', and 'Accounting and Management data quality indicators'. The indicators covered all transactions validated by DG ECFIN during the calendar year (i.e., including the RRF). As detailed in Annex 4, the Financial Scorecard Dashboard for DG ECFIN demonstrated a very good performance, with most indicators surpassing the average score at Commission level.

As reported in Annex 3, the average net time-to-pay in 2024 was 26 days (23 days in 2023). Compliance with the periods specified in Article 116.1 of the Financial Regulation was extremely high, with only two late payments out of 673 made in 2024. Overall, 99.70% of all payments were executed in time.

For Pericles grants, in 2024, the average time-to-inform (the time-period starting from receipt of proposals and ending with the applicants learning about the outcome of the evaluation of their application) was 53 days, and the average time-to-grant (the time-period starting from the date of informing the successful applicants and ending with the signing of the grant agreement at Commission level) was 31 days. For BCS grants, the average time-to-inform was 10 days for the Framework Partnership Agreement (FPA) and 19.59 days for the specific grant agreements (SGAs). In addition, the average time-to-grant was one day for the FPA and 4.68 days for the SGAs.

The above complies with the periods specified in article 197.2 of the Financial Regulation (a maximum of six months for informing all applicants and a maximum of three months for signing grant agreements with applicants). As illustrated in the graph below, DG ECFIN efficiently managed to pay 100% of the amounts paid within the legal deadline, surpassing

Timely Payments	ECFIN Score	EC Score
	100%	99%

the Commission's average of 99%. For further information on key performance indicators, including DG ECFIN's Financial Scorecard, please refer to Annex 4.

The indicator reached the maximum value of 100%, which is above the EC Score. This achievement results from the established practice to follow the open invoices and payment deadlines on a weekly basis.

Given the above, DG ECFIN concludes that its controls are efficient.

2.1.4. Economy of controls

Considering all Relevant Control Systems (RCS), including DG-horizontal control tasks not attributable to a single RCS ([14]), DG ECFIN's ratio of cost of control remained stable at 0.037% in 2024, similar to 2023 (0.036%).

This ratio is calculated by dividing the total cost of controls, which amounts to EUR 47,664,517 in 2024 (42,086,729 in 2023), by the total amount of funds managed, which totals EUR 129,027,308,132 in 2024 (EUR 117,307,594,738 in 2023). The proportional increase in cost of controls corresponded to the growth in funds managed, resulting in a stable cost of control ratio. To put this into perspective, the cost of controlling EUR 1 million of funds managed was approximately EUR 369.4, a slight increase from EUR 358.8 in 2023.

The main drivers of the slight increase in control costs in 2024 were the enhanced controls related to the RRF (RCS 1), which rose by EUR 3,412,675 ([15]) compared to 2023, and the EU Guarantee under the InvestEU Fund (RCS 10), which increased by EUR 678,849 compared to 2023. In both cases, the increase in control costs was linked with an increase in the amount of funds managed, and also, in respect of RCS 10, with an increase in the implementation of the activities supported by the funds managed. Notably, the cost of controls ratio remained stable for both RCSs, at 0.06% for the RRF and 0.02% for the EU Guarantee under the InvestEU Fund, compared to 2023. For a more detailed breakdown of control costs, please refer to Table Y in Annex 7.

The following table provides an overview of the costs of control at the entrusted entity level for RCS covering indirect management where remuneration fees for the management of funds or external audit fees were paid in 2024. Currently, this applies to RCS 3 (ELENA):

([14]) In DG ECFIN this includes control costs relating to Budget, Finance and Accounting, Coordination incl. Strategic Programming and Planning, internal control, assurance and quality management, and Anti-fraud activities.

([15]) Excluding the costs related to IT services provided by external service providers, which totaled EUR 691,310 (2024) and EUR 720,197 (2023). These costs have been considered for the 2024 cost of controls calculations to provide a more comprehensive assessment (included in the EUR 47,664,517 total cost of controls amount for 2024). These costs will be consistently factored into future cost of controls calculations to ensure a thorough and accurate evaluation.

ECONOMY INDICATORS – ENTRUSTED ENTITY LEVEL			
EIB - Indirect Management			
Type of expenditure or management mode or RCS	**Stage**	**Annual indicator**	**Description**
Contribution and Delegation Agreements under the European Local Energy Assistance (ELENA) / indirect entrusted management (RCS 3)	overall indicator	Remuneration fees paid to the entrusted entities / total payments made in 2024 11% or EUR 110,356 per EUR 1M	All types of remuneration fees paid to entrusted entities during the year / total payments made in 2024 EUR 2,382,060.66 / EUR 21,585,173
	overall indicator	Fees for external audits in 2024 / total of payments 0,-% [16]	Fees for external audits during the year / total of payments EUR 0,- / EUR 0,-

2.1.5. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results reported above, DG ECFIN has assessed the effectiveness, efficiency, and economy of its control systems and has reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible. In addition, the control environment and the control strategy remained stable during the reporting year compared to previous year.

The estimated overall risks (error rate) at payment and closure was 0.04% in 2024, which is significantly below the materiality threshold of 2%. A low error rate indicates that the controls in place are effective, a trend that has remained stable since 2021. Please see Table X in Annex 9 for further detail on the relevant expenditure, estimated risk at payment and closure, and estimated future corrections per RCS.

In addition, DG ECFIN demonstrated efficient management of payments, with 100% of amounts paid within the legal deadline, surpassing the Commission's average of 99%. The average net time-to-pay in 2024 was 26 days. These results suggest that DG ECFIN's controls were efficient. Furthermore, at 0.037%, cost of controls was overall very low for DG ECFIN and remained stable compared to 2023 (0.036%). Please see Table Y in Annex 7 for further detail on the costs of control per RCS.

Rigorous treatment of suspected cases of fraud, fast payments, a very low error rate and a low cost of controls ratio, mean DG ECFIN’s controls were cost-effective and that its control strategy met the intended control objectives efficiently and at a very reasonable cost.

(16) Not applicable since no audit fees were charged to the Commission in 2024.

2.2. Audit observations and recommendations

This section sets out briefly the state of play for all audit observations and recommendations reported by auditors related to internal control and financial management – including the limited conclusion of the Internal Auditor on the state of internal control. Further details for IAS and ECA audits can be found in Annex 8.

Where an audit detected weaknesses affecting any internal control principle or the department's assurance, a detailed analysis is provided further below in sections 2.3 and 2.4, accordingly.

Internal Audit Service

In its contribution to the 2024 Annual Activity Report process, the Internal Audit Service (IAS) concluded that the internal control systems in place for the audited processes were effective, except for the observations giving rise to the 'very important' recommendations as listed in the appendix to the IAS contribution.

Overview of recommendations from the Internal Audit Service (new or overdue critical or very important recommendation(s) since DG ECFIN AAR 2023)

Reported	Audit Title	Accepted Recommendation	State of play in 2024	Impact on the assurance for 2024
2022	Limited Review of the RRF control and audit strategies in DG ECFIN	Very important: 4	☑	☑
2023	Ex-ante control of the RRF payment requests	Very important: 1	☑	☑
		Very important: 2	☑	☑
2024	Preparation of the Macro Financial Assistance programme to enlargement and neighbourhood countries	Very important: 3	⏳	☑
		Very important: 4	⏳	

☑ Action plan implemented and closed by IAS or ECA / No impact on the assurance

⏳ Action plan implementation is ongoing or awaiting review from IAS or ECA

📝 Preparation of the action plan

🚩 Impact on the assurance

European Court of Auditors

In 2024, DG ECFIN received 28 recommendations from four ECA Reports: seven from **Special Report 13/2024** (Absorption of funds from the Recovery and Resilience Facility), six from **Special Report 14/2024** (Green transition Unclear contribution from the Recovery and Resilience Facility), eleven from **Special Report 22/2024** (Double funding from the EU budget), and four from **ECA Annual Report 2023**.

In addition, at the beginning of 2025, the Commission received 20 more recommendations from three ECA reports: 11 from **Special Report 09/2025** (Systems for ensuring compliance of RRF spending with public procurement and State aid rules), five from **Special Report 10/2025** (Labour market reforms in the national recovery and resilience plans), and four from **Special Report 13/2025** (Support from the Recovery and Resilience Facility for the digital transition in EU Member States).

As of 27 May 2025, DG ECFIN received a total of **48 recommendations or sub-recommendations** for the period of 2024 and the beginning of 2025, out of which **31 were accepted or partially accepted** and 17 were rejected. From the 31 accepted or partially accepted recommendations, 10 were implemented, 10 were under implementation, and 11 were for future instruments (see Annex 8 for further detail).

The table below includes an additional recommendation from 2022 that was implemented at the beginning of 2025.

Overview of recommendations from the European Court of Auditors (new or overdue recommendation(s) since DG ECFIN AAR 2023)

Reported	Audit Title	Accepted Recommendation & Sub-recommendation	State of play	Impact on the assurance for 2024
2022	SPECIAL REPORT 28/2022: (Support to mitigate Unemployment Risks in an Emergency (SURE) - SURE financing contributed to preserving jobs during the COVID-19 crisis, but its full impact is not known	1 recommendation accepted (expected completion 18/02/2025)	⌛	☑
2024	Statement of Assurance 2023 Annual Report	2 recommendations accepted	⌛	☑
2024	SPECIAL REPORT 13/2024: (Absorption of funds from the Recovery and Resilience Facility) – Progressing with delays and risks remain regarding the completion of measures and therefore the achievement of RRF objectives	2 recommendations, 2 sub-recommendations accepted 1 sub-recommendation partially accepted	⌛	☑
2024	SPECIAL REPORT 14/2024: (Green transition) - Unclear contribution from the Recovery and Resilience Facility	3 sub-recommendations partially accepted	⌛	☑
2024	SPECIAL REPORT 22/2024: (Double funding from the EU budget) - Control systems lack essential elements to mitigate	4 sub-recommendations accepted	⌛	☑

	the increased risk resulting from the RRF model of financing not linked to costs	1 sub-recommendation partially accepted		
2025	SPECIAL REPORT 09/2025: (Systems for ensuring compliance of RRF spending with public procurement and State aid rules) - Improving but still insufficient	6 sub-recommendations accepted 3 sub-recommendations partially accepted	⏳	☑
2025	SPECIAL REPORT 10/025:(Labour market reforms in the national recovery and resilience plans) – Some results, but not sufficient to address structural challenges	1 recommendation accepted 2 recommendations partially accepted 1 sub-recommendation partially accepted	⏳	☑
2025	SPECIAL REPORT 13/025: (Support from the Recovery and Resilience Facility for the digital transition in EU member states) - A missed opportunity for strategic focus in addressing digital needs	2 recommendations partially accepted 1 sub – recommendation partially accepted	⏳	☑

☑ Action plan implemented and closed by IAS or ECA / No impact on the assurance

⏳ Action plan implementation is ongoing or awaiting review from IAS or ECA

📝 Preparation of the action plan

🚩 Impact on the assurance

2.3. Assessment of the effectiveness of internal control systems

The Commission has adopted an Internal Control Framework based on the highest international standards ([17]).

DG ECFIN has adapted the Internal Control Framework to its specific characteristics and organisational structure. The internal control systems are suited to achieving its policy and internal control objectives in accordance with the internal control principles, having due regard to the risks associated with the environment in which it operates.

In 2024, DG ECFIN worked with the Internal Control Principles to assess the effectiveness of its key internal control systems in accordance with applicable Commission guidance and using monitoring indicators supplemented by other sources of information. This allows the Internal Control Coordinator to report the state of internal control and make recommendations to the Director General.

DG ECFIN's risk management exercise found **no critical risk** in the DG.

Further conclusions were drawn from the analysis of the register of exceptions and non-compliance events, very important or critical ECA or IAS audit recommendations, audit opinions, management opinions, AOSD reports, and other corporate indicators.

DG ECFIN has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed in order to implement the recommendations related to two very important findings from the IAS' audit on the preparation of the Macro Financial Assistance programme to enlargement and neighbourhood countries in DG ECFIN. In addition, as of 27 May 2025, DG ECFIN had eight open recommendations from the ECA related to its internal control system that were in the process of being implemented.

([17]) The Committee of Sponsoring Organizations of the Treadway Commission Internal Control Integrated Framework, the golden standard for internal control systems.

2.4. Conclusions on the assurance

This section reviews the assessment of the elements already reported above (in sections 2.1, 2.2, and 2.3) as well as in section 4 for the RRF, and the sub-conclusions already reached. It draws an overall conclusion to support the declaration of assurance and whether it should be qualified with reservations. The declaration of assurance by the Director General is based on these sections 2, 3, and 4. It covers the full scope of the budget (direct and indirect management) delegated to him as reflected in Annex 3. The information reported in section 2.1 is comprehensive, complete, and reliable.

All five control objectives were met for both major control systems at DG ECFIN (direct and indirect management) as shown in section 2.1 and in section 4 for the RRF and with full details provided under Annex 6, Annex 7, Annex 8, Annex 9, and Annex 14. The available audit results and observations did not highlight any critical or high risks that would qualify the Declaration of Assurance, save for the conflict of interests cases that affect the protection of the financial interests of the Union (Article 22 (5) of RRF Regulation) detected in Czechia (see Annex 9). Management assessments of the implementation of internal control principles did not identify deficiencies with a negative impact on the declaration as shown in section 2.3.

These comprehensive assessments provide sufficient guarantee with respect to the five statements included in the declaration of assurance (true and fair view, resources used for the intended purpose, sound financial management, legality and regularity, and non-omission of significant information) as well as to other internal control objectives (safeguarding of assets and information; and the prevention, detection, and correction of fraud and irregularities) for both expenditure and non-expenditure items.

For budget under indirect management, the management declarations by Implementing Partners were received in February and March 2025 and the audit conclusions by external independent auditors were received between March and May 2025 giving further assurance on the proper safeguarding of assets and information.

In conclusion, based on the elements reported above, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented.

The Director-General, in his capacity as Authorising Officer by Delegation, has signed the Declaration of Assurance albeit qualified by a reservation concerning the two conflict of interests cases that affect the protection of the financial interests of the Union (Article 22 (5) of RRF Regulation) detected in Czechia, which is explained in detail in Annex 9.

2.5. Declaration of assurance and reservation

Declaration of Assurance

I, the undersigned,

Director-General of DG ECFIN

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view [18]*.*

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution

However, the following reservation should be noted: On the basis of the audit results obtained by DG ECFIN, namely the detection of two cases of conflict of interests, a level of risk regarding the compliance of Czechia with Article 22 (5) of the RRF Regulation has been identified as high. A financial reservation is introduced, in line with the materiality criteria outlined in Annex 5. The financial amount at risk for the two concerned projects amounts to 17.49 M EUR, representing 0.74% of the payments made to Czechia under the RRF in 2024. More details are provided in Annex 9.

Brussels, 28 May 2025

signed

……………………………………..

(signature)

Maarten Verwey

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[18] True and fair in this context means a reliable, complete, and correct view on the state of affairs in the DG.

3. MODERNISING THE ADMINISTRATION

3.1. Human resource management

In 2024, human resource management continued to be impacted by the very high workload resulting from the implementation of DG ECFIN's main political priorities, e.g. policy priorities linked to the consequences of the war in Ukraine (e.g., MFA to Ukraine; REPowerEU initiative), as well as the highly sensitive policy work on and the implementation of the new EU economic governance framework, and the on-going implementation of the RRF and of InvestEU. These workstreams presented considerable challenges across different directorates and required the implementation of agile and creative HR solutions. The extent of DG ECFIN's constant heavy workload was recognised again with the allocation of additional 12 contract agents to work on the RRF as from 2024. Two new open competitions at AD level were launched, one in economics and one in macroeconomic statistics, and the publication of the reserve lists is expected by mid-2025. This will help address difficulties in recruiting sufficient highly experienced staff.

In response to the IAS audit on its HR management, DG ECFIN piloted a new workload assessment tool and implemented a skills-mapping exercise in 2024, the latter in cooperation with DG HR. The systematic collection of monthly data on workload indicators allowed management to monitor and better understand workload dynamics within the DG and will be continued. As one of two pilot DGs in DG HR's skills-mapping exercise, DG ECFIN gained first insights into potential skill gaps across the DG and contributed to the future improvement of this exercise at corporate level. In parallel, preparation began for the launch of a pilot task-mapping exercise at the beginning of 2025.

DG ECFIN continued to make progress towards achieving gender balance at all management and pre-management levels, monitored by DG ECFIN's HR Board, which is composed of the DG's top management. At Head of Unit level, DG ECFIN appointed one further first female and made balanced appointments for the two additional nominations in 2024. Further efforts will be needed in terms of female appointments at middle management level to maintain this achievement. At Deputy Head of Unit level, of a total of eight new appointments, four were female. The Group for Gender Equality set up in 2024 has been working to analyse the current situation, reflect upon challenges, and explore possible initiatives to attract talent and improve gender balance. The report by the working group was adopted in March 2025, identifying actions to address gender balance in DG ECFIN. This included measures to attract talent from across the institution and promoting ECFIN as an attractive and interesting place to work, both inside and outside the Commission.

DG ECFIN continued to support its highly specialised workforce with a targeted learning and development programme, including the annual Summer School geared to DG ECFIN's evolving policy remit and working environment, and dedicated programmes for colleagues working on the RRF, fiscal surveillance and forecasting. This complemented the central training offer developed by DG HR and focused on DG-specific topics to address DG ECFIN's staff learning priorities. In total, 104 training events took place in DG ECFIN in 2024, many delivered by DG ECFIN's staff members for their peers.

In the context of heavy workload, DG ECFIN continued to address staff well-being with a range of dedicated workshops and courses, as well as the relaunch of regular physical well-being activities. This included a Be-Well week organised in cooperation with DG HR and DG TRADE. Initiatives to promote staff engagement also continued, supported by DG ECFIN's human resources and internal communication teams. In 2024, the focus was to follow-up on the results of the 2023 Staff Survey, which saw high staff participation and engagement. An action plan of 13 actions was established based on the priorities identified by staff and proposed by directorates. Implementation commenced for several of these actions and will continue through 2025. The current ECFIN HR Strategy will be updated in 2025 to incorporate the Staff Survey Action Plan as well as the outcomes from the IAS audit actions and the Group for Gender Equality.

In 2024, DG ECFIN continued to implement its updated Equality Mainstreaming Action Plan. As in previous years, its Group on Equality Mainstreaming and Diversity Networks organised actions to mark Diversity Month and significant dates. Other activities included an “Inclusive Workplace” campaign, with training sessions for senior management and staff, and a staff diversity survey, to highlight the business case for diversity and to make DG ECFIN a more inclusive and attractive place to work. In addition, DG ECFIN’s “ECFIN WORLD” network received a Commission diversity and inclusion award.

3.2. Digital transformation and information management

During 2024, DG ECFIN's implementation of the European Commission's Digital Strategy principles progressed as planned.

Following the adoption by the Commission of the new European Commission digital strategy entitled 'Next generation digital Commission' in 2022, a DG ECFIN specific digital strategy was adopted in October 2024 based on a broad consultation of internal stakeholders.

The DG ECFIN Digital Strategy aims to promote and foster a digital culture while implementing a dynamic portfolio of information systems to ensure a modern, secure, and sustainable digital landscape. These objectives are set to be achieved over a three-year period. Several initiatives were already undertaken, such as creating a community of practice on AI usage and modernizing legacy applications. To ensure a modern, secure, and sustainable digital landscape, the strategy actively promotes reusing solutions based on existing DG ECFIN platforms, Commission reusable components, and open-source code.

(1) Digital Transformation

DG ECFIN is an extensive user of collaboration tools. MS Teams is widely used, notably for collaboration with SG REFORM and other DGs in the context of the RRF and the European Semester. In this context, the migration out of SharePoint on premises to join the Commission's new intranet or other collaborative solutions platform was finalised and met the objective with 100% of the sites processed by end of 2024.

The IT information systems play a decisive role in supporting the policy objectives of DG ECFIN, namely the InvestEU Programme, the RRF and the Economic and Monetary Union (EMU).

The InvestEU Management Information System is now close to be fully developed and operational with its Investment Commitment Module now being available.

In the context of the RRF, FENIX, the IT tool for RRF implementation and monitoring was further enhanced with a module to keep track of payment request related tasks. In addition, an AI-enabled search module to facilitate the retrieval of information in the vast number of documents received over the past years was implemented. A further level of automation was added in the FENIX tool by adding means to automatically generate key documents in the context of the assessment process.

Under EMU, following the adoption of the economic governance framework by the Council, a new IT tool was deployed to allow Member States to report on the implementation of their national medium-term fiscal-structural plans, including the net expenditure path, and on progress as regards reforms and investments.

With regards to Artificial Intelligence, several key initiatives took place in 2024. A DG ECFIN AI community of practice was established, focusing on a structured and methodical approach to facilitate the adoption of AI in DG ECFIN. Tailored seminars were organised focusing on concrete use cases of AI as well as short monthly information sessions for all DG ECFIN's staff on the latest evolution in the field of AI. As part of the DG ECFIN AI Business plan adopted in 2023, a vision document was prepared and adopted with forward-looking objectives with regards further usage of AI for operational tasks in DG ECFIN, notably data analysis. Implementation of the strategy is ongoing.

Significant progress made in addressing IT legacy with the replacement of ageing IT components of the Business and Consumer Surveys (BCS) system where a rollout in production took place in October. This new IT tool enabled seamless integration with ESTAT and ECB as the data exchange is now based on an internationally recognized standard (SDMX).

(2) IT security rules

IT security is a permanent item on the agenda of the DG ECFIN IT steering Committee (ITSC) and DG ECFIN continued raising awareness on cybersecurity by organising regular cybersecurity trainings aimed at staff. At the same time, DG ECFIN continued to scan the systems for detecting potential security vulnerabilities and verify the compliance with existing Commission rules.

The average degree of implementation of the digital strategy for the three most expensive IT solutions reached the global result of 85% which is 4% above the 2024 objective.

(3) Data, Information management, and knowledge management

Work on the implementation of the Commission's Data Governance and Data Policies continued throughout 2024 as foreseen.

DG ECFIN's Data Governance Board worked towards improving data dissemination, data procurement, data related IT issues and technical metadata issues, including improved documentation of structural metadata.

Information relating to DG ECFIN's key data assets was reviewed and updated where necessary. This was complemented by a review of and, if needed, update of quality and metadate reports according to Eurostat's "Reference Quality Framework for Other Statistics" for DG ECFIN's corresponding data assets. In addition, DG ECFIN's data governance page on the databases and tools Intranet site was complemented and updated with relevant reference material.

(4) Data protection

Regarding Data Protection, the Commission's Data Protection Action Plan (C(2018) 7432 final) was implemented in DG ECFIN. The horizontal target of awareness raising was implemented with a full scaled Awareness-raising Tour of the ECFIN-DPC to all the Directorates, which started in autumn 2022 and ended in April 2024. The compliance tasks were fulfilled with the completion of the review of DG ECFIN records. Since DG ECFIN is joint Controller with JRC for the Annual Research Conference (ARC), the setting up of a joint controllership agreement has been launched.

3.3. Sound environmental management

In 2024, DG ECFIN's hybrid work environment continued to help reduce electricity and water consumption, the use of public and private transport, and of paper. Promoting the use of Teams for collaborative documents, continued, to help eliminate heavy email attachments and storage costs.

In 2024, in line with corporate guidance, efforts were made to reduce travels and lower emissions by promoting hybrid meetings with external experts and stakeholders, thereby minimising the need for DG ECFIN staff to undertake missions abroad.

Missions with multiple DG ECFIN participants continued to be scrutinised.

In 2024, DG ECFIN continued to highlight the impact of individual actions and behaviours, with the organisation of a Climate Fresk workshop for staff, designed to raise awareness of climate change, inform about the Commission's actions in this regard, and stimulate discussion on individual responsibilities. The corporate environmental actions of central services were promoted, notably through waste management and recycling actions.

3.4. Examples of economy and efficiency

In 2024, DG ECFIN successfully implemented its planned actions to achieve economy and efficiency, laying the groundwork for a more digital and streamlined financial management system. This included preparatory work for onboarding part of DG ECFIN's activities into corporate financial management IT tools, such as eGrants, eProcurement, and SUMMA.

In preparation for the migration from the EC's financial corporate tool, ABAC to SUMMA (SAP) in 2025, a thorough testing and validation process was undertaken. This has involved multiple testing sessions with DG ECFIN's financial staff, as well as an update of procedures and template documents to ensure a seamless transition. Furthermore, a deep data quality review of all existing financial data encoded in ABAC was performed, which will facilitate a smooth migration of these data to the new SUMMA (SAP) system in January 2025.

The corporate rollout of eProcurement in 2025 will enable paperless processing for most financial transactions. Staff members were informed and will receive training to ensure a smooth transition. Already in 2024, most procurement procedures, including very low-value procurements, were handled via the Public Procurement Management Tool (PPMT), part of eProcurement. This ensures that all procurement procedures are processed using pre-approved templates and follow predefined procedural steps. Additionally, all procurement publications are now managed through the EU Funding and Tenders Portal.

In another important development, DG ECFIN also successfully participated in a pilot exercise with eProcurement in 2024, which involved the signature of a specific contract based on a reopening of competition of a DG ECFIN framework contract onboarded in eProcurement.

Finally, regarding the onboarding of BCS grants in eGrants, the preliminary analysis was finalised in December 2024. This will enable the publication of the first BCS call for proposals in eGrants in May 2025, marking an important step forward in the full electronic management of grants at DG ECFIN.

4. RECOVERY AND RESILIENCE FACILITY

4.1. Progress made in 2024

Assessment and approval of revised Recovery and Resilience Plans

In 2024, the Commission continued to support Member States in the process of amending their RRPs. The amendments were primarily based on Article 21 of the RRF Regulation, which allows for revisions when objective circumstances render it impossible to achieve milestones and targets. The Council adopted 17 RRP revisions during 2024, most of which were targeted amendments. In revising their RRPs, Member States paid particular attention not only to the quality of the measures but also to their degree of maturity and their implementation horizon, given the timebound nature of the RRF until 2026. Commitments that were no longer achievable at that point in time due to objective circumstances were adjusted and, in many cases, replaced by more suitable alternatives, while keeping the original ambition of the RRP intact. The RRF's broad scope provided the necessary flexibility for Member States to allocate resources according to their evolving priorities, in line with the RRF objectives.

The Commission adopted on 19 July 2024 an updated Guidance ([19]) on RRPs to enhance the efficiency in implementing the Facility and simplify the reporting requirements for Member States. The updated guidance further clarifies the scope for amendments that can be made to an RRP in case of objective circumstances, including to provide support to measures addressing the objectives referred to in the Regulation on the Strategic Technologies in Europe Platform ('STEP') (which amended the RRF Regulation). The guidance also simplifies reporting requirements for Member States and provides greater clarity regarding the conditions under which support from the RRF and other EU funds can be combined to enhance synergies.

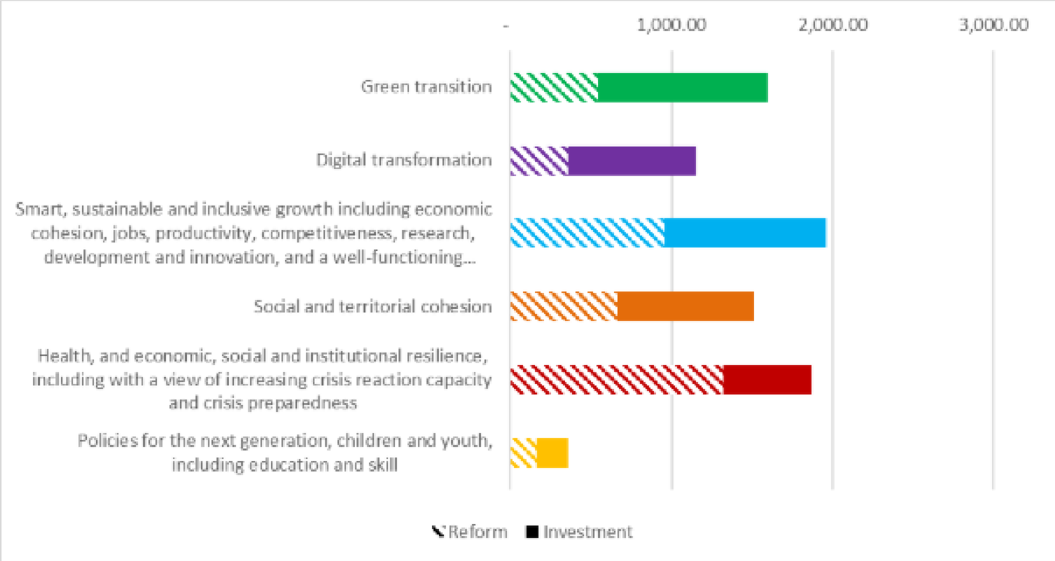
REPowerEU

In 2024, three Member States (LU, IE, and DE) introduced REPowerEU chapters in their RRPs, thus benefitting from additional resources and boosting reforms and investments that diversify the EU's energy supplies, accelerate the green transition, and support vulnerable households. This brought the total number of REPowerEU chapters to 26, accounting for a total amount of additional funding of EUR 64.75 billion.

All revised RRPs comprise reforms and investments that contribute to the six policy pillars as defined in Article 3 of the RRF Regulation. Similarly, and as is the case for all RRPs, the plans approved in 2024 dedicate at least 37% of their total allocation to measures contributing to climate objectives and at least 20% of the total allocation to measures contributing to digital objectives. The REPowerEU chapters further increased the ambitions in the green dimension. As of end-2024, more than 42,6% (EUR 277 billion) of the total RRF allocation is set to finance investments and reforms supporting the green transition, including energy efficiency, renewable energy, electricity grids, and other green investments.

([19]) C/2024/4618 Commission Notice – Guidance on recovery and resilience plans

Figure 4- Overview of the implementation of the M&Ts per pillar



Payment requests and payments disbursed

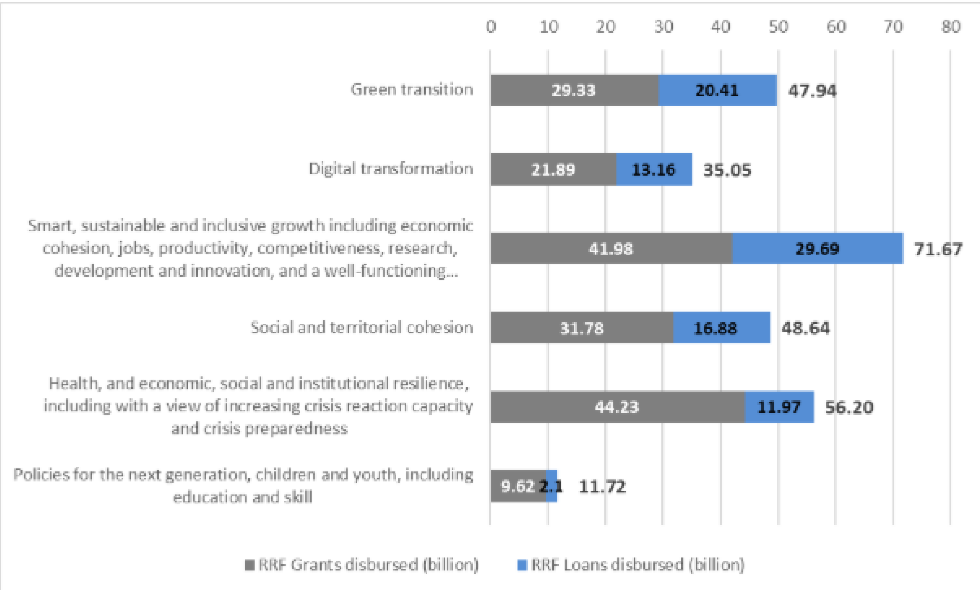
To support the first steps of implementation, a total of EUR 10 billion in REPowerEU prefinancing was disbursed to 21 Member States. In 2024, Spain, Belgium, Croatia, Cyprus, Finland, Greece, Italy, France, Latvia, and Romania received REPowerEU pre-financing, following Hungary, Lithuania, Poland, Austria, Czechia, Denmark, Portugal, Estonia, Malta, Slovakia, and Slovenia in 2023. A total of EUR 66.97 billion in pre-financing was disbursed to Member States by the end of 2024.

In line with Article 24 (2) of the RRF Regulation, Member States submit a request for payment to the Commission upon completion of relevant milestones and targets. DG ECFIN, jointly with SG REFORM, monitors on a continuous basis the progress made with the implementation of the measures in each plan in close contact with the national authorities. When a Member State decides to submit a payment request, the Commission has two months to assess it, taking into account the information and justification provided by the Member State. It then adopts and shares its preliminary assessment with the Economic and Financial Committee, and eventually launches the comitology procedure leading to the adoption of the payment decision. As part of the assessment process, DG ECFIN, jointly with SG REFORM, rely on documentary evidence provided by the Member States to establish whether the milestones or targets have been satisfactorily fulfilled.

Figure 5 – Disbursements made as of end-2024 (% total RRF allocation to each Member State)

In 2024, the Commission disbursed 41 payments to Member States for a total of EUR 85.3 billion (out of which EUR 29.4 billion in loans), including additional prefinancing payments of EUR 3.32 billion. This brings the total disbursements by end of 2024 to EUR 306.1 billion, divided into 197.5 billion in grants (55% of total EUR 359 billion RRF envelope) and EUR 108.7 billion in loans (37% of total EUR 291 billion RRF envelope). The milestones and targets related to the disbursements pertain to a large scope of measures covering the six pillars of the RRF Regulation (Figure 6).

Figure 6 – Disbursements to Member States per pillar by end-2024, EUR bn



Note: Each disbursement reflects progress in the implementation of the RRF, across the six policy pillars. This graph displays how disbursements under the RRF (excluding pre-financing) relate to the pillars. The amounts were calculated by linking the milestones and targets covered by a given disbursement to the pillar tagging (primary and secondary) of their respective measures

Source: Recovery and Resilience Scoreboard

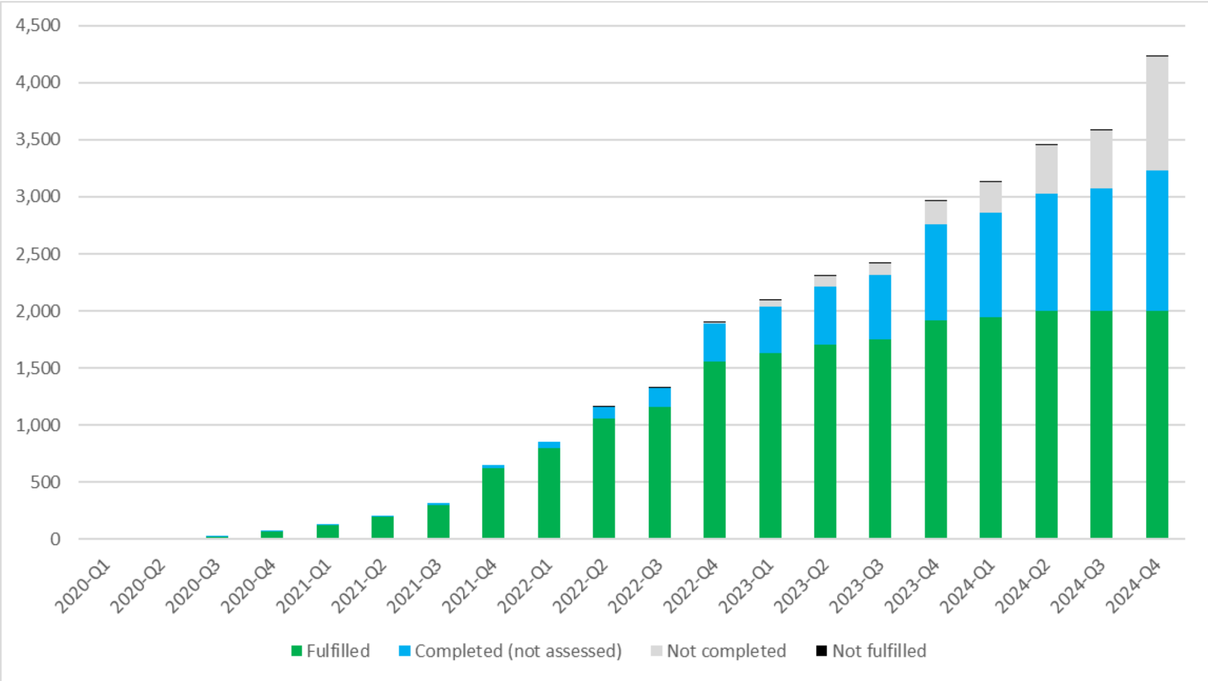
Following suspension decisions adopted in 2023, seven milestones and targets (M&Ts) were suspended. The Commission lifted the suspension for five milestones and targets in 2024 (one for Lithuania, three for Portugal, and one for Romania), and reduced the Member State's financial allocation in two cases in accordance with Article 24(8) of the RRF Regulation for two milestones overall (one for Lithuania for grants and one for Romania for loans - see section 4.2.2.g) for further detail). Concerning the suspension decisions adopted in 2024, six milestones and targets have been assessed as not satisfactorily fulfilled and disbursement was subsequently suspended for the payment requests submitted by Belgium, Cyprus, Czechia, Italy and Spain. In the case of Italy and Belgium, whilst a suspension decision was adopted, the suspensions have since been lifted as the RRP was subsequently revised.

State-of play of suspension decisions:

Country	Suspension amount	Suspension decision date	Number of M&Ts concerned	Decommitment/lifting decision
Lithuania	EUR 17.5M authorised for disbursement and EUR 8.7 M decommitted	28/04/23	2 M&Ts	Decommitment and partial payment 06/05/2024
Romania	EUR 42.6 M authorised for disbursement and EUR 10.8 M decommitted	21/09/23	2 M&Ts	Decommitment and partial payment 18/12/2024
Portugal	EUR 810.5 M authorised for disbursement	22/12/23	3 M&T	Fully lifted N/A
Spain	EUR 158 M suspended	19/07/24	1T	Ongoing
Italy	EUR 110 M suspended	26/07/24	1T	RRP revised
Belgium	EUR 31 M suspended	16/09/24	1M	RRP revised
Cyprus	EUR 43 M suspended	14/11/24	1 M	Ongoing
Czechia	EUR 260.3 M suspended	18/12/2024	2 M&Ts	Ongoing

The implementation of the RRPs was broadly on track as of end-2024. Most milestones and targets planned to be achieved by the end of 2024 have either been assessed as fulfilled by the Commission (47.2%) or reported by the Member States to be completed by end-2024 (29%). A small part was marked as not complete (23.6%, including M/Ts reported as delayed, on track, not completed).

Figure 7 – Status of Milestones and Targets due by end-2024



Source: Implementation progress of the milestones and targets by mid-October 2024

Continuous dialogue with Member States

DG ECFIN and SG REFORM held six meetings of the informal Expert Group on the RRF in 2024, covering a variety of topics ranging from the presentation of the mid-term evaluation of the RRF to a workshop organised in Brussels where Member States met to share their experience on the application of the Do-No-Significant-Harm principle.

DG ECFIN, jointly with SG REFORM, also organised together with Member States a set of national RRF annual events, bringing together institutions, stakeholders (in particular social partners and civil society), and beneficiaries of RRF support to discuss the progress and state of play of the RRP implementation. 13 Annual Events took place in 2024 (CY, LU, IE, LT, PL, PT, AT, CZ, BE, RO, EL, ES, and SL).

The Commission also took into account the feedback from Member States, as illustrated by the findings of the RRF mid-term evaluation and the related Council conclusions. As a result, it simplified Member States' reporting requirements to the extent possible under the RRF Regulation, by reducing the information requested in the context of the bi-annual reporting on the implementation of the RRPs and enabling Member States to delete their Annex II from the operational arrangements ([20]).

([20]) Annex II on "Arrangements and timetable for monitoring" defines non-binding monitoring steps to follow progress towards implementation of milestones and targets.

Transparency of implementation: RRF Annual Report 2024 and Recovery and Resilience Scoreboard

DG ECFIN and SG REFORM prepared the Annual Recovery and Resilience Facility Report, published on 10 October 2024. The RRF Annual Report provided an overview of the state of implementation of the Facility and of milestones and targets included in Member States' RRPs, looking in particular at progress across the six RRF Policy Pillars. For the first time, the report also included a comprehensive analysis on the measures included in the adopted REPowerEU chapters and the data published by all Member States on the 100 largest final recipients of funds under the RRF. Finally, the Annual Report is accompanied by annexes that explain the Commission's interpretation and guidance regarding key provisions in the RRF Regulation related to the eligibility period of RRF measures, recurring expenditure rules, the concept of double funding, and the notion of final recipients under the RRF. The Annual Report also provided an overview of the implementation of measures with a focus on gender equality and equal opportunities for all. As of end-2024, out of the 253 milestones and targets with a focus on gender equality in the 27 RRPs, 123 are already reported as completed or assessed as fulfilled.

In 2024, DG ECFIN continued to update the Recovery and Resilience Scoreboard, with comprehensive information on disbursements of RRF funds or the adoption of revised RRP. Methodological notes and footnotes were clarified, in line with recommendations received from the European Parliament.

RRF Mid-Term Evaluation

The mid-term evaluation ([21]) presents the Commission's own findings on the implementation of the RRF at the half-way point. The evaluation, in the middle of the programme's operating time, was completed in line with Article 32 of the RRF Regulation. Published on 22 February 2024, it was undertaken jointly by DG ECFIN and SG REFORM, in line with the requirements set out in the Commission Better Regulation Guidelines.

The mid-term evaluation report assesses progress made until 31 December 2023 in achieving the objectives of the RRF Regulation in terms of effectiveness, efficiency, relevance, coherence, and EU added value. It covers the evaluation requirements set out in Article 32(2) of the RRF Regulation and the five evaluation criteria set out in the European Commission's Better Regulation Guidelines and the Inter-institutional Agreement on Better Law-Making ([22]). The report shows that the RRF paved the way for the EU's economic recovery following the pandemic and illustrates the key role played by the RRF in supporting structural reforms and common EU policy priorities, notably regarding the green and digital transitions and socio-economic convergence. The evaluation notes that the performance-based approach of the RRF is instrumental in enhancing the effectiveness of the Facility: disbursements upon the delivery of concrete outputs (i.e., milestones and targets) are fast. Combining reforms and investments in one funding instrument creates synergies between them, whilst the integration of a comprehensive reform and investment agenda into a single RRP supports the plans' internal coherence. One of the most notable successes of

([21]) See in particular Mid Term Evaluation of the Recovery and Resilience Facility. , "Strengthening the EU through ambitious reforms and investments". Institutional paper 269. February 2024

([22]) European Commission Better Regulation Guidelines (2021), available at: https://commission.europa.eu/system/files/2021-11/swd2021_305_en.pdf the RRF is its proven ability to incentivise the implementation of structural reforms, including reforms recommended in the context of the European Semester.

Reporting on Final Recipients

In line with Article 25a of the RRF Regulation, Member States have an obligation to create an easy-to-use public portal containing data on the 100 final recipients receiving the highest amount of funding for the implementation of measures under the Facility and to update that data twice a year. The RRF Annual Report 2024 includes a dedicated chapter analysing Member States' reporting on the 100 largest recipients. 25 Member States reported twice in 2024, with two Member States reporting only once. The Recovery and Resilience Scoreboard provides up to date information on the data published by Member States on 100 largest final recipients.

DG ECFIN, together with SG REFORM, pays particular attention to ensuring consistency and comparability of the data. The Commission discussed the reporting on final recipients with Member States in several meetings of the Informal RRF Expert Group, underlining its importance for enhancing transparency. As part of the RRF Annual Report 2024, Annex V consolidates available guidance and further clarifies the concept of "final recipient" under the RRF Regulation and the scope of the **data to be published on the 100 largest final recipients under the RRF.**

Reporting on common indicators

The Commission Delegated Regulation (EU) 2021/2106 of 28 September 2021 establishes that the Member States shall report biannually (by 28 February and 31 August respectively) on a set of 14 common indicators across all six policy pillars. The common indicators data allows the Commission to report on the progress achieved by all Member States towards the objectives of the RRF but meant to monitor individual RRPs. DG ECFIN verified the consistency and robustness of the data, if needed requesting checks and corrections. DG ECFIN updated the recovery and resilience scoreboard with the sixth round of reporting on 22 November 2024 and the seventh round on 7 May 2025. The time lag between submission of common indicator data by Member States and the publishing of the data after quality check improved significantly this year.

Figure 8 – State of progress towards the common indicators [23]

- (1) Savings in annual primary energy consumption MWh/year
  S1 2023: 28 282 262
  S2 2024: 33 388 511
  +18%
- (2) Additonal operational capacity installed for renewable energy (MW)
  S1 2023: 52 204
  S2 2024: 110 655
  +112%
- (3) Alternative fuels infrastructure (refuelling/recharging points)
  S1 2023: 531 995
  S2 2024: 915 995
  +72%
- (4) Population benefitting from protection measures against climate related natural disasters
  S1 2023: 8 976 469
  S2 2024: 31 082 568
  +246%
- (5) Additional dwellings with internet access provided via very high capacity networks
  S1 2023: 5 605 735
  S2 2024: 16 157 339
  +188%
- (6) Enterprises supported to develop digital products, services and application processes
  S1 2023: 587 398
  S2 2024: 1 166 466
  +99%
- (7) Users of new and upgraded public digital services, products and processes
  S1 2023: 308 728 697
  S2 2024: 1 584 277 730
  +413%
- (8) Researchers working in supported research facilities
  S1 2023: 17 551
  S2 2024: 163 613
  +832%
- (9) Enterprises supported
  S1 2023: 1 959 338
  S2 2024: 4 461 988
  +128%
- (10) Number of participants in education or training
  S1 2023: 8 701 973
  S2 2024: 29 018 617
  +233%
- (11) Number of people in employment or engaged in job seeking activities
  S1 2023: 1 311 931
  S2 2024: 2 765 464
  +111%
- (12) Capacity of new or modernised healthcare facilities
  S1 2023: 45 788 233
  S2 2024: 49 817 035
  +9%
- (13) Classroom capcity and new or modernised childcare and education facilities
  S1 2023: 246 037
  S2 2024: 2 694 998
  +995%
- (14) Number of young people aged 15-29 years receiving support
  S1 2023: 5 779 581
  S2 2024: 10 657 109
  +84%

(23) https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html

The data in figure 8 corresponds to the data provided by the Member States in the February 2025 reporting round, covering the period from February 2020 to December 2024. The figures reported in the February 2025 round covering the period from February 2020 to February 2025 along with % change are also shown to allow for comparison with last year's report. For more information, please consult the Recovery and Resilience Scoreboard

4.2. Control results

4.2.1. Control environment

The control framework is tailored to the unique nature of the RRF that is a fully performance-based instrument. Beyond the Commission's internal control structure, the control environment of the RRF aims at providing DG ECFIN's Authorising Officer by Delegation (AOD) with the necessary elements of assurance in a timely manner on the RRF budget.

Since the start of the implementation of the RFF, **DG ECFIN took a dynamic approach to audit and control**. Benefiting from the findings and recommendations from its own auditors, the IAS, the ECA, the Council of the EU, and the European Parliament, DG ECFIN continued to strengthen its audit and control framework for the RRF in the course of 2024, with:

- **The publication of guidance documents to further clarify key aspects of the facility's operations:**
  - On 19 July 2024, the Commission adopted an **updated Guidance on Recovery and Resilience Plans ([24])** following the ECOFIN Council Conclusions of April 2024 on the RRF mid-term evaluation. In Annex IV of this guidance, the Commission published a **framework for "Reductions and Recoveries under the Recovery and Resilience Facility"** that covers all the grounds for reductions and recoveries under the RRF Regulation, including three different situations: (1) cases of fraud, corruption, and conflict of interests affecting the financial interests of the Union not corrected by the Member State; (2) cases of serious breach of an obligation of the Financing Agreement or Loan Agreement; and (3) cases where the information and justification underlying a payment request is found to be incorrect. Additional **guidance on how to identify and avoid any risk of double funding** was also provided to ensure the continued adequacy of controls. On 25 March 2025, DG ECFIN adopted a **framework for the use of commitments** from Member States in the context of audit and control milestones under the RRF. The framework outlines when a commitment is (or is not) possible, the practicalities of introducing audit and control milestone commitments, and the consequences of non-fulfilment of an audit and control milestone commitment. The framework also includes a template for the drafting of audit and control milestone commitments as an annex.
  - On 10 October 2024, the Commission published the **RRF Annual Report ([25])**. The key concepts underpinning the Commission's interpretation of **double funding** under the RRF and its approach to the prevention of double funding were laid out in Annex IV of this Report ([26]).
  - As announced in DG ECFIN's 2023 AAR, Annex II of the RRF Annual Report 2024 provided also more precisions regarding the **eligibility of measures** under the RRF and specifically the application of the **retroactivity clauses** included in the RRF

([24]) C/2024/4618 Commission Notice – Guidance on recovery and resilience plans
([25]) COM(2024) 474 final.
([26]) COM(2024) 474 final, Annex IV.

Regulation (Article 17(2)). The Commission clarified the rationale underpinning the guidance already provided by the Commission to Member States on how to determine, during the assessment of the RRPs, when a measure has started. In line with the RRF Regulation, measures started from 1 February 2020 shall be eligible (and 1 February 2022 for REPowerEU measures). In line with statistical and legal principles, the Commission interpreted the start of a measure as the beginning of implementation of the measure on the ground (as opposed, for instance, to the mere signature of contracts).

- **The implementation of the revised Audit and Control Strategy at its full cruising speed, with continued enhancements:**

    - As regards **public procurement and State aid**, the Commission continued to implement **enhanced comprehensive checks ([27]) in all types of audit work on the Member States' internal control systems to verify how these systems ensure compliance with public procurement and State aid rules, including the effectiveness of such checks.** The Commission also further refined its audit approach in September 2024 by defining the number of procurement procedures to be checked in the Commission's audits per implementing body. In addition, following **ECA Special Report 09/2025** ([28]), the Commission has reinforced further its assurance, notably in relation to Member States' compliance with public procurement and State aid rules. Since the publication of the special report in March 2025, the Commission implemented five out of the 9 accepted or partially accepted sub-recommendations (please see Annex 8 for further detail). For instance, the Commission updated again the checklist on State aid rules to reinforce verifications performed at granting authority level. The Commission also clarified how audit observations made before the draft report stage and the status of implementation of the audit recommendation are taken into account in the risk assessment of the Member State.

    - In line with its revised Audit Strategy of December 2023, **DG ECFIN has developed a risk assessment methodology** to be implemented on an annual basis to select Member States for **further system audits on the protection of the financial interests of the Union (PFIU)**. The risk assessment conducted in January 2025 provided for a more targeted selection of a limited number of Member States based on pre-defined criteria and with a priority given to Member States where the public procurement and State aid were not checked using the enhanced checklists rolled out since April 2023.

    - Throughout the year, DG ECFIN expanded further the audit work performed on national audit authorities, strengthening the effectiveness of their work and their detection capacity. In January 2025, DG ECFIN also **clarified the pre-requisites and conditions for relying on the work of national audit bodies in the framework of ex-post audits**. This clarification is aiming to facilitate complementarity between audits carried out by national and European audit

([27]) In particular, the Commission continued to use comprehensive checklists on public procurement and State aid which were rolled out in April 2023 and approved in September 2023.

([28]) European Court of Auditors, Special Report 09/2025: Systems for ensuring compliance of RRF spending with public procurement and State aid rules – Improving but still insufficient. 10/03/2025.

authorities and to decrease the overall audit burden in the spirit of the single audit approach.

- Following the publication of the Reversal Framework issued by the Commission on 19 September 2023 ([29]), DG ECFIN **further refined its approach on how to address risks of reversals during ex-post audits on milestones and targets**. These risks are systematically considered in the framework of milestones and targets ex-post audits. Ex-post audits on milestones and targets that are selected following the risk assessment incorporate checks to verify whether the milestones or targets have been reversed.

- Throughout the year, in the context of RRP revisions, the Commission continued to **reassess the robustness of Member States' control systems in protecting the financial interests of the Union**. This reassessment was supported by information gathered through its own audit work. Where necessary, the Commission may propose the inclusion of additional audit and control milestones to be fulfilled before the next payment is made.

A detailed explanation of the control environment can be found in Annex 14.

4.2.2. Control results summary

a) Assessment of the robustness of national control systems described in RRPs

In 2024, a total of 17 RRP revisions were adopted, three of which included REPowerEU Chapters. Between January 2025 and the cut-off date of 27 May 2025, a total of 12 additional RRP revisions were adopted. While Member States' control systems were assessed during the adoption of the original RRPs, they are also reassessed when RRPs are revised. This assessment is carried out in accordance with criterion 2.10 of Annex V of the RRF Regulation, based on the information provided by the Member States, supplemented by additional evidence obtained by the Commission, including information on the implementation of the system in place among others through its own audit work.

As part of the RRP revisions that took place until the cut-off date of 27 May 2025, and in light of the information available, the Commission considered whether the arrangements for the audit and control system were (still) adequate. When deficiencies in the control systems detected were of nature that could be remedied by an audit and control milestone, specific **audit and control milestone were introduced in the revised RRPs** as part of the proposal for a Council Implementing Decision (CID). Such milestones must be fulfilled before any subsequent payment is made. **Following a thorough assessment, the Commission proposed an additional audit and control milestone in one Member State (Slovakia)**. This limited number can be explained by two main factors: first, many of the 2024 RRP revisions came from Member States whose control systems had already been thoroughly

([29]) COM(2023) 545 final, Annex II.

reassessed in 2023; and second, most of the Member States concerned were already subject to audit and control milestones, which already addressed the remaining deficiencies.

Since the beginning of the RRF implementation, a total of 83 audit and control milestones were incorporated into the CIDs for 24 Member States, with Hungary having the highest number at 27 such milestones (see table 4 in Annex 14). In 2023, a Member State communicated to the Commission amendments to its internal control system, as described in its RRP. In response, DG ECFIN reported in its 2023 AAR that it had opened a review report to assess the amended control system's compliance with the conditions of the Financing Agreement and the key requirements specified in Annex 1 of the Financing Agreement. On 1 April 2025, after a thorough assessment of the information provided by the Member State, the Commission issued its final review report. The Commission concluded that the amended control system was still compliant with the abovementioned conditions and requirements, but considered it necessary to put in place a monitoring mechanism.

b) Ex-ante controls at payment stage

1) Assessment of the satisfactory fulfilment of the milestones and targets

The Commission **assessed 27 payment requests ([30]) in 2024, which were submitted by 22 different Member States**. These covered **839 milestones and targets in total** (600 milestones and 239 targets).

Of the 839 milestones and targets assessed, six were assessed as non-satisfactorily fulfilled. These concerned the payment requests submitted by Belgium, Cyprus, Czechia, Italy, and Spain. In the case of Italy and Belgium, whilst a suspension decision was adopted, the suspensions have since been lifted as the RRPs were subsequently revised. In May 2024, the Commission partly lifted the suspension on a payment to Lithuania (for grants) and disbursed EUR 14.9 million in recognition of the progress made whilst simultaneously reducing Lithuania's financial allocation (for grants) by EUR 8.7 million in accordance with Article 24(8) of the RRF Regulation, corresponding to the non-fulfilled milestone. In December 2024, the Commission partly lifted the suspension and disbursed EUR 37 million to Romania (for loans) in recognition of the progress made whilst simultaneously reducing Romania's financial allocation (for loans) by EUR 10.7 million in accordance with Article 24(8) of the RRF Regulation, corresponding to the non-fulfilled milestone (see section 4.2.2.g) for further detail). The Commission fully lifted the suspension on a payment to Portugal and disbursed EUR 720 million in accordance with Article 24(8) of the RRF Regulation in recognition of the progress made for the fulfilment of three milestones.

2) Assessment of milestones on audit and control

As of the cut-off date of 27 May 2025, the **Commission assessed 50 out of the 83 audit and control milestones introduced in national plans as satisfactorily fulfilled** in the context of the assessment of the payment requests submitted by 21 Member States.

To reach a positive assessment of the audit and control milestones, the Commission performed desk reviews and in-depth assessments of the evidence provided by each Member

([30]) In 2024, the Commission disbursed 41 payments, comprising 27 payments following a payment request, three resulting from the lifting of previously suspended amounts, and 11 pre-financing. For the purposes of section 4.2.2.b), we focus exclusively on the 27 payment requests.

State. These in-depth assessments included in most cases additional requests for information and exchanges between the Commission and the national authorities.

With a total of 50 audit and control milestones assessed as satisfactorily fulfilled across 21 Member States as of the cut-off date of 27 May 2025, the **control systems in the Member States significantly improved since the launch of the RRF**. In addition, at the time of signature of the AAR, five audit and control milestones for three Member States were undergoing assessment. The recently added milestone for Slovakia will be assessed as part of the next payment request. The remaining 27 audit and control milestones relate to one Member State (Hungary) that had not submitted its first payment request by the time of signature of the AAR.

To ensure **continuous fulfilment of the audit and control milestones** assessed as satisfactorily fulfilled, **thirteen commitments were made by eleven Member States.** The Commission assesses the implementation of these commitments when assessing the next payment request made after the expiration of the timeline for the commitment. As of the cut-off date of 27 May 2025, **eleven of the thirteen commitments have been implemented** —three in 2022, two in 2023, three in 2024, and three in 2025— based on the Commission's preliminary assessment published alongside the respective payment requests. Two remaining commitments are under assessment by the date of signature of the AAR, as the related payment requests are currently being reviewed.

3) Analysis of management declarations and summaries of audits

The Commission reviewed the management declarations and audit summaries accompanying the 27 payment requests submitted in 2024.

In the management declarations accompanying the payment requests, the Member States notably confirmed that the information submitted with the request was complete, accurate, and reliable, and that the control systems in place gave the necessary assurances that the funds were managed in accordance with all applicable rules, in particular rules on avoidance of conflicts of interests, fraud prevention, corruption, and double funding, including also rules on public procurement and State aid.

In case of issues with the management declarations, which rarely occurred and were usually minor, or with the summaries of audits, where the issues were mostly about missing information on national audits or the need to clarify information, DG ECFIN followed up with the coordinating bodies to clarify. For the five payments where funding was suspended in 2024 due to milestones and targets not satisfactorily fulfilled, the review of management declarations and summaries of audit had previously raised doubts about their fulfilment, which were therefore confirmed by the preliminary assessment of the Commission.

c) Ex-post audits on Milestones and Targets

In line with its Audit Strategy, DG ECFIN carried out 17 ex-post audits on milestones and targets, covering 17 out of the 27 payments following payment requests submitted in 2024. These audits included the first payment for Belgium, the Netherlands, and Poland; the second payment for Cyprus, Denmark, Estonia, Germany, Latvia, and Malta; the third payment for France, Czechia, and Lithuania; the fourth payment for Greece (grants) and Spain; the fifth payment for Portugal; and the fifth and sixth payments for Italy. As specified in Annex 14, and pursuant to DG ECFIN Audit Strategy, the selection of milestones and targets audited for these ex-post audits was based on a risk assessment.

By the cut-off date of 27 May 2025, and in line with the Audit Strategy, **DG ECFIN conducted ex-post audits on 60 milestones and targets in total,** comprising 46 high-risk (out of 59) ([31]), 13 medium-risk, and one low-risk milestone or target. Based on the risk assessment methodology, the payments made in 2024 to Croatia, Ireland, Lithuania, Slovakia, and Slovenia were not audited through an ex-post audit on milestones and targets since the payments included no high-risk milestones or targets. The Commission did not audit high-risk milestones and targets in cases where a milestone or target related to the same measure had been audited in previous years and/or had been audited by the national audit authorities providing reasonable assurance to the Commission pursuant to the requirements defined in the internal guidance note referred to in section 4.2.1 of this report. This was notably the case in Czechia, Germany and France where the Commission had performed a compliance audit of the national audit authority and was overall satisfied with the audit work conducted by the latter.

In addition to verifying whether the respective milestone or target was satisfactorily fulfilled at the time of the payment request assessment, ex-post audits also served to verify, when applicable, whether Member States **regularly check compliance with public procurement and State aid rules, including the effectiveness of such checks**. To this end, DG ECFIN continued to use the enhanced comprehensive checklists on public procurement and State aid which were rolled out in April 2023 and approved in September 2023.

Ex-post audits on milestones and targets also included checks for indications of **double funding.** In this context, where appropriate, the Commission requests information on final recipients and cross-checks this information in the KOHESIO and FTS databases with other information on projects under Cohesion funds as well as databases covering direct expenditure incurred by the Commission. Where data is available, the Commission can also use ARACHNE for checks.

Finally, the risk assessment to select milestones and targets for ex-post audits **also addresses the risk of reversal**, based on information from different sources at the auditors' disposal such as geo-desk information, media reports, external tips, ECA and the Joint Audit Directorate for Cohesion (DAC) reports, OLAF cases, whistleblower tips, and any other relevant documentation. Ex-post audits then incorporate checks to verify whether the milestones or targets have been reversed. This means that the auditors also check whether the information and justification underlying the fulfilment remains valid and whether the same conclusion on the fulfilment of the milestone or target can be drawn at the time of performing the ex-post audit.

Based on its audit work for the payments assessed in 2024, the Commission **found no evidence that the audited milestones and targets have not been satisfactorily**

([31]) DG ECFIN auditors did not audit 13 high-risk milestones and targets for the following reasons: 11 of these milestones and targets had already been audited by the audit bodies of the Member States (CZ, DE, FR) and DG ECFIN relied on their results in line with the methodology developed regarding the reliance on the work of national audit authorities. The remaining two milestones and targets were not audited by DG ECFIN auditors since the related respective measures had already been audited (EL, DE) by DG ECFIN.

fulfilled [32]. Any other discrepancies identified between the data declared and the data audited remained within the margin of 5% considered by the Commission for its assessment.

In principle, should the Commission consider ex-post that a milestone or a target has not been reached, it would initiate financial corrections to recover the undue part of the payment made. However, this has not happened for the payments done in 2024.

d) System audits on protection of financial interests of the Union

By the end of 2023, the Commission audited each Member State through at least one system audit on the protection of financial interests of the Union (PFIU). In **2024**, the Commission carried out **two additional system audits** on PFIU (Belgium [33] and Lithuania [34]).

In line with its revised Audit Strategy, DG ECFIN has developed a risk assessment methodology to be applied annually to select Member States for further system audits on PFIU. The risk assessment conducted in January 2025 generated an overall score for each Member State, which was then complemented by relevant qualitative elements and third-party information. Priority was given to Member States where controls on public procurement and State aid were not carried out using the checklists adopted in September 2023. **By the end of 2025, DG ECFIN aims to carry out a system audit on PFIU in six Member States**: Finland, France, Ireland, Poland, Spain, and Sweden [35]. **DG ECFIN already successfully completed two of these audits** with a specific focus on public procurement and State aid — **in France and Ireland** — **in the first months of 2025.**

Since the start of the implementation of the RRF, the Commission performed 33 system audits, covering all Member States at least once and 181 auditees in total. The bodies audited in each system audit were selected based on a risk assessment framework.

In the context of these system audits, the Commission notably verified whether Member States regularly check compliance with **public procurement and State aid rules, including the effectiveness of such checks**. System audits also cover procedures to avoid **double funding** between the RRF and other Union programmes.

Based on its ongoing audit work, the Commission observes a **gradual overall improvement in the implementation of internal control systems** across the audited implementing and coordinating bodies. Member States are taking corrective actions in response to audit findings at the implementing body level. In some cases, audit and control milestones have served as an additional incentive for timely follow-up on audit recommendations. DG ECFIN continues to closely monitor the implementation of these recommendations, in line with the agreed deadlines for implementation.

Several good practices were observed among some audited implementing bodies. These include established procedures for detecting potential fraud, corruption, conflicts of

(32) In accordance with the risk assessment methodology as outlined in Annex 5.

(33) The system audit in Belgium specifically concerned the system of a particular federated entity that was not covered by the first system audit on the PFIU.

(34) The main objective of the system audit performed in Lithuania was to follow-up on the PFIU audit already made in 2022, and assess additional elements of the Member States' internal control systems in their capacity to ensure compliance with EU and national law, as well as to prevent, detect and correct cases of conflict of interest, fraud, corruption, and double funding.

(35) For Finland and Poland, further checks will be done via compliance audits, focusing on the work of national audit bodies in relation to system audits concerning PFIU.

interest, and double funding —often supported by data mining tools such as ARACHNE ([36]). Other positive examples include staff training programmes designed to raise awareness of fraud and corruption risks. Notable progress has also been made regarding data collection in line with Article 22(2)(d) of the RRF Regulation. **Nonetheless, areas for improvement remain**. These include strengthening fraud risk assessments, improving ex-ante controls to prevent conflicts of interest, reinforcing procedures to verify the absence of double funding, ensuring compliance with publicity obligations, increasing participation in fraud awareness training, and enhancing the reporting of irregularities to OLAF.

Based on the outcomes of the system audit work carried out in 2024 and considering the results of the analysis of the management declarations and summaries of audits mentioned above, the Commission can give **reasonable assurance regarding the implementation of Article 22 (5) of the RRF Regulation in 2024, with the exception of Czechia**, as further explained in Annex 9.

e) Controls on Member States's obligation to ensure compliance with public procurement and State aid rules

According to Article 22 (2), lit. a, of the RRF regulation, Member States shall "*regularly check that the financing provided has been properly used in accordance with all applicable rules and that any measure for the implementation of reforms and investment projects under the recovery and resilience plan has been properly implemented in accordance with all applicable rules regarding the prevention, detection, and correction of fraud, corruption and conflict of interests.*"

In line with the expanded scope of its audit work in response to the ECA's 2023 Annual Report (Chapter 11), **the Commission verified in all types of audits, where applicable, Member States' compliance with their obligation under Article 22 (2) (a) of the RRF Regulation**. This includes ensuring that the financing provided is properly used in accordance with all applicable EU and national rules, particularly in the areas of public procurement and State aid, **including the effectiveness of such checks.**

To support this work, the Commission has applied comprehensive checklists on public procurement and State aid across all its audit activities. These checklists were introduced in April 2023 and formally approved in September 2023.

Furthermore, in September 2024, the Commission enhanced its audit methodology by introducing specific sampling requirements for procurement procedures to be reviewed during audits, per implementing body.

In March 2025, ECA issued its **Special Report 09/2025** on systems for ensuring compliance of RRF spending with public procurement and State aid rules. ECA acknowledged the positive developments as regards the enhanced checks on public procurement and State aid with the use of comprehensive checklists and provided some targeted recommendations for further improvement. DG ECFIN is further finetuning its audit work in accordance with the accepted

([36]) **ARACHNE** is an IT tool for data mining and data enrichment developed by the European Commission. ARACHNE helps identifying the projects drawing on several EU funds where a potential risk of double funding exists. It shows beneficiaries, contractors, subcontractor, partners, and consortium members involved in multiple projects irrespective of their role in the various projects.

recommendations. So far, the Commission has already implemented five out of the 9 accepted or partially accepted sub-recommendations.

With respect to State aid, checks on compliance remain the primary responsibility of Member States through their internal control systems. The Commission's audits assess whether Member States have verified compliance with the conditions of relevant schemes, such as the General Block Exemption Regulation (GBER) or State aid framework for Research and Development and Innovation (RDI), and whether such schemes have been properly notified to the relevant Commission services. To address ECA's observations, the DG ECFIN audit checklist on State aid was amended in early 2025 to reflect this more clearly and rolled out immediately.

By the cut-off date of 27 May 2025, the audit work performed by DG ECFIN included checks on public procurement and State aid, using the comprehensive checklists approved in 2023, for all Member States that received a payment in 2024. These checks were performed across all audit activities [37]:

- **System audits (mainly PFIU):** check whether the Member States are regularly verifying compliance with public procurement and State aid rules for all measures covered by the RRP, including the effectiveness of such checks.

- **Compliance audits**: check covering the effectiveness of work done by national audit bodies on verifying compliance with public procurement and State aid rules.

- **Ex-post audits on milestones and targets**: systematic check whether Member States are regularly and effectively ensuring compliance with public procurement and State aid rules for the milestone/target concerned, including the effectiveness of such checks:

    - check if verification procedures have been implemented for the milestone/target concerned either by the implementing and/or by the audit body;

    - in the specific case where the sampled milestones and targets concern the award of contracts or grants, which are subject to State aid (e.g. award of grants to companies to create hydrogen labs) or public procurement, the audit unit (in case the calls/contracts have not been verified or audited by the Member States authorities), performs checks using a sampling approach whether the public procurement and/or State aid rules have been respected; and

    - in its audit work, the Commission continued to use the comprehensive checklists on public procurement and State aid which were rolled out in April 2023 and approved in September 2023. Moreover, the Commission has further refined its audit approach in September 2024 by defining the number of procurement procedures to be checked in the Commission's audits per implementing body. Since March 2025, the Commission has been using its amended checklist on State aid.

Additionally, where relevant, a **thematic audit** (i.e., a system audit with a limited focus on State aid and public procurement) was launched. This has been the case for France and Ireland.

(37) For detailed information on audit coverage per Member State, please refer to Annex 14, part 1.b).

In light of the above, it can be concluded that **the Commission verified via its own audits that all Member States that received a payment in 2024 complied with their obligations to regularly check** that the financing provided in the context of the underlying transactions was properly used in accordance with **public procurement and State aid rules, including the effectiveness of these checks**.

Based on its audit work, DG ECFIN considers that the **control procedures put in place in the Member States provide the necessary assurance** –notably for public procurement and State aid– that Member States fulfilled their obligation to regularly check **that the financing provided in the context of the 2024 transactions was properly used and implemented in accordance with all applicable rules, including the effectiveness of those checks.**

f) Compliance audits

Since the adoption of the revised RRF Audit Strategy in December 2023, DG ECFIN performed an **increasing number of compliance audits**, which assess the **reliability of the work performed at national level, encompassing two key areas**: (1) the audits of national control systems, to ensure that national and EU rules are complied with, including public procurement and State aid rules, and that the Union budget is protected, and (2) the audits of milestones and targets. Furthermore, these audits include checks to verify that the national audit authorities are adequately addressing the risk of double funding. This effort is aimed to obtain further assurance that DG ECFIN can rely on the work conducted by national audit bodies and strengthen further the effectiveness of the audit work performed at national level while, in the spirit of the single audit approach, minimising the duplication of audits and increasing the audit work efficiency overall.

Since January 2024, DG ECFIN conducted twelve compliance audits or combined audits with compliance parts. Four dedicated compliance audits were conducted to Czechia, Bulgaria, Poland, and Finland. Additionally, compliance audit parts were integrated in a system audit as regards milestones and targets to Cyprus and in audits on milestones and targets to Germany, Estonia, Greece, Croatia, Italy, Lithuania, and Latvia. As of the cut-off date of 27 May 2025, a total of 20 Member States had undergone a compliance audit or had been subject to an audit that included a compliance dimension since the inception of the facility. DG ECFIN plans to conduct compliance audits in the remaining Member States by the end of 2025, with the objective of achieving coverage of all Member States by year-end.

While in many instances findings regarding the work of the audit authorities identified areas for further improvements, some of the findings also resulted in critical or very important recommendations that are being followed upon by the Commission. Examples of findings addressed to the national audit bodies related to the need of including deadlines for the implementation of their recommendations, better defining follow-up procedures, improving audit manuals, checklists, or documentation, improvement of verifications on public procurement procedures or State aid rules, or to address staffing issues or issues with the assignment of audit staff.

In early 2025, the methodological framework defining the conditions under which DG ECFIN can rely on national audit work for ex-post audits of milestones and targets was refined. Under this framework, reliance by DG ECFIN on the work of national audit bodies is possible only where Commission compliance audits result in either an unqualified opinion or a qualified opinion with limited impact. In such cases, DG ECFIN auditors may rely on the national audit bodies' assessments and are not required to include in their ex-post audit selection any high-risk milestones and targets already assessed as satisfactorily fulfilled by those national bodies.

g) State of play on the implementation of the framework for "Reductions and Recoveries under the Recovery and Resilience Facility"

Since the beginning of the implementation of the RRF, the Commission opened six cases pursuant to the **framework for "Reductions and Recoveries under the Recovery and Resilience Facility"** ([38]) mentioned in sections 2.1.2.e) and 4.2.1 above. This framework distinguishes between two types of cases: (i) reductions and recoveries related to the **protection of the financial interests of the Union (PFIU)** and (ii) reductions in accordance with **Article 24(8) of the RRF Regulation**.

Reductions and recoveries related to PFIU

Pursuant to the Framework for reductions and recoveries, the cases related to PFIU are categorized into three grounds for reductions and recoveries: fraud, corruption, and conflict of interests affecting the financial interests of the Union not corrected by the Member State (1st ground); serious breach of an obligation of the Financing Agreement or Loan Agreement (2nd ground); and incorrect information or justification underlying a payment request (3rd ground).

The first case relates to a **conflict of interest in Slovakia**, which was detected in a DG ECFIN audit and confirmed by an OLAF recommendation. As the Member State failed to correct the irregularity, on 8 May 2025 the Commission adopted an implementing Decision **reducing support to Slovakia by EUR 1.225 million** in accordance with Article 22 (5) of the RRF Regulation and Article 19(1) and (2)(a) of the Financing Agreement pursuant to the **framework for "Reductions and Recoveries under the Recovery and Resilience Facility"** (as mentioned in section 2.1.2.e) above).

In addition, as of 27 May 2025, **DG ECFIN issued three review reports covering three Member States** under this framework:

- One of these cases, mentioned in section 2.1.2.e) above, was triggered by an OLAF recommendation regarding irregularities related to final recipients, which indicated a serious breach of Financing Agreement obligations. The Commission issued a **final review report** and the affected Member State committed to recover the funds. The case will remain open until the national authorities recover the undue payment made to the relevant company.

- The two remaining review reports concerned two cases where the information or justification submitted in support of the payment requests were found to be incorrect.

([38]) C/2024/4618 Commission Notice – Guidance on recovery and resilience plans

In these three cases, the Commission sent the final review report to the respective Member State. As of 27 May 2025, **none of these three cases triggered a recovery procedure from the Commission.**

Reductions in accordance with Article 24(8) of the RRF Regulation

Finally, in addition to the four cases mentioned above that fall under the protection of the financial interests of the Union, the Commission adopted **two funding reduction decisions under the legality and regularity pillar** in accordance with Article 24(8) of the RRF Regulation **for non-satisfactory fulfilled milestones and targets concerning Lithuania and Romania**, as mentioned in section 4.1 and 4.2.2.b).1) above**.**

h) Ongoing ECA work in the context of the Statement of Assurance of 2024

The Commission's assessment of the Court's findings to conclude on the level of risk for the payments made in 2024 is currently ongoing. By 30 April 2025, the Commission had received the clearing letters from the ECA covering the 27 grant payments made to 21 Member States in 2024. Since the ECA's findings may be used to determine the level of risk of payments, the Commission assessed them when determining the level of risk for each payment made in 2024.

With respect to the concerned clearing letters, the Commission, following a thorough analysis, maintained its position (based on its ex-ante and ex-post controls) that the milestones and targets included in the corresponding payment requests had been satisfactorily achieved. Following one of these clearing letters, the Commission sent a draft review report to a Member State on 20 May 2025 requesting additional information and justification regarding the satisfactory fulfilment of the milestones and targets in a payment request, pursuant to Article 12 of the RRF Financing Agreement.

i) Qualitative assessment of the legality and regularity of payments and compliance with Art. 22 (2) (a) and Art. 22 (5) of the RRF regulation (conclusion on the methodology on materiality threshold described in Annex 5)

The Commission is responsible for ensuring the legality and regularity of its payments to Member States. It must also obtain assurance that Member States comply with their obligations under Article 22 (2) (a) and Article 22 (5) of the RRF Regulation. Article 22 (2) (a) requires Member States to verify that the financing provided has been used in accordance with all applicable rules, including those on public procurement and State aid. Article 22 (5) sets out the Commission's right to reduce support, recover funds, or request early repayment of loans in cases of fraud, corruption and conflict of interest, or where serious irregularities have not been corrected by a Member State, or where there is a serious breach of obligations under the Financing or Loan Agreement.

Since the facility is a performance-based instrument, the legality and regularity of the payments depend on the actual achievement of the milestones and targets set out in the CIDs. Consequently, the Commission's controls focus on the achievement of the milestones and targets, whereas the costs actually incurred by the beneficiary are not subject to controls by the Commission. According to the RRF Regulation, the Commission nonetheless has the right to reduce proportionately the support under the Facility and recover any amount due to the Union budget or to ask for early repayment of the loan, in cases of fraud, corruption, and conflicts of interests affecting the financial interests of the Union that have not been corrected by the Member States themselves, or a serious breach of an obligation from the financing and loan agreements (which includes double funding).

The Commission makes a qualitative assessment of the control results and the level of risk associated with the operations. Unlike other EU programmes, this assessment is not quantified with an error rate. Error rates reflect a quantitative assessment, which is pertinent when the expenditure can be directly attributed to a quantitative criterion. Payments in the context of the facility are based on a qualitative assessment of the fulfilment of milestones and targets, which is difficult to translate into quantitative terms. Even when milestones and targets have not been satisfactorily fulfilled or have been reversed, and a reduction will be made, this reduction cannot correspond to an amount of ineligible expenditure ([39]) (see also Annex 14). In addition, the investments and reforms included in the RRPs are very diverse, both within a Member State and between Member States, which prevents any statistical extrapolation. In this context, a meaningful error rate cannot be determined. The Commission's qualitative assessment is based on a combination of the results from: (1) the Member States' management declaration and summary of audits that have to accompany each payment request; (2) the ex-ante assessment of milestones and targets included in the payment requests; and (3) the Commission's ex-post audits on milestones and targets.

As a result, DG ECFIN determines for each payment a level of risk to the legality and regularity of the payment, which can be low, medium, or high.

In addition, DG ECFIN identifies levels of risk regarding compliance with Art. 22 (2) (a) and Art. 22 (5) of the RRF regulation respectively. These levels of risk that can be low, medium or high are based on the results of audits by DG ECFIN and other available audit information (like audits by other Commission services, ECA audits, or national audits) or OLAF recommendations).

Thus, DG ECFIN concludes for each Member State on a level of risk regarding the Member State's compliance with its obligations from Art. 22 (2) (a) and Art. 22 (5) of the RRF Regulation, which can also be low, medium, or high.

Following the ECA Special Report 09/2025 on systems for ensuring compliance of RRF spending with public procurement and State aid rules, **DG ECFIN has clarified** in the risk assessment methodology **how the results of the checks made before the draft report stage are reflected** in the assessment of the Member State risk. DG ECFIN also refined **how the status of implementation of the audit recommendation is considered** in the risk assessment methodology. (for more details, please refer to Annex 5 – materiality criteria).

([39]) COM(2023) 99 final of 21.2.2023: 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

j) Levels of risk

1) Annual audit and management opinions

Based on the audit work described above, the DG ECFIN audit unit provided its 22 annual audit opinions covering all payments made in 2024 (excluding pre-financing). These audit opinions were then used in addition to any other available information to provide a management opinion for the payments made to the 22 Member States concerned in 2024. Both audit opinions and management opinions provide a level of risk for the elements of the assurance and thus support the conclusion on the overall declaration of assurance. The audit opinions provide a level of risk on legality and regularity of the payment, on the compliance with Art. 22 (2) (a) of the RRF regulation, and on compliance with Art. 22 (5) of the RRF regulation. The management opinions give a level of risk opinion on the legality and regularity of the payments ([40]).

The audit opinions were based on the conducted audit missions and the audit reports available at the cut-off date of 27 May 2025. This included draft and final audit or review reports. Where they were the last available information, flash reports were also considered. This is done subject to the maturity of the findings.

2) Levels of risk

Based on the implementation of the risk assessment methodology, as outlined in Annex 5, DG ECFIN concludes that:

- As regards **legality and regularity**, the level of risk is low for the 30 disbursements made in 2024 (excluding pre-financing).
- As regards **compliance with Art. 22 (2) (a) of the RRF Regulation**, the level of risk is medium for 13 Member States: Czechia, Denmark, Finland, France, Germany, Italy, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, and Slovenia; and low for the other Member States. ([41])
- As regards **compliance with Art. 22 (5) of the RRF regulation**, the level of risk is high for Czechia, medium for 17 Member States ([42]), and low for the other Member States ([43]).

In relation to the **Commission conclusion of a high level of risk for Czechia regarding compliance with Art. 22 (5) of the RRF regulation**, in the context of two DG ECFIN audits, two individual cases of conflict of interests were detected which concern milestones or targets included in the first or second payment request.

Based on the replies provided in the frame of the final audit reports by the Czech authorities, the Commission communicated that in its view the issue has not been properly corrected, as no corrective actions have been taken by Czech authorities neither at national level nor at the level of the final recipients, and critical recommendations were maintained in this regard.

([40]) A table with detailed information can be found in section 3 of Annex 14: "Level of risk for RRF Payments in 2024"
([41]) Belgium, Croatia, Cyprus, Estonia, Greece, Ireland, Latvia, the Netherlands, and Spain.
([42]) Belgium, Denmark, Finland, France, Germany, Greece (grants), Ireland, Italy, Lithuania, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, and Spain.
([43]) Croatia, Cyprus, Estonia, Greece (loans), and Latvia.

The Commission may decide to launch a correction procedure in accordance with Article 19(2)(a) of the Financing Agreement.

Considering these elements in light of the materiality criteria defined in Annex 5, the fact that there is no information on further corrective action taken by Czechia at that stage and given that the Commission has not yet launched corrective actions, the level of risk regarding compliance with Art. 22 (5) of the RRF regulation is considered high.

Based on the methodology on the materiality threshold described in Annex 5, a high-risk level in principle leads to a reservation in the Annual Activity Report. In this specific case, the amount at risk for the two cases amounts to 17.49 M EUR. This corresponds to the amount of the contracts for the affected projects, representing a financial exposure of 0.65% of the relevant expenditure in 2024 for this RRF segment for Czechia. Considering that the criterion of the de minimis rule is not respected [44], a financial reservation is introduced, in relation to compliance with Art. 22 (5) of the RRF Regulation for Czechia.

[44] Please refer to Annex 5 for further detail.

4.3. Conclusions on the assurance

This section reviews the assessment of the elements already described and reported above (on the control results in section 4.2 and on the conclusions drawn regarding levels of risk in section 4.2.2.j) above). It draws an overall conclusion to support the declaration of assurance regarding the RRF implementation and whether it should be qualified with reservations. DG ECFIN bases its conclusion on all controls conducted and information available to it with a cut-off date as of 27 May 2025.

In summary, regarding the RRF, DG ECFIN has reasonable assurance on:

- the **legality and regularity of the payments made in 2024** for the RRF, based on the positive assessment of the evidence of the satisfactory fulfilment of the milestones and targets provided in the payment requests, on ex-post audit work on the milestones and targets, and also considering the outcomes of the audit work carried out by the ECA in the context of its Statement of Assurance 2024 as described in section 4.2.2.h) above (clearing letters received and replies sent to ECA by the date of signature of this report);

- notably **for public procurement and State Aid**, the respect of the obligation of Member States laid down in Article 22 (2) (a) of the RRF Regulation to regularly check that the financing provided in the context of the underlying transactions has been properly used in accordance with all applicable rules, including the effectiveness of these checks, and that any measure for the implementation of reforms and investment projects under the RRP has been properly implemented in accordance with all applicable rules in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interests; and

- the **implementation of Article 22 (5) of the RRF Regulation** on the proportionate reduction of the support under the RRF and recovery of any amount due to the Union budget or the request for early repayment of the loan, in cases of fraud, corruption, and conflicts of interests affecting the financial interests of the Union that have not been corrected by the Member State, or a serious breach of an obligation resulting from the agreements referred to in Article 15 (2) and 23 (1) of the RRF Regulation.

However, a **financial reservation** is introduced in line with the materiality criterion outlined in Annex 5. On the basis of the audit performed by DG ECFIN, two individual cases of conflict of interests were detected in Czechia and subsequently a level of risk regarding the compliance of Czechia with Article 22 (5) of the RRF Regulation has been identified as high. The financial amount at risk for the two concerned projects amounts to 17.49 M EUR, representing 0.65% of the relevant expenditure in 2024 for this RRF segment to Czechia. More details on the reservation are provided in Annex 9.