

2025

Annual reports

- on the implementation of the EU budget for the 2025 financial year and
- on the activities funded by the 9th, 10th and 11th European Development Funds (EDFs) for the 2025 financial year



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OF AUDITORS

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NB: It should be noted that due to rounding, some totals in the figures in this document may not equal the sum of the individual items.

Pursuant to Article 287(1) and (4) of the TFEU, Article 264(4) of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast), and Article 42(2) and Article 43 of Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323, read in conjunction with Article 279 of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast), and Article 92(4) of the Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010.

the Court of Auditors of the European Union, at its meetings of 2 and 9 July 2026, adopted its

ANNUAL REPORTS

for the 2025 financial year

The reports, together with the institutions' replies to the Court's observations, have been sent to the authorities responsible for giving discharge and to the other institutions.

The Members of the Court of Auditors at the time these reports were adopted were:

Tony Murphy (President), Nikolaos Milionis, Iliana Ivanova, Bettina Jakobsen, Jan Gregor, Mihails Kozlovs, Ildikó Gáll-Pelcz, Annemie Turtelboom, Ivana Maletić, Joëlle Elvinger, Helga Berger, Marek Opióła, Jorg Kristijan Petrovič, Stef Blok, George-Marius Hyzler, Lefteris Christoforou, Laima Liucija Andrikienė, Keit Pentus-Rosimannus, Katarína Kaszasová, João Leão, Alejandro Blanco Fernández, Carlo Alberto Manfredi Selvaggi, Petri Sarvamaa, Hans Lindblad, Lucian Romaşcanu, Pierre Moscovici, Daniel Caspary.

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Annual report on the implementation of the EU budget for the 2025 financial year

The work on the annual report on the implementation of the EU budget for the 2025 financial year was led by Jan Gregor, the Member for the annual report. The reporting Members responsible for the individual chapters were Jan Gregor (chapters 1 and 11), Lefteris Christoforou (chapter 2), Hans Lindblad (chapters 3 and 12), Katarína Kaszasová (chapter 4), Mihails Kozlovs (chapter 5), Stef Blok (chapter 6), Iliana Ivanova (chapter 7), Marek Opiola (chapter 8), Laima Liucija Andrikiienė (chapter 9), Pierre Moscovici (chapter 10) and Petri Sarvamaa (appendix).



From left to right: Pierre Moscovici, Hans Lindblad, Petri Sarvamaa, Laima Liucija Andrikiienė, Stef Blok, Katarína Kaszasová, Jan Gregor, Iliana Ivanova, Marek Opiola, Lefteris Christoforou and Mihails Kozlovs.

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General introduction

0.1. The European Court of Auditors (ECA) is an institution of the European Union (EU) and the external auditor of the EU's finances. In this capacity, we act as the independent guardian of the financial interests of all EU citizens, notably by helping to improve the EU's financial management.

0.2. In line with the [Treaty on the Functioning of the European Union \(TFEU\)](#)¹, our annual report on the implementation of the EU budget covers both revenue and expenditure. It presents our *statement of assurance* as to whether the EU's accounts are reliable and whether the EU budget has been used in accordance with the applicable laws and regulations. This statement is supplemented by specific assessments for major areas of EU budget spending. A separate annual report covers the European Development Funds.

0.3. The EU's general budget is adopted annually by the Council of the European Union and by the European Parliament. In May 2020, the Council of the European Union adopted *NextGenerationEU (NGEU)*, a temporary instrument that was set up in response to the socio-economic impact of the COVID-19 pandemic and is financed through the issuing of bonds. NGEU provides funding for *the Recovery and Resilience Facility (RRF)*², accounting for about 90 % of NGEU funding, as well as for top-ups to existing 2021-2027 *multiannual financial framework (MFF)* programmes, which have to be spent in line with sector-specific rules. We present a separate opinion on the legality and regularity of RRF expenditure.

0.4. Both the EU's general budget and NGEU funding are subject to the *discharge procedure*. Through this procedure, the Parliament, acting on a recommendation from the Council, decides whether the European Commission has satisfactorily met its budgetary responsibilities. Our annual report, together with our other outputs, provides a basis for the discharge procedure. Upon publication, we forward our annual report to member states' national parliaments, the European Parliament and the Council.

¹ Articles 285 to 287 of the [TFEU](#).

² [Regulation \(EU\) 2021/241](#) establishing the Recovery and Resilience Facility.

0.5. This annual report is structured as follows:

- **chapter 1** contains the statement of assurance, a summary of the results of our audit on the reliability of accounts and the legality and regularity of revenue and expenditure transactions underlying the accounts, including the Commission’s regularity information and a summary of our audit approach. Hereafter in this annual report, we use the term “regularity” with the same meaning as “legality and regularity”;
- **chapter 2** presents our analysis of EU budgetary and financial management;
- **chapter 3** presents performance aspects (i.e. the *economy, efficiency* and *effectiveness*) of the budget’s implementation, focusing on our analysis and synthesis of key performance information from special reports published in 2025, and the performance of spending programmes under MFF heading 2 ‘Cohesion, resilience and values’;
- **chapter 4** presents the results of our testing of the regularity of EU revenue transactions, our examination of elements of management and control systems for revenue and our review of the Commission’s *annual activity reports*;
- **chapters 5-10** show, for the different headings of the 2021-2027 MFF, the results of our testing of the regularity of transactions and our review of the Commission’s annual activity reports, elements of its internal control systems and other governance arrangements;
- **chapter 11** presents our assessment of compliance with the RRF payment conditions, as well as our review of the Commission’s *annual activity reports*, our examination of selected supervisory and control systems and our audit approach for the RRF;
- **chapter 12** presents our follow-up of the recommendations made in our special reports from 2022;
- the **appendix** reports on any contingent liabilities arising as a result of the performance, by the Commission and by the Council, of their tasks under the Single Resolution Mechanism Regulation.

0.6. We aim to present our findings in a clear and concise way. We cannot always avoid using terms specific to the EU, its policies and budget, or to accounting and auditing. On our website, we have published a [glossary](#) with explanations of these

specific terms. The terms defined in the glossary appear in *italics* when they first occur in each chapter.

0.7. The Commission's replies to our findings (and, where appropriate, the replies of other EU institutions and bodies) are presented together with this report.

Chapter 1

Statement of assurance and supporting information

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The ECA's statement of assurance to the European Parliament and the Council – independent auditor's report

Opinion

I. We have audited:

- (a) the consolidated accounts of the European Union, which comprise the consolidated financial statements¹ and the budgetary implementation reports² for the financial year ended 31 December 2025, approved by the Commission on 24 June 2026;
- (b) the legality and regularity of the underlying *transactions*, as required by Article 287 of the Treaty on the Functioning of the European Union (TFEU).

Reliability of the accounts

Opinion on the reliability of the accounts

II. In our opinion, the consolidated accounts of the European Union (EU) for the year ended 31 December 2025 present fairly, in all material respects, the EU's financial position as at 31 December 2025, the results of its operations, its cash flows and the changes in its net assets for the year then ended, in accordance with the Financial Regulation and with accounting rules based on internationally accepted accounting standards for the public sector.

Emphasis of matter – introduction of SUMMA

III. We draw attention to note 1.4.3 to the consolidated annual accounts, which describes the transition to the Commission's new financial IT system, SUMMA. The 2025 consolidated annual accounts are the first set of accounts prepared based on financial information reported in SUMMA. During the year-end closure process, management identified issues arising from the new system which significantly affected the preparation of the accounts, while additional issues were later identified by the ECA during the audit process. These required manual

¹ Regulation (EU, Euratom) No 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast) – OJ L 2024/2509, 26.9.2024, p. 1, Article 249.

² *Ibid.*, Article 250.

adjustments and reconciliation procedures. The Commission plans to improve and further develop the new system and related controls in future years. Our opinion is not modified in respect of this matter.

Legality and regularity of the transactions underlying the accounts

Revenue

Opinion on the legality and regularity of revenue

IV. In our opinion, the revenue underlying the accounts for the year ended 31 December 2025 is legal and regular in all material respects.

Expenditure

V. For 2025, we continue to provide two separate opinions on the legality and regularity of expenditure. This reflects the fact that the *Recovery and Resilience Facility (RRF)* is a temporary instrument delivered and financed in a way that is fundamentally different to budget spending under the multiannual financial framework (MFF).

Adverse opinion on the legality and regularity of budget expenditure

VI. In our opinion, owing to the significance of the matter described under ‘Basis for adverse opinion on the legality and regularity of budget expenditure’, the budget expenditure accepted in the accounts for the year ended 31 December 2025 is materially affected by error.

Qualified opinion on the legality and regularity of RRF expenditure

VII. In our opinion, except for the effects and the possible effects of the matters described under ‘Basis for qualified opinion on the legality and regularity of RRF expenditure’, the RRF expenditure accepted in the accounts for the year ended 31 December 2025 is legal and regular in all material respects.

Basis for opinions

VIII. We have conducted our audit in accordance with the International Federation of Accountants’ (IFAC) International Standards on Auditing (ISAs) and Codes of Ethics and INTOSAI’s International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under these standards and codes are described in more detail in the ‘Auditor’s responsibilities’ section of our report. In that section, we also provide more information on the basis for our opinion on revenue (see paragraph [XLII](#)) and RRF expenditure (see paragraph [XLIV](#)). We have also met independence requirements and fulfilled our ethical obligations under

the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Basis for adverse opinion on the legality and regularity of budget expenditure

IX. Our overall estimated level of error for budget expenditure accepted in the accounts for the year ended 31 December 2025 is 3.8 %. A substantial proportion of this expenditure is materially affected by error. This concerns expenditure subject to complex rules, mainly reimbursement-based, in which the estimated level of error is 5.6 %. Such expenditure amounted to €75.8 billion in 2025, representing 58.0 % of our audit population. The effects of the errors we found are therefore both material and pervasive to the year's accepted expenditure.

Basis for qualified opinion on the legality and regularity of RRF expenditure

X. We found the following quantitative and qualitative elements:

- Nine of the 37 RRF payments to member states (and related clearings of pre-financing) were affected by quantitative findings. Six of these payments were affected by material error;
- weaknesses in the *ex ante* assessment carried out by the Commission;
- cases of vaguely defined milestones/targets that increased the risk of discretionary assessment of their satisfactory fulfilment;
- persistent weaknesses in the member states' control systems, including public procurement and state aid irregularities; and
- problems with the reliability of information that member states included in their payment request.

XI. Last year in the first payment to Poland³, we did not conclude on the satisfactory fulfilment of two control milestones which were a precondition for any RRF payment to Poland. We await the final rulings of the Court of Justice of the European Union on cases related to these milestones before concluding on the satisfactory fulfilment of these milestones and another directly related milestone.

XII. Based on these elements, we consider that the overall effects of our findings are material, but not pervasive to the year's accepted RRF expenditure.

³ 2024 annual report, paragraphs 11.16.

Key audit matters

XIII. Key audit matters are those matters that, according to our professional judgement, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

We assessed the liability for pension and other employee benefits

XIV. The EU balance sheet includes a liability for pension and other employee benefits amounting to €91.1 billion at the end of 2025 (2024: €93.1 billion).

XV. Most of the liability for pension and other employee benefits relates to the Pension Scheme of Officials and Other Servants of the European Union, amounting to €84.0 billion (2024: €84.8 billion). The liability recorded in the accounts is an estimate of the present value of expected future payments the EU will have to make to settle its pension obligations.

XVI. The benefits paid under the pension scheme are charged to the EU budget. While the EU has not created a dedicated pension fund to cover the cost of future pension obligations, member states jointly guarantee the payment of the benefits, and officials contribute one third of the cost of financing the scheme. Eurostat calculates this liability annually on behalf of the Commission's accounting officer, using parameters such as the age profile and life expectancy of EU officials and assumptions about future economic conditions. These parameters and assumptions are also assessed by the Commission's actuarial advisors.

XVII. In 2025, the pension liability remained stable, with the slight decrease being attributed to the expected career development of EU staff, interest costs and the increase of the discount rate by 0.5 %.

XVIII. The second largest part of the liability for pension and other employee benefits is the EU's estimated liability towards the Joint Sickness Insurance Scheme, which amounted to €5.7 billion at the end of 2025 (2024: €6.9 billion). This liability relates to EU staff members' healthcare costs payable during post-activity periods (net of their contributions).

XIX. As part of our audit, we assess the actuarial assumptions made for these schemes and the resulting valuation. We base our evaluation on work carried out by external, independent actuarial experts. We check the basic data underlying the calculations, the actuarial parameters and the calculation of the liability. We

also examine the presentation of the liabilities in the consolidated balance sheet and the notes to the consolidated financial statements.

XX. In this context, we also examined the outstanding UK liability relating to the Pension Scheme of the European Officials and the Joint Sickness Insurance Scheme, amounting to €9.4 billion (2024: €9.9 billion). We verified the accuracy of the data used for the calculation, and that only the relevant share of the overall liability was apportioned to the UK.

XXI. We conclude that the estimate of the overall liability for pension and other employee benefits, as well as the UK share of that liability, are presented fairly in the consolidated annual accounts.

We assessed significant year-end estimates presented in the accounts

XXII. At the end of 2025, the estimated value of incurred eligible expenditure due to beneficiaries but not yet claimed was €187.5 billion (2024: €160.7 billion). These amounts were recorded as accrued expenses⁴.

XXIII. The increase in the estimate across all programmes is mainly driven by the fact that the previous programming period is coming to an end and that the uptake of 2021-2027 MFF funds has been slower than anticipated. Thus, the value of actual claims submitted was lower than expected and a greater proportion had to be estimated at year-end. Accruals recorded in relation to the RRF, which are based on a forecast of future payments, amounted to €16.1 billion (2024: €7.9 billion).

XXIV. To assess these year-end estimates, we examined the system the Commission had set up for the cut-off calculations to ensure its correctness and completeness in the directorates-general where most expenditure was incurred. During our audit work on the sample of invoices and pre-financing payments, we examined the relevant cut-off calculations in order to address the risk of accruals being misstated.

XXV. We conclude that the estimate of the overall amount of accrued charges and other advances paid to member states is presented fairly in the consolidated annual accounts.

⁴ These comprise accrued charges of €76.8 billion on the liabilities side of the balance sheet and, on the assets side, €110.7 billion reducing the value of pre-financing.

We assessed the impact on the accounts of Russia's war of aggression against Ukraine

XXVI. As the EU provides assistance to Ukraine in the form of loans and grants, we assessed the Commission's calculations concerning the EU's related financial exposure, as well as their underlying basis, to ensure that the actual and potential consequences were reflected appropriately in the EU accounts. We, as well as an independent external expert, assessed the Commission's calculations to ensure that all relevant information was considered.

XXVII. We conclude that the treatment of the impact of Russia's war of aggression against Ukraine is presented fairly in the consolidated annual accounts.

We assessed the impact of NGEU on the accounts

XXVIII. With NextGenerationEU (NGEU), the EU mobilised substantial resources to mitigate the COVID-19 pandemic's socioeconomic impact. To fund NGEU, the European Commission raises debt in the capital markets. The most significant part of NGEU funds is used for the Recovery and Resilience Facility (RRF), through which €237.5 billion of non-repayable support and €155.9 billion of financial loan support had been disbursed to member states by the end of 2025. These activities have a significant effect on the financial statements.

XXIX. As part of our normal audit procedures, we audited the EU's assets, liabilities, revenue and expenses, including those related to NGEU. We conclude that they are presented fairly in the consolidated annual accounts.

We assessed the impact of the introduction of SUMMA

XXX. On 1 January 2025, the Commission introduced SUMMA, its new central budgetary, treasury and accounting information system, replacing ABAC. This was a major change to the financial reporting environment, affecting the transmission of data from local systems to the central accounting system, the registration and clearing of invoices, consolidation procedures and year-end closure. The 2025 consolidated annual accounts are therefore the first set of EU accounts prepared using financial information reported in SUMMA.

XXXI. Given the scale of the transition and the resulting increased risk of error in the preparation of the consolidated accounts, we treated the introduction of SUMMA as a key audit matter. We performed additional audit procedures, including extended testing of internal controls and additional substantive work on areas affected by the new system. We also involved IT audit experts to examine

the data migration from ABAC to SUMMA, IT general controls and selected application controls relevant to financial reporting.

XXXII. Our work identified several issues linked to the transition and to the newly established control environment. These included functional gaps leading to the use of temporary workarounds or manual processes, weaknesses in user access management and IT change management, delays and inaccuracies in the transfer of invoice data from a local system, and specific issues affecting year-end accruals and consolidation. Both management and the ECA identified issues that required manual adjustments and reconciliation procedures before the finalisation of the accounts.

XXXIII. We considered the cumulative effect of these findings, together with the corrective actions and year-end procedures performed by the Commission. While the issues identified showed that the transition to SUMMA increased the risk of error in the preparation of the 2025 consolidated annual accounts, we concluded that, after the corrections had been made, their overall impact on the accounts was not material.

Other matters

Information included in the ‘Financial highlights of the year’

XXXIV. The Commission is responsible for providing ‘other information’. This term encompasses the ‘Financial highlights of the year’, but not the consolidated accounts or our report on these. Our opinion on the consolidated accounts does not cover this other information, and we do not express any form of assurance conclusion on it. Our responsibility in connection with the audit of the consolidated accounts is to read the other information and consider whether it is materially inconsistent with the consolidated accounts or the knowledge we have obtained in the audit or otherwise appears to be materially misstated. If we conclude that the other information is materially misstated, we are required to report this accordingly. We have nothing to report in this regard.

Treatment of proceeds from borrowing to finance NGEU

XXXV. We note that amounts borrowed to finance NGEU non-repayable financial support are presented differently in the budget and in the consolidated financial statements. The amounts borrowed to finance non-repayable financial support to member states in the context of NGEU, providing 18 % of EU revenue in 2025, are treated as external assigned revenue, which is additional to the voted budget, in line with the RRF Regulation. With this unusual budgetary treatment, the implementation of NGEU does not formally affect the principle that the revenue and expenditure shown in the annual EU budget should balance. The statement of financial performance does not include these amounts as revenue,

but it does include the expenses related to NGEU non-repayable financial support, leading to a negative impact on the economic result for the year. Negative economic results increase the deficit in net assets as reflected in the EU's balance sheet and therefore must be funded by future budgets.

Change in methodology for quantifying public procurement errors

XXXVI. From the current year onwards, we have modified our methodology for quantifying the impact of errors related to public procurement. The updated approach is aligned with the methodology applied by the Commission in the context of shared-management spending programmes. We present the estimated impact of this change in chapter 1 of the annual report.

Responsibilities of management

XXXVII. In accordance with Articles 310 to 325 of the TFEU and with the Financial Regulation, the Commission is responsible for preparing and presenting the EU's consolidated accounts on the basis of internationally accepted accounting standards for the public sector, and for the legality and regularity of the underlying transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to *fraud* or error. Management is responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities (laws, regulations, principles, rules and standards) which govern them. The Commission is ultimately responsible for the legality and regularity of the transactions underlying the EU's accounts (Article 317 of the TFEU).

XXXVIII. When preparing the consolidated accounts, management is responsible for assessing the EU's ability to continue as a going concern, disclosing any relevant matters and using the going concern basis of accounting unless it either intends to liquidate the entity or cease operations, or has no realistic alternative but to do so.

XXXIX. The Commission is responsible for overseeing the EU's financial reporting process.

XL. Under the Financial Regulation (Title XIII), the Commission's accounting officer must present for audit the consolidated accounts of the EU first as provisional accounts by 31 March of the following year and as final accounts by 31 July. The provisional accounts should already give a true and fair view of the EU's financial position. It is therefore imperative that all items of the provisional accounts are presented as final calculations, allowing us to perform our task in line

with (Title XIII) of the Financial Regulation and by the given deadlines. Any changes between the provisional and final accounts would normally result from our observations only.

Auditor's responsibilities for the audit of the consolidated accounts and underlying transactions

XLI. Our objectives are to obtain reasonable assurance as to whether the EU's consolidated accounts are free from material misstatement and the underlying transactions are legal and regular, and on the basis of our audit, to provide the European Parliament and the Council with a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions. Reasonable assurance is a high level of assurance, but it is not a guarantee that the audit has necessarily detected all instances of material misstatement or non-compliance that may exist. These can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence any economic decisions taken on the basis of these consolidated accounts.

XLII. For revenue, our examination of the own resources based on gross national income, value added tax and non-recycled plastic packaging waste takes as its starting point the statistics and data from which these are calculated, and assesses the Commission's systems for processing these up to the point at which the member states' contributions have been received and recorded in the consolidated accounts. For traditional own resources, we examine the customs authorities' accounts and analyse the flow of duties up until the amounts have been received by the Commission and recorded in the accounts. Customs duties are at risk of either not being declared or being declared incorrectly to the national customs authorities by importers. The actual import duties collected are therefore likely to fall short of the amount that should theoretically be collected. This difference is known as the "customs gap". These evaded amounts are not captured in member states' traditional own resources accounting systems and do not fall within the scope of our audit opinion on revenue.

XLIII. For expenditure, we examine payment transactions once expenditure has been incurred, recorded and accepted. This examination covers all categories of payments at the point they are made, except advances. We examine advance payments once the recipient of funds has provided evidence of their proper use and the institution or body has accepted that evidence by clearing the advance payment, which might not happen until a subsequent year.

XLIV. For RRF expenditure, unlike other budget expenditure, the condition for payment is the satisfactory fulfilment of predefined milestones or targets. Further requirements are that targets or milestones that have previously been

satisfactorily fulfilled should not have been reversed, and that there is no breach of the double-funding principle. The eligibility conditions laid down in the Regulation include compliance with the eligibility period, the 'Do No Significant Harm' (DNSH) principle, and non-substitution of recurring national budgetary expenditure. Consequently, our audit focuses on whether these payment and eligibility conditions were met. As compliance of expenditure incurred by final recipients with EU and national rules is not a condition for RRF payments, our audit opinion does not cover the regularity of expenditure incurred by final recipients. The RRF Regulation does not stipulate further criteria on how to interpret the word 'satisfactory', and, therefore, leaves the Commission with broad discretion when assessing the satisfactory fulfilment of milestones and targets. The assessment of qualitative achievements requires several judgements to be made, leading to different possible interpretations. This risk is particularly present when milestones or targets are vaguely designed.

XLV. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the consolidated accounts and of material non-compliance of the underlying transactions with the requirements of EU law, whether due to fraud or error. We design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Instances of material misstatement or non-compliance resulting from fraud are more difficult to detect than those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Consequently, there is a greater risk of such instances not being detected.
- (b) Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- (c) Evaluate the appropriateness of the accounting policies used by management and the reasonableness of management's accounting estimates and related disclosures.
- (d) Conclude as to the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, as to whether material uncertainty exists owing to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that such material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated accounts or, if these disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- (e) Evaluate the overall presentation, structure and content of the consolidated accounts, including all disclosures, and assess whether the consolidated accounts fairly represent the underlying transactions and events.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information on the entities covered by the EU's scope of consolidation to express an opinion on the consolidated accounts and the underlying transactions. We are responsible for directing, supervising and carrying out the audit, and are solely responsible for our audit opinion.

XLVI. We communicate with the Commission and other audited entities regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control.

XLVII. Of the matters discussed with the Commission and other audited entities, we determine which were of most significance in the audit of the consolidated accounts and are therefore the key audit matters for the current period. We describe these matters in our report unless law or regulation precludes public disclosure or, as happens extremely rarely, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh any public interest benefits.

9 July 2026

Tony Murphy
President

European Court of Auditors

12, rue Alcide De Gasperi – L-1615 Luxembourg

Introduction

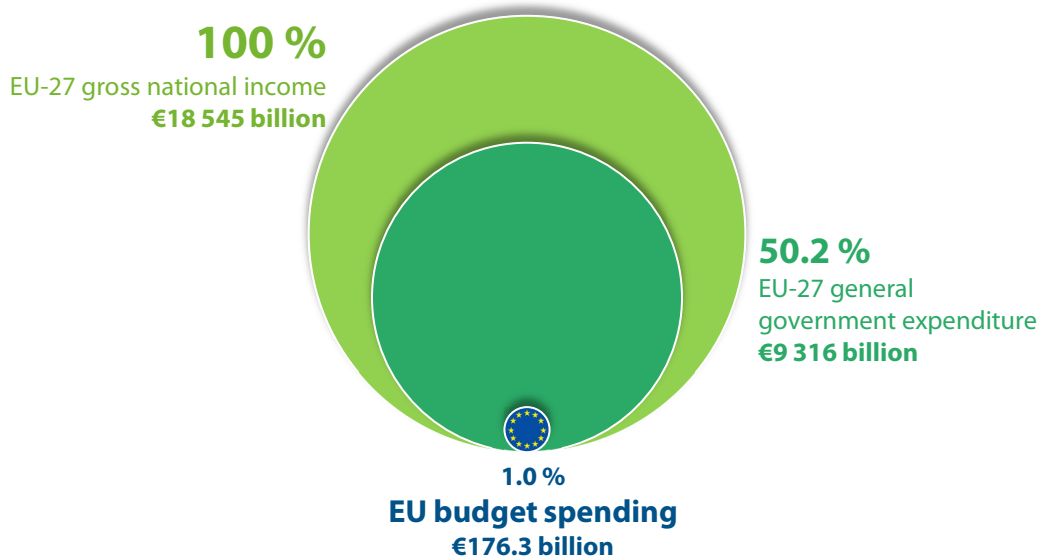
1.1. This chapter of the annual report:

- (a) sets out the basis for our *statement of assurance* and gives an overview of our observations and conclusions on the reliability of the EU's consolidated annual accounts (the "accounts") and the regularity of the underlying *transactions* for revenue and *multiannual financial framework* (MFF) expenditure;
- (b) includes information on our reporting of cases of suspected fraud to the European Public Prosecutor's Office (EPPO) and the EU's Anti-Fraud Office (OLAF), and our audits on EU action to combat *fraud*;
- (c) summarises our audit approach, see [Annex 1.1](#).

1.2. In 2025, member states' total general government spending (€9 316 billion) represented 50.2 % of their *gross national income (GNI)* (€18 545 billion). EU budget spending amounted to €176.3 billion, representing 1.9 % of the EU member states' total general government spending and 1.0 % of their GNI, see [Figure 1.1](#). Taking into account additional payments from *assigned revenue* for *Recovery and Resilience Facility* (RRF) grants of €40.1 billion (see paragraph **2.20**), payments in 2025 totalled €216.4 billion⁵.

⁵ [2025 consolidated annual accounts of the EU](#), budgetary implementation reports and explanatory notes, section 6.3 'MFF: Implementation of *payment appropriations*'.

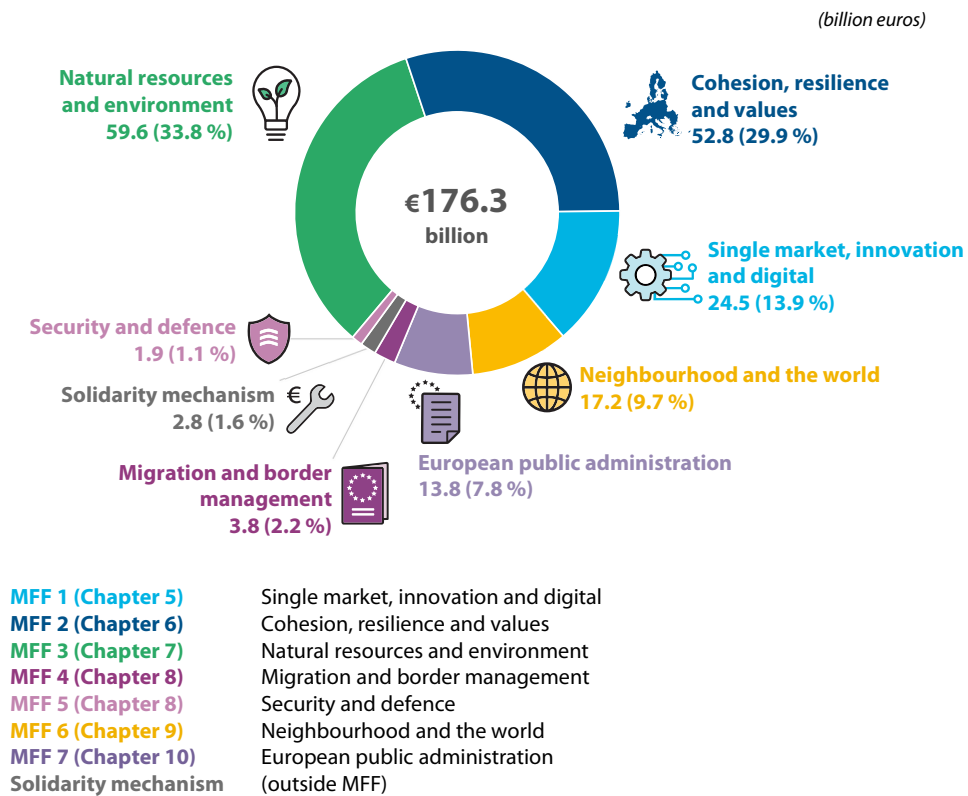
Figure 1.1 – 2025 EU budget spending and EU-27 general government expenditure in proportion to GNI



Source: ECA, based on data on EU-27 GNI from the 2025 consolidated annual accounts of the European Commission – Annex A – Revenue; EU-27 general government expenditure: Eurostat database — [Government revenue, expenditure and main aggregates](#) (data extracted on 27 April 2026); EU budget spending: European Commission - 2025 consolidated annual accounts of the European Union.

1.3. As [Figure 1.2](#) shows, the largest shares of the EU budget were allocated to ‘Natural resources and environment’ and ‘Cohesion, resilience and values’, followed by ‘Single market, innovation and digital’.

Figure 1.2 – 2025 EU budget spending^(*) per MFF heading



(*) EU budget spending does not include RRF grants.

Source: ECA.

Reliability of the accounts

1.4. Our findings concern the EU's *consolidated annual accounts*⁶ (the "accounts") for the 2025 financial year. We received them, together with the accounting officer's letter of representation, on 30 June 2026, the deadline for presentation set in the *Financial Regulation*. The accounts are accompanied by a "Financial highlights of the year" section⁷, which is not covered by our audit opinion. In accordance with auditing standards, however, we have assessed its consistency with the information in the accounts.

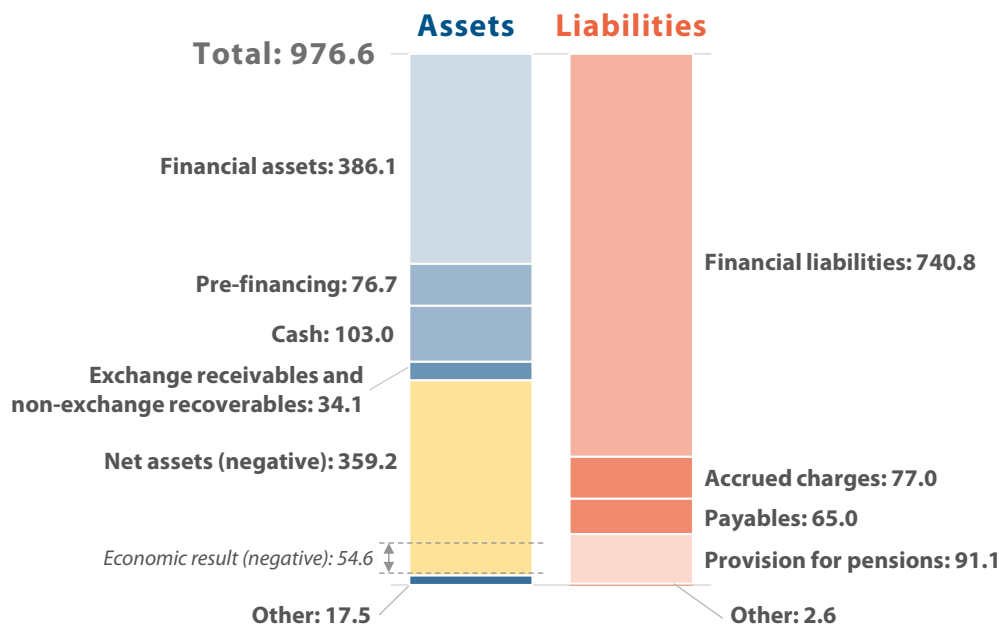
1.5. The accounts published by the Commission show that, on 31 December 2025, total liabilities amounted to €976.6 billion, compared with €617.4 billion of total assets. The difference of €359.2 billion represented the negative net assets, comprising reserves and the portion of expenses already incurred by the EU up to 31 December 2025 that must be funded by future budgets. *Figure 1.3* shows a detailed breakdown of assets and liabilities. The negative *economic result* for 2025 was €54.6 billion.

⁶ Article 247 of *Regulation (EU, Euratom) 2024/2509*.

⁷ *Recommended Practice Guideline 2 (RPG 2) – 'Financial Statement Discussion and Analysis'* of the International Public Sector Accounting Standards Board (IPSASB).

Figure 1.3 – Assets and liabilities of EU as at 31 December 2025

(billion euros)



Source: ECA.

The economic result of the year is negative, while the budget result is positive

1.6. Amounts borrowed under NGEU are channelled into NGEU grants and top-ups of EU programmes as *external assigned revenue*, which is additional to voted appropriations in the EU budget⁸. With this unusual budgetary treatment, the implementation of NGEU does not formally affect the principle that the revenue and expenditure shown in the annual EU budget should balance (principle of equilibrium)⁹. In contrast, in the EU annual accounts, on the basis of internationally accepted accounting standards, the statement of financial performance does not include the amount borrowed under NGEU as revenue, whereas it does include the related grant expenditures, leading to a negative impact on the year's economic result. This difference in the treatment of borrowings between the budget and the annual accounts creates a significant divergence between the budget and economic result.

1.7. The primary driver of the 2025 negative economic result is expenditure related to NGEU non-repayable support funded by borrowing (€46.8 billion in 2025). Since

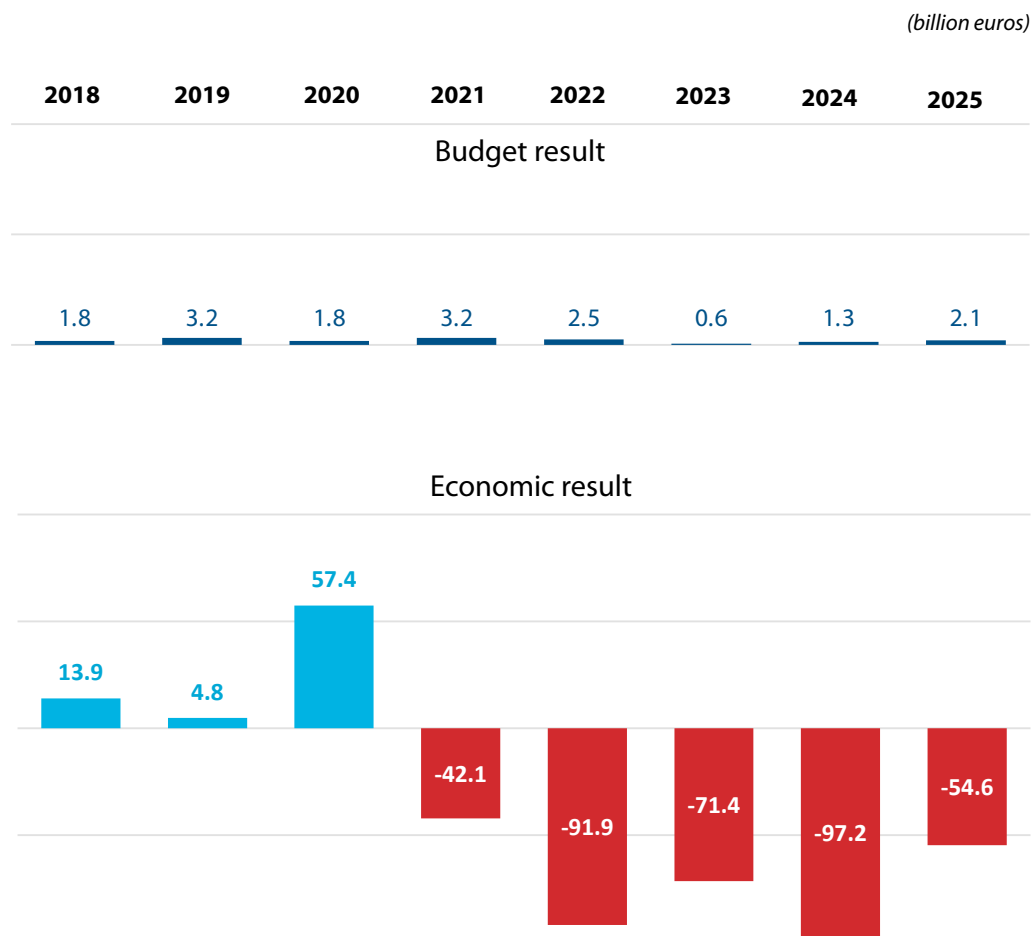
⁸ Article 22 of the [Financial Regulation](#).

⁹ Recital 34 of [Opinion of the Council Legal Service in doc. 9062/20](#).

2022, the result has also been affected by the recognition of impairment allowances (expected credit losses) on loans to Ukraine (a net increase of €7.3 billion in 2025), which are recorded in the statement of financial performance.

1.8. *Figure 1.4* shows the budget and the economic result of the EU for each year from 2018 to 2025.

Figure 1.4 – Budget and economic result for each year from 2018 to 2025



Note: The figure for 2020 includes €47.5 billion of revenue related to the UK Withdrawal Agreement.

Source: ECA, based on consolidated annual accounts of the EU from 2018 to 2025.

Observations relating to the 2025 consolidated annual accounts

1.9. Our audit found that the accounts were not affected by material misstatements. We draw the attention of the users of the accounts to a matter disclosed by the Commission in note 1.4.3.

1.10. On 1 January 2025, the Commission introduced a new central budgetary, treasury and accounting information system, SUMMA, which replaced ABAC. The migration to this new software resulted in significant modifications to numerous business processes, including the transmission of data from local systems to the central accounting system, the registration and clearing of invoices, and year-end closure. The 2025 consolidated accounts were the first set of accounts prepared using SUMMA. Given the increased risk to the reliability of the consolidated accounts arising from this change, we performed additional audit procedures, including increased sample sizes and extended testing of internal controls. We also involved IT experts to examine the IT general controls and selected application controls.

1.11. Based on our testing, we identified a significantly higher number of errors in the sample of pre-financing transactions than in previous years. We estimate the level of error affecting pre-financing and invoices to be below the 2 % materiality threshold.

1.12. Our work on these pre-financing transactions, revealed a system design issue, which was not detected by the internal control system. The Commission estimated year-end accrued expenditure using the amount committed as at year end rather than the total legal commitment. This error resulted from the migration from ABAC to SUMMA, during which, for multiannual programmes, only the committed amounts were transferred, without information on total legal commitment values. In addition, for new contracts created directly in SUMMA, users did not record data on legal commitment amounts. As a result, accrued expenditure for these contracts was understated by around €3.7 billion in the provisional accounts. This issue primarily concerned Connecting Europe Facility (CEF) contracts managed by the European Climate, Infrastructure and Environment Executive Agency (CINEA) and, to a lesser extent, the Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO). The Commission corrected this error in the final accounts.

1.13. To address delays in the transfer of invoices from the eGrants system to SUMMA, the Commission implemented a technical workaround, through which the affected invoices were transferred to SUMMA with a placeholder amount of €1 instead of their actual value. The estimated total value of invoices affected is approximately €2.6 billion. Although year-end accounting bookings largely corrected the impact on the accounts, this workaround represents an internal control deficiency, weakening the reliability and integrity of invoice data in SUMMA.

1.14. For the consolidation process, we identified a financial statement item presented as third-party balance even though it related to an intercompany position,

due to an incorrect setting in SUMMA's group reporting tool. Therefore, this amount was not eliminated as an intercompany balance. The monetary impact of this issue was not significant (€5 million) and it was corrected by the Commission.

1.15. In 2025, the Commission's accounting officer did not carry out a comprehensive validation process of the Commission's local accounting systems (administrative processes and supporting IT systems). This process helps mitigate risks during the transfer between systems and provides assurance on the functioning of the local systems. Instead, a targeted review of three systems was performed in 2025. A comprehensive assessment of local systems would significantly increase the level of assurance on the completeness and reliability of accounting data and enhance the related control framework.

1.16. The introduction of the SUMMA system has led to an increased number of accounting errors. Our findings point to widespread issues in this transition. Nevertheless, taking into account the cumulative effect of the reported findings assessed against materiality as well as the corrections implemented by the Commission, the overall impact on the consolidated accounts is not material.

Observations from our IT audit of SUMMA

1.17. We also performed the following IT audit procedures, to address the risks related to the change of IT system and the newly established control environment:

- an IT examination of the data migration from ABAC to SUMMA, covering the organisation of the data migration project as well as the data migration processes;
- an examination of IT general controls, to provide assurance that the control environment in SUMMA has been established to the extent necessary to prepare accurate and complete financial statements; and
- an examination of selected SUMMA application controls that we identified during our risk assessment.

1.18. To ensure that SUMMA was available from the start of 2025, the Commission focused on the system's core functionality. As a practical measure, it thus opted to launch SUMMA with certain functional gaps and postponed several functionalities that were originally planned. This limits SUMMA's ability to fully support financial reporting as intended. To address this, the Commission adopted a plan to close the functional

gaps in SUMMA by 2030. Until the gaps are addressed, there will be a reliance on temporary workarounds or manual processes, increasing the risk of errors.

1.19. The results of our IT audit work indicate that although control practices were in place for SUMMA, certain significant internal control deficiencies could potentially increase the risk of the reliability of financial transactions and the functioning of the system being adversely affected. These deficiencies mainly concern user access management and IT change management. We also found weaknesses in incident resolution management and business continuity management which could potentially increase the risk of business disruption.

Regularity of transactions

1.20. We examined the EU's revenue and expenditure to assess whether resources had been collected and spent in compliance with the applicable laws and regulations¹⁰. Below we summarise our audit results, which are presented in detail for revenue in **chapter 4** and for expenditure in **chapters 5-10**. The overview below does not include the results of our audit work on RRF expenditure, which are reported in **chapter 11**.

Our opinion covers budgetary revenue and expenditure transactions

1.21. For revenue, we obtained reasonable assurance for our audit opinion by assessing selected key systems, complemented by transaction testing. The sample of 65 transactions examined was designed to be representative of all sources of EU budgetary revenue. In 2025, our *audit population* for revenue amounted to €224.4 billion (see **Figure 4.1**).

1.22. For expenditure, we selected a representative sample of 750 transactions from our audit population, comprising *clearings* of pre-financing payments as well as interim and final payments accepted by the Commission (or another institution or body managing EU funds) and paid from the EU budget to *final recipients*. Our testing of these transactions contributed to our statement of assurance and to our estimate of the proportion of irregular transactions in the overall audit population, in the parts of expenditure we consider to be affected by material error (see paragraph **1.28**) and in each MFF heading for which we provide a specific assessment (headings 1, 2, 3, 6 and 7). The transactions examined and the examples presented in this report do not provide a basis for drawing conclusions on the specific member states, beneficiary states or regions concerned, see paragraph **(23)** of **Annex 1.1**.

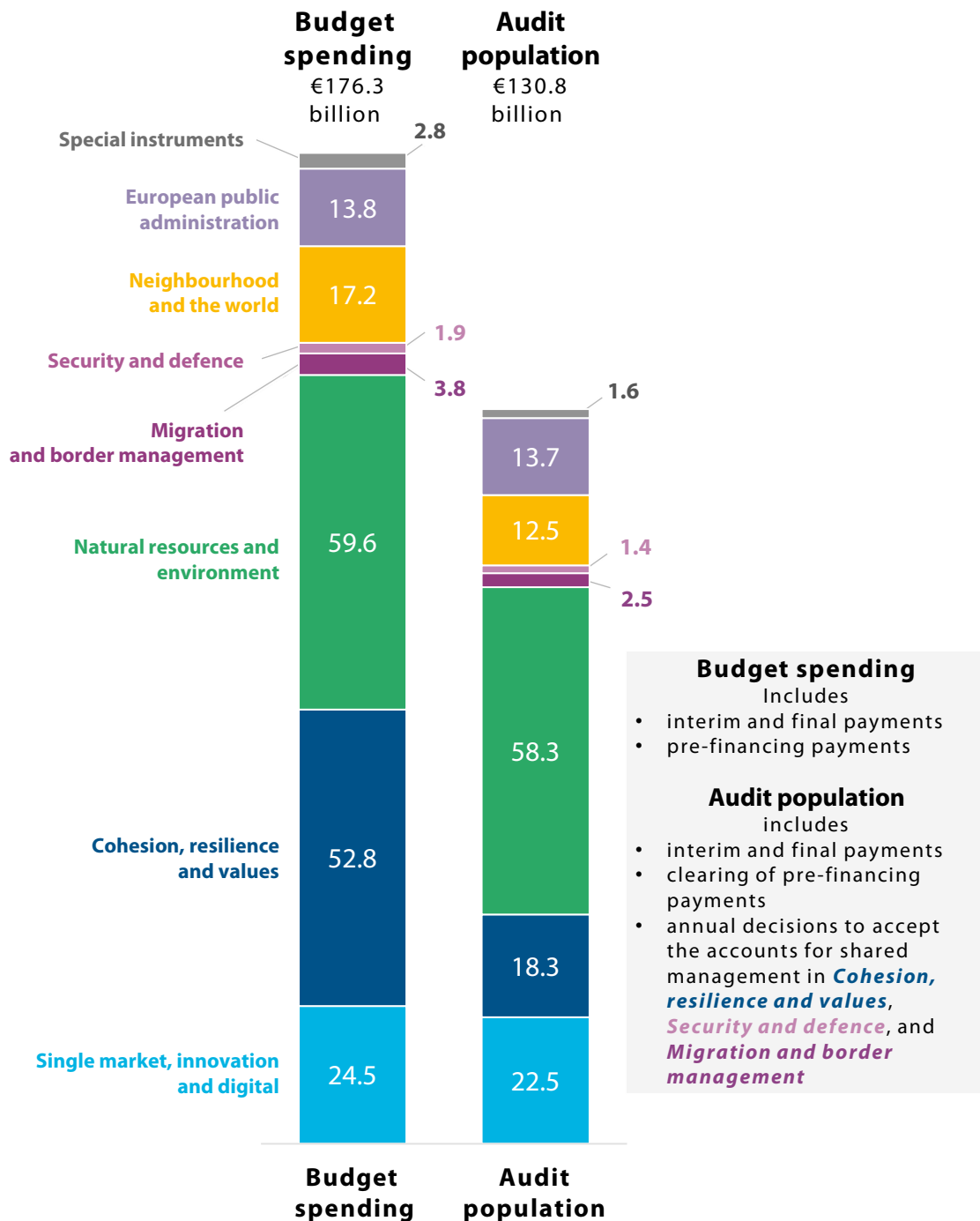
1.23. Our audit population for expenditure totalled €130.8 billion in 2025, including NGEU top-ups to existing 2021-2027 MFF programmes, which have to be spent in line with sector-specific rules. This amount includes payments to the United Kingdom, in line with the conditions outlined in the Withdrawal Agreement¹¹.

¹⁰ Including transactions from the 2014-2020 MFF and previous MFFs.

¹¹ Articles 136 and 138 of the [agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community](#).

Figure 1.5 shows the EU budget spending and our audit population for expenditure, broken down by MFF heading (budget area) and type of payment: *interim* and final payments; *clearing* of pre-financing; and annual decisions to accept the accounts (see paragraphs (20) and (21) of *Annex 1.1*).

Figure 1.5 – Comparison of our audit population (€130.8 billion) and EU budget spending (€176.3 billion) by MFF heading in 2025



Source: ECA.

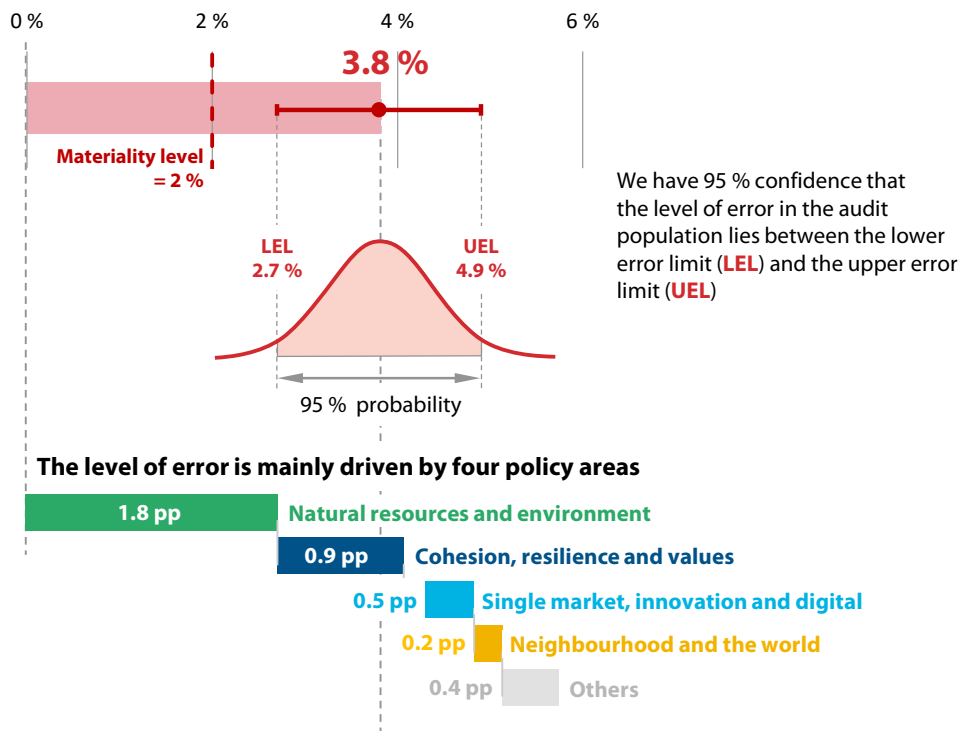
No material error in revenue, but a significant proportion of spending is affected by material error

1.24. In relation to the regularity of EU revenue and expenditure, our key findings are:

- (a) **Revenue:** our audit evidence indicates that the level of error in revenue was not material. The systems for managing the revenue we examined were generally effective. However, some elements of the control systems for managing GNI reservations and *traditional own resources (TOR)* open points were partially effective. In addition, the provision of information on *GNI reservations* and the reporting of data on the plastics own resource, as well as some elements of the key TOR management and control systems we assessed in three member states, were partially effective (see **chapter 4**).
- (b) **Expenditure:** our audit evidence indicates that the overall level of error¹² was material at 3.8 %. We have 95 % confidence that the *level of error* in the audit population lies between 2.7 % (the lower error limit) and 4.9 % (the upper error limit). The level of error is mainly driven by ‘Natural resources and environment’ and ‘Cohesion, resilience and values’, as illustrated in **Figure 1.6**.

¹² Definition of ‘error’ in **Annex 1.1**, paragraphs (26) and (27).

Figure 1.6 – Estimated level of error in expenditure and biggest contributors in 2025

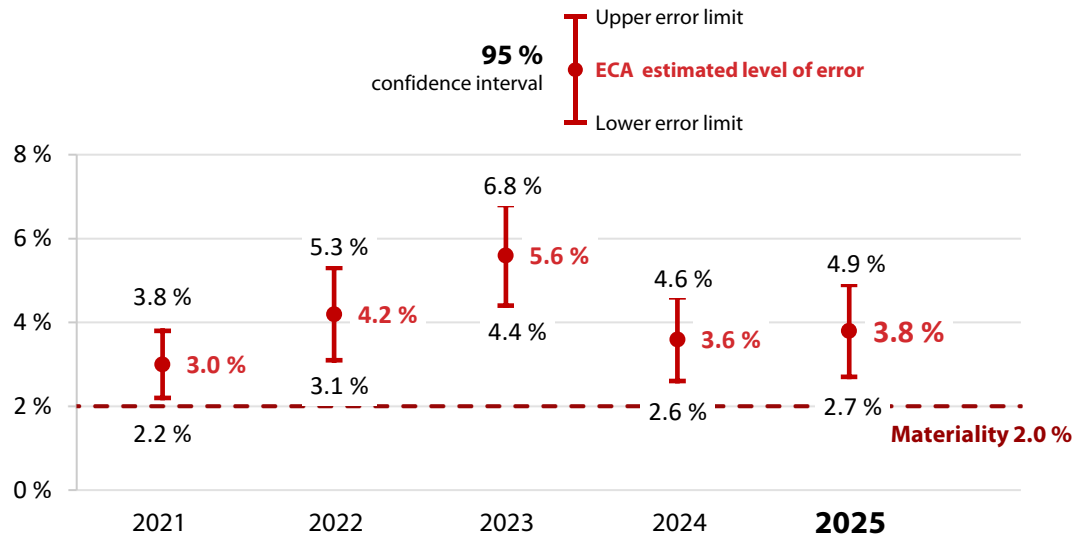


Source: ECA.

1.25. Since 2021, the lower limit of our 95 % *confidence interval*¹³ for the estimated level of error has remained above the materiality threshold of 2.0 %. This means we have reasonable assurance that the level of error in the audit population is above the *materiality threshold* for each of these years. **Figure 1.7** compares the estimated levels of error between 2021 and 2025.

¹³ See paragraph (28) of **Annex 1.1** for an explanation of the 95 % confidence interval.

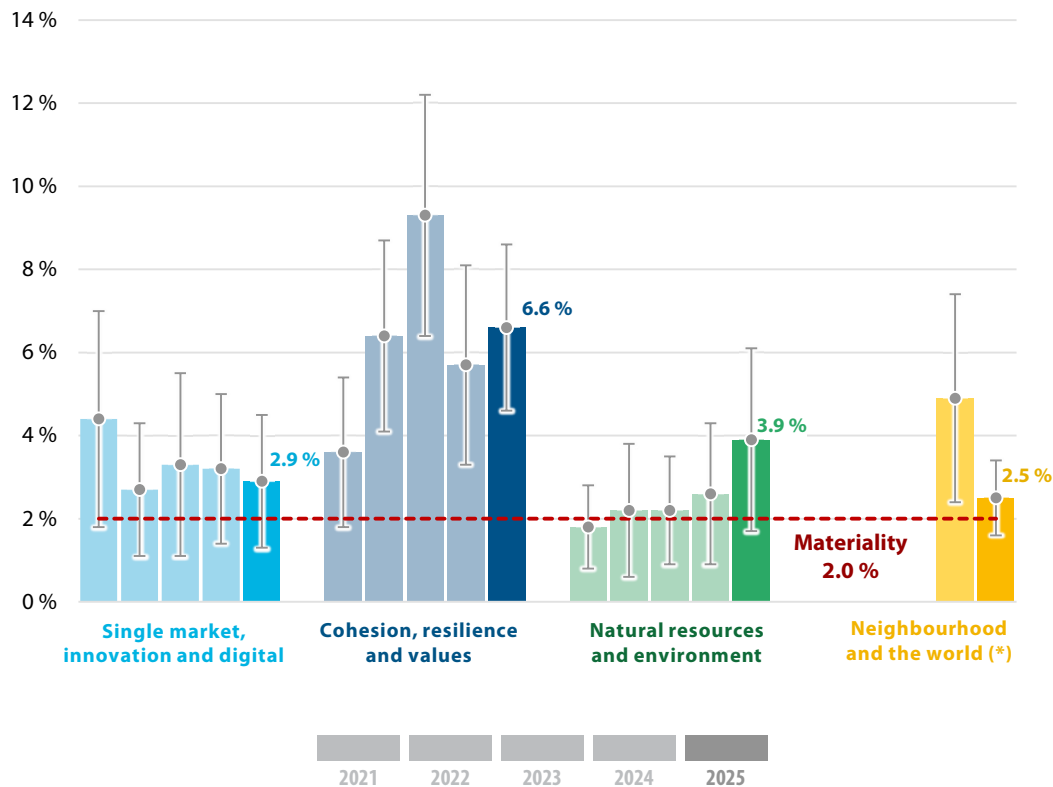
Figure 1.7 – Estimated levels of error (2021-2025)



Source: ECA.

1.26. *Figure 1.8* compares our estimated levels of error for ‘Single market, innovation and digital’, ‘Cohesion, resilience and values’ and ‘Natural resources and environment’ between 2021 and 2025. For ‘Neighbourhood and the world’, the figure presents the estimated level of error for 2024 and 2025 only, as it was not calculated before those years. Paragraphs [1.27-1.31](#) and *chapters 5, 6, 7 and 9* provide further information.

Figure 1.8 – Estimated levels of error for MFF headings 1, 2, 3 and 6 (2021-2025)



(*) We did not provide a specific assessment for 'Neighbourhood and the world' between 2021 and 2023.

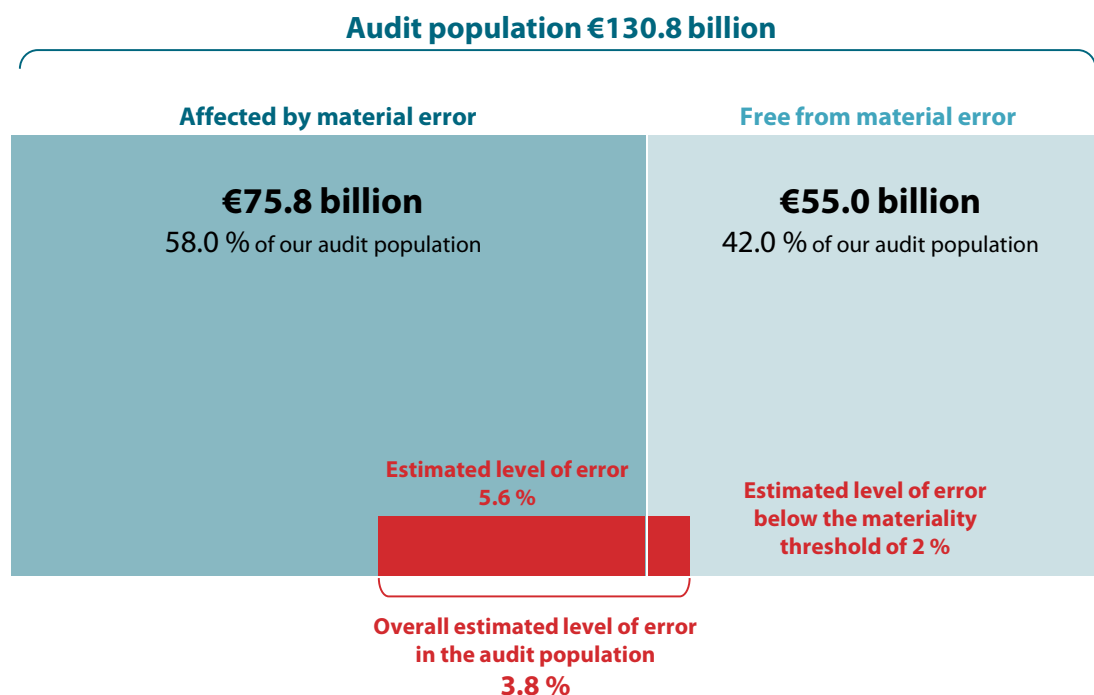
Source: ECA.

1.27. The value of the expenditure we audited for 'Cohesion, resilience and values' was only one third of the amount audited in 2024. This is because, under the cohesion policy funds, which represent most of the expenditure under MFF heading 2, many member states used the flexibility provided by the [Strategic Technologies for Europe Platform](#) (STEP) Regulation¹⁴, meaning that in 2025 only around 20 % of the 2014-2020 programme closures were certified by them and accepted by the Commission. In addition, the expenditure declared by member states for the 2021-2027 period was also low, see paragraph 6.14 for further information. Therefore, while the estimated level of error in 'Cohesion, resilience and values' was high, its contribution to the overall level of error in 2025 was lower than in previous years because the share of Cohesion expenditure in the total EU budget spending was lower than usual.

¹⁴ Article 14(4).

1.28. Our 2025 audit results reaffirm our assessment, made in previous years, that the way funds are disbursed has an impact on the risk of error. *Figure 1.9* illustrates that the audited areas affected by material error represent 58.0 % of our audit population (2024: 68.9 %). Taking into account the results of our testing across all MFF headings, we estimate the level of error in this part of the audit population to be 5.6 % (2024: 5.2 %).

Figure 1.9 – Proportion of our 2025 audit population affected by material error



Source: ECA.

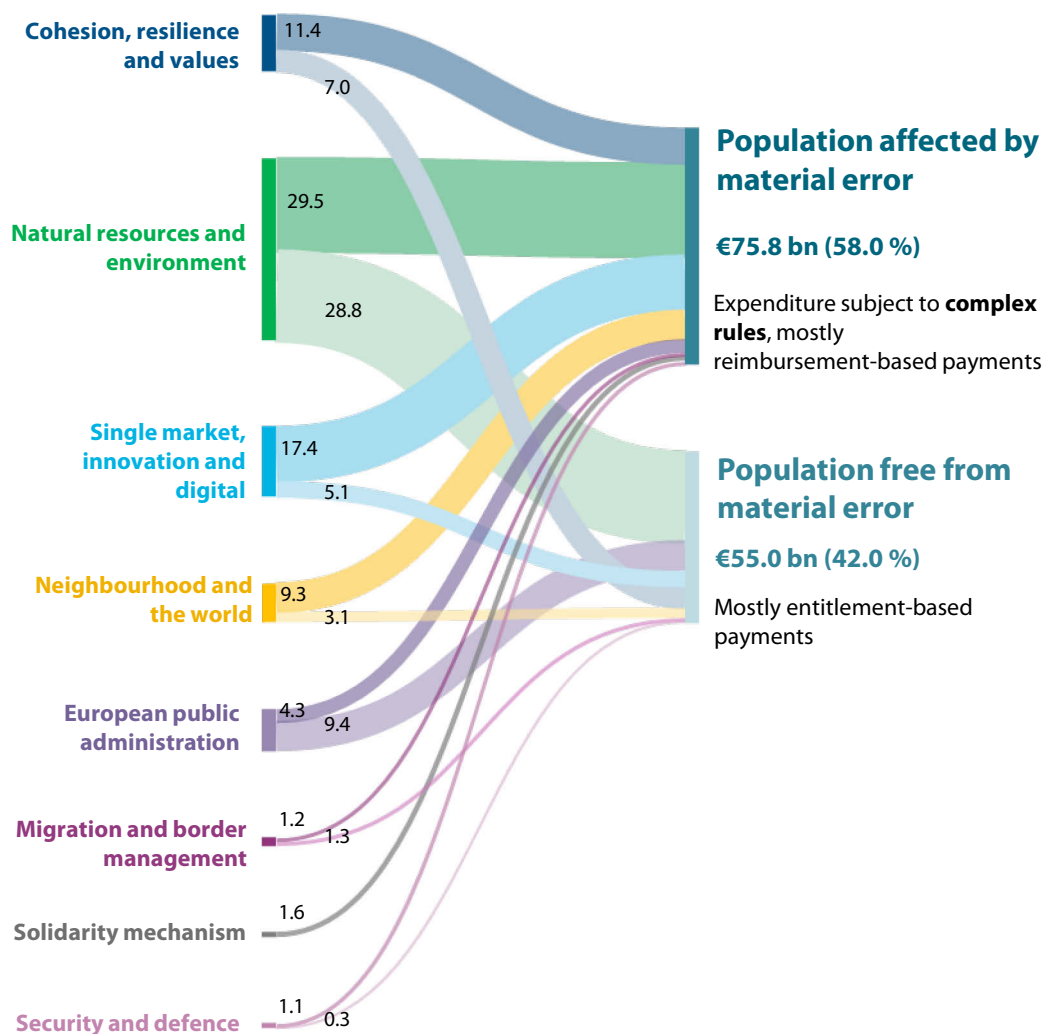
1.29. The audited areas affected by material error comprise mainly **reimbursement-based payments**, where beneficiaries have to submit claims for eligible costs incurred. To this end, as well as demonstrating that they are engaged in an activity eligible for support, they must provide evidence of the costs they have incurred. In doing so, they must often follow complex rules regarding what can be claimed (eligibility) and how costs can be incurred properly (*public procurement* or *state aid* rules).

1.30. We conclude that 42.0 % of our audit population is free from material error, meaning that the estimated level of error in this part is below the materiality threshold of 2 % (see *Figure 1.9*). This part of the audit population includes expenditure related to **entitlement-based payments** for which beneficiaries must meet certain conditions (e.g. *direct payments* for farmers, excluding *eco-schemes*), as well as part of

administrative expenditure (salaries and pensions of EU staff), budget support for non-EU countries, and student and other mobility actions under *Erasmus+* (see [Figure 1.10](#)). We did, however, identify errors in European Agricultural Guarantee Fund (EAGF) direct payment transactions, namely declaration of ineligible land, including a lack of supporting evidence that land was legally at the disposal of the beneficiaries claiming it.

1.31. As [Figure 1.10](#) shows, the largest part of our audit population affected by material error is ‘Natural resources and environment’, followed by ‘Single market, innovation and digital’, ‘Cohesion, resilience and values’ and ‘Neighbourhood and the world’.

Figure 1.10 – Breakdown of our audit population by level of error and MFF heading



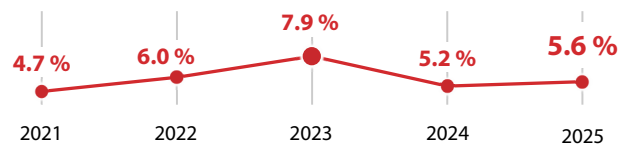
Source: ECA.

Eligibility errors are still the biggest contributor to the estimated level of error, with an increase in errors in public procurement and grant award procedures

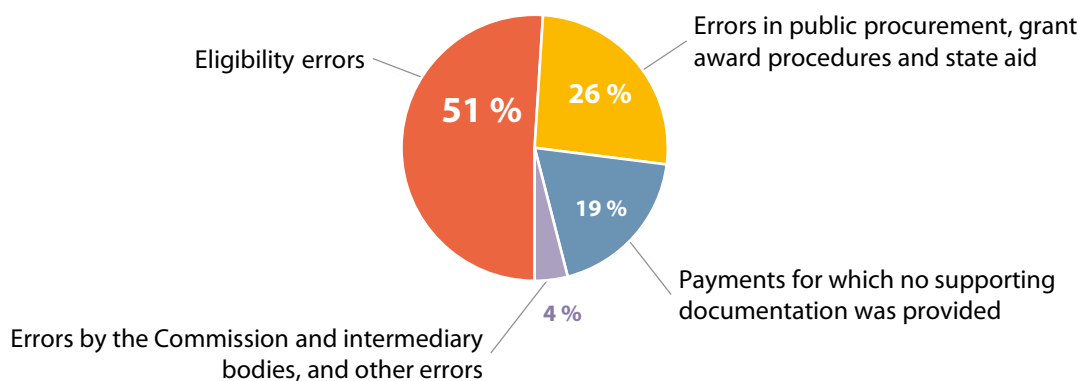
1.32. We examined which types of error affected the part of the audit population in which material error persists. [Figure 1.11](#) compares the estimated levels of error for this part of the audit population and the contribution of the main error types each year from 2021 to 2025 and shows the contribution of each error type to the estimated level of error in 2025.

Figure 1.11 – Estimated level of error for the part of expenditure affected by material error, and contribution of each error type

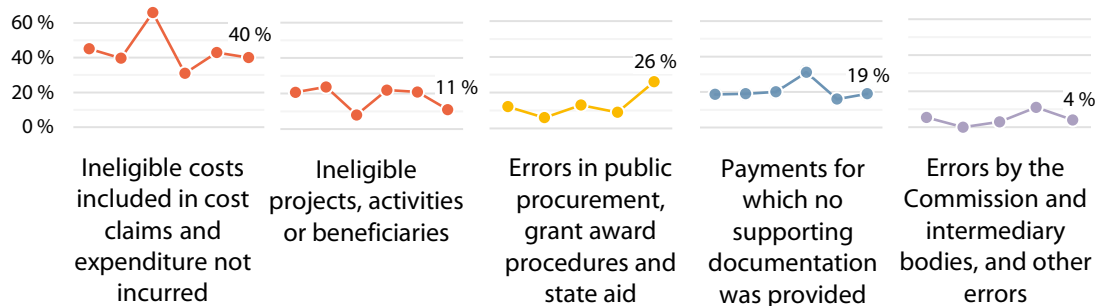
Estimated level of error



Contributions of error types in 2025



Contributions of error types each year from 2021 to 2025

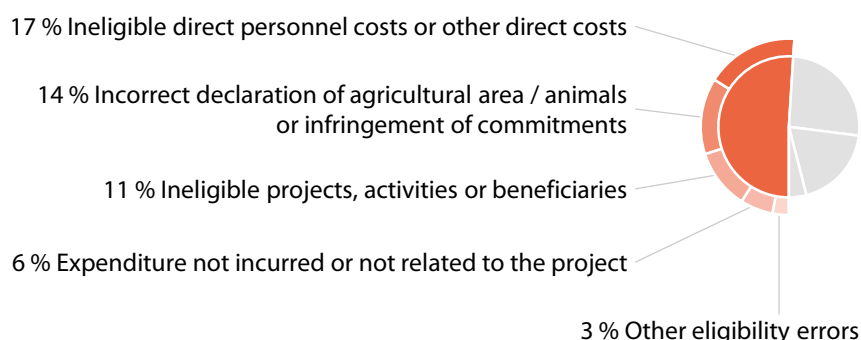


Source: ECA.

1.33. In 2025, we continued to find that eligibility errors, mainly in ‘Natural resources and environment’, ‘Single market, innovation and digital’, ‘Cohesion, resilience and values’ and ‘Neighbourhood and the world’, were the biggest contributors to the estimated level of error for the part of our audit population affected by material error, at 51 % (2024: 64 %). [Figure 1.12](#) gives a breakdown of these errors.

Figure 1.12 – Breakdown of eligibility errors in 2025

Eligibility errors (51 %)

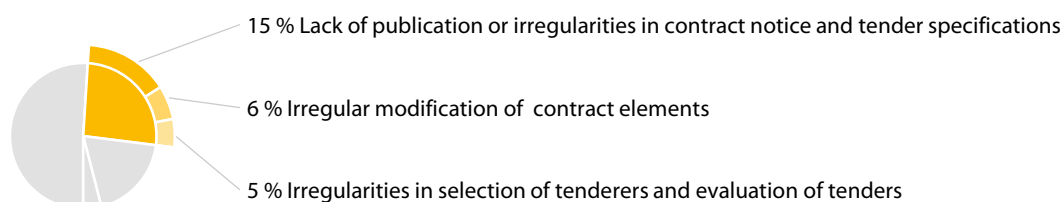


Source: ECA.

1.34. Errors relating to infringements of public procurement rules and grant award procedures, mainly in ‘Cohesion, resilience and values’, ‘European public administration’, ‘Natural resources and environment’ and ‘Migration and border management’ contributed 26 % (2024: 16 %) to the estimated level of error for this part of the audit population in 2025. The main types of error found in public procurement are shown in [Figure 1.13](#).

Figure 1.13 – Breakdown of errors in public procurement, grant award procedures and state aid in 2025

Errors in public procurement, grant award procedures and state aid (26 %)



Source: ECA.

1.35. In addition, payments for which no supporting documentation was provided affected the level of error this year, mainly in ‘Natural resources and environment’,

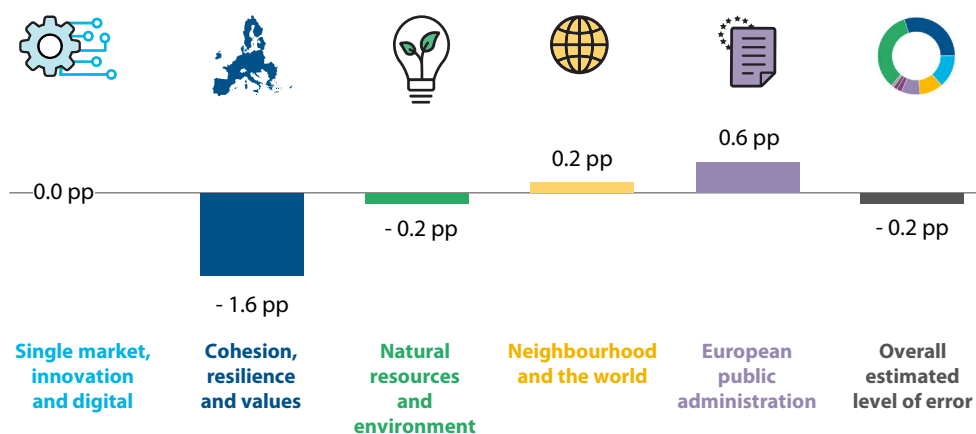
‘Cohesion, resilience and values’ and ‘Single market, innovation and digital’. These errors contributed 19 % (2024: 9 %) to the estimated level of error for this part of the audit population.

Changes to our methodology for quantifying public procurement errors reduced our estimated level of error slightly

1.36. From 2025 onwards, we have aligned our methodology for quantifying public procurement errors with the one used by the Commission and the member states in policy areas under shared management, see paragraph (30) of [Annex 1.1](#). This methodology determines the financial impact of each predefined type of public procurement irregularity. We use the same list of irregularity types as the basis for our quantification of public procurement errors for all MFF policy areas and management modes: direct, indirect and shared management. We apply it by analogy to all procurement procedures, as well as to errors found in grant award procedures.

1.37. For 2025, we assessed the impact of applying the new methodology for all policy areas for which we issue a specific assessment. [Figure 1.14](#) illustrates the difference.

Figure 1.14 – Impact of public procurement errors on estimated level of error using new methodology, for MFF headings 1, 2, 3, 6, 7



pp: percentage points

Source: ECA.

The Commission's regularity information

The level of error reported by the Commission is not directly comparable with our estimate of error and is likely to be underestimated

1.38. The Commission is ultimately responsible for implementing the EU budget¹⁵, regardless of the management mode (i.e. *direct, indirect or shared management*).

1.39. In its *annual management and performance report* (AMPR), the Commission provides key aggregated information on internal control and financial management referred to in the *annual activity reports* (AARs) of the various Commission directorates-general.

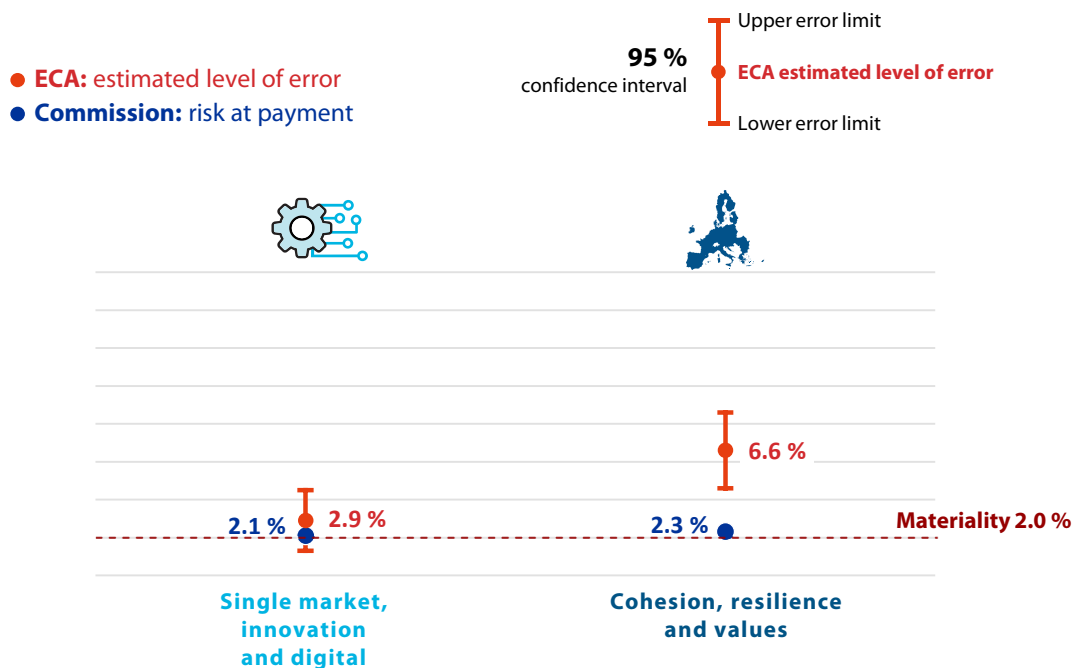
1.40. In the 2025 AMPR, the Commission presents its estimate of the risk at payment¹⁶ for all MFF headings except heading 3 'Natural resources and the environment' and heading 6 'Neighbourhood and the world'. [Figure 1.15](#) presents the Commission's estimate of the risk at payment for the MFF headings for which we provide a specific assessment, alongside the ranges of our 95 % confidence interval¹⁷ for the estimated level of error. The Commission's figures are below the range of our confidence interval for heading 2 'Cohesion, resilience and values' and within our range but below our estimated level of error for heading 1 'Single market, innovation and digital'.

¹⁵ Article 317 TFEU.

¹⁶ Article 253(1)(b)(i) of the [Financial Regulation](#) requires that the AMPR include an "estimation of the level of error" in EU expenditure.

¹⁷ See paragraph [\(28\)](#) of [Annex 1.1](#) for an explanation of the 95 % confidence interval.

Figure 1.15 – Our estimate of the 2025 level of error and the Commission’s estimate of the risk at payment, for MFF headings 1 and 2



Source: ECA.

1.41. There are various reasons why the Commission’s estimates are lower than our estimated levels of error. These reasons include inherent differences between the respective roles and mandates of the Commission and the ECA, but also limitations in *management and control systems* (see paragraph 1.45).

1.42. The ECA is the EU’s external auditor and provides an independent audit opinion on the *legality and regularity* of financial transactions in a given year. In doing so, the ECA is required to report on any cases of irregularity, regardless of whether a *financial correction* or recovery may be applicable. By contrast, the Commission focuses on cases of irregularity in which it sees legal grounds for a financial correction or recovery of the amounts concerned. The Commission does not always apply a recovery if, for example, an irregularity found is due to a weakness in its own procedures.

1.43. More concretely, in the case of cohesion, the Commission’s estimate of “irregularities” is based on the definition set out in the *Common Provisions Regulation*: “any breach of applicable law, resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the budget of the Union by charging unjustified expenditure to that budget”.

1.44. We consider an “error” to be a transaction (or partial transaction) that is not compliant with the applicable laws and regulations. Therefore, our definition includes not only breaches of applicable law resulting from acts or omissions by economic operators but also errors detrimental to the EU budget made by national and regional administrations or by the Commission itself. The estimated level of error we report should not be interpreted as being equivalent to the amount of financial corrections the Commission can potentially impose in accordance with the applicable rules.

1.45. As in previous years, we found limitations in management and control systems that affect the Commission’s estimate of the risk at payment in different policy areas. An analysis of the limitations found in MFF headings 1 and 2 is presented in the following paragraphs.

1.46. For heading 1 ‘Single market, innovation and digital’, we examined elements of the management and control systems the Commission uses to avoid plagiarism and double funding in research. Specifically, we performed an examination of the IT systems and identified some weaknesses (see paragraph **5.32**).

1.47. For the cohesion policy funds under heading 2 ‘Cohesion, resilience and values’, the Commission’s error rate is derived from the rates reported by the *audit authorities*, which the Commission verifies through desk reviews and risk-based compliance audits. However:

- desk reviews have inherent limitations, in that they are not designed to detect irregular expenditure that has remained undetected by the member states¹⁸. They also do not detect system weaknesses in the audit authorities’ work.
- the Commission continues to detect irregularities through its compliance audits¹⁹. However, as it performs only a limited number of such audits and does not extrapolate the results to the part of cohesion spending not covered by its audit, there is a high risk of many errors remaining undetected and subsequently not being taken into account in establishing the overall error rate. The top-ups and flat rates for unaudited programmes included in the Commission's maximum rate since 2021 only partially address this issue²⁰.

¹⁸ Review 03/2024: “An overview of the assurance framework and the key factors contributing to errors in 2014-2020 cohesion spending”, paragraphs VI and 65-66.

¹⁹ Ibid., paragraph 68.

²⁰ Ibid., paragraphs 41 and 42.

1.48. In previous years, for many of the audit authorities under the cohesion policy funds, we found weaknesses in both the approaches they took, and the way they implemented them²¹. For these reasons, from the 2025 financial year onwards, we have modified our audit approach for MFF heading 2, by returning to selecting our own sample of underlying transactions and testing them directly.

²¹ 2024 annual report, paragraphs 6.39 to 6.51 and Review 03/2024.

We report suspected fraud to the EPPO and OLAF

1.49. Fraud is any intentional act or omission relating to the use or presentation of false, incorrect or incomplete statements or documents, the non-disclosure of required information and the improper use of EU funds²². Fraud has the effect of harming or potentially harming the EU's financial interests.

1.50. The primary responsibility for preventing and detecting fraud rests with both the management of an entity and those charged with its governance. Article 325 of the [Treaty on the Functioning of the European Union \(TFEU\)](#) requires the EU and its member states to counter fraud or other illegal activities affecting the EU's financial interests.

1.51. As the EU's external auditor, we do not have a mandate to investigate cases of suspected fraud against the EU's financial interests. We are, however, obliged to report such cases to the competent authorities, as part of our obligation under [Article 287\(2\) TFEU](#) to report on "any cases of irregularity" we detect while examining the legality, regularity and sound financial management of all EU revenue and expenditure. We take account of the risk of fraud before starting audits (see paragraphs [\(33\)-\(35\)](#) in [Annex 1.1](#)) and review our procedures regularly.

1.52. We forward to the European Public Prosecutor's Office (EPPO) any suspicions of criminal offences falling within its competence and involving participating member states, and forward to the European Anti-Fraud Office (OLAF) any suspicions of fraud, corruption or other illegal activity affecting the EU's financial interests. Such suspicions may arise either from our audit work (including performance audits) or from information reported to us directly by third parties.

1.53. In 2025, we reported to OLAF 17 cases (2024: 19 cases) of suspected fraud, of which 15 arose from ECA audit work: seven were identified during our audit of 2024 expenditure, seven during our audit of 2023 expenditure and one in the context of a performance audit on the Instrument for Pre-accession Assistance (IPA). One of the remaining two cases was reported by the ECA's procurement service, and the other by a third party. Based on this reporting, OLAF had already opened five investigations as

²² Article 3 of [Directive \(EU\) 2017/1371](#) on the fight against fraud to the Union's financial interests by means of criminal law (the 'PIF Directive').

of June 2026. In parallel, we reported 12 of these cases to the EPPO (2024: seven cases), which resulted in the opening of investigations in eight cases.

1.54. The most frequent grounds for the suspicion of fraud were:

- intentional use or presentation of false, incorrect or incomplete statements or documents and/or non-disclosure of information in violation of a specific obligation, resulting in the misappropriation or wrongful retention of EU funds;
- artificial creation of conditions necessary for EU financing; and
- misuse of EU funds, i.e. for purposes other than those for which they were originally granted.

Between 2010 and 2025, we forwarded 267 cases to OLAF. According to OLAF, it recommended the recovery of a total of €555.6 million from closed investigations based on information we provided.

1.55. As well as reporting cases to the EPPO and OLAF, we provide information in this annual report on how the Commission and member states have implemented their fraud risk policies. In **chapter 6**, we report that the Commission has fully implemented recommendation 5.2 from our 2020 annual report on keeping track of the risk of fraud in audit authorities' audits of operations and recommendation 6.6 from our 2022 annual report on enhancing fraud risk awareness on the part of the managing authorities (see **Annex 6.2**).

1.56. We also cover fraud in other, separate audits. In 2025, we published a special report on VAT fraud on imports²³, of which we gave an overview in our [2024 annual report](#), see paragraph 1.45. In addition, we published a special report on EU bodies fighting fraud²⁴. Overall, we concluded that while the mandates of OLAF, EPPO, Eurojust and Europol were clearly defined, weaknesses remained in terms of exchange of information and the Commission's administrative oversight. Data made available by the bodies showed variable levels of alleged fraud reported, and this was not analysed by the Commission. Fraud reporting requirements could lead to duplicate reporting of allegations, which increased the administrative burden. We also found that the

²³ [Special report 08/2025](#): "Value Added Tax fraud on imports – The EU's financial interests are insufficiently protected under simplified import customs procedures".

²⁴ [Special report 26/2025](#): "EU bodies fighting fraud – Clear mandates but exchange of information and Commission oversight remain insufficient".

Commission did not have full oversight of either the amounts owed to the EU budget or the amounts actually recovered as a result of fraud investigations.

1.57. In early 2026, we published a special report on tackling fraud in the RRF²⁵. We concluded that the systems established by the Commission and member states for the RRF to safeguard the EU's interests from fraud were not fully effective. While the Commission had taken steps to improve it, we found that the RRF anti-fraud framework had weaknesses in fraud detection, reporting and correction. Incomplete and inconsistent data on RRF fraud, the lack of standardised criteria for reporting fraud cases and issues with recovery rules could hinder the Commission's ability to apply timely and effective corrective measures. On 18 June 2026 we published a special report on the Commission's anti-fraud strategy²⁶. We found that the Commission's anti-fraud strategy was comprehensive, but the actions devised were often not ambitious enough. While it followed best practices for fraud risk management, weaknesses existed in its processes, especially for risk assessment. Lastly, the Commission's monitoring and reporting primarily focused on the strategy's implementation, with limited attention to results and impact.

²⁵ [Special report 06/2026](#): "Tackling fraud in the RRF – Work in progress".

²⁶ [Special report 18/2026](#): "The Commission's anti-fraud strategy – Comprehensive yet insufficiently ambitious".

Conclusions and recommendations

1.58. This chapter supports the audit opinion presented in the statement of assurance. We conclude that the accounts were not affected by material misstatements.

1.59. Our IT audit work of SUMMA, the new central budgetary, treasury and accounting information system, identified certain significant internal control deficiencies concerning user access management and IT change management. Although control practices were in place, these deficiencies could potentially increase the risk to the reliability of financial transactions and the functioning of the system being adversely affected. We also found weaknesses in incident resolution management and business continuity management which could potentially increase the risk of business disruption.

Recommendation 1.1 – Close functional gaps and strengthen SUMMA controls

Based on our IT audit work on SUMMA we recommend that the Commission:

- (a) identify remaining functional gaps, prioritise these based on their potential impact on the reliability of financial transactions, and close the high-priority ones;
- (b) ensure that the temporary workarounds are effective, provide the controls necessary to prevent financial errors, are closely monitored and are accompanied by a plan for the timely completion of permanent solutions;
- (c) prioritise and address the internal control deficiencies relating to the deployment and operation of SUMMA.

Target implementation date: end of 2026.

1.60. As for the regularity of transactions, we conclude that revenue transactions were free from material error. For expenditure, the results of our audit testing of a representative sample of 750 transactions show that the estimated level of error was 3.8 %. We conclude that a substantial proportion of this expenditure was affected by material error. This concerns expenditure subject to complex rules, mainly reimbursement-based, in which the estimated level of error was 5.6 %. Such expenditure amounted to €75.8 billion in 2025, representing 58.0 % of our audit

population (2024: 68.9 %). Eligibility and procurement errors, as well as absence of supporting documents, were the biggest contributors to our estimated level of error.

Annexes

Annex 1.1 – Audit approach and methodology

- (1) This annex outlines our approach and methodology for auditing the reliability of EU's accounts and the regularity of transactions underlying the accounts for revenue and for expenditure (budget spending) under the multiannual financial frameworks (MFFs). Our audit approach for expenditure under the Recovery and Resilience Facility (RRF), which follows a specific audit approach, is outlined in **chapter 11**.
- (2) We design our audit approach to provide our intended users with reasonable assurance. Our [audit methodology](#) conforms to the international standards on auditing issued by the [International Federation of Accountants \(IFAC\)](#) and the [International Organization of Supreme Audit Institutions \(INTOSAI\)](#). This enables us to obtain sufficient and appropriate audit evidence to support our audit conclusions.
- (3) We provide an audit opinion (the statement of assurance) on the reliability of accounts and the regularity of the underlying transactions, supplemented by specific assessments for major areas of EU activities. These assessments provide detailed audit results, together with estimated levels of error and conclusions on the underlying transactions and systems, in those areas.

PART 1 – Audit approach for the reliability of accounts

- (4) We examine the EU's consolidated annual accounts to determine their reliability. These consist of:
 - (a) the consolidated financial statements; and
 - (b) the budgetary implementation reports.
- (5) The consolidated accounts should properly present, in all material respects:
 - (a) the financial position of the European Union at year end;
 - (b) the results of its operations and cash flows; and
 - (c) the changes in net assets for the year ended.

- (6) In our audit, we:
- (a) understand the internal control components in order to design audit procedures that are appropriate in the circumstances;
 - (b) evaluate the accounting control environment;
 - (c) check the functioning of key accounting procedures and the year-end closure process;
 - (d) analyse the main accounting data for consistency and reasonableness;
 - (e) analyse and reconcile accounts and/or balances as well as the related disclosures;
 - (f) perform substantive tests of commitments, payments and specific balance sheet items, based on representative samples and materiality considerations;
 - (g) evaluate whether the overall presentation of the financial statements is in accordance with the applicable financial reporting framework;
 - (h) use the work of other auditors where possible, in accordance with international standards on auditing, particularly when auditing borrowing and lending activities managed by the Commission for which external audit reports are available.

PART 2 – Audit approach for the regularity of transactions

- (7) Underlying transactions are transfers of funds from the EU budget to their final recipients, and transfers of revenue from member states and other sources to the EU budget.
- (8) When assessing whether revenue transactions comply with EU rules and regulations, our audit approach is to rely mainly on an examination of selected management and control systems for verifying, calculating and collecting revenue. This is complemented by direct testing of compliance for a representative sample of transactions.
- (9) Our audit approach for assessing whether the expenditure transactions underlying the accounts comply with EU rules and regulations is to rely mainly on direct testing of compliance for a representative sample of transactions. This may be complemented by an examination of selected management and control systems.

- (10) We organise our audit work around the various MFF headings and report our results accordingly, in line with the budget structure decided by the legislator.

Examination of management and control systems

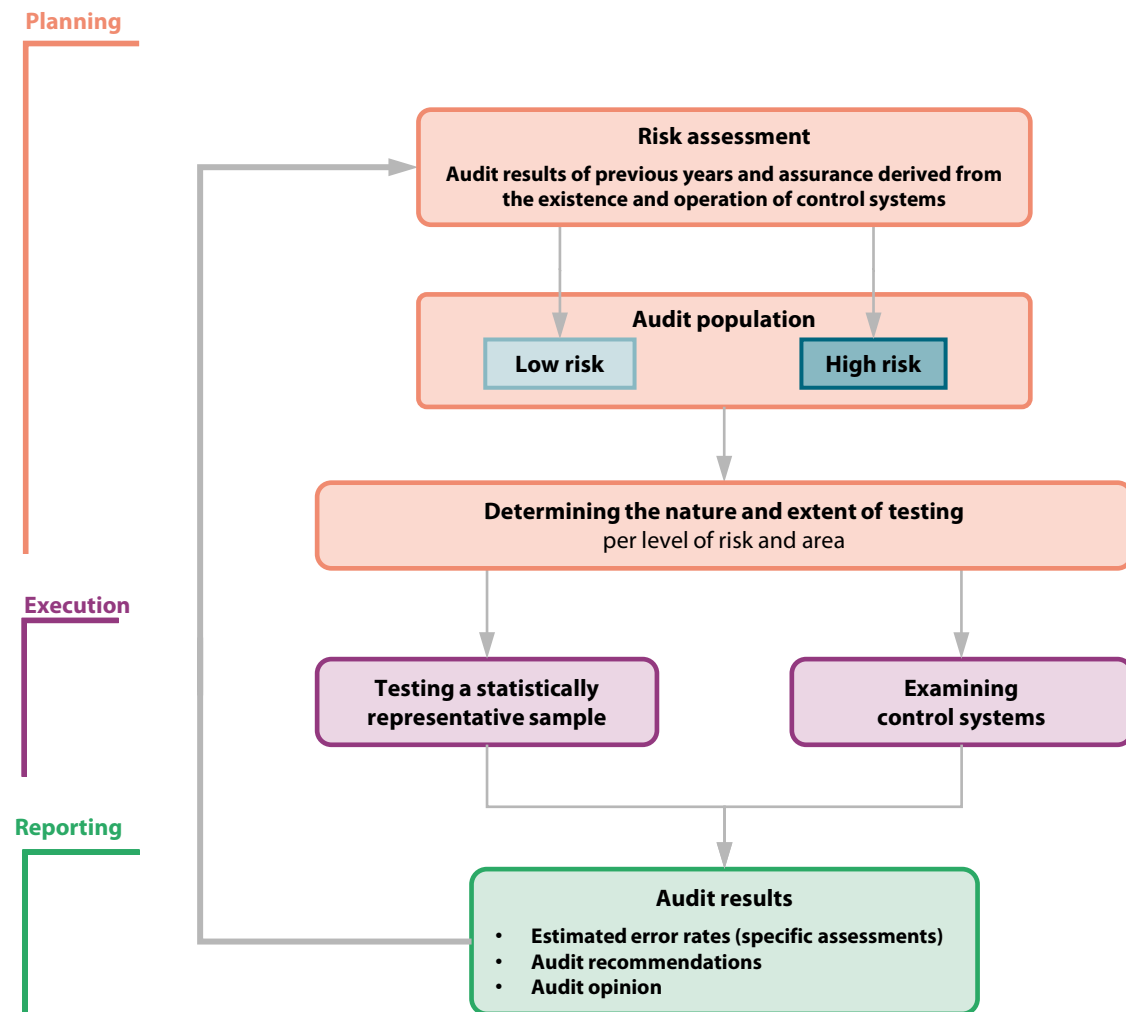
- (11) The Commission, other EU institutions and bodies, member state authorities, beneficiary countries and regions establish control systems for managing the risks to the budget and overseeing and ensuring the regularity of transactions. Every year, we examine selected management and control systems and present the results of our systems work, together with recommendations for improvement, in *chapters 4-10*.

Testing of transactions

- (12) Following our annual risk analysis, which is based on the way funds are disbursed, our past audit results and our assessment of management and control systems, we divide our audit population of underlying transactions into high-risk and low-risk expenditure to select our representative sample. We also use this classification at the reporting stage to determine, from our audit results, the proportion of our audit population affected by a material level of error.

Figure 1.16 illustrates how the annual risk analysis builds upon previous years' audit results.

Figure 1.16 – Annual audit process for expenditure



Source: ECA.

(13) We first determine the overall size of our sample of transactions for all EU expenditure based on our categorisation of the audit population into low-risk (mainly entitlement-based expenditure) and high-risk (mainly reimbursement-based expenditure) expenditure and our assumptions regarding the estimated level of error and the standard deviation. The main reasons for this approach are to make our audit work more effective by focusing more on high-risk areas and to obtain a sufficient basis to conclude on whether the material error identified through our work is pervasive (see paragraphs (38) and (39)).

(14) We consider parts of the audit population to be low-risk (likely to be free from material error) when we have sufficient evidence that the estimated level of error is below the materiality threshold, based on the substantive testing carried out in previous years and, where available, on the assurance derived from the existence and operation of control systems. We consider expenditure to be high risk (likely to be affected by material error) when the results of our work in previous years

indicate that the estimated level of error is above materiality and/or the evidence collected to date does not allow us to conclude otherwise.

- (15) To determine the sample sizes for each MFF heading, we consider the accepted expenditure amount, our division of the audit population into high-risk and low-risk expenditure and whether or not we provide a specific assessment. For this purpose, we use an assurance model which builds on our combined risk assessment of inherent and control risk and takes account of the assurance that can be derived from the management and control systems. Under each MFF heading for which we provide a specific assessment (**chapters 5, 6, 7, 9 and 10**), we test a representative sample of transactions, allowing us to provide an estimated level of error for this heading.
- (16) We also use a combined risk assessment to determine the sample size for revenue transactions.
- (17) We use stratified *monetary unit sampling* (MUS) to select claims or payments and, at a lower level, individual items within transactions. For each selected transaction, we examine how the claim or payment amount was calculated. This involves tracing transactions from the budgetary accounts to the final recipient (e.g. a farmer, the organiser of a training course, or a development aid project), testing compliance at each level.
- (18) We determine whether the claim or payment was made for the purpose approved in the budget and specified in legislation and in compliance with applicable EU laws and regulations. These comprise the financial rules ([TFEU](#), [Financial Regulation](#)), the basic legislation establishing the policy, programme or activity concerned, any rules or regulations established in accordance with that basic legislation, and the contractual framework. In line with the principle of subsidiarity, many rules are set at national level. These include not only directives transposing EU law into national law (e.g. public procurement directives) but also eligibility criteria for many shared management schemes. Our assessment takes due account of the interpretation of EU and national law provided by national judicial courts or national independent and authoritative bodies and the Court of Justice of the European Union.
- (19) When testing revenue transactions (**chapter 4**), our examination of the own resources based on gross national income, value added tax and non-recycled plastic packaging waste takes as its starting point the statistics and data based on which these are calculated. For traditional own resources, we examine the customs authorities' account statements and the flow of duties – again up to the point they were received and recorded by the Commission.

- (20) We examine expenditure at the point it was incurred by final recipients of EU funds in undertaking activities and subsequently accepted by the Commission (*“accepted expenditure”*). This applies to all categories of payments. In practice, this means that our audit population of transactions covers interim and final payments. We do not examine pre-financing payments (advances) at the point they were made, but rather once:
- (a) the final recipient of EU funds (e.g. a farmer, a research institute, a company providing publicly procured works or services) has provided evidence of their use, i.e. once progress has been made in the activities funded and/or costs have been incurred; and
 - (b) the Commission (or other institution or body managing EU funds) has accepted the final use of the funds (the progress made and/or the related costs) by clearing the advance. For instance, our audit population for MFF heading 2 ‘Cohesion, resilience and values’ consists of expenditure included in the accounts accepted annually by the Commission. As such, our approach is to test transactions for which, according to the legislation, member states are supposed to have implemented all relevant actions to correct errors that they themselves have identified.
- (21) Since 2017, our audit approach for MFF heading 2 has involved reviewing and re-performing work done by national audit authorities and the Commission. However, we found repeated weaknesses which did not allow us to rely on their work. Therefore, for 2025 onwards we have changed our approach to sampling transactions for this heading. Our sample is no longer drawn from the transactions verified by the audit authorities but rather from all transactions included in the annual accounts.
- (22) Our audit sample is designed to provide an estimate of the level of error for expenditure as a whole rather than for individual transactions (e.g., a particular project). The error rates reported for selected cost items should not be seen as a conclusion on their respective transactions; rather, they contribute directly to the overall level of error for EU expenditure.
- (23) We do not examine transactions in every member state, beneficiary state and region in any given year. While we may name certain member states, beneficiary states and/or regions, this does not mean that similar examples do not occur elsewhere. The illustrative examples presented in this report do not provide a basis for drawing conclusions on the specific member states, beneficiary states or regions concerned.

- (24) We consider whether we can make efficient use of the checks on regularity already performed by other auditors. If we want to use the results of these checks in our audit work, in line with international standards on auditing, we assess the independence and competence of those other auditors and the scope and adequacy of their work.
- (25) For the part of our audit population concerning EU agencies and joint undertakings, we make use of the results of the audit work carried out for our respective specific annual reports on these agencies²⁷ and undertakings²⁸.

Evaluation of the results of transaction testing

- (26) We consider that errors occur when money is not used in compliance with the relevant EU legislation or with specific national rules. An error may concern all or part of the amount involved in an individual transaction.
- (27) We consider whether errors are quantifiable or non-quantifiable, i.e. whether or not it is possible to measure how much of the amount examined was affected by the error. A “quantifiable error” is an amount of money that should not have been paid out from the EU budget.
- (28) We determine the overall impact of errors by considering both qualitative and quantitative aspects. The qualitative evaluation takes into consideration the importance of the rules which have been infringed and the seriousness of the facts and the actual or potential consequences. The quantitative assessment is based on quantifiable errors identified by testing a sample of transactions, which we extrapolate to provide a statistical estimate – the estimated level of error. Furthermore, we calculate a 95 % confidence interval for the level of error in the audit population. This means a range within which we are 95 % confident the audit population’s level of error lies (between the lower error limit and the upper error limit).
- (29) Errors detected and corrected prior to and independently of our checks are excluded from the calculation of error, since their detection and correction demonstrate that the management and control systems have worked effectively.

²⁷ 2024 annual report on EU agencies.

²⁸ 2024 annual report on EU joint undertakings.

- (30) For 2025 onwards, we have aligned our methodology of quantifying public procurement errors with the one used by the Commission in policy areas under shared management²⁹.
- (31) For those MFF headings where we provide a specific assessment, as well as for revenue and for the EU budget as a whole, we present an estimated level of error, which takes account of quantifiable errors only and is expressed as a percentage. Examples of quantifiable errors are ineligible costs and projects, breaches of contract or grant conditions, non-compliance with public procurement and state aid rules and absence of essential supporting documents.
- (32) Our approach is not designed to gather data on the frequency of error in the whole audit population. Therefore, figures presented on the number of errors detected in an MFF heading, in expenditure managed by a directorate-general or in spending in a particular member state are not an indication of the frequency of error in EU-funded transactions or in individual member states.

PART 3 – Audit procedures in relation to fraud

- (33) We identify and assess the risks of material misstatement of the consolidated accounts and of material non-compliance of the underlying transactions with the requirements of EU law, whether due to fraud or error.
- (34) We design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Instances of material misstatement or non-compliance resulting from fraud are more difficult to detect than those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Consequently, there is a greater risk of such instances not being detected.
- (35) If we have reason to suspect that fraudulent activity has taken place, we report this to the EPPO and OLAF, based on their competence.

²⁹ [Decision C\(2019\)3452](#), which includes an annex laying down the guidelines for determining financial corrections to be made to expenditure financed by the EU for non-compliance with the applicable rules on public procurement.

PART 4 – The statement of assurance – forming our audit opinion

- (36) We base our opinion on sufficient and appropriate audit evidence which we obtain through an examination of management and control systems and through transaction testing.
- (37) Our work allows us to arrive at an informed opinion as to whether errors in the audit population exceed or fall within the materiality limits. We use the level of 2.0 % as the materiality threshold for our opinion. We also take account of the nature, amount and context of errors and other information available (see paragraph (28)).
- (38) Where we find a material level of error and determine its impact on the audit opinion, we must determine whether the errors are ‘pervasive’³⁰ to the audit population. When errors are material and pervasive, we issue an adverse opinion.
- (39) Errors and/or absence of audit evidence are ‘pervasive’ if, in the auditor’s judgment, they are not confined to specific elements, accounts or items in the financial statements (i.e. they occur throughout the accounts or transactions tested). Even if they are thus confined, they are still pervasive if they represent, or could represent, a substantial proportion of the financial statements, or relate to disclosures which are fundamental to users’ understanding of the financial statements.

PART 5 – Link between the audit opinions on the reliability of accounts and on the regularity of transactions

- (40) International standards on auditing³¹ specify that where auditors issue audit opinions on both the reliability of accounts and the regularity of transactions underlying those accounts, the two opinions should be clearly separated. Consequently, a modified opinion on the regularity of transactions does not, in itself, lead to a modified opinion on the reliability of accounts.

³⁰ International Standard on Auditing (ISA) 705 (revised), Modifications to the Opinion in the Independent Auditor’s Report.

³¹ ISSAI 4000, paragraph 16.

Chapter 2

Budgetary and financial management

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Introduction

2.1. This chapter presents the main issues in relation to budgetary and financial management of the 2025 EU budget and its additional financing. This includes reporting on risks and challenges that the EU may face in future years. The chapter is based on our review of the implementation of the EU budget, and reviews of documents published by the Commission and other stakeholders. It also takes account of our work, presented in our special reports and opinions.

Budgetary management in 2025

Due to NGEU, payments exceeded commitments in 2025

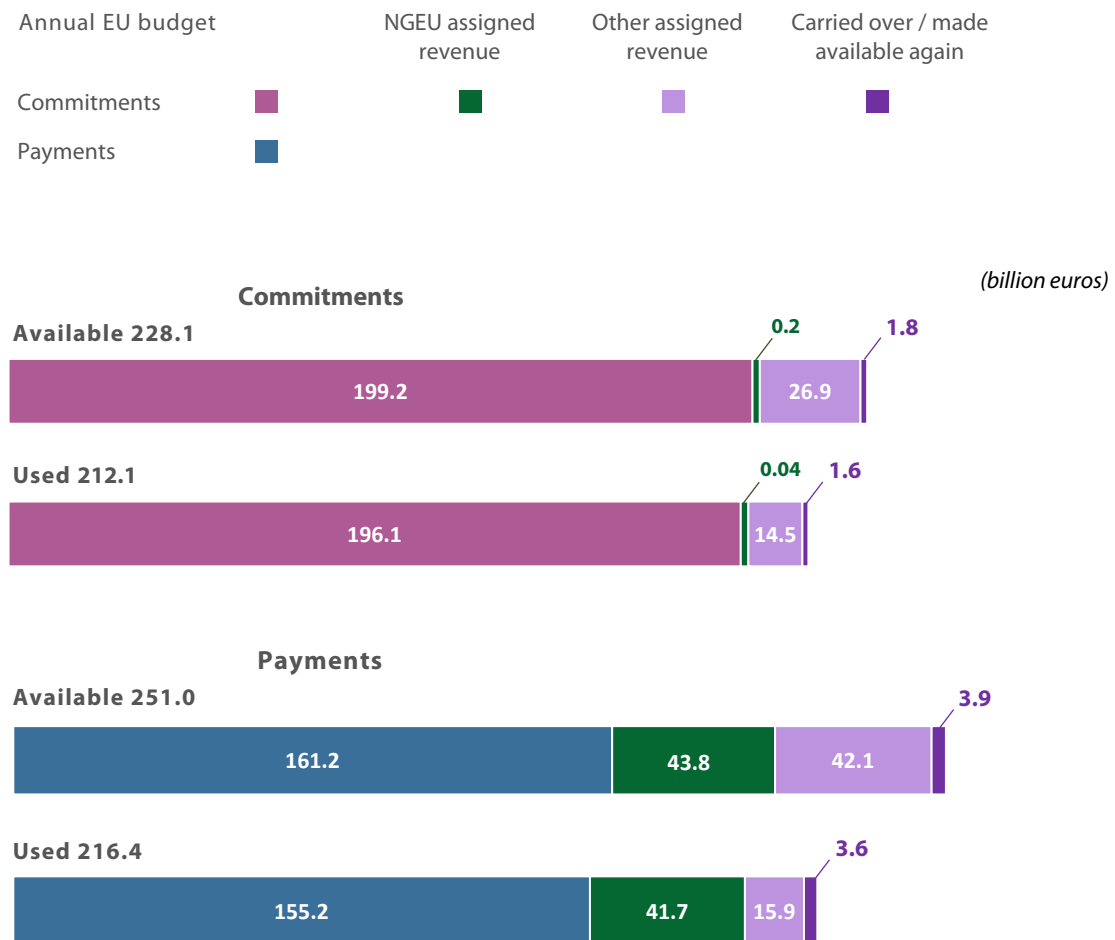
2.2. In this section, we analyse EU budget implementation in 2025. This was the fifth implementation year of the 2021-2027 *MFF* and *NGEU*.

2.3. Since 2023, we have included in our analysis all types of commitment and payment appropriations (annual budget appropriations, *carry-overs* and amounts made available again, NGEU assigned revenue and other types of assigned revenue). Loans are off-budget items and thus not considered.

2.4. *Figure 2.1* shows the total 2025 EU budget available and used for commitment and payment appropriations. The annual EU budget makes up 87.3 % of the total available commitment appropriations and 64.2 % of the total available payment appropriations. NGEU assigned revenue, other assigned revenue and carry-overs and amounts made available again make up the remaining part. As of 2024, commitments from NGEU assigned revenue are limited to the Commission's administrative expenditure¹.

¹ Article 12(4) of *Regulation (EU) 2021/241*.

Figure 2.1 – Total available and used appropriations including NGEU grants in 2025



Note: Of the €41.7 billion in NGEU payment appropriations used in 2025, €33.2 billion were used to finance RRF grants and €8.5 billion to finance top-ups to existing programmes.

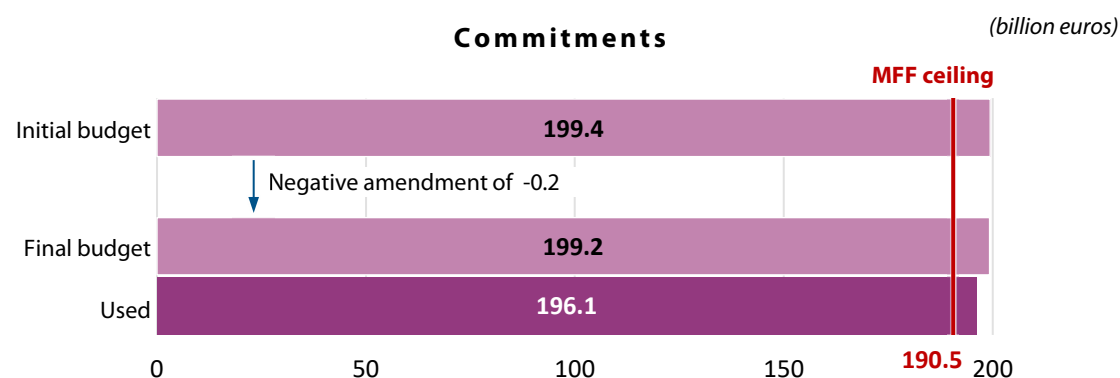
Source: ECA, based on the 2025 consolidated annual accounts of the EU.

Annual EU budget commitment appropriations were almost fully used in 2025

2.5. The budgetary authority approved an [initial annual EU budget for 2025](#) of €199.4 billion of commitment appropriations, see [Figure 2.2](#). Amending budgets decreased commitment appropriations by €0.2 billion to €199.2 billion, which is still above the MFF ceiling of €190.5 billion. This was made possible via MFF *special instruments*. These instruments provide additional funds over and above the MFF ceilings for new or unforeseen events.

2.6. Total commitments used under the 2025 final budget were €196.1 billion, 98.4 % of the available amount. The unused commitment appropriations amounted to €3.1 billion, mainly from the *European Regional Development Fund (ERDF)* (€0.8 billion), the *Neighbourhood, Development and International Cooperation Instrument (NDICI)* (€0.6 billion), and the *Cohesion Fund (CF)* (€0.3 billion). Of the unused appropriations, €1.9 billion was carried over to 2026, of which €0.6 billion was for NDICI, and €1.0 billion for the *European Solidarity Reserve*. The remaining unused appropriations of €1.2 billion lapsed, of which €1.1 billion relates to suspended commitment appropriations following the activation of the rule-of-law conditionality regime for Hungary².

Figure 2.2 – Implementation of 2025 annual EU budget commitments



Source: ECA, based on the 2025 consolidated annual accounts of the EU.

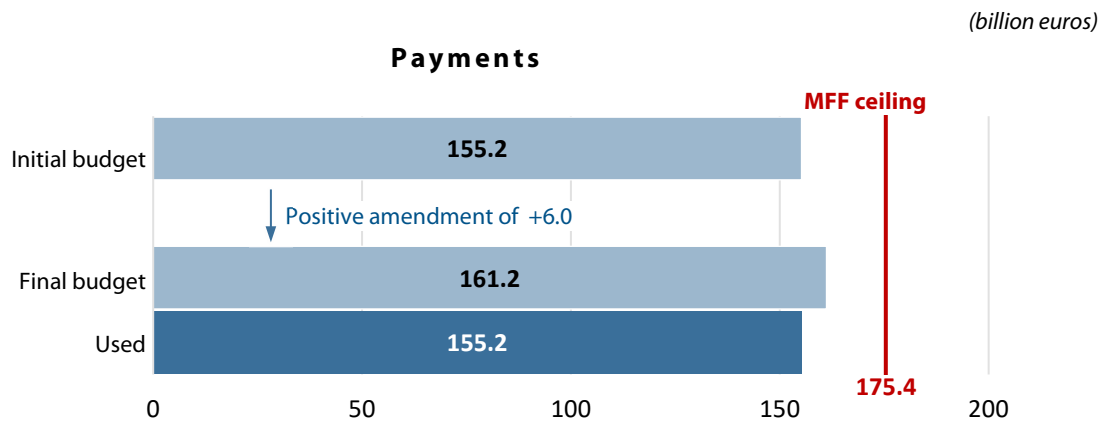
Payments were in line with initial planning and below the MFF ceiling

2.7. The budgetary authority approved an [initial annual EU budget for 2025](#) of €155.2 billion of payment appropriations, see [Figure 2.3](#). Amending budgets increased payment appropriations by €6.0 billion, bringing the total final budget to €161.2 billion.

2.8. Total payments made under the final budget were €155.2 billion, 96.3 % of the available amount. Of the unused appropriations of €6.0 billion, €5.9 billion was carried over to 2026, of which €1.9 billion was for NGEU borrowing costs, €1.1 billion for the Ukraine Facility, and €1.0 billion for the European Solidarity Reserve. Unused appropriations of €0.1 billion lapsed.

² Council Implementing Decision (EU) 2022/2506.

Figure 2.3 – Implementation of 2025 annual EU budget payments

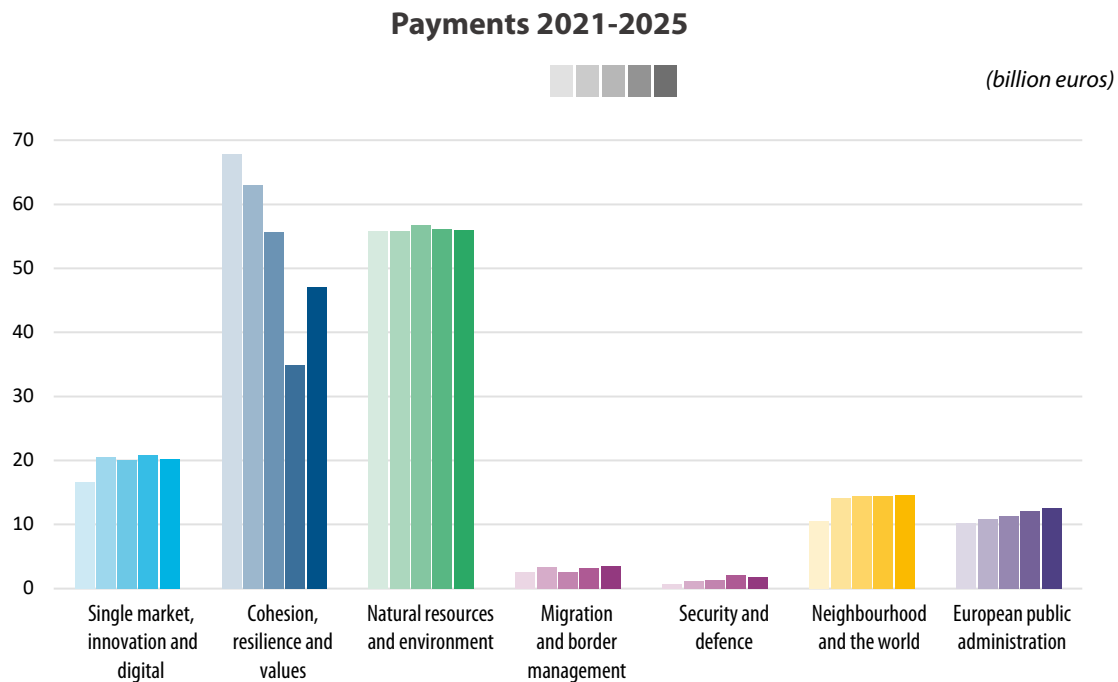


Source: ECA, based on the 2025 consolidated annual accounts of the EU.

For most headings, payment profiles are relatively stable over time

2.9. *Figure 2.4* shows the annual payments, excluding assigned revenue, made under each MFF heading since 2021. It provides a multiannual overview on how the current MFF has been implemented. Payment profiles for most headings are relatively stable over time, reflecting continuous and predictable implementation patterns across the MFF period. However, payments under heading 2 ‘Cohesion, resilience and values’ are more affected by the transition between programming periods. Higher payment levels in the early years are linked to the closure of 2014-2020 MFF cohesion programmes, while the subsequent fall in payments and then stabilisation reflect the gradual implementation of programmes in the current MFF, consistent with the multiannual lifecycle of cohesion policy, see also *Figure 2.9*.

Figure 2.4 – Annual payment appropriations by heading, 2021 to 2025



Note: Assigned revenue not included.

Source: ECA, based on the consolidated annual accounts of the EU for 2021-2025.

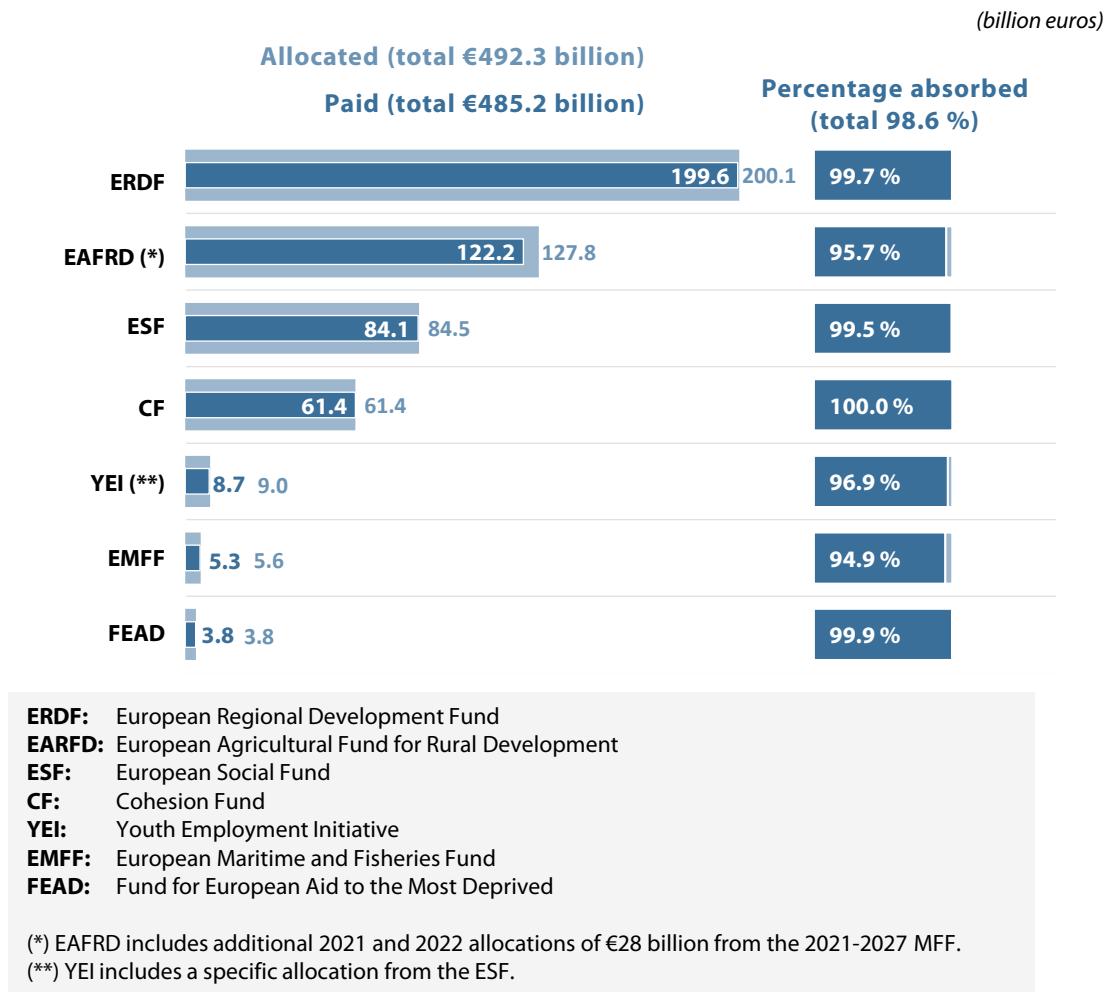
Absorption of shared management funds: 2014-2020 MFF closing, while 2021-2027 MFF accelerating from low base

Absorption of the 2014-2020 ESIF reached 98.6 %, with 26 member states exceeding 95 %

2.10. The *European Structural and Investment Funds (ESIF)* are jointly managed by the Commission and the member states. Data is reported on an [open data platform](#). At the end of 2025, total payments for the 2014-2020 ESIF amounted to €485.2 billion, or 98.6 % of total available funds (€492.3 billion). Payments in 2025 amounted to €7.4 billion.

2.11. In [Figure 2.5](#) we present the cumulative absorption rates for each ESI fund, excluding NGEU resources, at the end of 2025. The absorption rate expresses, as a percentage, the *pre-financing* and *interim payments* made from the EU budget to member states for the declared expenditure, compared to the total allocated amounts for a given period. The absorption rates we present do not show the full progress of project implementation as the amounts that *beneficiaries* have already received may be higher than the expenditure declared by member states.

Figure 2.5 – Absorption of 2014-2020 ESIF (excluding NGEU), as at end 2025



Source: ECA, based on [Commission's open data platform](#) as at 19 January 2026 and on other Commission data.

2.12. Further progress with ESIF payments in 2025 resulted in 26 member states absorbing over 95 % of their allocated ESI funds by the end of 2025, see [Figure 2.6](#).

Figure 2.6 – Absorption rate of 2014-2020 ESIF (excluding NGEU), as at end 2025

(billion euros)

	Paid		To be paid		Allocated
	98.6 %	485.2	1.4 %	7.1	
United Kingdom	99.8 %	16.3	0.2 %	0.04	16.3
Czechia	99.6 %	24.4	0.4 %	0.1	24.5
Poland	99.6 %	88.5	0.4 %	0.4	88.9
Slovenia	99.5 %	4.2	0.5 %	0.02	4.2
Cyprus	99.4 %	1.0	0.6 %	0.01	1.0
Slovakia	99.3 %	15.4	0.7 %	0.1	15.5
Lithuania	99.2 %	8.9	0.8 %	0.1	8.9
Portugal	99.1 %	26.8	0.9 %	0.2	27.1
Hungary	99.1 %	25.7	0.9 %	0.2	26.0
Latvia	99.1 %	5.9	0.9 %	0.1	6.0
Estonia	99.1 %	4.6	0.9 %	0.04	4.6
Croatia	99.1 %	11.3	0.9 %	0.1	11.4
Greece	99.1 %	22.9	0.9 %	0.2	23.1
Multi-country	98.9 %	9.3	1.1 %	0.1	9.4
Ireland	98.8 %	4.0	1.2 %	0.05	4.1
Belgium	98.4 %	3.0	1.6 %	0.05	3.0
Malta	98.4 %	0.9	1.6 %	0.01	0.9
Romania	98.3 %	32.9	1.7 %	0.6	33.5
Italy	98.0 %	47.4	2.0 %	1.0	48.3
Spain	97.8 %	41.9	2.2 %	0.9	42.9
Germany	97.8 %	30.4	2.2 %	0.7	31.0
Finland	97.7 %	4.5	2.3 %	0.1	4.6
Netherlands	97.6 %	2.2	2.4 %	0.1	2.2
France	96.9 %	31.3	3.1 %	1.0	32.4
Bulgaria	96.8 %	10.1	3.2 %	0.3	10.5
Austria	96.0 %	5.9	4.0 %	0.2	6.1
Luxembourg	95.9 %	0.2	4.1 %	0.01	0.2
Sweden	95.0 %	3.9	5.0 %	0.2	4.1
Denmark	93.7 %	1.7	6.3 %	0.1	1.8

Source: ECA, based on [Commission's open data platform](#) as at 19 January 2026.

Absorption of 2021-2027 shared management funds under the CPR accelerating, but remains lower than in the previous MFF

2.13. In 2025, annual payments for the shared management funds under the *Common Provisions Regulation (CPR)*³ amounted to €36.8 billion (2024: €14.7 billion). At the end of 2025⁴, total payments amounted to €65.8 billion, of which €23.2 billion

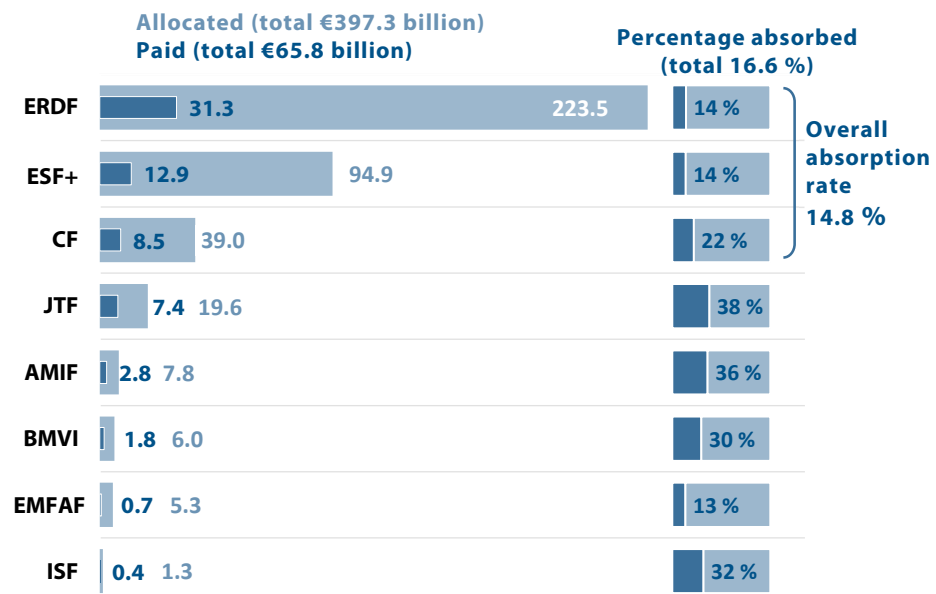
³ Regulation (EU) 2021/1060.

⁴ [Commission's open data platform](#) as at 19 January 2026.

were pre-financing payments and €42.6 billion were interim payments. Total payments represented 16.6 % of the amount allocated for these funds under the CPR in the 2021-2027 MFF (2024: 7%), see [Figure 2.7](#). The absorption rates we present do not show the full progress of project implementation as the amounts that beneficiaries have already received may be higher than the expenditure declared by member states.

Figure 2.7 – Absorption of 2021-2027 shared management funds under the CPR, as at end 2025

(billion euros)



ERDF: European Regional Development Fund
ESF+: European Social Fund Plus
CF: Cohesion Fund
JTF: Just Transition Fund
AMIF: Asylum, Migration and Integration Fund
BMVI: Border Management and Visa Instrument
EMFAF: European Maritime, Fisheries and Aquaculture Fund
ISF: Internal Security Fund

Note: The amounts for JTF include NGEU figures.

Source: ECA, based on [Commission's open data platform](#) as at 19 January 2026.

2.14. *Figure 2.8* shows the absorption rate for each recipient.

Figure 2.8 – Absorption rates of 2021-2027 shared management funds under the CPR, as at end 2025

(billion euros)

	Paid		To be paid		Allocated
	16.6 %	65.8	83.4 %	331.4	397.3
Switzerland	37.7 %	0.02	62.3 %	0.03	0.04
Norway	37.0 %	0.03	63.0 %	0.05	0.08
Sweden	30.8 %	0.7	69.2 %	1.6	2.3
Luxembourg	30.0 %	0.03	70.0 %	0.06	0.09
Finland	29.1 %	0.7	70.9 %	1.7	2.4
Czechia	26.1 %	5.6	73.9 %	15.8	21.3
Netherlands	26.1 %	0.5	73.9 %	1.5	2.0
Cyprus	23.9 %	0.3	76.1 %	0.9	1.2
Lithuania	23.6 %	1.6	76.4 %	5.2	6.8
Romania	23.1 %	7.3	76.9 %	24.3	31.6
Estonia	22.2 %	0.8	77.8 %	2.8	3.6
Iceland	22.0 %	0.01	78.0 %	0.02	0.03
Latvia	21.7 %	1.0	78.3 %	3.7	4.8
Greece	21.7 %	5.0	78.3 %	17.9	22.9
Denmark	20.3 %	0.1	79.7 %	0.6	0.7
Interregional	20.1 %	1.9	79.9 %	7.7	9.7
France	19.2 %	3.6	80.8 %	15.1	18.6
Germany	17.3 %	3.9	82.7 %	18.8	22.7
Ireland	16.8 %	0.2	83.2 %	1.0	1.2
Hungary	15.8 %	3.4	84.2 %	17.9	21.3
Poland	15.7 %	12.0	84.3 %	64.5	76.5
Bulgaria	14.9 %	1.7	85.1 %	9.6	11.3
Malta	13.9 %	0.1	86.1 %	0.8	0.9
Slovakia	13.6 %	1.7	86.4 %	11.0	12.7
Austria	13.3 %	0.2	86.7 %	1.2	1.4
Italy	12.7 %	5.6	87.3 %	38.6	44.2
Slovenia	12.5 %	0.4	87.5 %	3.0	3.5
Croatia	12.5 %	1.2	87.5 %	8.3	9.5
Portugal	12.4 %	2.9	87.6 %	20.4	23.3
Belgium	11.9 %	0.3	88.1 %	2.5	2.8
Spain	7.6 %	2.9	92.4 %	34.9	37.7

Note: The amounts relating to non-EU countries (Switzerland, Norway, and Iceland) are linked to the BMVI. The total amount allocated to non-EU countries is €0.15 billion.

For Hungary, the amount “to be paid” reflects the data available at the time of extraction and does not fully reflect decommitments related to the rule-of-law conditionality regime.

Source: ECA, based on [Commission’s open data platform](#) as at 19 January 2026.

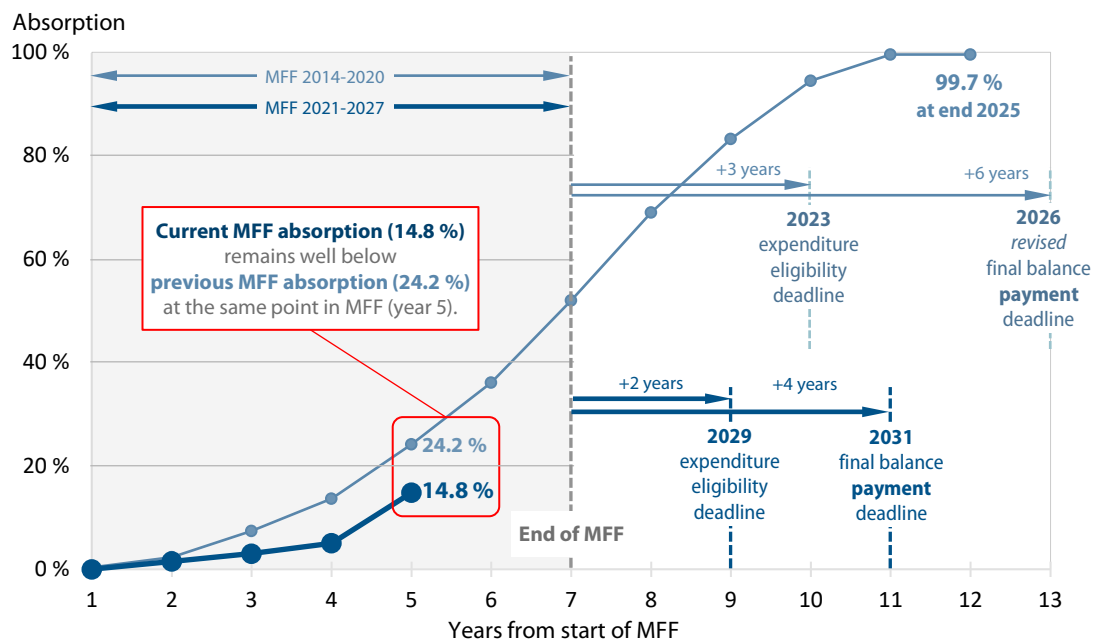
2.15. In 2022, the Council took measures to protect the EU budget against breaches of the principles of the rule of law in Hungary⁵, resulting in the suspension of €6.4 billion in cohesion policy funding to that country. The Commission's reassessment

⁵ Council Implementing Decision (EU) 2022/2506.

in 2023⁶, 2024⁷ and 2025⁸ confirmed the reasons for suspension. Under the applicable provisions⁹, suspended commitments from 2022 (€1.0 billion) were lost at the end of 2024, while suspended 2023 commitments (€1.1 billion) were lost at the end of 2025. These amounts represent a permanent loss of budgetary resources for Hungary.

2.16. Absorption of the three main cohesion policy funds (ERDF, CF and ESF+), accounting for 90 % of the shared management funds under the CPR for 2021-2027, remained lower than in 2014-2020. The overall absorption rate of these three funds was 14.8 % at the end of 2025, compared to 24 % at the equivalent point of the previous MFF (end of 2018), see [Figure 2.9](#). We observed a high amount of outstanding payment claims at year end, see [Box 2.1](#).

Figure 2.9 – Absorption of cohesion funds in year 5: current MFF still lagging behind previous MFF



Notes: Includes pre-financing and interim payments.

Regulations (EU) 2025/1913 and (EU) 2025/1914 allow extension of the eligibility deadline to 31 December 2030 for 2021-2027 MFF programmes whose amendments reallocating resources to the new priorities have been approved.

Source: ECA, based on [Commission's open data platform](#) as at 19 January 2026.

⁶ Commission Decision C(2023)8999.

⁷ Commission Communication COM(2024) 800.

⁸ Commission Communication COM(2025) 900.

⁹ Article 7(3) of Regulation (EU) 2020/2092.

Box 2.1**The payment backlog and its implications for subsequent years**

The level of payment appropriations is subject to uncertainty, as it depends on member states' forecasts of payment claims, which are influenced by the pace of programme implementation and may vary during the year. The Commission may propose amending budgets to respond to evolving needs. However, such adjustments are subject to procedural constraints and timing, which can limit their effectiveness in aligning appropriations with actual payment claims, resulting in unpaid claims at year end.

Payment claims outstanding at year end can be grouped into two categories for analytical purposes:

- (a) claims received too late to be processed before year end; and
- (b) claims that cannot be paid due to insufficient payment appropriations in the annual budget.

In 2025, the volume of payment claims for three cohesion policy funds (ERDF, CF, and ESF+) exceeded the payment appropriations available in the budget. By the end of 2025, outstanding payment claims had accumulated, amounting to €17 billion. These claims were processed in early 2026.

Unpaid claims carried over into subsequent years place additional pressure on available payment appropriations and may constrain the capacity to cover new payment claims.

2.17. In 2025, the Commission estimated the risk of decommitments for cohesion policy programmes under the current MFF at zero¹⁰ (2024 estimate: €2.7 billion¹¹). Nevertheless, absorption of EU cohesion funds remains below historical levels (see [Figure 2.9](#)) and decommitments could still occur if payments do not accelerate as assumed. In September 2025, two new regulations¹² were adopted to accelerate investments and facilitate implementation.

¹⁰ COM(2025) 573, Table 2, Total.

¹¹ COM(2024) 276, Table 2, Total.

¹² Regulations (EU) 2025/1913 and (EU) 2025/1914.

EAFRD payments under the new CAP accelerated significantly in 2025

2.18. Since 2023, the EAFRD has been covered by the new common agricultural policy (CAP) regulations¹³. Absorption of EAFRD funding for 2023-2027 began in 2023, after the 2021-2022 transitional period. At the end of 2025¹⁴, EAFRD payments amounted to €14.2 billion (2024: €6.3 billion), with an absorption rate of 21.6 % (2024: 9.5 %).

RRF grant payments were significantly lower than expected in 2025

2.19. By the end of 2025, all member states' revised plans under the Recovery and Resilience Facility (RRF) included a *REPowerEU chapter*. In addition to NGEU, the Commission will use revenues from the *emissions trading system (ETS)* of up to €20.0 billion to finance the 27 REPowerEU chapters adopted, plus allocations from the *Brexit Adjustment Reserve (BAR)*¹⁵ of up to €2.1 billion. The total amount of RRF grants, including REPowerEU, could reach €359.9 billion.

2.20. Annual payments of RRF grants totalled €40.1 billion in 2025, of which €33.2 billion was financed from NGEU grants, €6.3 billion from ETS revenues, and €0.6 billion from the BAR. The annual payments for NGEU-financed RRF grants were only 62 % of what the Commission had expected in June 2024 (€65 billion)¹⁶. However, at the end of 2025, net payment requests from 17 member states for RRF grants totalling €20.3 billion were still under assessment¹⁷, of which requests for €17.4 billion were received in December 2025.

2.21. RRF grants paid out by the end of 2025 totalled €237.5 billion (66 %) out of €359.9 billion of commitments made, see *Figure 2.10*. Thus, up to €122.4 billion is available to be paid out until the end of 2026. This is considerably higher than the

¹³ Regulations (EU) 2021/2115 and (EU) 2021/2116.

¹⁴ Commission's open data platform as at 19 January 2026.

¹⁵ Article 21 of Regulation (EU) 2021/241, as amended by Regulation (EU) 2023/435.

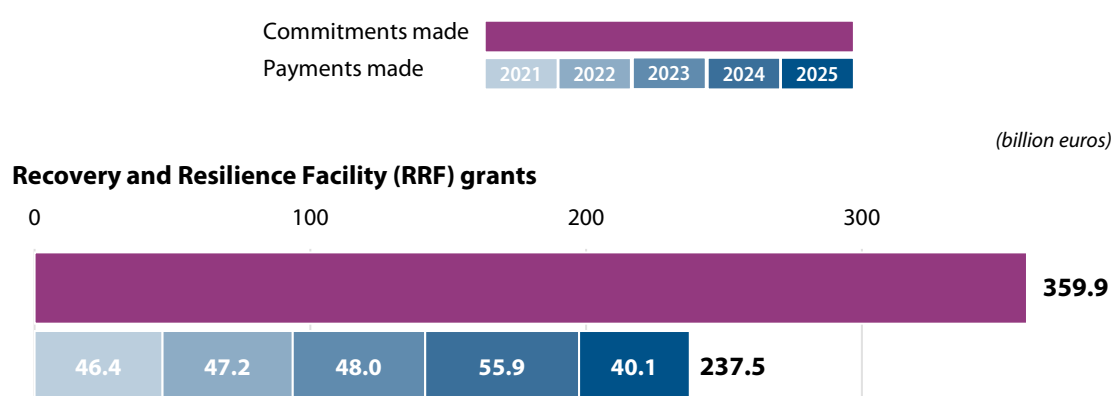
¹⁶ COM(2024) 276, 2.4. "NextGenerationEU".

¹⁷ Commission's Recovery and Resilience Scoreboard *timeline*.

Commission's July 2024 estimate, which projected payments of €70.1 billion for 2026¹⁸.

2.22. While milestones and targets related to the RRF have to be implemented by 31 August 2026, member states must submit their final payment requests by 30 September 2026¹⁹. The Commission must complete all payments by 31 December 2026. The amount to be paid in 2026 is around three times higher than the payments made in 2025. Delivering such a high volume of payments within a short timeframe will place increased pressure on member states to use their funding and on the Commission to assess and process the payment requests. Any unused amount of EU contributions will be decommitted after all relevant legal and payment obligations have been met²⁰.

Figure 2.10 – Implementation of RRF grants by source, as at end 2025



Note: Excludes administrative expenditures.

Source: ECA, based on the 2025 consolidated annual accounts of the EU and on other Commission data.

2.23. There are significant differences in the extent to which member states have absorbed RRF grants so far, see [Figure 2.11](#). These payments are based on the milestones and targets set by the Council for each member state. However, in a special report on absorption of funds from the RRF²¹ we concluded that the amount of funds received by member states does not necessarily reflect the number or significance of

¹⁸ COM(2024) 276, Table 3.

¹⁹ COM(2025) 310.

²⁰ C/2026/2614, 4.2. "Final decommitments due to under-implementation at the end of the RRF".

²¹ Special report 13/2024.

the milestones and targets achieved. The relationship between the funds received and the milestones and targets achieved varies across member states.

Figure 2.11 – RRF grants paid and amounts to be paid based on revised allocations to member states, as at end 2025

(billion euros)

	Paid		To be paid		Allocated (*)	
	66.0 %	237.5	34.0 %	122.4		359.9
France	84.8 %	34.1	15.2 %	6.1		40.3
Austria	84.1 %	3.3	15.9 %	0.6		4.0
Croatia	81.8 %	4.7	18.2 %	1.1		5.8
Italy	75.4 %	54.1	24.6 %	17.7		71.8
Czechia	70.9 %	5.9	29.1 %	2.4		8.4
Spain	69.0 %	55.1	31.0 %	24.8		79.9
Denmark	67.2 %	1.1	32.8 %	0.5		1.6
Slovenia	66.5 %	1.1	33.5 %	0.5		1.6
Greece	66.1 %	12.0	33.9 %	6.2		18.2
Estonia	65.8 %	0.6	34.2 %	0.3		1.0
Malta	65.6 %	0.2	34.4 %	0.1		0.3
Germany	65.2 %	19.8	34.8 %	10.6		30.3
Portugal	63.8 %	10.4	36.2 %	5.9		16.3
Slovakia	61.9 %	4.0	38.1 %	2.4		6.4
Belgium	58.9 %	3.0	41.1 %	2.1		5.0
Ireland	58.9 %	0.7	41.1 %	0.5		1.2
Finland	57.6 %	1.1	42.4 %	0.8		1.9
Latvia	55.6 %	1.1	44.4 %	0.9		2.0
Cyprus	53.1 %	0.5	46.9 %	0.5		1.0
Bulgaria	53.0 %	3.3	47.0 %	2.9		6.2
Sweden	47.8 %	1.6	52.2 %	1.8		3.4
Romania	47.2 %	6.4	52.8 %	7.2		13.6
Lithuania	46.3 %	1.1	53.7 %	1.2		2.3
Netherlands	46.3 %	2.5	53.7 %	2.9		5.4
Poland	37.7 %	9.5	62.3 %	15.8		25.3
Luxembourg	37.4 %	0.1	62.6 %	0.2		0.2
Hungary	2.2 %	0.1	97.8 %	6.4		6.5

Only **three member states** have absorbed 80 % or more.
Three additional member states could surpass the 80 % threshold if the payment requests they submitted in late 2025 are fully approved.

(*) based on revised allocations.

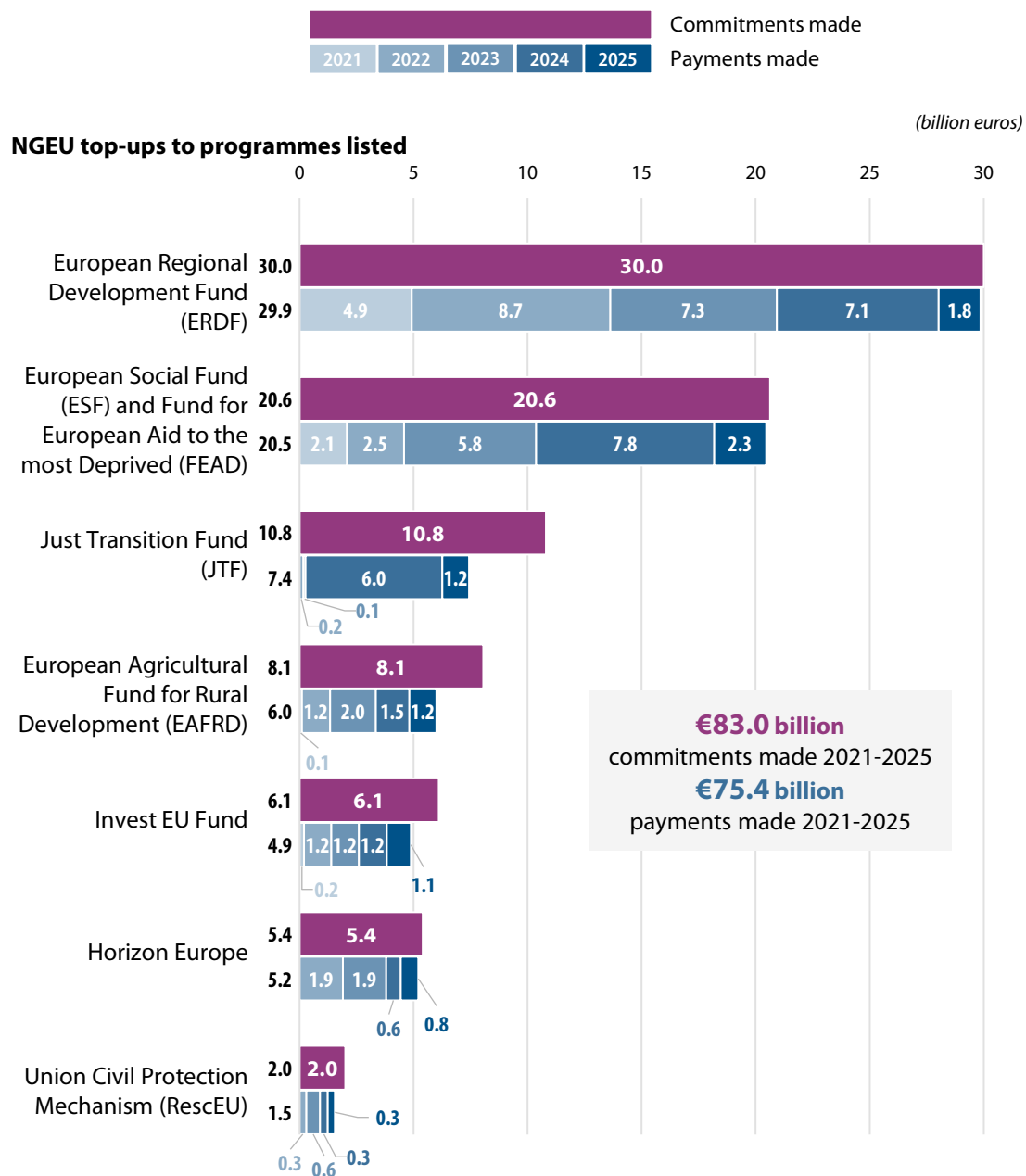
Notes: Excludes administrative expenditure.

Hungary has received only pre-financing and has not yet submitted any payment requests.

Source: ECA, based on [RRF scoreboard](#) and on other Commission data.

2.24. Commitments of NGEU top-ups to MFF programmes total €83.0 billion, see [Figure 2.12](#). Annual payments of these top-ups amounted to €8.5 billion in 2025, with cumulative payments reaching €75.4 billion by the end of 2025. As a result, payments of up to €7.6 billion can be made until the end of 2026.

Figure 2.12 – NGEU implementation related to top-ups to EU programmes, as at end 2025



Source: ECA, based on the 2025 consolidated annual accounts of the EU.

Outstanding commitments are decreasing but still substantial

2.25. *Outstanding commitments* are the sum of commitments made in the current and previous years but not yet paid. They are linked to the multiannual nature of the EU budget and represent future payment obligations that, unless decommitted, must be honoured once they become payable.

2.26. As outstanding commitments accumulate, they constrain the flexibility of future budgets, since payment appropriations must first cover existing legal obligations before resources can be allocated to new or emerging priorities. A high level of outstanding commitments limits the EU budget's capacity to respond to changing circumstances or finance new initiatives under the next MFF. Furthermore, if payment appropriations in annual budgets are insufficient, this may lead to delays in settling payment claims or the accumulation of a payment backlog, see [Box 2.1](#).

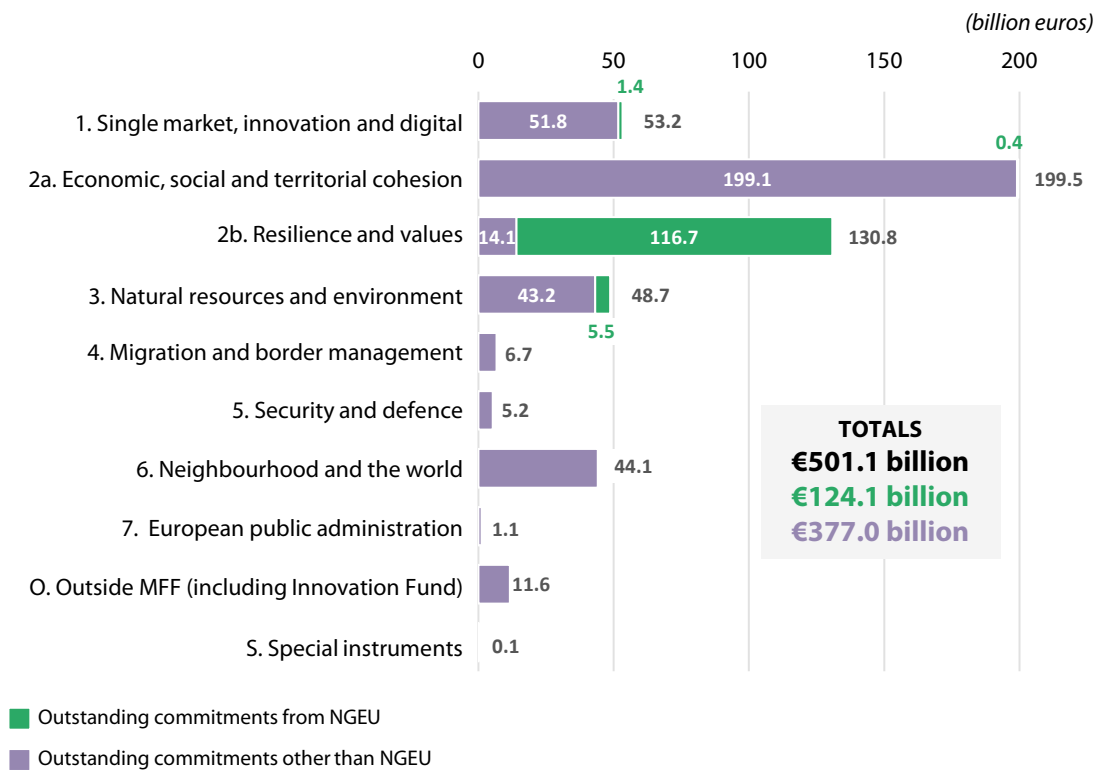
2.27. The Commission considers the annual payment ceilings for 2026 and 2027 to be sufficient overall to accommodate expected payments²². However, the margin available under the payment ceiling is very limited in 2027 (around €1 billion)²³, leaving little room to absorb unforeseen payment pressures.

2.28. At the end of 2025, outstanding commitments, which will require payments in future years unless decommitted, totalled €501.1 billion, including €124.1 billion for NGEU grants, see [Figure 2.13](#).

²² COM(2025) 573, p. 4.

²³ Ibid., Table 1.1.

Figure 2.13 – Total outstanding commitments by source and MFF heading, as at end 2025



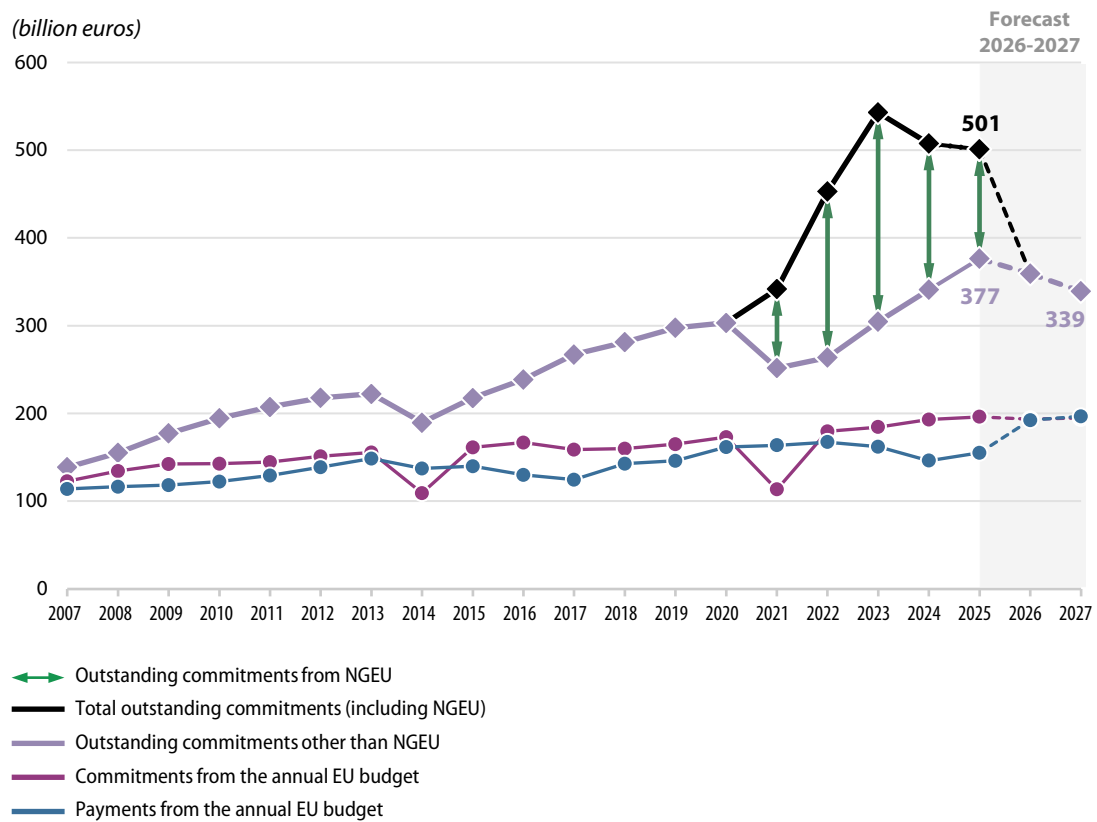
Source: ECA, based on 2025 consolidated annual accounts of the EU and on other Commission data.

2.29. In 2025, the Commission revised down its forecast of outstanding commitments at the end of 2027 from €364.7 billion²⁴ to €339 billion²⁵. **Figure 2.14** presents outstanding commitments at the end of each year from 2007 to 2027. As regards NGEU outstanding commitments, all payments (except small amounts linked to administrative and technical assistance expenditure), must be made by the end of 2026.

²⁴ COM(2024) 276, Table 4.

²⁵ COM(2025) 573, 2.6. “Evolution of the level of outstanding commitments”.

**Figure 2.14 – Outstanding commitments, commitments and payments
2007-2025, and forecast for 2026-2027**



Note: The forecasts from 2026 onwards do not include carry-overs or assigned revenue.

Source: ECA, based on the consolidated annual accounts of the EU for 2007-2025, and on COM(2025) 573.

Financial management in 2025

Outstanding EU borrowing increased by more than 20% in 2025

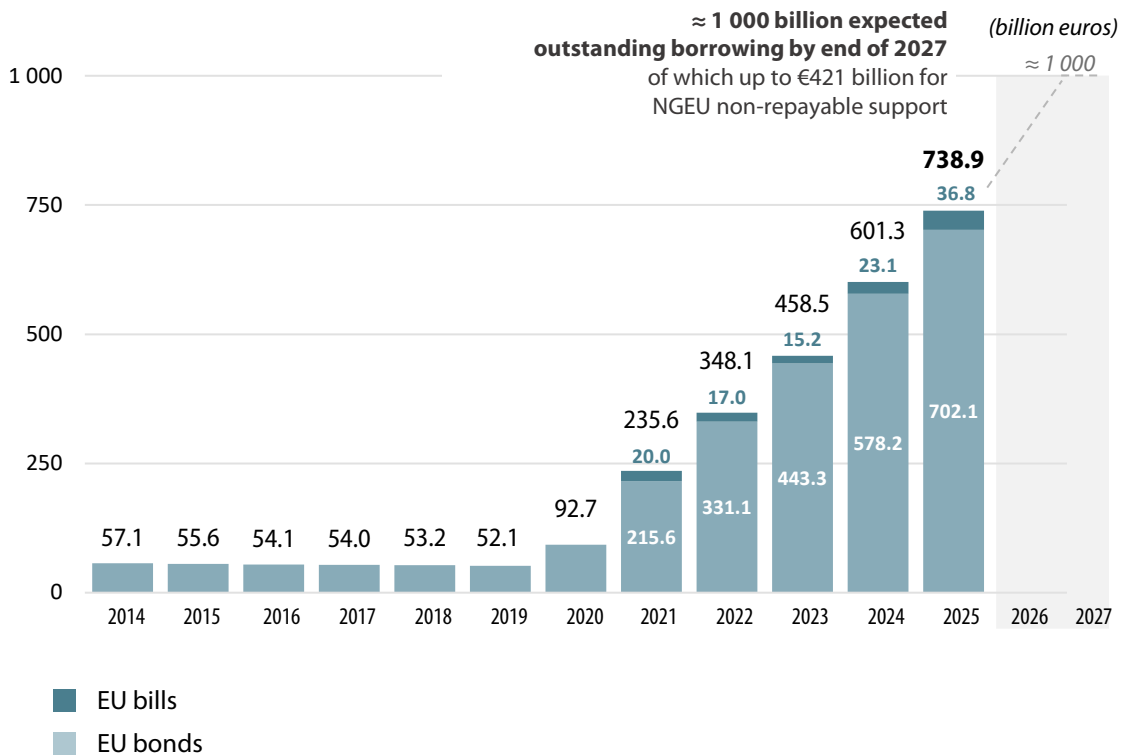
2.30. Since December 2022, the Commission has adopted a *diversified funding strategy*²⁶ as its standard approach for funding financial assistance through borrowing. At the end of 2025, the nominal value of outstanding EU borrowing was €738.9 billion (2024: €601.3 billion). This included EU bills with a nominal value of €36.8 billion (2024: €23.1 billion). These have a maturity of less than one year and are issued for liquidity management.

2.31. In the past five years, the Commission has increasingly relied on capital markets to finance larger programmes, such as SURE and NGEU, see [Figure 2.15](#). By 2027, outstanding EU borrowing could reach €1 trillion.

2.32. In 2025, the Council adopted a regulation establishing the [Security Action for Europe \(SAFE\)](#) instrument to finance urgent and large-scale investments for the European defence. The Commission can borrow up to €150 billion on capital markets and lend these funds to member states upon request, based on approved national plans. At the end of 2025, financial operations had not yet started. According to the Commission, depending on the progress of national implementation, half of these loans might be disbursed in 2026-2027, and the rest by the end of 2030.

²⁶ [2023 annual report](#), paragraph 2.36.

Figure 2.15 – Outstanding EU borrowing since 2014

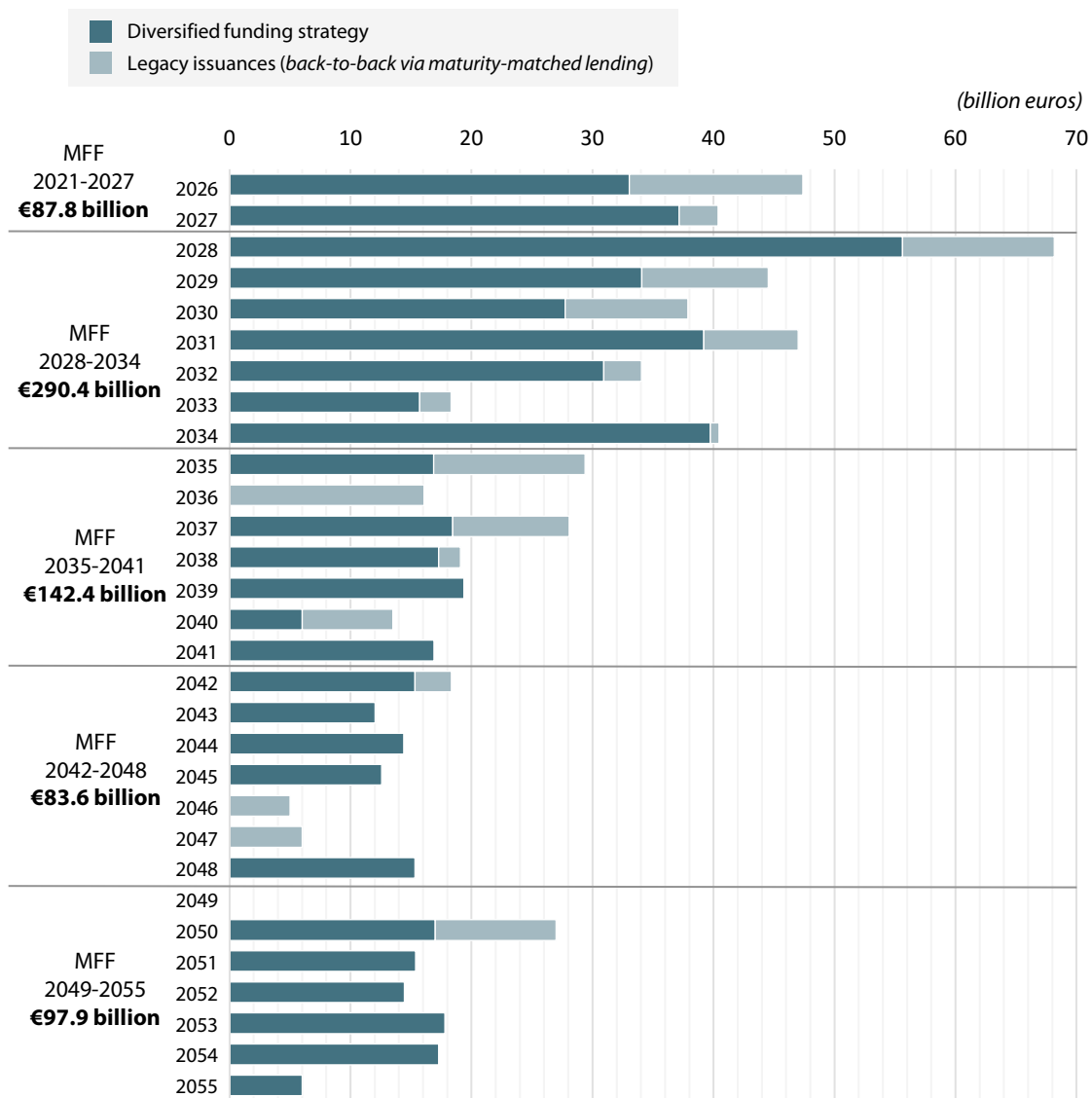


Note: EU issuances at nominal value.

Source: ECA, based on the 2025 consolidated annual accounts of the EU and other Commission data.

2.33. Figure 2.16 shows the maturities of EU borrowing, excluding EU bills, by programming period. The current maturity structure is distributed across the current and subsequent MFFs. Maturing bonds will be partially rolled over, so that repayment obligations are distributed across subsequent MFFs in line with the requirements of the [Own Resources Decision](#).

Figure 2.16 – Annual volumes of outstanding EU bonds maturing, as at end 2025

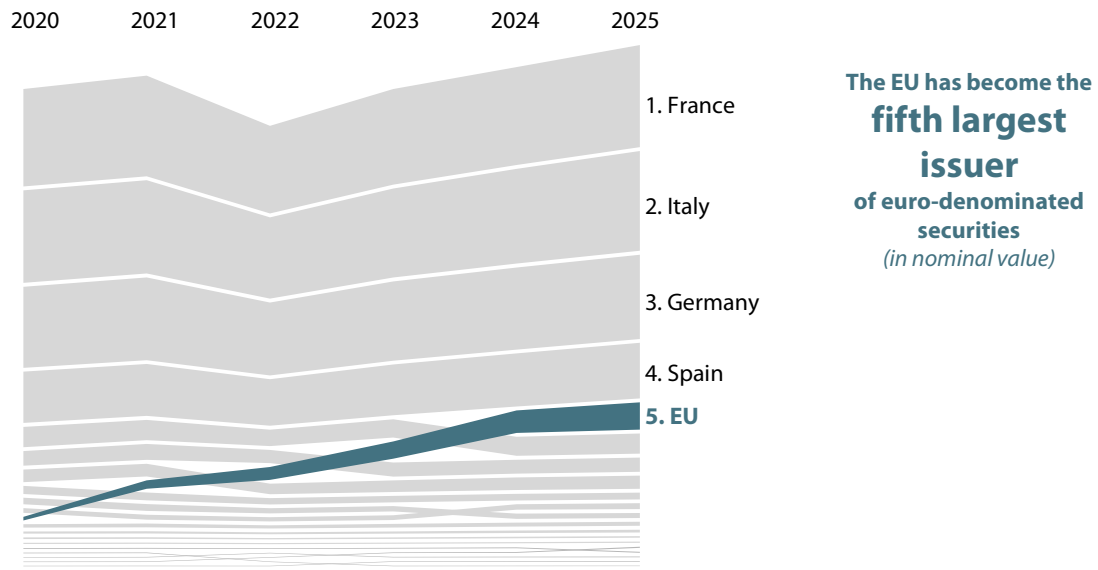


Note: Amounts at nominal value. EU bills are not included.

Source: ECA, based on the 2025 consolidated annual accounts of the EU.

2.34. The outstanding nominal amount of long-term debt securities at the end of 2025 places the EU among the largest issuers of euro-denominated debt. [Figure 2.17](#) compares outstanding long-term debt securities of member states and the EU in the period 2020-2025.

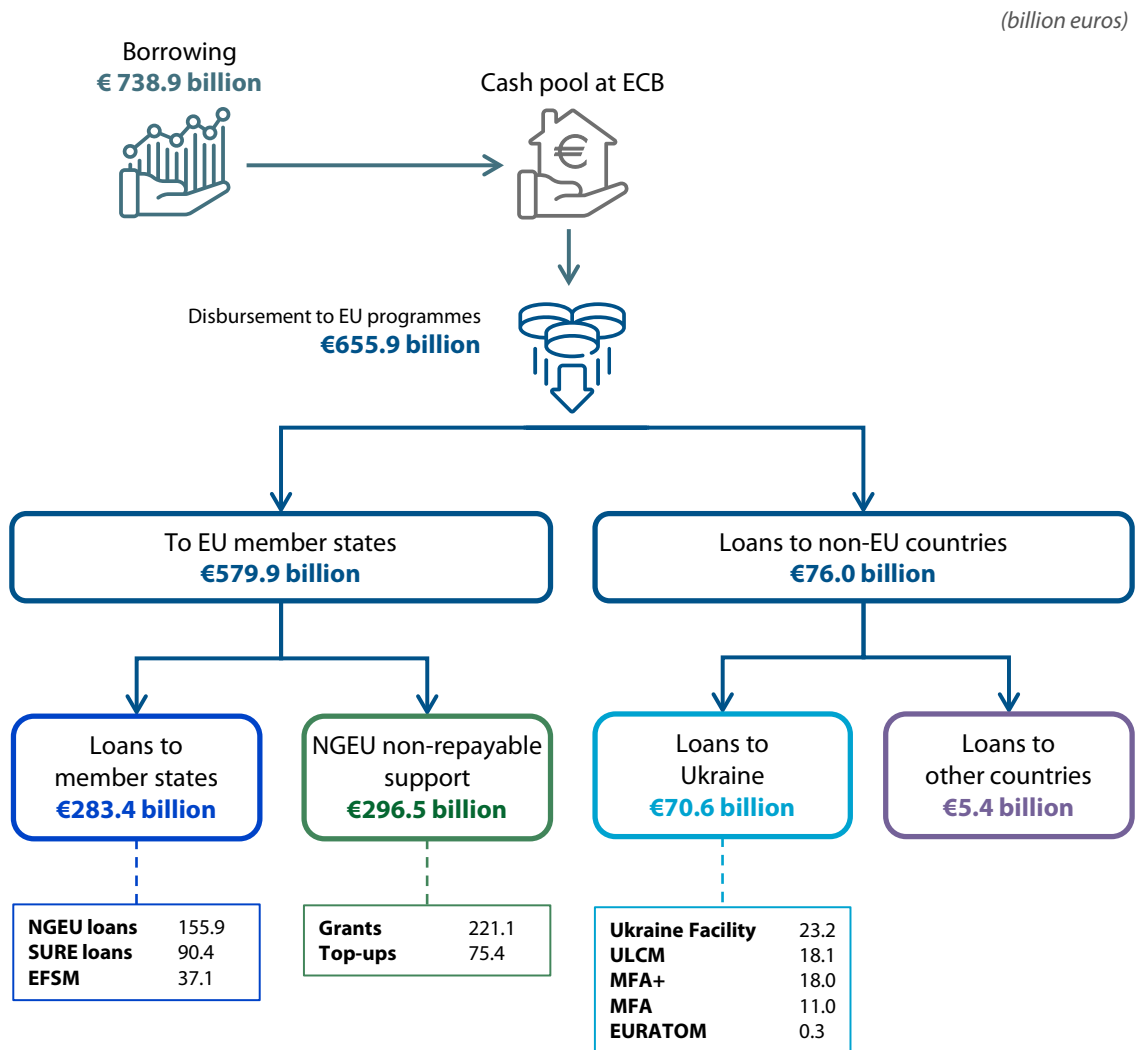
Figure 2.17 – Outstanding amounts of long-term debt securities by EU general governments and the EU



Source: ECA, based on [ECB data](#) and the 2025 consolidated annual accounts of the EU.

2.35. EU borrowing finances NGEU and financial assistance to member states and non-EU countries. [Figure 2.18](#) gives a breakdown of EU programmes funded by EU borrowing.

Figure 2.18 – Programmes funded by outstanding EU borrowing, as at end 2025



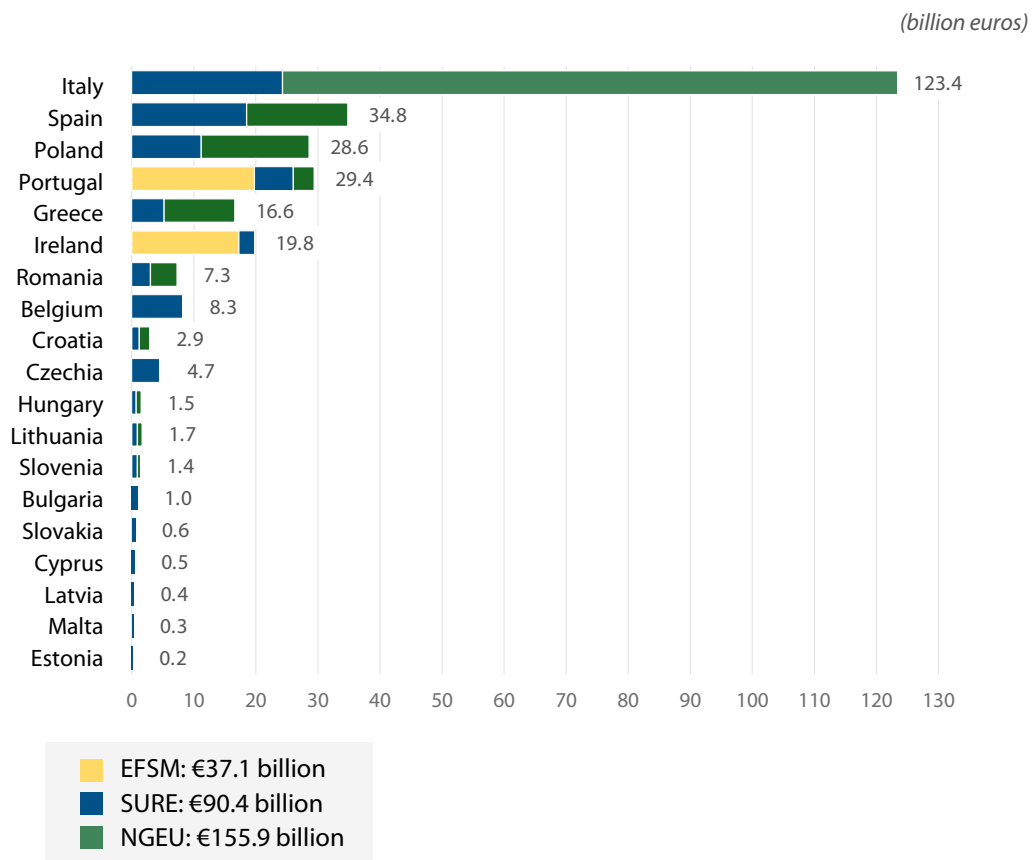
EFSM: European Financial Stabilisation Mechanism
MFA: Macro-Financial Assistance
NGEU: NextGenerationEU
SURE: Support to mitigate Unemployment Risks in an Emergency
ULCM: Macro-Financial Assistance under the Ukraine Loan Cooperation Mechanism

Notes: Amounts at nominal value. The amounts do not include the part of grants financed by the BAR or the ETS. Cash proceeds from EU borrowings may differ from their nominal repayment amounts, as securities can be issued at prices above or below nominal value depending on market conditions.

Source: ECA, based on the 2025 consolidated annual accounts of the EU and on other Commission data.

2.36. Figure 2.19 gives a breakdown of loans to member states funded by EU borrowing.

Figure 2.19 – Loans disbursed to EU member states funded by outstanding EU borrowing, as at end 2025



Note: Amounts at nominal value.

Source: ECA, based on the 2025 consolidated annual accounts of the EU.

NGEU uptake is lower than expected

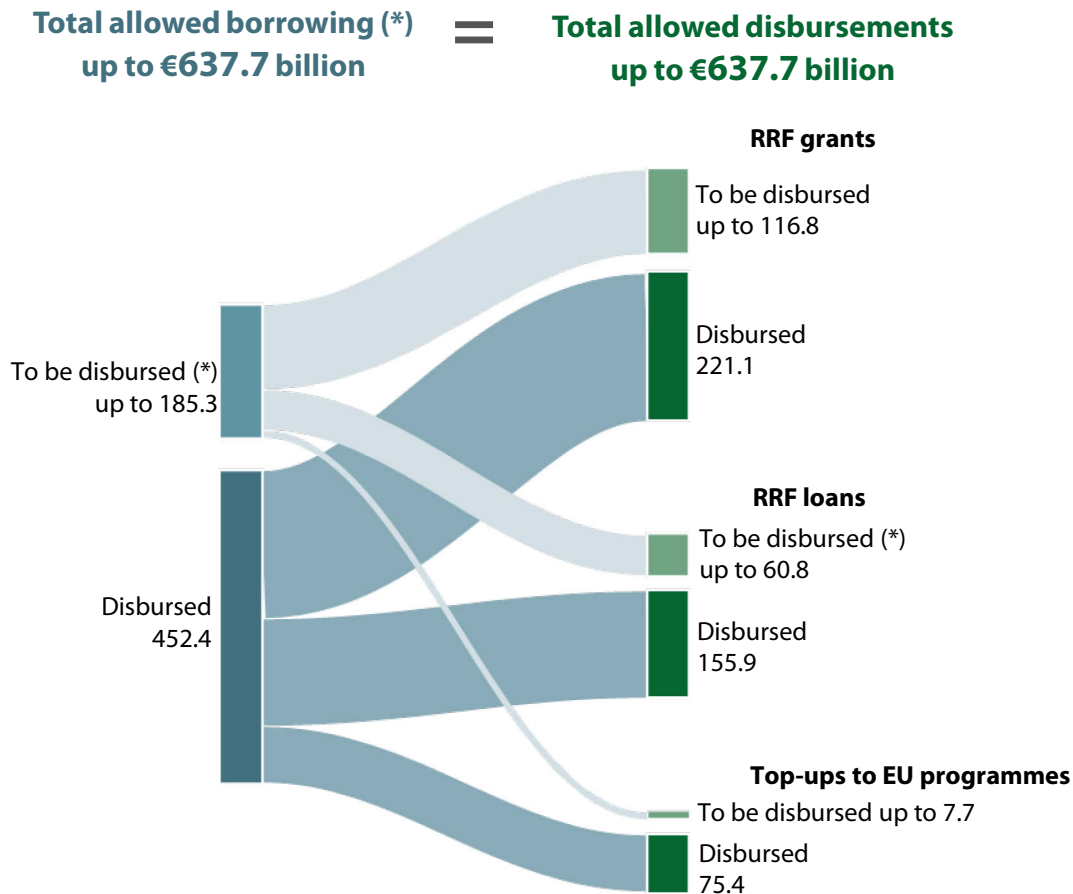
2.37. The initial NGEU programme amount was set up to provide funding to member states of up to €806.9 billion at current prices (€750 billion at 2018 prices). As member states' demand for loans decreased, this amount was adjusted downwards to €698 billion at the end of 2025. Taking into account the reduction in Spain's loan allocation²⁷ in January 2026, the updated total available funding amounts to €637.7 billion, comprising €216.7 billion for loans and €421.0 billion for non-repayable support.

2.38. By the end of 2025, the EU had disbursed €452.4 billion, see [Figure 2.20](#). The EU may still disburse up to €185.3 billion for NGEU before the end of 2026.

²⁷ Article 2(1) of [Council Implementing Decision \(EU\) 17031/25](#).

Figure 2.20 – NGEU disbursements, as at end 2025

(billion euros)



(*) based on revised loan allocations of January 2026.

Note: The borrowing reported for NGEU represents only those funds specifically allocated to NGEU as at the end of 2025. It does not include administrative expenditure, nor the part of grants financed by the BAR or the ETS. The total amount of loans includes the downward revision by €60.4 billion approved in January 2026.

Source: ECA, based on the 2025 consolidated annual accounts of the EU and on other Commission data.

2.39. Repayment of NGEU borrowing must start in 2028 and be completed by 2058 at the latest²⁸. Annual principal repayments cannot exceed 7.5 % of the maximum amount of non-repayable NGEU support²⁹ (i.e. €31.6 billion per year).

²⁸ Article 5(2) of Council Decision (EU, Euratom) 2020/2053.

²⁹ Ibid.

2.40. To achieve the required steady and predictable reduction of liabilities³⁰, the Commission will need to roll over expiring debt by issuing new debt instruments to pay off the old ones as they mature³¹. Changes in market conditions could mean either higher or lower borrowing costs that, for NGEU borrowing relating to grants and top-ups³², will have to be borne by the EU budget. The Parliament and the Council agreed with the Commission that the expenditure from the EU budget related to the repayment of NGEU should not lead to an undue reduction in programme expenditure or investment instruments under the current MFF³³. Without prejudice to the size of future MFFs, the repayment schedule of borrowing for NGEU non-repayable support might affect the overall payment appropriations of future MFFs. All costs incurred by the EU in relation to borrowing for NGEU loans, including costs linked to managing interest rate and other financial risks, are borne by the beneficiary member states.

2.41. The Commission has not published an overall repayment strategy for NGEU until 2058. As regards the amounts borrowed for NGEU non-repayable support, in its proposal for the 2028-2034 MFF, the Commission put forward a fixed annual amount of €24 billion in current prices to cover both interest and principal repayments³⁴ over that period. Under the proposal, interest payments take precedence, with any remaining funds within the €24 billion annual allocation used to accelerate principal repayment. According to the Commission, this fixed-annuity approach provides predictability for budget planning and acts as a natural hedge against fluctuating interest rates, even if, compared with alternatives involving linear repayment of the principal, it may result in higher overall interest costs throughout the full repayment period (until 2058)³⁵. Based on information published by the Commission, the interest costs related to NGEU non-repayable support over the 2028-2034 MFF could amount to around €93 billion³⁶, assuming full disbursement of the support.

³⁰ Ibid.

³¹ COM(2024) 93, Annex.

³² Article 11(1) of Commission Implementing Decision (EU, Euratom) 2023/2825.

³³ Interinstitutional agreement of 16 December 2020, Annex II.

³⁴ COM(2025) 573, 2.1. “Payments in relation to the commitments of the 2028-2034 MFF”.

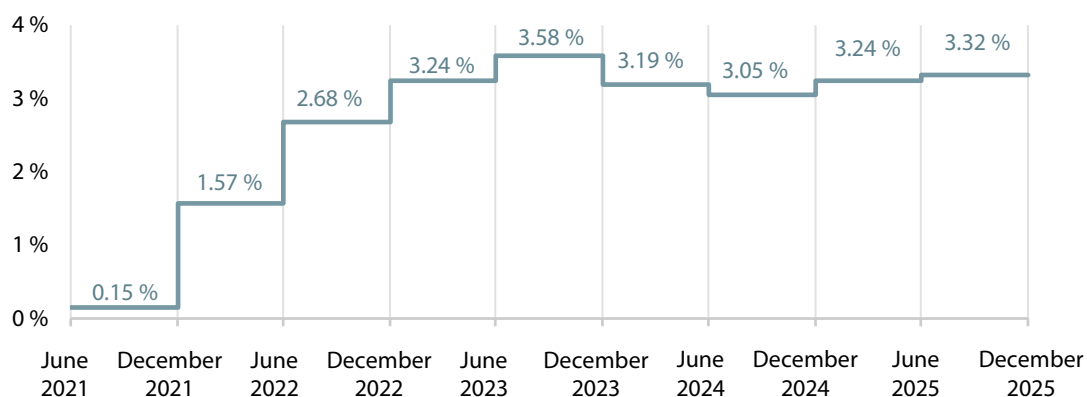
³⁵ SWD(2025) 570, 4.5 “Preparedness”.

³⁶ Estimated from Figure 4.4, SWD(2025) 570 final/2.

Expected NGEU borrowing costs for the current MFF remain double the initial estimates

2.42. An overall allocation of €14.9 billion was agreed in 2020 under heading 2b ('Resilience and values') of the 2021-2027 MFF to finance interest and coupon payments for NGEU borrowing³⁷. The 2020 estimates were based on expected interest rates for the borrowing ranging from 0.55 % in 2021 to 1.15 % in 2027³⁸. However, actual interest rates rose significantly³⁹, adversely affecting the EU's marginal cost of funding, see [Figure 2.21](#).

Figure 2.21 – Changes in NGEU cost of funding



Note: The cost of funding for each time compartment reflects the rate at the time of the reporting but may fluctuate due to changing market conditions.

Source: ECA, based on [COM\(2026\) 164](#).

2.43. According to the Commission, expenditure related to the financing costs of borrowing for non-repayable NGEU support amounted to €10.4 billion during 2021-2025 (€5 billion in 2025). This was almost 62 % higher than the initial forecast of €6.4 billion⁴⁰. The Commission expects to pay around €8 billion in interest in 2026⁴¹

³⁷ [Multiannual Financial Framework 2021-2027 \(in commitments\) – Current prices](#), line 2.6. "Financing and repayment – NextGenerationEU".

³⁸ Briefing by the European Parliamentary Research Service: [Revision of the EU's long-term budget for 2021 to 2027](#), p. 7.

³⁹ [Key ECB interest rates](#).

⁴⁰ [Multiannual Financial Framework 2021-2027 \(in commitments\) – Current prices](#), line 2.6. "Financing and repayment – NextGenerationEU".

⁴¹ [EU Budget 2026](#), Title 06 "Recovery and Resilience".

and €9.9 billion in 2027⁴². Total financing costs in the current MFF could thus reach €28.3 billion, around double the Commission's original forecast of €14.9 billion⁴³. However, the conflict in the Middle East, which began in late February 2026, has created additional uncertainty over inflation and broader monetary policy decisions⁴⁴. As a result, future financing costs may differ from current budgetary projections. The Commission has not yet published updated estimates of the potential consequences for financing costs, even though the impact might be comparable to that following Russia's war of aggression against Ukraine.

2.44. In 2025, the EU budget mobilised the EU Recovery Instrument (EURI) special instrument⁴⁵, which provided €1.1 billion⁴⁶ to cover part of NGEU borrowing costs. This was on top of the €1.1 billion financed through the [Flexibility Instrument](#)⁴⁷.

Delayed disbursements have led to increased cash balances

2.45. The Commission borrows in advance based on forecast disbursement needs of the various programmes to ensure it can meet its obligations on time. Each year, the Commission adopts an [annual borrowing decision](#) establishing the maximum ceiling for long-term and short-term borrowing, reflecting projected liquidity requirements across relevant programmes. Within this framework, the Commission publishes semi-annual [funding plans](#) that outline expected issuance volumes and timing for the following 6 months. By communicating its funding strategy in advance, the Commission ensures higher predictability about its issuances, while maintaining flexibility and providing for transparency in the markets⁴⁸.

2.46. The Commission has to ensure that it has sufficient funds available to make disbursements. For the RRF, the lower than forecast disbursements, which are based

⁴² [Statement of estimates of the Commission for the financial year 2027](#), Policy Highlights, 3.4.3 Recovery and resilience cluster, Financing cost of the European Union Recovery Instrument (EURI).

⁴³ [Multiannual financial framework 2021-2027 \(in commitments\) – Current prices](#), line 2.6. "Financing and repayment – NextGenerationEU".

⁴⁴ [Speech by the Vice-President of the ECB](#), 26.03.2026.

⁴⁵ [2023 annual report](#), paragraph 2.32.

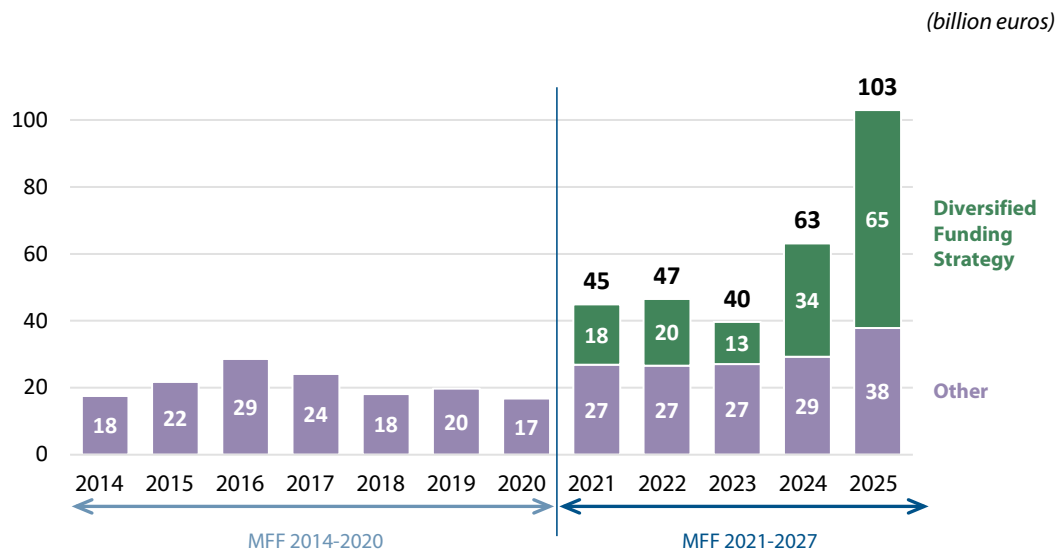
⁴⁶ [2025 EU budget](#), p. 15.

⁴⁷ [Ibid.](#)

⁴⁸ Recital 8, [Commission Implementing Decision \(EU, Euratom\) 2023/2825](#).

on the indicative schedule of member states' payment requests, resulted in elevated cash holdings, see [Figure 2.22](#).

Figure 2.22 – EU cash balances at year end



Note: Balances also include cash equivalents.

Source: ECA, based on the 2025 consolidated annual accounts of the EU.

2.47. Under the diversified funding strategy, see paragraph [2.30](#), the Commission holds borrowing proceeds in a common liquidity pool at the ECB and manages this centrally. Favourable interest rate conditions have meant that, since 2021, liquidity management has generated cumulative net revenue which, according to the Commission, amounted to €0.2 billion for the EU budget. However, in 2025, changes in interest rates meant that cash balances began to generate net liquidity management costs for the EU budget⁴⁹. As liquidity costs are invoiced annually, the net costs arising in 2025 will only be reflected in the 2026 EU budget⁵⁰.

The EU budget has further implemented support to Ukraine during Russia's war of aggression

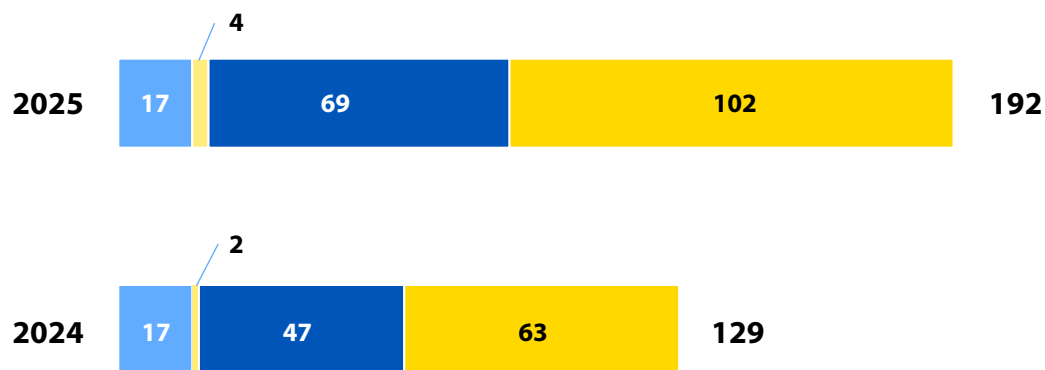
2.48. According to the Commission, by the end of 2025, the EU and its member states had mobilised over €192.1 billion in support for Ukraine and its people since the start of Russia's war of aggression, see [Figure 2.23](#).

⁴⁹ COM(2025) 310, 2.2. "Delays in implementation result in costs for the European Union".

⁵⁰ Article 17 of Commission Implementing Decision (EU, Euratom) 2024/1974.

Figure 2.23 – The EU and its member states support to Ukraine and the Ukrainians since start of the Russia’s war of aggression, as at end 2025

(billion euros)



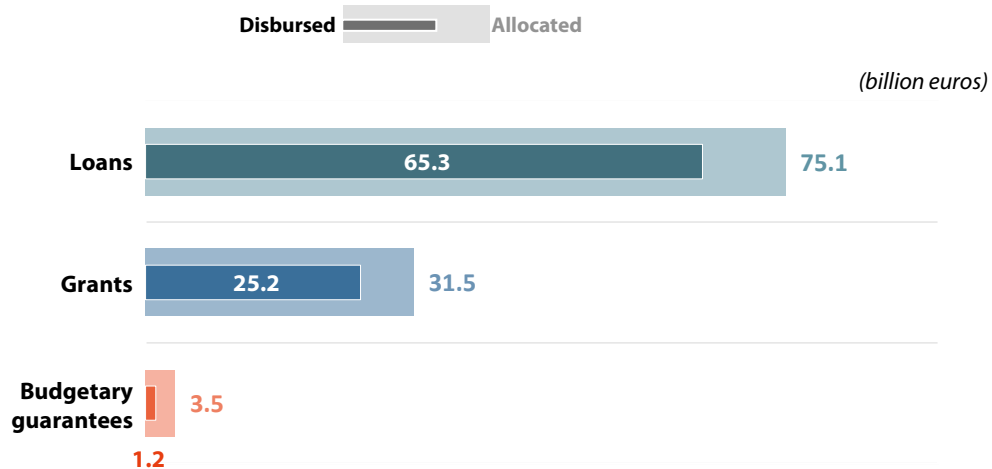
- Support for Ukrainians in the EU
- Ukraine support from proceeds of Russian immobilised assets
- Military assistance measures
- Other support made available by the EU and its member states

Source: ECA, based on Commission data.

2.49. While [Figure 2.23](#) shows the total amount mobilised by the EU and its member states, [Figure 2.24](#) presents a complementary perspective, focusing only on the support enabled by the EU budget. The breakdown is based on the amounts disbursed and allocated of the following elements:

- (a) loans, at nominal value;
- (b) grants, providing direct support to Ukraine and the Ukrainians (excluding provisioning for loans and guarantees); and
- (c) *budgetary guarantees* as provided under the Ukraine Guarantee only.

Figure 2.24 – EU budget-financed assistance to Ukraine and the Ukrainians since the start of Russia’s war of aggression, as at end 2025



Note: Loans at nominal value; grants under approved programmes; budgetary guarantees as provided under the Ukraine Guarantee only. Excludes provisioning to the common provisioning fund (CPF).

Source: ECA, based on the 2025 consolidated annual accounts of the EU and on other Commission data.

2.50. Regarding the [Ukraine Facility](#), by the end of 2025, it had mobilised €31.3 billion, including €23.2 billion provided in loans, see [Figure 2.18](#). Set up in 2024, the Facility aims to provide up to €50 billion in financial support to Ukraine until 2027. Under the Facility, the EU can also subsidise Ukraine’s borrowing costs during the current MFF for both Ukraine Facility loans and the exceptional *macro-financial assistance (MFA)* loans provided in 2022. In 2025, these interest subsidies amounted to €0.6 billion (€0.8 billion cumulatively since the establishment of the Ukraine Facility).

2.51. In 2025, the MFA under the Ukraine Loan Cooperation Mechanism (ULCM⁵¹, established under the G7 initiative “Extraordinary Revenue Acceleration Loans for Ukraine” and amounting to €18.1 billion⁵², was fully disbursed. Repayment of principal, interest and related costs is expected to be financed through future inflows of extraordinary revenues from immobilised Russian sovereign assets⁵³. However, we note the legal challenges to the immobilisation of Russian assets⁵⁴. According to the

⁵¹ Regulation (EU) 2024/2773.

⁵² Annex to the G7 Finance Ministers’ Statement on Extraordinary Revenue Acceleration (ERA) Loan initiative.

⁵³ Articles 3 and 5(2) of Regulation (EU) 2024/2773.

⁵⁴ T-150/26 and C-186/26.

Commission, in 2025 the EU set aside €0.6 billion of these extraordinary revenues as a buffer to cover future financial costs associated with the ULCM.

2.52. In December 2025, the Council reached a political agreement on additional €90 billion loan⁵⁵ to Ukraine to cover the country's financial needs in 2026 and 2027 under the Ukraine Support Loan (USL), of which €30 billion is for macro-financial assistance and budget support delivered through the Ukraine Facility and €60 billion is to support defence industrial capacity. The loan is to be financed through EU borrowing on the capital markets, backed by the EU budget's *headroom*, while ensuring it does not impact the financial obligations of the non-participating member states (Czechia, Hungary and Slovakia). The EU budget would cover the interest and associated borrowing costs in 2027, while the principal would be repayable by Ukraine only after receipt of war reparations from Russia⁵⁶. The European Parliament gave its [consent](#) in January 2026 to the use of the enhanced cooperation⁵⁷ procedure among the member states backing the loan. Relevant regulations were adopted in February 2026⁵⁸. In April 2026, the Council reached an [agreement](#) on the MFF amendment to guarantee the EU bond issuance and finance the debt service costs for 2027 ([estimated](#) at the time of the proposal at around €1 billion).

2.53. By mid-2026, the approved or agreed loans to Ukraine since 2014, either outstanding or yet to be disbursed, stood at a figure of up to €170.1 billion. Of this total, by the end of 2025, €70.3 billion had already been disbursed, see [Figure 2.25](#).

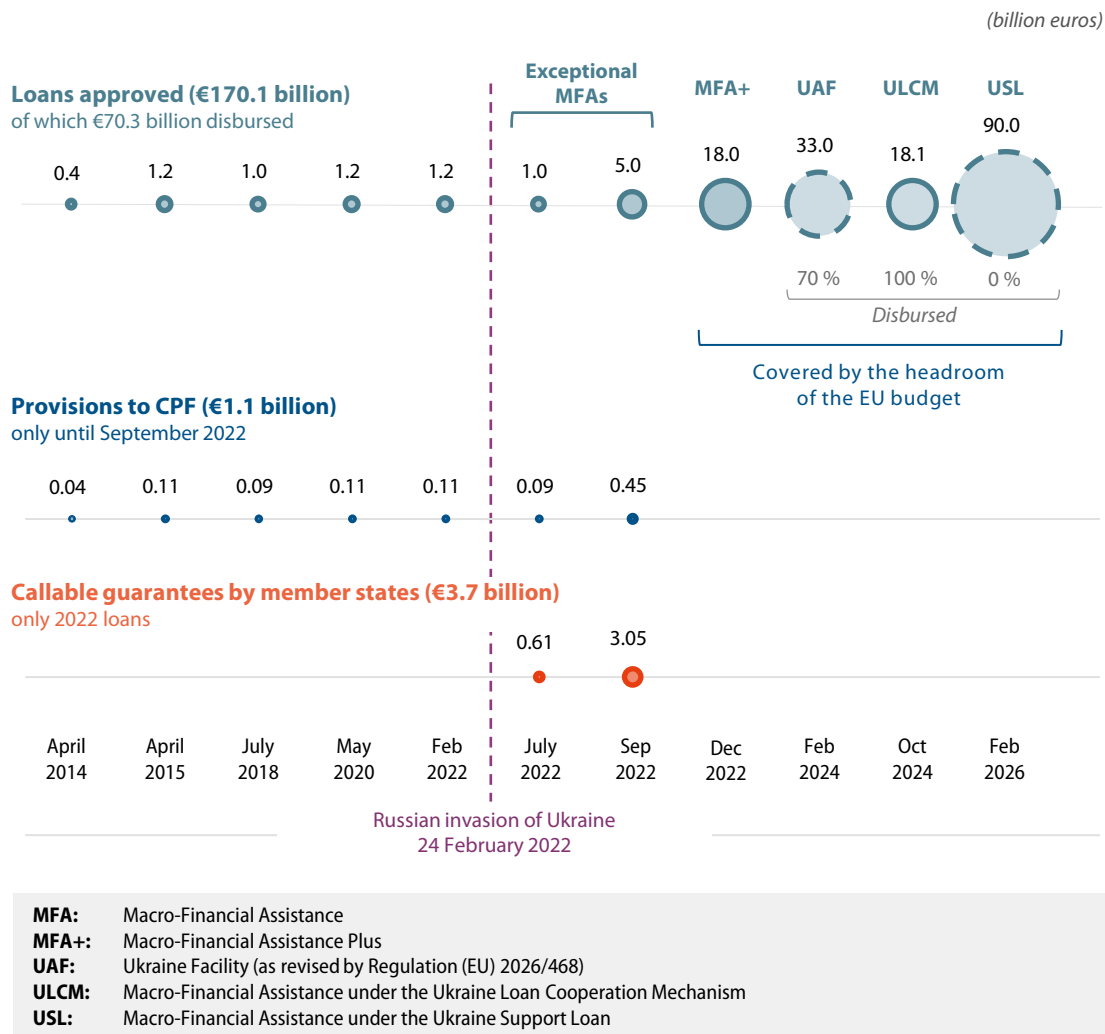
⁵⁵ [EUCO 26/25](#).

⁵⁶ Article 20 of Regulation [\(EU\) 2026/467](#).

⁵⁷ Article 20 of the [Treaty on European Union and the Treaty on the Functioning of the EU](#).

⁵⁸ Regulations [\(EU\) 2026/467](#) and [\(EU\) 2026/468](#).

Figure 2.25 – Timeline of approved loans to Ukraine, outstanding or to be disbursed, including provisions and member state guarantees



Notes: Amounts at nominal value as disbursed at end 2025.

The €0.3 billion outstanding loan disbursed by Euratom to Energoatom is not included.

At end 2025, €0.05 billion of the provisions to the CPF for the 2022 loans were still to be paid in.

Source: ECA, based on applicable legislation and the 2025 consolidated annual accounts of the EU.

2.54. In the 2025 annual accounts of the EU⁵⁹, the Commission recognised an impairment allowance of €30.2 billion (2024: €15.8 billion) for all MFA and Ukraine Facility loans already disbursed, reflecting the expected losses over the lifetime of the loans.

⁵⁹ 2025 consolidated annual accounts of the EU, Note 2.4.

EU budget exposure continues to rise

2.55. To analyse the EU budget exposure, we considered:

- (a) the EU budget guarantees for the borrowing from the markets for loans disbursed to member states or non-EU countries in the event of defaults on these loans; and
- (b) liabilities that might arise in future if a specific event occurs, that are disclosed in the annual accounts as *contingent liabilities* and are composed of budgetary guarantees that have already been extended for amounts disbursed⁶⁰.

2.56. The resulting exposure of the EU budget totalled €406.8 billion at the end of 2025, an increase of 19 % from €342 billion at the end of 2024. [Figure 2.26](#) illustrates the current exposure of the EU budget and the protection system in place to ensure the EU can meet its debt obligations.

⁶⁰ Ibid., Note 4.1.1.

Figure 2.26 – Total EU budget exposure at end 2025, with source of exposure and system of protection

(billion euros)

Source of exposure	EU budget exposure		System of protection BEFORE recourse to the EU budget	System of protection AFTER recourse to the EU budget
	2024	2025		
NGEU loans	108.7	155.9	n/a	Headroom under the temporary own resource ceiling (0.6 % of EU GNI)
SURE loans	98.4	90.4		Headroom under the permanent own resource ceiling (1.4 % of EU GNI) + Guarantee from member states (25 %)
EFSM loans	42.0	37.1		Headroom under the permanent own resource ceiling (1.4 % of EU GNI)
BoP loans	0.2	-		
MFA+ loans to Ukraine	18.0	18.0		
Ukraine Facility loans	13.1	23.2		
MFA under the Ukraine Loan Cooperation Mechanism (ULCM)	-	18.1	Extraordinary revenues from immobilised Russian sovereign assets	
Exceptional MFA loans to Ukraine	6.0	6.0	Common provisioning fund (9 %) + Voluntary guarantee from member states (61 %)	n/a
MFA loans to Ukraine	5.0	5.0	Common provisioning fund (between 9 % and 70 %)	
Ukraine Guarantee	0.1	1.2		
Euratom loans to Energoatom	0.3	0.3		
EFSD guarantee	21.0	20.0		
External Lending Mandate (ELM) guarantee	19.2	16.8		
EFSD guarantee	0.5	0.5		
NDICI-EFSD+ guarantee	1.3	2.9		
InvestEU guarantee	3.5	6.0		
Loans to other non-EU countries	4.7	5.4		
Total	342.0	406.8		

Notes: The figure follows the approach outlined in paragraph 2.55.

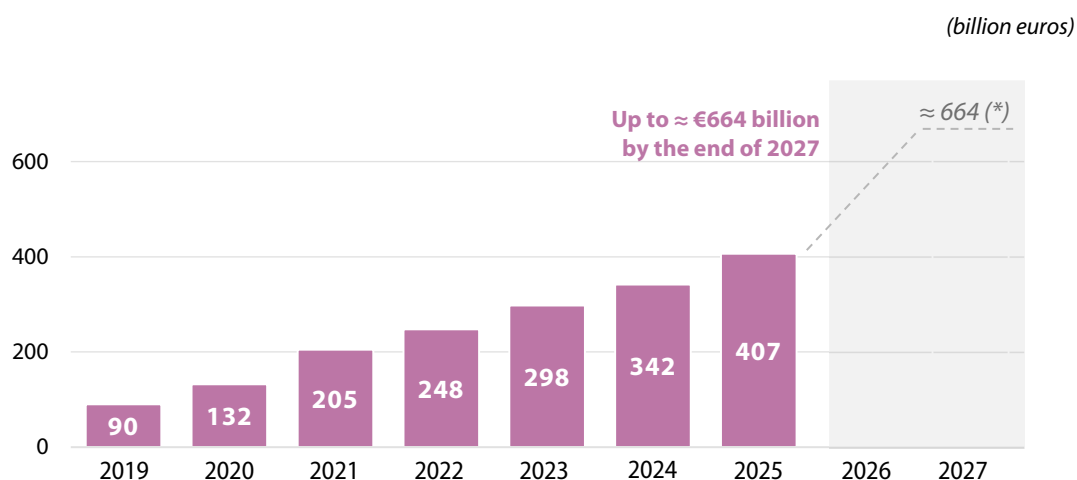
The provisioning rates of the member states' compartments under the InvestEU guarantee may differ from the standard rate. Any amount not covered by provisioning is covered by back-to-back-guarantees from member states. For the ELM guarantee, the EU exposure varies between 65 % and 100 % of the outstanding balances.

Source: ECA, based on the consolidated annual accounts of the EU for 2024 and 2025.

2.57. In 2025, the [Reform and Growth Facility for the Republic of Moldova](#) was established. This will provide up to €1.5 billion in loans between 2025 and 2027, of which €0.3 billion was disbursed in 2025.

2.58. EU budget exposure is projected to rise further, reaching up to €664 billion by 2027, see [Figure 2.27](#).

Figure 2.27 – Past and projected exposure of the EU budget



(*) Projected exposure by the end of 2027:

- NextGenerationEU loans: up to €216.7 billion (revised January 2026)
- Support to mitigate Unemployment Risks in an Emergency loans: €82.4 billion
- Security Action for Europe loans: up to €75 billion (≈ 50 %)
- European Financial Stabilisation Mechanism loans: €27.9 billion
- Euratom loans to Energoatom: €0.2 billion
- Loans to Ukraine: up to €170 billion (revised January 2026)
- Loans to other non-EU countries: up to €14.7 billion
- Budgetary guarantees for operations signed: up to €77.6 billion

Note: The figure follows the approach outlined in paragraph [2.55](#).

Source: ECA, based on the 2025 consolidated annual accounts of the EU and on other Commission data.

2.59. Total exposure can be broken down into annual exposure, which is the maximum amount that needs to be covered by the EU budget, or by the headroom, if there are payment defaults in any given year⁶¹. The Commission provided us with data based on figures on annual EU budget exposure at the end of 2024, on financial assistance to member states and non-EU countries, and on the *external lending mandate (ELM)*. For 2026, we have calculated a total exposure of €20 billion (2025: €14.5 billion). However, this figure does not include the annual exposure from the

⁶¹ [Special report 05/2023](#), Figure 2.

remaining programmes covered by budgetary guarantees (EFSI, InvestEU, EFSD and EFSD+). In 2022, we recommended⁶² that the Commission make public its estimate of total annual exposure.

The EU budget headroom provides a guarantee for borrowing

2.60. EU borrowing operations are backed by a guarantee mechanism designed to ensure that debt service obligations can always be met. This guarantee is provided through the headroom of the EU budget, which is the annual margin between the own resources ceiling (i.e. the maximum amount the EU may call from member states) and the own resources needed to finance the actual level of payment appropriations under the MFF. Since 2021, the permanent own resources ceiling has been set at 1.4 % of the EU's gross national income (GNI). The 2025 budget included own resources of 0.83 % of EU GNI to finance budget expenditure⁶³, meaning a margin of 0.57 % was available at year end to cover budget liabilities.

2.61. In practice, the headroom acts as a last-resort guarantee for investors: should the EU face difficulties in servicing its debt (e.g. due to delayed or incomplete repayments from loan beneficiaries), it enables the Commission to call for supplementary contributions from member states to meet those obligations. Before any such call is made, the Commission reports that it has risk mitigation and liquidity management measures in place⁶⁴. The headroom is not a pre-funded reserve; it only results in payments by member states if the EU's standard budgetary resources and inflows from borrowers are insufficient to cover EU borrowing repayments. This mechanism⁶⁵ constitutes a binding legal commitment by member states.

2.62. Based on data available at the end of 2024, the Commission estimates that, after deducting the own resources needed to fund payment appropriations from the EU budget (excluding NGEU), the available headroom under the permanent own resources ceiling amounts to €90.8 billion in 2026 and €90.5 billion in 2027⁶⁶, see *Figure 2.28*. These figures correspond to 0.5 % of annual EU GNI.

⁶² 2022 annual report, Recommendation 2.3.

⁶³ 2025 consolidated annual accounts of the EU, Note 6.7.

⁶⁴ Ibid.

⁶⁵ Council Decision (EU, Euratom) 2020/2053.

⁶⁶ COM(2025) 781, Annexes.

2.63. In addition to the headroom under the permanent own resources ceiling, the [Own Resources Decision](#) introduced, until 2058, an additional temporary and exceptional increase in the own resources ceiling of 0.6 % of EU GNI exclusively to guarantee the repayment of NGEU borrowing. The Commission estimates that for the period up to 2027, almost all the headroom under the temporary own resources ceiling will remain available⁶⁷, see [Figure 2.28](#).

Figure 2.28 – Headroom under the permanent and temporary own resource ceilings



Source: ECA, based on [COM\(2025\) 781](#).

⁶⁷ Ibid.

2.64. For the next MFF, the Commission has proposed increasing the own resources ceiling to 1.75 %⁶⁸. In our opinion on the Commission's proposal⁶⁹, we indicated that the Commission should reassess whether the proposed own resources ceiling remained adequate following the approval of a new €90 billion loan to Ukraine.

2.65. The proposal also introduced a crisis response mechanism allowing additional borrowing on capital markets to provide loans to member states in the event of severe crisis, severe hardship or serious threat⁷⁰. This tool would apply where existing programmes do not adequately address the situation. The resulting liabilities would be backed by an extraordinary and temporary increase of 0.25 percentage points in the own resources ceiling⁷¹.

The cumulative financial performance of the common provisioning fund is positive, as it was in 2024

2.66. Since 2021, the *common provisioning fund (CPF)* has pooled the provisions for the EU's financial liabilities arising from budgetary guarantees, loans for financial assistance and the Euratom loan facility⁷². At 31 December 2025, the market value of CPF assets amounted to €27.2 billion (2024: €23.2 billion). The resources of the CPF are allocated in compartments corresponding to the various contributing instruments⁷³, see [Figure 2.29](#).

⁶⁸ Article 4 of [COM\(2025\) 574](#).

⁶⁹ [Opinion 04/2026](#), paragraph 16.

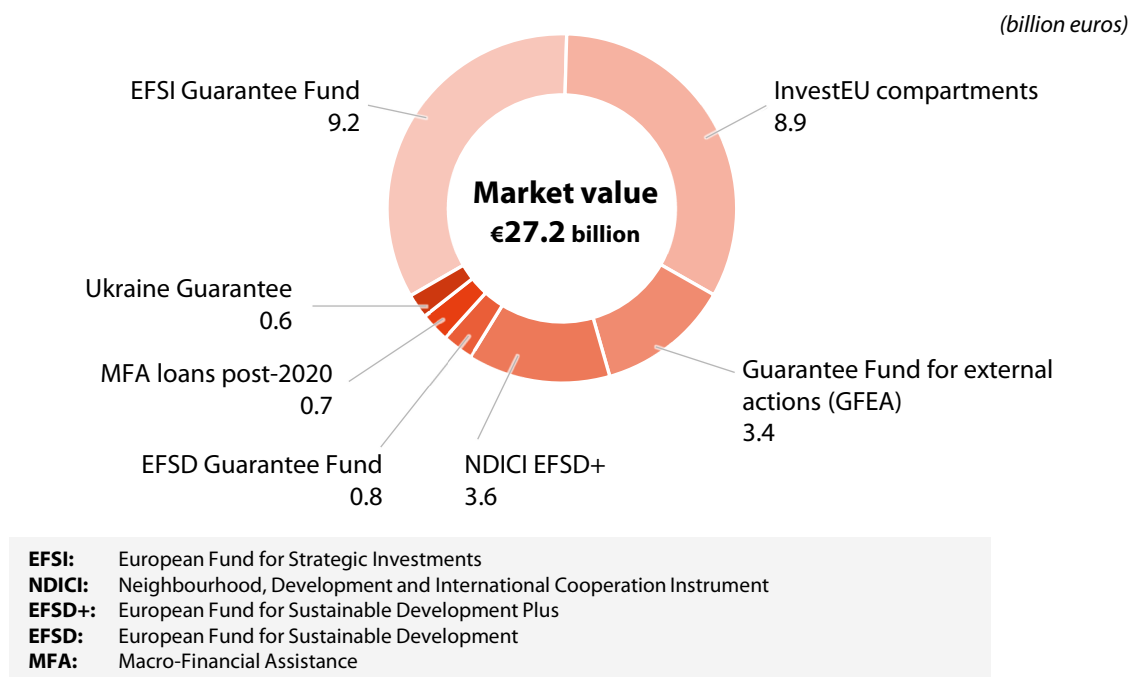
⁷⁰ Article 6 of [COM\(2025\) 574](#).

⁷¹ *Ibid.*, Article 8.

⁷² Article 215 of the [Financial Regulation](#).

⁷³ Article 3 of [C\(2020\) 131/03](#).

Figure 2.29 – Common provisioning fund and its components, as at end 2025



Notes: €1.1 billion of the assets disclosed under the InvestEU compartments is allocated to member state compartments (Czechia, Finland, Romania, Malta, Bulgaria, Greece, Spain and Portugal), which are funded separately by national or regional contributions.
In addition, €0.2 billion is held in the Commission's central treasury as a liquidity buffer to cover immediate guarantee calls.

Source: ECA, based on 2025 consolidated annual accounts of the EU.

2.67. The Commission's objective in managing the CPF is, at least, to safeguard the contributed capital (capital preservation)⁷⁴. After a positive performance of €0.9 billion in 2025 (€0.8 billion in 2024), the portfolio's cumulative (realised and unrealised) financial performance since its inception in 2021 is €1.3 billion (4.9 %).

2.68. The Commission can draw on the CPF to cover outflows required for guarantee calls related to operations in both EU and non-EU countries, and for defaults of non-EU countries, before recourse to the EU budget. While there has never been a payment default on MFA and Euratom loans, at the end of 2024, cumulative guarantee calls, net of recoveries, on defaulted operations and value reductions in equity investments under the budgetary guarantees amounted to €1.4 billion⁷⁵ (€1.2 billion in

⁷⁴ COM(2025) 400, part 2.

⁷⁵ Derived from 2026 Draft general budget of the European Union – Working Document Part XI. See tables entitled "Guarantee calls and recoveries" on pp. 19, 34, 48, 63, 79 and 97.

2023), of which €0.9 billion (€0.9 billion in 2023) related to the ELM⁷⁶ provisioned in the Guarantee Fund for external actions (GFEA) compartment.

⁷⁶ 2026 Draft general budget of the European Union – Working Document Part XI, p. 63.

Conclusions and recommendations

Conclusions

2.69. In 2025, almost all commitment and payment appropriations of the EU annual budget were used. Due to NGEU, total payments in 2025 were higher than total commitments. Absorption of the 2014-2020 ESIF reached 98.6 %, while total payments for shared management funds under the CPR represented 16.6 % of the amount allocated for these funds under the 2021-2027 MFF. The 2021-2025 absorption of the three main cohesion policy funds (ERDF, CF and ESF+) was 14.8%, with total payments amounting to €52.8 billion. We observed a high amount of outstanding payment claims at year end. See paragraphs [2.2-2.18](#).

2.70. Annual payments of RRF grants totalling €40.1 billion in 2025 were significantly below the Commission's forecast (€65 billion). However, 17 member states submitted payment requests amounting to €20.3 billion in December 2025. Out of €359.9 billion in RRF grant commitments, €237.5 billion (66 %) had been paid by the end of 2025, leaving €122.4 billion (34 %) to be disbursed by the end of 2026. See paragraphs [2.19-2.24](#).

2.71. At the end of 2025, total outstanding commitments, including for NGEU grants, amounted to €501.1 billion. The Commission expects this amount to decrease to €339 billion by the end of 2027. See paragraphs [2.25-2.29](#).

2.72. Long-term EU borrowing stood at €702.1 billion at the end of 2025 and is expected to reach €1 trillion by the end of the current MFF. Total expenditure on financing costs of NGEU non-repayable support in the current MFF could reach €28.3 billion, around double the Commission's original forecast of €14.9 billion. NGEU disbursements in 2025 were lower than forecast and resulted in elevated cash holdings at year end. See paragraphs [2.30-2.47](#).

2.73. By the end of 2025, the EU and its member states had mobilised over €192.1 billion in support for Ukraine and its people since the start of Russia's war of aggression. Of this, the EU has disbursed €65.3 billion in loans, with an additional €9.8 billion still to be disbursed. In April 2026, the Council agreed on an additional €90 billion in loans. See paragraphs [2.48-2.54](#).

2.74. The exposure of the EU budget increased from €342 billion in 2024 to €406.8 billion in 2025, and is expected to increase further in the coming years. At 31 December 2025, the market value of CPF assets was €27.2 billion. See paragraphs [2.55-2.68](#).

Recommendations

Recommendation 2.1 – Reduce the risk of a payment backlog for cohesion policy funds

2.75. The Commission should take timely actions together with the member states to ensure an adequate planning and execution of payment needs, within the annual budget and in line with the MFF ceilings with a particular focus on cohesion policy funds. The aim should be to reduce any risk of backlogs due to insufficient payment appropriations in the annual budget, to limit the pressure on payment appropriations in future budgetary years.

Target implementation date: end of 2026.

Recommendation 2.2 – Develop an NGEU liability management and repayment strategy

2.76. The Commission should develop a liability management and repayment strategy for the debt associated with NGEU covering the repayment period up to 2058, taking into account macro and financial risks, including rollover, interest rate, liquidity and market risks. For the period covered by the current and upcoming MFFs, it should take into account the applicable budgetary constraints, including the annual ceiling for principal repayments and available payment appropriations. For non-repayable support, since the related financing costs will be borne by the EU budget, the Commission should set out the criteria and the priorities for deciding how much of the maturing debt to roll over, with a view to containing financing costs while maintaining efficient market access and operational flexibility.

Target implementation date: end of 2027.

Chapter 3

Getting results from the EU Budget

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Annex 3.2 – Examples of the Commission’s early actions following ECA special report recommendations from 2025

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Part 1 – Results of our performance audits: key messages

Introduction

3.1. Our special reports examine how well the principles of *sound financial management*¹ have been applied in implementing the EU budget. They address key *performance* and compliance objectives. In 2025, we published 26 special reports (*Annex 3.1*) addressing many of the challenges the EU is facing across its different spending areas and policies.

3.2. Our audit work targeted the following strategic areas, which we consider to be priorities that are in line with our *2021-2025 strategy*:

- the EU's response to post-crisis recovery;
- increasing the EU's economic competitiveness for the benefit of all citizens,
- resilience to EU security threats, and respect for the European values of freedom, democracy and the rule of law;
- climate change, the environment and natural resources; and
- fiscal policies and public finances in the EU.

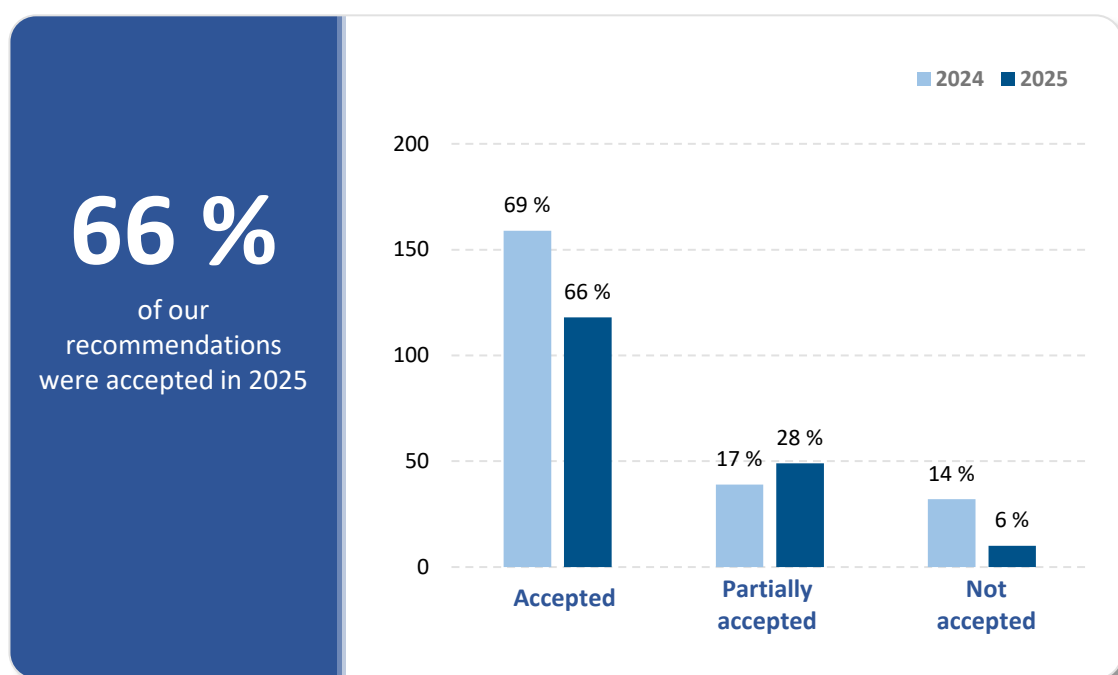
3.3. Our recommendations focus on the following main areas:

- *programmes'* design, including strategies, needs assessment and their match with the objectives set;
- target setting, indicators and data monitoring, and reporting;
- project selection, sustainability of projects and actions;
- compliance with *public procurement* and *state aid* rules.

¹ Article 33 of the *Financial rules applicable to the general budget of the Union*, September 2024.

3.4. Our auditees have the right to provide replies to our observations². These replies, which also indicate whether they accept our recommendations, are published together with our special reports. Our 2025 special reports contained 177 recommendations (compared with 230 in 2024). Our auditees fully accepted 66 % of our recommendations, while 28 % of them were partially accepted (*Figure 3.1*).

Figure 3.1 – Acceptance of 2025 special report recommendations compared with 2024

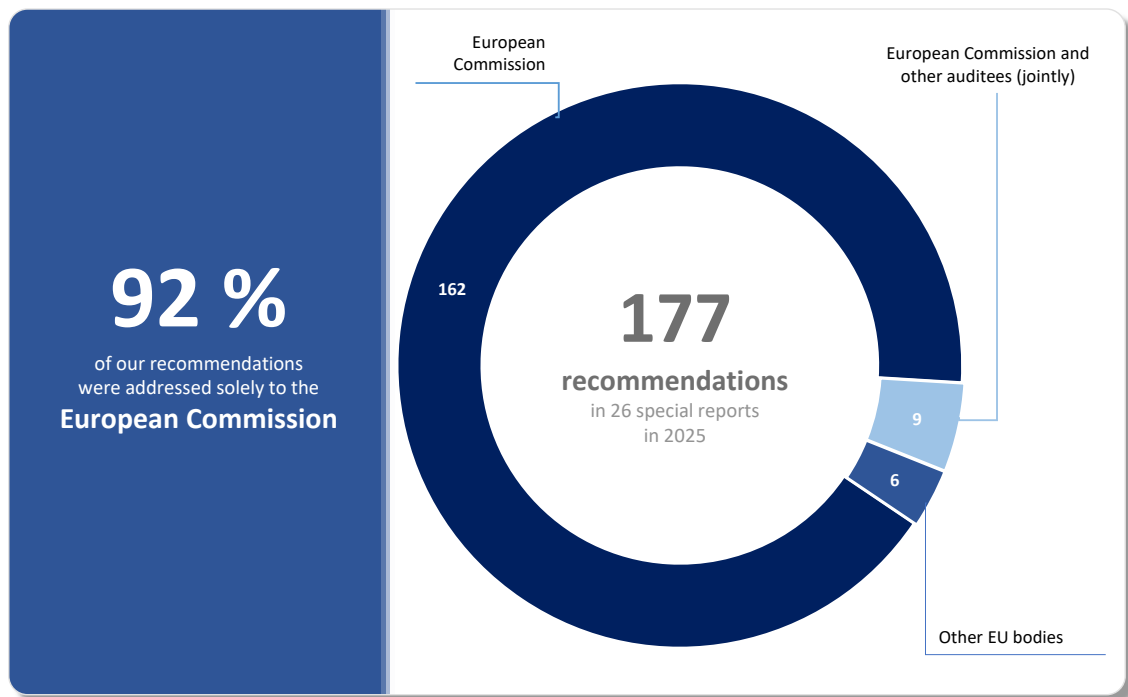


Source: ECA.

² Ibid., Article 259.

3.5. We addressed most of our recommendations to the European Commission ([Figure 3.2](#)).

Figure 3.2 – Breakdown of recommendations by auditee



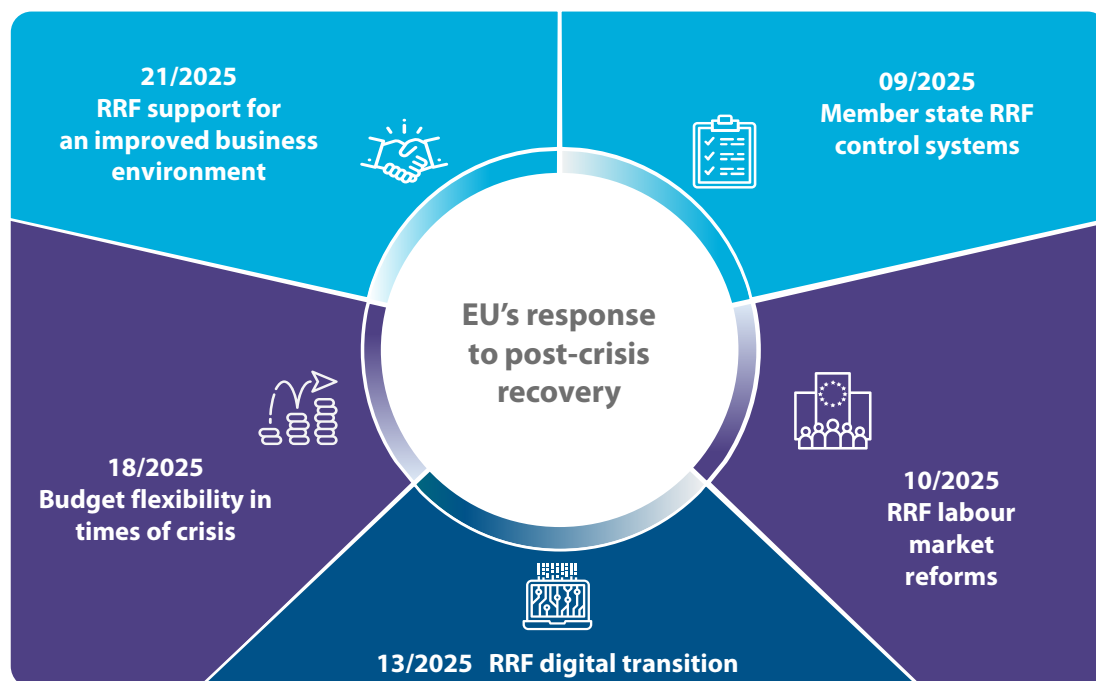
Source: ECA.

3.6. In the following paragraphs, we present our special reports' key messages by strategic area. We complement this with an overview of the references made to our special reports by the Council and by the European Parliament in its *discharge* resolution, and with examples of early actions taken by the Commission ([Annex 3.2](#)). These examples are provided in addition to the Commission's position as set out in its replies to our special reports and is without prejudice to the regular follow-up exercise we carry out after 3 years.

The EU's response to post-crisis recovery

3.7. In 2025, we published five special reports on topics in this strategic area ([Figure 3.3](#)).

Figure 3.3 – Special reports published in 2025 in the strategic area of the EU's response to post-crisis recovery



Source: ECA.

3.8. Despite improvements in its audit work, we found³ that the Commission had not been able to provide sufficient assurance as to whether member states had **effective control systems** to ensure that *Recovery and Resilience Facility* (RRF) spending complied with public procurement and state aid rules.

3.9. Labour market and employment policies are key areas for which the RRF provides funding. We found⁴ that the **labour market** reforms included in the recovery and resilience plans had, by the time of our audit, achieved the expected *outputs* and delivered some *results*. However, they had only partially addressed the structural labour market challenges identified in the country-specific recommendations. Furthermore, the absence of suitable indicators significantly limited the possibility of assessing the results or the *impact* of RRF reforms in the labour market.

³ [Special report 09/2025](#).

⁴ [Special report 10/2025](#).

3.10. When addressing the key RRF objective of supporting the EU's **digital transition**, the Commission and the member states applied the digital tagging methodology correctly. All member states either met or exceeded the 20 % allocation requirement. However, we found⁵ that some member states had not prioritised EU funding for measures that addressed their main digital needs as it was not requested by the RRF Regulation. We also found that the RRF's common indicators used to track progress were not well aligned with the objectives of the EU's digital policy.

3.11. The **EU budget flexibility** arrangements allowed the budget to respond to emerging challenges and priorities. However, we reported⁶ that the flexibility framework was too complex, with an unclear sequence for using the flexibility tools and occasional overlaps. In addition to this, the justification for flexibility tools was not based on a thorough analysis of future needs and risks.

3.12. We found⁷ that the RRF had partially addressed the **business environment** challenges identified in the country-specific recommendations identified under the European Semester, with some structural issues still to be addressed. While the completed measures had achieved the agreed milestones and targets, so far only one third had shown significant results and some first results had contributed to progress in the implementation of country-specific recommendations.

⁵ [Special report 13/2025.](#)

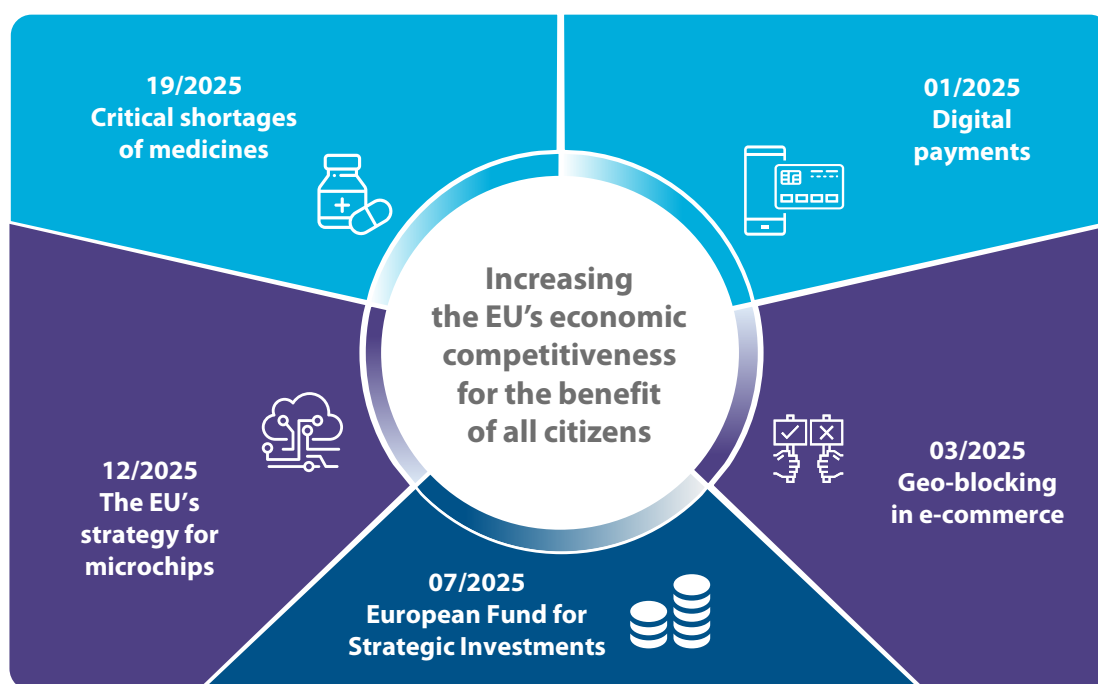
⁶ [Special report 18/2025.](#)

⁷ [Special report 21/2025.](#)

Increasing the EU's economic competitiveness for the benefit of all citizens

3.13. In 2025, we published five special reports on topics in this strategic area ([Figure 3.4](#)).

Figure 3.4 – Special reports published in 2025 in the strategic area of EU economic competitiveness



Source: ECA.

3.14. **Digital payments** are critical to the EU economy, and we found⁸ that the Commission's approach had helped to make them safer, faster and less expensive. The Commission had strengthened the overall framework, but the monitoring process had been weakened. This was mainly due to two separate issues. Firstly, unclear criteria for price interventions (for example, the Commission can intervene in the setting of charges and fees by payment service providers). Secondly, gaps in the regulatory framework for open banking services (a set of payment services based on access to bank-held data by third-party providers).

3.15. Unjustified **geo-blocking** involves restricting access to online interfaces, goods and services across member states. It may limit consumer access and hinder the EU digital market. With the adoption of the [geo-blocking Regulation](#), progress has been made in addressing the needs of consumers and traders in a balanced way.

⁸ [Special report 01/2025](#).

However, we concluded⁹ that challenges remained in implementing the Regulation in a uniform way, with gaps in the original *impact assessment* and uneven enforcement across member states.

3.16. The *European Fund for Strategic Investments* helped reduce the EU's investment gap and supported a wide range of projects through debt and equity tools backed by an EU *budgetary guarantee*. However, we found¹⁰ that the programme had not fully reached its goal of mobilising €500 billion by 2022, and the reported investment had been overstated by 26 %. The Fund's *additionality*¹¹ had not been sufficiently demonstrated, and several aspects of monitoring and reporting lacked targets and complete data.

3.17. The EU Chips Act package was proposed in 2022 to respond to global supply chain disruptions caused by the COVID-19 pandemic, with the aim of confronting **microchip** shortages and strengthening the EU's technological sovereignty. We concluded¹² that the Commission had made reasonable progress in implementing its strategy, but it was unlikely that the ambitious Digital Decade target of a 20 % EU share in the global market would be reached.

3.18. **Critical shortages of medicines** have become a frequent threat to public health throughout the EU. We reported¹³ that the European Medicines Agency had provided valuable support to member states, and that the Commission had taken initial steps by proposing legislative changes. Nevertheless, at the time of the audit there was no effective framework to address critical shortages of medicines, and efforts to tackle the underlying causes of these shortages were still at an early stage. Furthermore, fragmentation within the single market continued to hinder the availability of medicines across the EU.

⁹ Special report 03/2025.

¹⁰ Special report 07/2025.

¹¹ Article 5 of the [Regulation \(EU\) 2015/1017](#) on the European Fund for Strategic Investments.

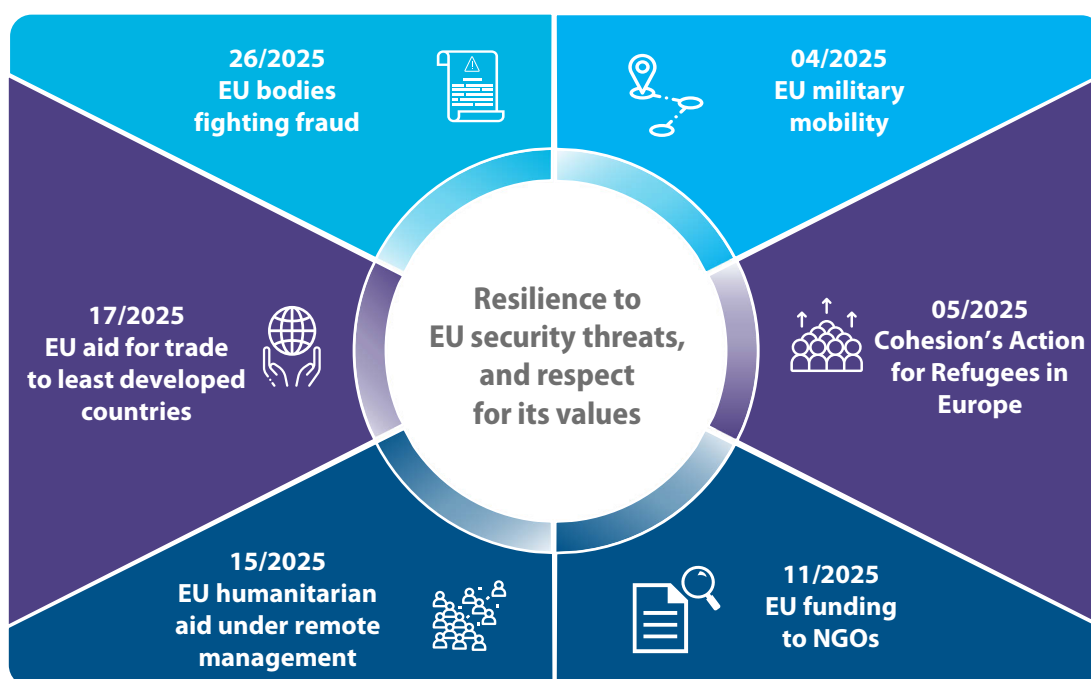
¹² Special report 12/2025.

¹³ Special report 19/2025.

Resilience to EU security threats and respect for the European values of freedom, democracy and the rule of law

3.19. In 2025, we published six special reports on topics in this strategic area (*Figure 3.5*).

Figure 3.5 – Special reports published in 2025 in the strategic area of resilience and European values



Source: ECA.

3.20. The Commission's second action plan on **military mobility** aimed to enable rapid movements of personnel and equipment across the EU. Early funding for dual-use infrastructure was a positive step, but we found¹⁴ that progress had been uneven as the plan lacked clear targets and a central coordinating body. Progress towards achieving the overall objective varied and better governance and monitoring were needed.

3.21. We reported¹⁵ that **Cohesion's Action for Refugees in Europe (CARE)** had helped member states use the available cohesion policy funding to address the migratory challenges and refugees' needs arising from the war of aggression against Ukraine. The *managing authorities* considered that CARE had been useful, and had

¹⁴ Special report 04/2025.

¹⁵ Special report 05/2025.

provided them with flexibility, liquidity and simplification. However, we found that the general monitoring of cohesion policy funding had not covered all aspects of the support for migratory challenges or the use of CARE.

3.22. Non-governmental organisations (NGOs) play a significant role in EU policy-making. While the Commission had strengthened the transparency of **EU funding granted to NGOs**, we found¹⁶ that it had been hampered by the inconsistent classification of NGOs and issues affecting data quality. We also concluded that the Commission and other bodies had not proactively assessed *recipients'* compliance with EU values.

3.23. When faced with exceptional access constraints, the Commission and its partners have adapted their operating model to **provide humanitarian aid through remote management**. We found¹⁷ that while the approach had provided a useful framework to deliver aid to hard-to-access areas, there had been weaknesses in its design and implementation, and the control strategy had not included specific controls designed to address the inherent risks of remote management.

3.24. The EU updated its **aid for trade** strategy in 2017, with increased focus on least developed countries. We found¹⁸ that while this support was generally being delivered in line with needs, it was not on track to meet the strategy's 2030 funding target. The aim of an increased focus on least developed countries had not been translated into an operational set of targeted objectives agreed with member states.

3.25. We assessed the clarity of mandates of the EU bodies **fighting fraud**, their cooperation and the Commission oversight. We found¹⁹ that these bodies' responsibilities were clearly defined, but weaknesses remained in terms of exchanging information, which affected the number and timeliness of investigations. In addition, we concluded that the Commission did not analyse gaps and variations in fraud detection and has an insufficient oversight of the amounts due and recovered as a result of fraud investigations.

¹⁶ Special report 11/2025.

¹⁷ Special report 15/2025.

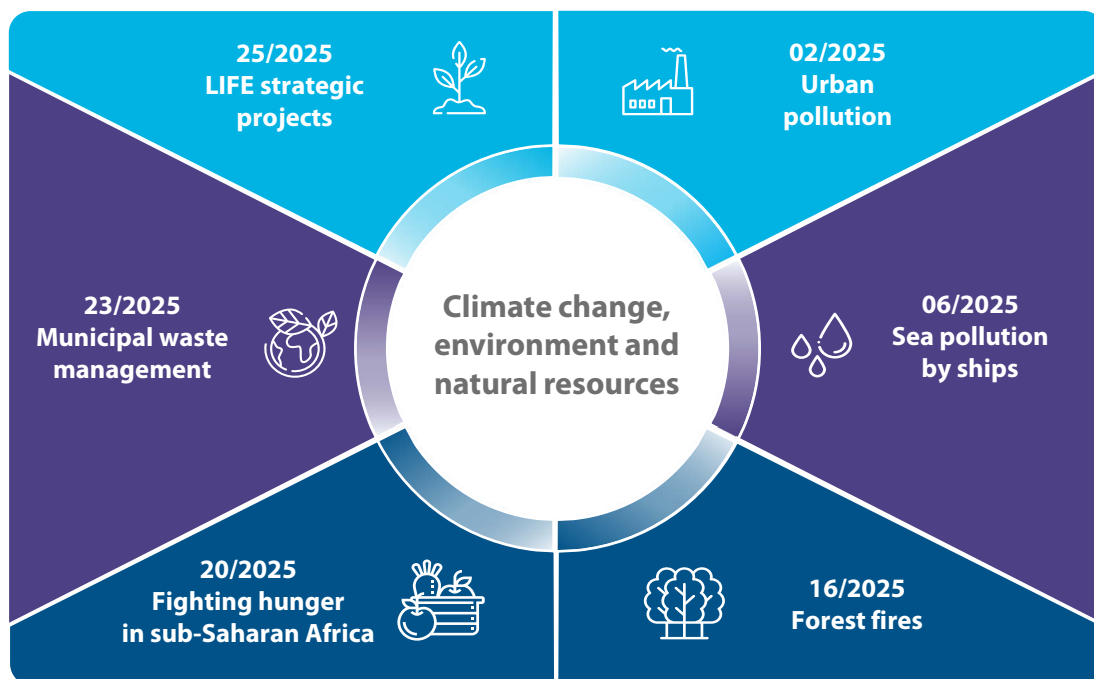
¹⁸ Special report 17/2025.

¹⁹ Special report 26/2025.

Climate change, the environment and natural resources

3.26. In 2025, we published six special reports in this strategic area (*Figure 3.6*).

Figure 3.6 – Special reports published in 2025 in the strategic area of climate change, environment and natural resources



Source: ECA.

3.27. In the area of **urban pollution**, we found²⁰ that while air quality was improving in the EU, air quality standards were not always met, or had only recently been met. In addition, despite long-standing EU legislation, noise pollution was still insufficiently addressed because there were no EU-wide noise limits or reduction targets, and member states did not sufficiently prioritise or implement effective measures.

3.28. The EU's ambition is to achieve zero **water pollution** by 2030. In view of this, we assessed the EU's actions to address ship-source pollution. We found²¹ that while EU rules had improved, there were weaknesses in implementation and enforcement, and data was insufficient to measure results. In addition, there had been no overview of the results achieved, nor of the options for scaling up, while the monitoring of ship-source pollution had not been adequate.

²⁰ Special report 02/2025.

²¹ Special report 06/2025.

3.29. In the area of tackling **forest fires**, we reported²² that EU funds, originating from different policy areas, had been increasingly used by member states for preventive actions. However, the Commission did not have a full overview of the total amount of EU money spent and had little information about the results of these projects. At member state level, we reported that RRF funding decisions had sometimes been taken in a hurry and relevant authorities had not been involved in deciding which activities to fund. We also identified shortcomings in the project selection process.

3.30. The EU actively participates in global initiatives to reduce food insecurity and malnutrition, with Sub-Saharan Africa receiving 48 % of the total funding. We found²³ that the Commission had made valuable efforts to **combat hunger**, but weaknesses in project design and monitoring, and challenges in addressing root causes of food insecurity had negatively affected sustainability and impact. Actions lacked focus and had not always targeted those with the greatest needs.

3.31. The aim of EU waste policy is to transition to a circular economy. Our audit showed²⁴ that the Commission had strengthened the targets and other legal requirements for **municipal waste management**, but it had been late in initiating infringement proceedings for missed waste targets. Most of the projects we sampled had been delayed and some had experienced cost and capacity issues.

3.32. We concluded²⁵ that *LIFE* strategic projects had supported member states in implementing strategies to face **climate challenges** within the EU. They had done this by involving key stakeholders, mobilising additional funding and promoting continuity despite national policy shifts and budgetary uncertainty. However, the selection process may not have taken account of member states' most important environmental and climate needs, something which would have reduced member states' capacity to identify and support the most impactful projects.

²² Special report 16/2025.

²³ Special report 20/2025.

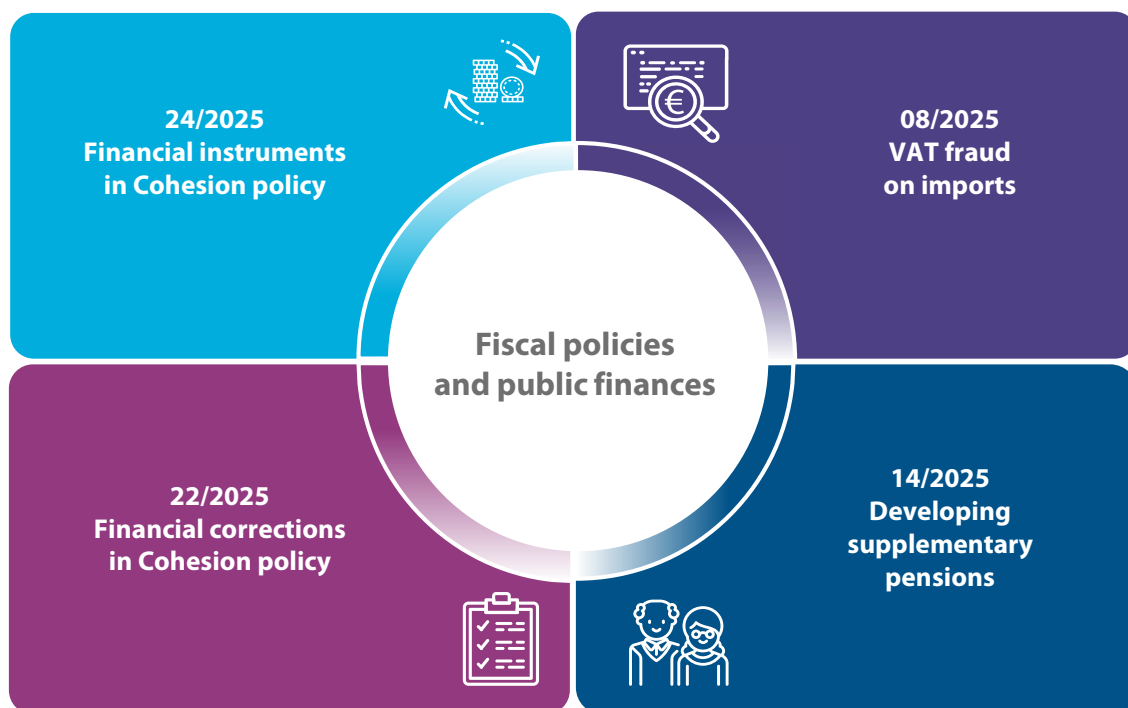
²⁴ Special report 23/2025.

²⁵ Special report 25/2025.

Fiscal policies and public finances in the EU

3.33. In 2025, we published four special reports on topics in this strategic area (*Figure 3.7*).

Figure 3.7 – Special reports published in 2025 in the strategic area of fiscal policies and public finances



Source: ECA.

3.34. VAT fraud on imports negatively affects the collection of revenue for member states and for the EU. Simplified import procedures help facilitate trade and reduce administrative burdens. However, we identified²⁶ gaps and inconsistencies in the EU regulatory framework, and weaknesses in how member states check that the correct amount of VAT due is collected. Many of the weaknesses were due to the challenges that customs and tax authorities faced in cooperating across member states.

3.35. We concluded²⁷ that, at the time of our audit, EU action had not been effective in strengthening the role of either pension type in the **supplementary pension** market. Institutions' cross-border activity for occupational retirement remained minimal and concentrated in a few member states where occupational

²⁶ Special report 08/2025.

²⁷ Special report 14/2025.

pensions were already rooted. The pan-European personal pension product has neither proven to be an alternative savings option for EU citizens nor has it attracted interest from investors.

3.36. Our audit on *financial corrections* found²⁸ that there had been several weaknesses in the mechanism design for the previous *programming periods*, and that the application of corrections had only been partially effective in safeguarding the EU budget. Moreover, reporting had not been sufficiently reliable, including on estimated future corrections which did not fully reflect the Commission's capacity to identify and correct *errors*. We also concluded that the legal framework was complex for the 2014–2020 period and had not significantly improved for the 2021–2027 period.

3.37. The revolving effect refers to *financial instruments* repayable to public authorities, where the resulting reflows can be used to support additional *beneficiaries* and projects. We found²⁹ that the revolving effect of **financial instruments** had been partially achieved in practice, although its full potential had not been reached. During the eligibility period, the reuse of reflows (for example loans repaid by *final recipients*) in financial instruments had been limited due to factors such as *absorption* pressure on managing authorities, the long-term nature of investments, priorities for attracting private investors, an unclear framework and external factors.

Main institutional stakeholders

European Parliament

3.38. By the end of April 2026, the European Parliament had discussed 20 of our 26 reports in its committees. It referred to 10³⁰ of the reports in its 2024 discharge resolution, section III – Commission and *executive agencies* and the *European development funds*. Examples from the discharge resolution include the following.

- Our report on EU military mobility³¹: the Parliament called on the Commission to continue its efforts to enhance the transparency of EU spending on defence

²⁸ Special report 22/2025.

²⁹ Special report 24/2025.

³⁰ Special reports: 04/2025, 11/2025, 16/2025, 17/2025, 18/2025, 20/2025, 21/2025, 22/2025, 24/2025 and 26/2025.

³¹ Special report 04/2025.

across all relevant instruments, to provide the discharge authority with regular consolidated reporting on the budget execution and performance of all defence-related expenditure, and to provide more systematic follow-up and reporting to the Parliament.

- Our report on EU funding to tackle forest fires³²: the Parliament called on the Commission to improve the aggregation of forest-fire related spending, and to strengthen the monitoring of outcomes and long-term sustainability of preventive measures.
- Our report on EU aid for trade to least developed countries³³: the Parliament called on the Commission to reverse the decline in Aid for Trade funding to least developed countries, conduct the planned 2026 analysis without delay, and propose corrective measures ensuring that aid for trade resources prioritise those countries most in need.
- Our report on EU budget flexibility³⁴: the Parliament recommended that, in future MFF proposals, the Commission include a comprehensive analysis of needs, risks and crisis-response capacity. This will ensure that *flexibility instruments* are sufficiently justified, adequately funded, and capable of addressing unforeseen events without being depleted prematurely.
- Our report on the Commission's support to fight hunger in sub-Saharan Africa³⁵: the Parliament called on the Commission to strengthen cost analysis, procurement planning and needs-based implementation.

³² Special report 16/2025.

³³ Special report 17/2025.

³⁴ Special report 18/2025.

³⁵ Special report 20/2025.

The Council of the European Union

3.39. By 5 May 2026, the Council had prepared conclusions for 12³⁶ of our 26 reports published in 2025. Overall, the conclusions supported our recommendations and included additional remarks, some of which are detailed below.

- Our report³⁷ on **Cohesion's Action for Refugees in Europe**: the Council invited the Commission to ensure that an appropriate monitoring system was in place to help it prepare new crisis-related measures or amendments, so that data necessary for assessing the *effectiveness* of such measures would be available.
- Our report³⁸ on the **microchip industry**: the Council invited the Commission to carry out a reality check on the strategy to assess the match between actions taken and targets set, share this assessment with both member states and stakeholders, swiftly identify pathways for corrective measures in coordination with member states while keeping the implementation of the strategy on course, and accelerate preparatory work with a view to revising the **Chips Act** in the future.
- Our report³⁹ on **financial corrections in cohesion policy**: the Council invited the Commission to improve the way in which corrections are reported in the *annual activity reports* and in the *annual management and performance report* (AMPR) for cohesion policy, as we recommended.

³⁶ Special reports: 05/2025, 07/2025, 09/2025, 10/2025, 11/2025, 12/2025, 13/2025, 15/2025, 16/2025, 21/2025, 22/2025 and 24/2025.

³⁷ Special report 05/2025.

³⁸ Special report 12/2025.

³⁹ Special report 22/2025.

Part 2 – Performance of programmes under multiannual financial framework heading 2

Introduction

3.40. When examining the Commission’s reporting on performance, we focus every year on a specific area. This year, we covered the available performance information under heading 2 ‘Cohesion, resilience and values’ that was presented in the *programme performance statements* (PPSs) of the [2024 AMPR](#).

3.41. Cohesion policy is the EU’s main investment policy targeting all regions and cities in the EU to support job creation, business competitiveness, economic growth, *sustainable development* and improvements to citizens’ quality of life. The overall objective is to reduce disparities and strengthen cohesion across the EU by supporting investments through specific national or regional programmes. To reach these goals and address the different development needs in all EU regions, almost a third of the total EU budget was set aside for Cohesion policy for the 2021-2027 period.

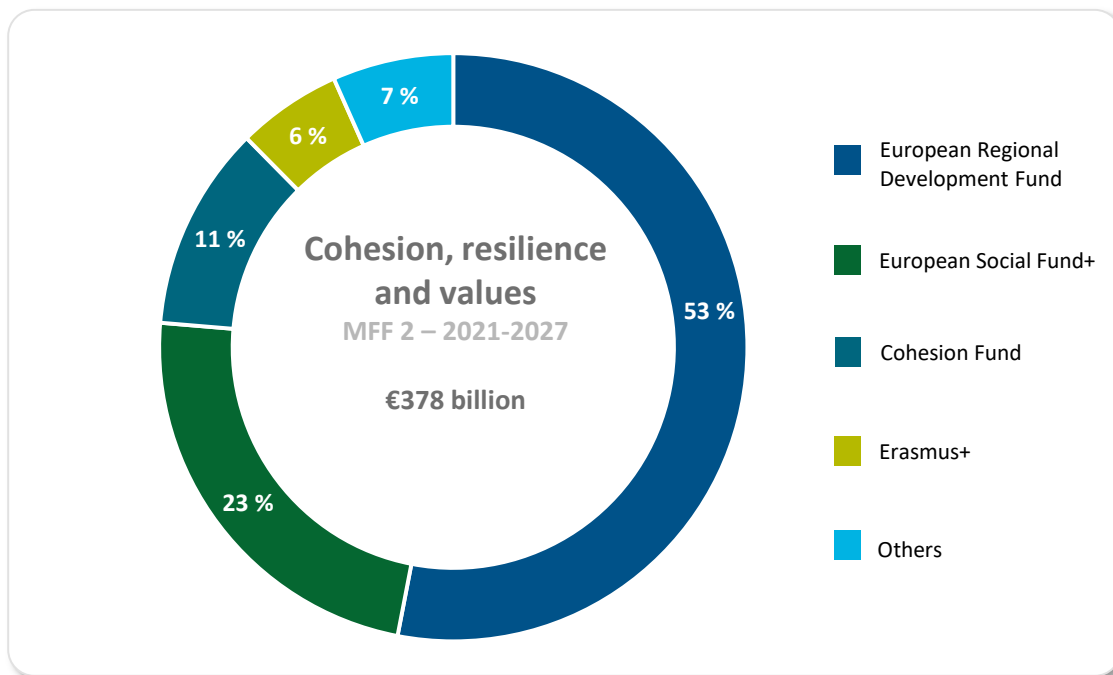
3.42. The main funds financed from the EU budget under the ‘Cohesion, resilience and values’ heading are:

- the *European Regional Development Fund* (ERDF): investments in the social and economic development of all EU regions and cities;
- the *Cohesion Fund* (CF): investments in environment and transport in the less prosperous EU countries;
- the *European Social Fund Plus* (ESF+): supporting jobs and creating a fair and socially inclusive society in EU countries;
- *Erasmus+*: supporting mobility and cooperation in education, training, youth and sport in Europe and beyond.

3.43. The ‘Cohesion, resilience and values’ heading had an initial [MFF allocation](#) of €378 billion in 2018 prices, with the [ERDF](#) (€200 billion) and the [CF](#) (€43 billion) together representing two thirds of this ([Figure 3.8](#)). The [ESF+](#), the ERDF and the CF are implemented through *shared management* between the Commission and the

member states, while Erasmus+ is mainly implemented through *indirect management*, through national agencies. **Chapter 6** of our annual report provides our findings on the *regularity* of expenditure from this MFF heading.

Figure 3.8 – MFF heading 2 for 2021-2027



Source: European Commission, [Multiannual Financial Framework 2021-2027 \(in commitments\)](#) – 2018 prices.

Audit scope and approach

3.44. We analysed the Commission’s AMPR, which is the Commission’s high-level annual performance report on the EU budget. We checked the correct application of the Commission’s performance reporting framework to the PPSs for MFF heading 2 of the 2024 AMPR. We considered our previous audit work, and we examined how indicators had been used to report performance. For all of the four sampled programmes (the [ERDF](#), the [CF](#), the [ESF+](#) – and its predecessor, the ESF – and [Erasmus+](#)), we examined the reliability of the performance information including the indicators reported in the PPSs, and whether they were designed in line with the [SMART principle](#), meaning that these were “specific”, “measurable”, “achievable”, “relevant” and “time-bound”. ESF+ has its own PPS (as did its predecessor, the ESF), while ERDF and CF are reported together under the regional policy PPS. We also assessed the overall progress as measured by the indicators.

The performance reporting for heading 2 complied with Commission instructions

3.45. The reporting framework for the AMPR remained stable, with instructions issued by the Commission's corporate management board. The PPSs we examined complied with these instructions.

3.46. The budgetary figures reported in the PPSs for the sampled programmes were sourced from the Commission's accounting system. We did not identify any material errors in the commitments or payments reported for 2024.

3.47. The Directorate-General for Budget checked the quality of the data included in the AMPR. We found that most quantitative references to the programmes we examined in the 2024 AMPR were based on relevant supporting evidence.

3.48. Despite the reporting instructions which allow for up to nine indicators to be reported in the table on *key performance indicators* (KPIs) in the PPS, we observed that the ESF 2014-2020 only disclosed three indicators that had been assessed as "achieved", not included the remaining two indicators in the table, one which had been assessed as "achieved" and one as "moderate progress". Similarly, the shortlist of nine indicators included in the regional policy PPS for the 2014-2020 period does not include all categories, such as "deserves attention".

3.49. Our analysis of the information reported under the heading "Concrete examples of achievements" in the sampled PPSs showed that, for the ESF+ programme, the reported figures summarised the programme's actual achievements. In contrast, for the ERDF and the CF, the reported information referred to values resulting from projects selected for support and currently in implementation rather than to only final outputs achieved at the end of the projects and, as such, should not be presented as concrete achievements. Furthermore, we found that the Erasmus+ PPS included in the 2024 AMPR refers, for the most part, to achievements from 2023, making them less relevant for the reporting period concerned.

The 2021-2027 performance framework improved the monitoring of results, but not of impacts

The 2021-2027 framework includes more result indicators than before, but impact indicators are still lacking for most programmes

3.50. Overall, we consider that the key performance indicators in the sampled PPSs, for both programming periods (2014-2020 and 2021-2027) were largely defined according to the SMART principle. However, the KPIs used for the 2014-2020 ERDF and CF did not sufficiently address **results**, while for the ESF, they did not address **impacts**.

3.51. As for the 2021-2027 period, the Regulations included balanced sets of indicators covering outputs and results; and in the case of **Erasmus+** they also included impacts. The 2021-2027 Regulations on the **ERDF and CF** and on the **ESF+** did not establish any impact indicators (**Table 3.1**) to help assess the long-term performance of EU spending.

Table 3.1 – Types of performance indicator

Programme	Input	Output	Result	Impact	Total
2014-2020 (*)					
ERDF and CF	0	58	0	0	58
ESF	0	22	9	0	31
Total	0	80	9	0	89
2021-2027 (**)					
ERDF and CF	0	23	21	0	44
ESF+	0	16	9	0	25
Erasmus+	3	37	14	6	60
Total	3	76	34	6	129

(*) based on the programmes' Regulations.

(**) based on the performance data tables (PDTs) accompanying the 2026 draft budget.

Source: ECA.

3.52. Limitations caused by the absence of impact indicators are also acknowledged by some of the programmes' evaluations. For example, the Commission's impact assessment⁴⁰ on the ERDF and the CF referred to the need for an upgrade for 2021-2027 compared to 2014-2020, with one option being to "extend[ing] the common indicator set – from outputs only to results and impacts".

⁴⁰ Impact assessment on the European Regional Development Fund and on the Cohesion Fund (SWD(2018) 282), from 29 May 2018, p. 73.

3.53. According to the [common indicators toolbox](#) for the ESF+ shared management strand, the use of impact indicators for monitoring purposes is not recommended and impacts should be assessed by evaluations. The toolbox approach was justified by the difficulties encountered in collecting sound and timely data for impact indicators, and in proving a causal link.

3.54. In our [opinion 10/2026](#) concerning the Commission’s legislative proposal for a performance framework for the post-2027 MFF, we noted that the proposal did not include impact indicators, even though they are clearly stated in the *better regulation* guidelines. In our view, impact indicators are necessary for monitoring purposes and to facilitate subsequent evaluations. Moreover, the mid-term evaluation⁴¹ of cohesion policy programmes concluded that their monitoring system had improved compared to the previous period, but “could be further improved in terms of data availability and consistency in order to better serve evaluation needs and the assessment of the impact of projects which have received support”.

Good traceability of the reported data overall

3.55. We tested the values behind each of the KPIs presented in the PPSs. For shared management funds, we examined data from eight member states for the ERDF and the CF, and from four member states for the ESF+. Overall, we found that the data underlying the selected KPIs was generally available and the values were overall traceable.

3.56. In the case of Erasmus+, the supporting evidence underlying the selected indicators was generally available. Nevertheless, in the case of the KPI “Number of participants in virtual learning activities”, we noted that the results reported were based on forecasted numbers and not on the actual ones, which is not in line with the AMPR instructions. Due to this, the reported number was overstated for this indicator.

3.57. The interim Erasmus+ evaluation⁴² highlighted important improvements to the monitoring framework compared with the previous programme, such as introducing new indicators to improve the tracking of performance and the impact of

⁴¹ Mid-term evaluation of the cohesion policy programmes 2021-2027 financed by the European Regional Development Fund, the Cohesion Fund and the *Just Transition Fund* (SWD(2025) 299), p. 75.

⁴² Interim evaluation of the 2021-2027 Erasmus+ programme and final evaluation of the 2014-2020 Erasmus+ programme (SWD(2025) 186).

the programme, and reducing the number of specific objectives. Nevertheless, it also drew attention to the fact that for some indicators, monitoring data was insufficient to quantify the causal link between Erasmus+ activities and their outcomes.

Indicators show that performance varied across programmes: our assessment was lower than that of the Commission

Our assessment of progress towards indicator targets is less positive than that of the Commission

3.58. For both MFF periods, the Commission’s assessment methodology remained stable. Assessment of progress in achieving the KPI targets could be mapped under one of the following categories: “achieved”, “on track”, “moderate progress”, “deserves attention”, or “no data”. The Commission applies this assessment methodology to the [performance data tables](#) (PDTs) which are attached to both the draft budget and the AMPR.

3.59. We observed that for the 2021-2027 ERDF and CF, programmes only provided intermediate milestones for 2024, as required by the regulation⁴³. The absence of yearly milestones hinders the annual assessment of the indicator’s progress towards the 2029 target. Without these milestones, programme managers and stakeholders lack timely feedback on progress, making it more difficult to adjust their strategies.

3.60. For the ESF+, 13 (52 %) of the 25 indicators had established intermediate milestones, while Erasmus+ was even more regular, providing milestones on an annual basis, and making progress tracking more granular. The issue of the frequency of the yearly milestones defined by the programmes in the PDTs was something we already raised in our 2024 annual report⁴⁴.

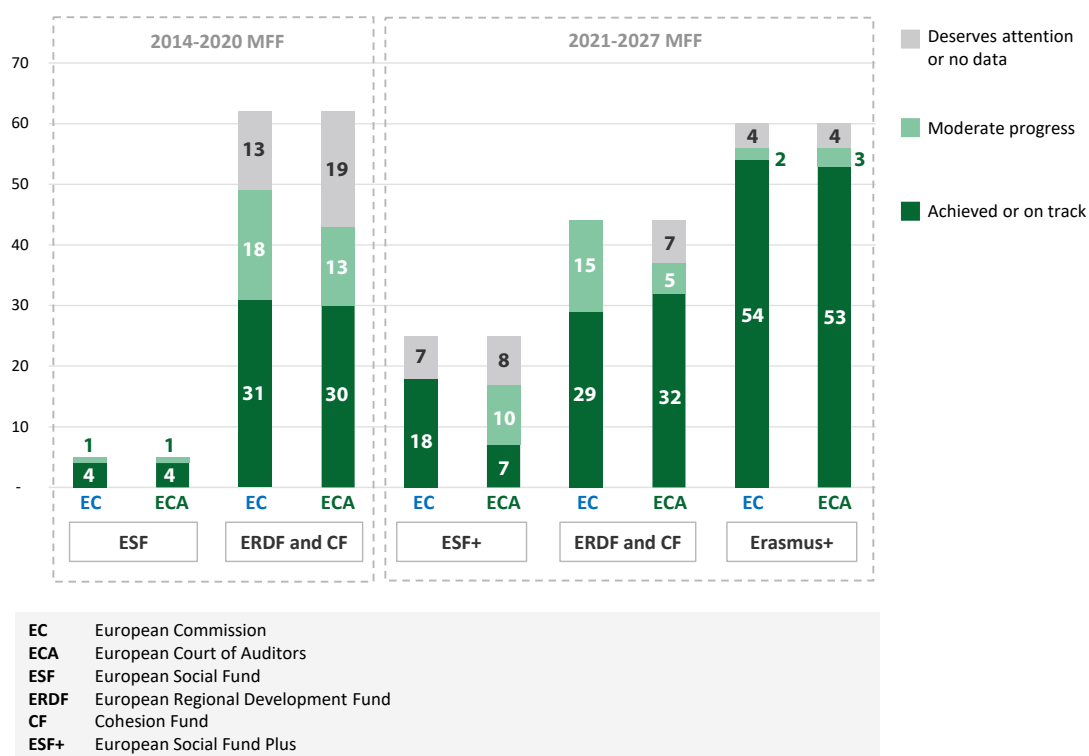
3.61. We also found that certain indicators did not have target values. For instance, within the ESF+, 5 (20 %) of the 25 indicators related to the objective “social inclusion, including contributing to poverty eradication and health” lacked designated target values.

⁴³ Article 16 of [Regulation \(EU\) 2021/1060](#).

⁴⁴ [2024 annual report](#), chapter 3, recommendation 3.2.

3.62. We analysed the Commission’s assessment of progress reported for our sampled 2024 PPSs for both periods, applying a similar methodology to that described in the annex to our [2019 report on the performance of the EU budget](#). In 19 % of the cases (38 of 196), our assessment of performance differed from that of the Commission ([Figure 3.9](#)). A detailed analyses of our assessment per programme objectives is included in [Annex 3.3](#). In most cases we considered that the assessment had been overstated. To some extent, this could be explained by the fact that the Commission’s assessment included ongoing projects that were not yet visible in the reported figures.

Figure 3.9 – Performance indicators assessment – the Commission and the ECA



Source: ECA.

3.63. [Box 3.1](#) shows two examples from the 2014-2020 ERDF and CF programmes where we consider that the Commission’s assessment of progress was not in line with the results reported as achieved in the PPSs. For the five indicators included in the PPS of the ESF 2014-2020, our assessment was the same as that of the Commission.

Box 3.1**Example of optimistic performance indicator assessments***ERDF 2014-2020*

Indicator / sub-indicator	Baseline	Progress	Target	Results 31.12.2022	Commission assessment
Additional waste recycling capacity	0	31 %	1 424 815	436 056	Moderate progress

Source: Regional Policy PPS, 2024 AMPR.

CF 2014-2020

Indicator / sub-indicator	Baseline	Progress	Target	Results 31.12.2022	Commission assessment
Additional population served by improved wastewater treatment	0	37 %	9 843 012	3 670 236	Moderate progress

Source: Regional Policy PPS, 2024 AMPR.

In these cases, the Commission's assessment is based on the expectation of reaching the targets (actual results plus future results from the signed agreements). In neither case, does "moderate progress" seem realistic, as the reported results are from the end of 2022 and there is only one year left – 2023 – still to report on. Based on existing information, a more prudent assessment for these two indicators would be "deserves attention", as it would be reasonable to expect that the indicators may not reach their targets.

3.64. For the 2021-2027 period, in addition to the actual results, the PPSs for the ESF+ and the PPSs for the ERDF and the CF were complemented with KPI values relating to signed *grant* agreements that had not yet been implemented. This approach enables a more comprehensive assessment of the indicators, as it considers expected achievements. Nevertheless, in the current MFF we found indicators where we consider that the Commission's assessment of progress was too optimistic compared with the results achieved, whether using actual or selected values. **Box 3.2** provides two examples.

Box 3.2

Example of optimistic performance indicator assessments

2021-2027 ERDF and CF

Indicator / sub-indicator	Progress	Target	Results 31.12.2024	Commission assessment
12.1 Surface area of green infrastructure	Actual result: 0.41 % Selected operations: 5.31 %	249 669	Actual result: 1 023 Selected operations: 13 247	Moderate progress

Source: Regional Policy PPS, 2024 AMPR.

ESF+

Indicator / sub-indicator	Progress	Target	Results 31.12.2024	Commission assessment
3.4. Total number of participants reached in actions promoting social integration of people at risk of poverty or social exclusion	3 %	135 800 000	3 420 000	On track

Source: ESF+ PPS, 2024 AMPR.

At the end of 2024, even when disclosing the progress based on the signed agreements (called “selected operations” by the Commission) for the ERDF ratio calculation, progress at the level of selected (not implemented) operations of 5 % does not, according to our assessment, indicate moderate progress, but rather “deserves attention” (to explain the reasons for slow progress).

For the ESF+, the PPS presented the actual results. Without further information on the potential project pipeline apart from “the implementation gained momentum in 2024”, which is included in the PDTs, the 3 % of progress assessed as “on track” after 4 years of implementation seems unjustified.

3.65. In the case of Erasmus+, we generally agree with all of the Commission’s KPI assessments.

Current programme indicators so far show better performance than under the previous MFF, with the exception of the ESF+

3.66. KPIs provide useful information on progress and achieving objectives. However, identifying the extent to which the funded actions have addressed needs at EU level cannot be assessed solely based on whether indicators met their targets; this requires the Commission to evaluate them once the programme has been implemented. The following paragraphs present the overall performance of the

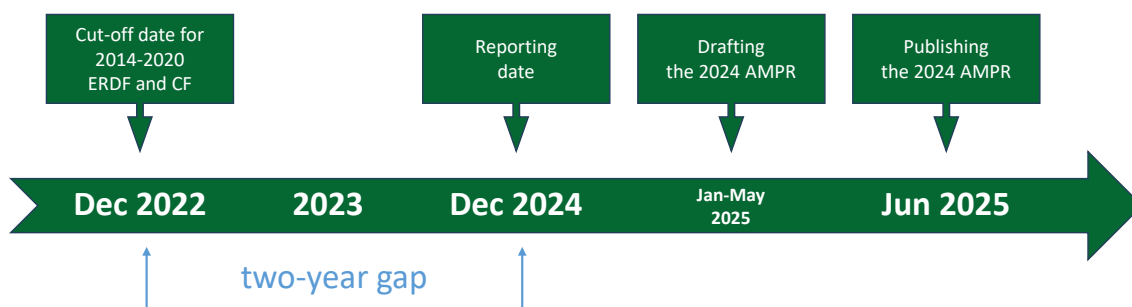
selected programmes, based on our assessment of the information presented in the PDTs from the 2026 draft budget. In some cases, this is different from the progress indicated by the Commission (paragraph 3.62).

2014-2020 period

3.67. For the ERDF and the CF, the PDTs reported on 62 indicators and sub-indicators that addressed 11 specific objectives/categories. According to our assessment ([Figure 3.9](#)), 30 (48 %) of the 62 reported indicators showed that the target had been “achieved” or was “on track to be achieved”, while for 9 of these no data was available in order to support an assessment. These nine indicators were impact indicators that will be discontinued for the next reporting period (paragraph 3.50). We consider that from the perspective of the reported indicators in the 2024 PPS, the regional policy programmes had only partially achieved their targets. This is because we assessed almost half of the indicators for objectives such as “preserving and protecting the environment [...]” and “promoting sustainable transport [...]” as “moderate progress” or “deserves attention” ([Annex 3.3](#)).

3.68. The 2024 AMPR was drafted at the beginning of 2025, using 2022 data, which was the most up-to-date information at the time. In our opinion, this situation created a significant gap between the publication date and the cut-off date for the published figures ([Figure 3.10](#)).

Figure 3.10 – Key dates in the reporting period for the 2024 AMPR



Source: ECA.

3.69. For the ESF programme, the PDTs that accompanied the 2026 draft budget presented 5 immediate *result indicators* out of 14 set in the Regulation. Our assessment ([Figure 3.9](#)) aligns with that of the Commission. Based on the reported indicators, we consider that the programme has achieved its objectives ([Annex 3.3](#)).

2021-2027 period

3.70. The PDTs presented 44 indicators for the ERDF and CF programmes that addressed 20 specific objectives. According to our assessment ([Figure 3.9](#)), and based on the expected results reported, 32 (73 %) of the 44 reported indicators showed that the target was on track to be achieved. We therefore consider that overall, the programmes are on track to achieve most of their objectives ([Annex 3.3](#)). We note also that the mid-term evaluation⁴⁵ was generally positive, stating that the “evaluated funds are well-suited to addressing regional disparities” and that implementation “accelerated considerably in the first half of 2024, catching up with the 2014-2020 trend”.

3.71. For the 2021-2027 ERDF and CF, all indicators reported in the PDTs are accompanied by the same generic explanation for the trend: “It is too early to comment on the established targets for cohesion policy. However, at this point in the implementation cycle, there is no reason to expect that the targets will not be met.” Considering that implementation is approaching the mid-point of the period (the programme should report on 9 years, and this is year four), the absence of annual milestones affects an objective appraisal of progress, and does not facilitate timely corrective action (paragraph [3.59](#)).

3.72. In the case of the ESF+ programme, the PDTs presented 25 indicators that addressed four broad policy areas ([Annex 3.3](#)). In contrast to regional policy indicators, in this case actual results are reported instead of the results expected from selected operations. In this respect, our [2024 annual report](#) included a recommendation regarding the justification of the assessment carried out based on information other than validated data (recommendation 3.3). According to our assessment ([Figure 3.9](#)), of the 20 reported indicators with targets, only 7 (35 %) showed that the target was on track to be achieved. Our assessment of the indicators shows that the programme is only partially achieving its targets so far, with “employment and social innovation” being the most advanced and “social inclusion” the least.

3.73. In the case of Erasmus+, the PDTs presented 60 indicators that addressed three specific objectives ([Annex 3.3](#)). Our assessment ([Figure 3.9](#)) is similar to that of the Commission: 53 (88 %) of the 60 reported indicators showed that the target was on track to be achieved or had already been achieved. This assessment was corroborated by the interim evaluation.

⁴⁵ SWD(2025) 299.

3.74. However, in the case of Erasmus+ there are 21 indicators (35 % of the 60 indicators) that had already reached the set targets after only 4 years of implementation, even though the programme is set to run for 7 years. This raises questions about the level of ambition of the targets. Furthermore, the performance reported may have been underestimated, since 10 indicators (17 % of the 60) did not report data for 2024, thereby only showing performance related to 2021-2023, while three indicators had not reported any data for the whole reporting period. Explanations in the PDTs often lack clarity with regard to such information gaps.

Conclusions and recommendations

3.75. The Commission's performance reporting for MFF heading 2 in the 2024 annual management and performance report (AMPR) followed the corporate instructions (paragraphs 3.45-3.47). In certain cases, the summary indicator table of the programmes' performance gave a too positive impression, either by including examples of indicators showing only good progress (paragraph 3.48) or performance information related to ongoing projects rather than final results (paragraph 3.49).

3.76. Performance indicators reported for both periods in the programme performance statements (PPSs) were in line with the SMART principle (paragraph 3.50). While the performance framework for the 2021-2027 MFF includes more result indicators than the previous period, impact indicators are still lacking for most programmes. In our view, the identification of impact indicators at the start of the programming period facilitates subsequent monitoring and evaluations (paragraphs 3.53-3.54). Erasmus+, on the other hand, is an example of good practice in this respect, with a complete list of output, result and impact indicators (paragraph 3.54).

3.77. Overall, traceability of the reported performance data was good. Nevertheless, for one of the reported Erasmus+ indicators, we noted the use of forecasted numbers instead of actual results, leading to an overstatement (paragraph 3.56).

3.78. The Commission's methodology to assess indicators' progress towards their targets remained unchanged from previous years, providing stability in the overall performance framework (paragraph 3.58). We had a different view of the progress achieved in 19 % of the indicators (37 of 196) included in the sampled PPSs. For most of these, we considered that results were less positive than the Commission did. To some extent, this could be explained by the fact that the Commission's assessment

included ongoing projects and additional considerations that were not yet visible in the reported figures (paragraphs 3.62-3.65).

3.79. For the 2014-2020 shared management programmes, based on the 2024 PPS, we considered that the ERDF and the CF only partly achieved their targets (paragraph 3.67). Furthermore, the gap (paragraph 3.68) between the reporting year (2024) and the year in which the data was reported (2022) hindered an up-to-date assessment of the overall programmes. The ESF did achieve its targets (paragraph 3.69).

3.80. In the case of the 2021-2027 programmes, and for the indicators where data is available, the ERDF and the CF (paragraph 3.70) and Erasmus+ (paragraph 3.73) are on track to achieve their targets, while ESF+ (paragraph 3.72) is lagging behind based on the fact that we consider only 35 % of the indicators (7 of 20) to be on track.

3.81. Nevertheless, for 2021-2027, the ERDF and the CF do not have annual milestones for their performance indicators, which affects the objectivity of intermediate progress assessments (paragraph 3.71). In addition, the high number of Erasmus+ indicators that had already achieved their targets 3 years ahead of their final milestone (paragraph 3.74) indicates that the related targets may have not been sufficiently ambitious.

3.82. Based on our conclusions, we make the following recommendations.

Recommendation 3.1 – Improve the performance reporting

The Commission should:

- (a) identify impact indicators to facilitate the assessment of the programmes' long-term performance which would feed into the *ex post* evaluations of the 2021-2027 MFF,
- (b) update the target values for Erasmus+ based on current achievements and the remaining implementation period.

Target implementation date: 2026 AMPR.

Recommendation 3.2 – Improve the summary presenting the programme’s main achievements

The Commission should disclose in the opening heading “Concrete examples of achievements” of the PPSs only actual achievements.

Target implementation date: 2026 AMPR.

Annexes

Annex 3.1 – ECA strategic areas covered by special reports in 2025

 EU response to post-crisis recovery	▪ SR 09/2025: Systems for ensuring compliance of RRF spending with public procurement and state aid rules ▪ SR 10/2025: Labour market reforms in the national recovery and resilience plans ▪ SR 13/2025: Support from the Recovery and Resilience Facility for the digital transition in EU member states ▪ SR 18/2025: EU budget flexibility ▪ SR 21/2025: RRF support for an improved business environment
 Competitiveness	▪ SR 01/2025: Digital payments in the EU ▪ SR 03/2025: Unjustified geo-blocking in e-commerce ▪ SR 07/2025: The European Fund for Strategic Investments ▪ SR 12/2025: The EU's strategy for microchips ▪ SR 19/2025: Critical shortages of medicines
 Resilience and European values	▪ SR 04/2025: EU military mobility ▪ SR 05/2025: Cohesion's Action for Refugees in Europe ▪ SR 11/2025: Transparency of EU funding granted to NGOs ▪ SR 15/2025: EU humanitarian aid under remote management ▪ SR 17/2025: EU aid for trade to least developed countries ▪ SR 26/2025: EU bodies fighting fraud
 Climate change, environment and natural resources	▪ SR 02/2025: Urban pollution in the EU ▪ SR 06/2025: EU actions tackling sea pollution by ships ▪ SR 16/2025: EU funding to tackle forest fires ▪ SR 20/2025: Commission support to fight hunger in sub-Saharan Africa ▪ SR 23/2025: Municipal waste management ▪ SR 25/2025: LIFE strategic projects
 Fiscal policies and public finances	▪ SR 08/2025: Value Added Tax fraud on imports ▪ SR 14/2025: Developing supplementary pensions in the EU ▪ SR 22/2025: Financial corrections in Cohesion policy ▪ SR 24/2025: Financial instruments in Cohesion policy

Source: ECA.

Annex 3.2 – Examples of the Commission’s early actions following ECA special report recommendations from 2025

The EU’s response to post-crisis recovery

In June 2025, the Commission provided [guidance](#) to member states on how to further streamline their *national recovery and resilience plans* (NRRPs) to ensure that all milestones and targets to be implemented by 31 August 2026⁴⁶ would be met. In the future, the [national and regional partnership plans](#) proposed by the Commission under the 2028-2034 MFF should ensure a close link between EU funding and the country specific recommendations⁴⁷.

In July 2025, the Commission published its proposal for the [2028-2034 MFF](#) together with the accompanying [Staff Working Document](#). In October 2025, the Commission reviewed and updated its [procedures](#) for the preparation of *draft amending budgets*⁴⁸.

The digital transition in the 2028-2034 period was included among the specific objectives in the proposal for the [European Fund](#). This initiative will also be funded through the digital leadership policy window of the proposed [European Competitiveness Fund](#).

Increasing the EU’s economic competitiveness for the benefit of all citizens

In December 2025, the co-legislators reached a provisional political agreement on the [pharmaceutical package](#) and concluded negotiations. Furthermore, the Commission adopted its [health package](#), including the [Biotech Act I](#), which revised the EU rules on clinical trials. The Employment and Social Policy, Health and Consumer Affairs Council endorsed the Commission’s general approach to the [Critical Medicines Act](#).

In February 2026, the Commission signed the pre-commercial procurement agreement to further the development of [next-generation flu vaccines](#)⁴⁹.

Resilience to threats to the EU’s security and respect for the European values of freedom, democracy and the rule of law

In October 2025, the Commission published its [ex post evaluations of the 2014-2020 programming period](#), which included sections on crisis instruments, a

⁴⁶ Special reports [10/2025](#) and [13/2025](#).

⁴⁷ [Special report 10/2025](#).

⁴⁸ [Special report 18/2025](#).

⁴⁹ [Special report 19/2025](#).

separate supporting study which focused on crisis response, country fiches and case studies, in addition to the *REACT-EU evaluation report*⁵⁰.

In November 2025, the Commission issued a [proposal for a regulation](#) establishing a framework of measures to facilitate the transport of military equipment, goods and personnel across the EU, together with a [joint communication on military mobility](#)⁵¹.

Climate change, environment and natural resources

In December 2025, the Commission adopted the [Communication](#) on accelerating Europe's transition to a circular economy, boosting the circularity of plastics⁵².

In June 2025, the Commission adopted the [European Ocean Pact](#). The [EU industrial maritime strategy](#), the [EU ports strategy](#)⁵³, and the Commission's [Communication](#) on Integrated Wildfire Risk Management⁵⁴ were adopted in March 2026.

Fiscal policies and public finances

In July 2025, [Council Directive \(EU\) 2025/1539](#) (amending Directive 2006/112/EC) was adopted. It introduced measures that will secure the collections of VAT on goods imported to EU consumers⁵⁵.

In November 2025, the Commission proposed enhancing cooperation between tax authorities, OLAF and the EPPO. At the time of writing, the [proposal for amendment of Regulation \(EU\) 904/2010](#) was being discussed in the Council⁵⁶.

In November 2025, the Commission also adopted a pension package designed to boost supplementary pensions. It included a [recommendation](#) on pension tracking systems, the revision of the Institutions for Occupational Retirement Provision II [Directive](#) and the proposal for amendment of a [Pan-European Personal Pension Product \(PEPP\) Regulation](#), together with a [Communication](#) on enhancing the capacity of the EU

⁵⁰ [Special report 05/2025](#).

⁵¹ [Special report 04/2025](#).

⁵² [Special report 23/2025](#).

⁵³ [Special report 06/2025](#).

⁵⁴ [Special report 16/2025](#).

⁵⁵ [Special report 08/2025](#).

⁵⁶ [Special report 08/2025](#).

supplementary pension sector to improve retirement income and supply long-term capital to the EU economy⁵⁷.

⁵⁷ Special report 14/2025.

Annex 3.3 – Performance indicators' status as at 31.12.2024, based on the ECA's assessment

ERDF and CF 2014-2020

Investment priorities	Performance indicators assessment					Total
	Achieved	On track	Moderate progress	Deserves attention	No target	
1. Strengthening research [...]	3	0	2	0	0	5
2. Enhancing access to [...] communication technologies	0	0	1	0	0	1
3. Enhancing the competitiveness of SMEs	2	1	0	0	0	3
4. [...] shift towards a low-carbon economy [...]	0	3	3	2	0	8
5. Promoting climate change adaptation [...]	1	2	0	1	0	4
6. Preserving and protecting the environment [...]	1	2	2	3	0	8
7. Promoting sustainable transport [...]	2	6	3	4	3	18
8. Promoting sustainable and quality employment [...]	0	1	0	0	0	1
9. Promoting social inclusion [...]	0	1	1	0	0	2
10. Investing in education, training [...]	1	0	0	0	0	1
11. Reduce disparities between the levels of development of the various regions [...]	2	2	1	0	6	11
Total	12	18	13	10	9	62
	19 %	29 %	21 %	16 %	15 %	

Source: ECA, based on the performance data tables from the 2026 budget.

ESF 2014-2020

Broad policy area	Performance indicators assessment			Total
	Achieved	On track	Moderate progress	
1. Promoting sustainable and quality employment	0	1	0	1
2. Promoting social inclusion [...]	0	0	1	1
3. Investing in education, training [...]	1	0	0	1
4. Promoting specific support to young <i>NEETs</i>	2	0	0	2
Total	3	1	1	5
	60 %	20 %	20 %	

Source: ECA, based on the performance data tables from the 2026 draft budget.

ERDF 2021-2027

Specific objective	Performance indicators assessment			Total
	On track	Moderate progress	Deserves attention	
1. Enhance research and innovation capacities and the uptake of advanced technologies	3	0	0	3
2. Reaping the benefits of digitisation for citizens, companies and governments	2	0	0	2
3. Enhancing growth and competitiveness of SMEs	2	0	0	2
4. Developing skills for smart specialisation, industrial transition and entrepreneurship	2	0	0	2
5. Enhancing digital connectivity	2	0	0	2
6. Promoting energy <i>efficiency</i> measures and reducing green-house gas emissions	1	0	1	2
7. Promoting renewable energy	2	0	0	2
8. Developing smart energy systems, grids and storage outside TEN-E	1	0	1	2
9. Promoting climate change adaptation, risk prevention and disaster resilience	2	0	0	2
10. Promoting sustainable water management	2	0	0	2
11. Promoting the transition to a circular economy	0	1	1	2
12. Enhancing nature protection and biodiversity, green infrastructure in particular in the urban environment, and reducing pollution	0	1	1	2
13. Promoting sustainable multimodal urban mobility	1	1	0	2
14. Developing a sustainable, climate resilient, intelligent, secure and intermodal TEN-T	4	0	0	4
15. Developing and enhancing a sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN-T and cross-border mobility	3	0	1	4
16. Enhancing the effectiveness of labour markets and access to quality employment through developing social innovation and infrastructure	0	1	1	2
17. Improving access to inclusive and quality services in education, training and lifelong learning through developing infrastructure	2	0	0	2
18. Increasing the socio-economic integration of marginalised communities, migrants and disadvantaged groups, through integrated measures including housing and social services	0	1	1	2
19. Ensuring equal access to health care through developing infrastructure, including primary care	2	0	0	2
20. Fostering the integrated social, economic and environmental development, cultural heritage, tourism and security in urban areas	1	0	0	1
Total	32	5	7	44
	73 %	11 %	16 %	

Source: ECA, based on the performance data tables from the 2026 draft budget.

ESF+ 2021-2027

Specific objective	Performance indicators assessment				Total
	On track	Moderate progress	Deserves attention	No Data	
1. Employment and labour mobility	0	5	0	0	5
2. Education	0	4	0	0	4
3. Social inclusion, including contributing to poverty eradication and health	2	1	3	5	11
4. Employment and social innovation	5	0	0	0	5
Total	7	10	3	5	25
	28 %	40 %	12 %	20 %	

Source: ECA, based on the performance data tables from the 2026 draft budget.

Erasmus+

Specific objective	Performance indicators assessment					Total
	Achieved	On track	Moderate Progress	Deserves attention	No Data	
1. Promote <i>learning mobility</i> of individuals and groups, as well as cooperation, quality, inclusion and equity, excellence creativity, and innovation at the level of organisations and policies in the field of education and training	5	23	0	0	0	28
2. Promote non-formal and informal learning mobility and active participation among young people, as well as cooperation, quality, inclusion, creativity and innovation at the level of organisations and policies in the field of Youth	2	12	2	0	1	17
3. Promote learning mobility of sport staff, as well as cooperation, quality, inclusion, creativity and innovation at the level of sport organisations and sport policies	1	10	1	1	2	15
Total	8	45	3	1	3	60
	13 %	75 %	5 %	2 %	5 %	

Source: ECA, based on the performance data tables from the 2026 draft budget.

Chapter 4

Revenue

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Annexes

Annex 4.1 – Number of outstanding GNI reservations, VAT reservations, TOR open points and plastics reservations by member state as at 31 December 2025

Annex 4.2 – Follow-up of previous recommendation

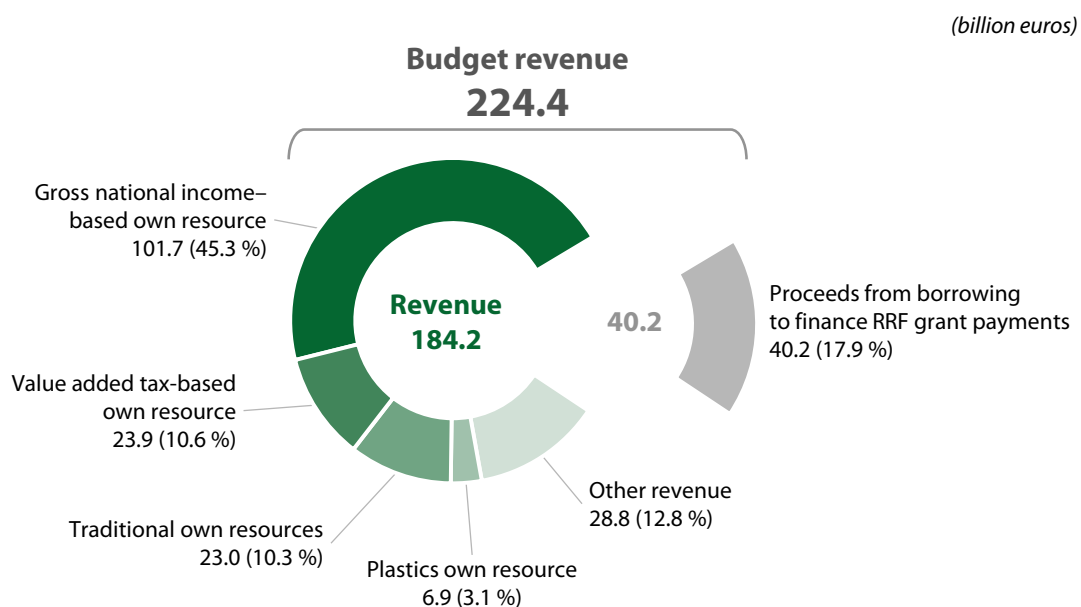
Annex 4.3 – The process of verifying member states' VAT bases and traditional own resources

Annex 4.4 – The process of drawing up the TOR statements of duties (collected and not yet collected) and their entry in the EU accounts and budget

Introduction

4.1. This chapter presents our findings for revenue, which comprises the four different categories of *own resources*, other revenue, and amounts borrowed to finance *NextGenerationEU* (NGEU) expenditure. **Figure 4.1** gives a breakdown of revenue in 2025.

Figure 4.1 – Revenue – 2025 breakdown (*)



(*) The total of €224.4 billion represents the EU's revenue in the 2025 budgetary implementation reports which are based on modified cash accounting rules. The amount of €202.5 billion presented in the 2025 statement of financial performance is calculated using accrual-based accounting. Proceeds from borrowing to finance RRF grant payments are included as assigned revenue in the budgetary implementation reports, in line with the legislation¹, but are not included as revenue in the statement of financial performance in line with the accounting rules.

Source: ECA, based on data from the 2025 *consolidated accounts* of the European Union.

¹ [Regulation \(EU\) 2020/2094](#) establishing a European Union Recovery Instrument to support recovery in the aftermath of the COVID-19 crisis.

Brief description

4.2. In 2025, 69 % of EU revenue came from own resources²:

- (a) the **gross national income-based (GNI-based) own resource** provided 45 % of EU revenue, balancing the EU budget after revenue from all other sources had been calculated. Each member state contributes in proportion to its GNI;
- (b) the **value added tax-based (VAT-based) own resource** provided 11 % of EU revenue. It corresponds to a percentage levied on member states' VAT receipts;
- (c) **traditional own resources (TOR)** provided 10 % of EU revenue. They consist of customs duties on imports collected by the member states. The EU budget receives 75 % of the total amount; member states retain the remaining 25 % to cover collection costs;
- (d) the **own resource based on non-recycled packaging waste (plastics own resource)** provided 3 % of EU revenue. It is calculated by applying a uniform rate to the weight of unrecycled plastic packaging waste generated in each member state.

4.3. Other significant sources included contributions and refunds connected with EU agreements and *programmes*, which provided 13 % of EU revenue. These include recoveries from member states in the areas of 'Cohesion, resilience and values', 'Single market, innovation and digital', as well as non-EU countries' contributions to EU programmes and activities.

4.4. In addition, amounts borrowed to finance non-repayable grant payments to member states in the context of NGEU provided 18 % of EU revenue.

Audit scope and approach

4.5. Our objective is to provide an opinion on revenue *transactions* and to contribute to the *statement of assurance*. Applying the audit approach and methods set out in **Annex 1.1**, we examined:

- (a) a *representative sample* of 65 Commission *recovery orders* (including ten recovery orders relating to NGEU grants);

² Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union.

- (b) the Commission's *management and control systems* for:
 - (i) verifying that the data provided by member states on GNI, VAT and plastic packaging waste constitute an appropriate basis for the calculation and collection of these own resource contributions;
 - (ii) verifying that member states have effective systems for collecting, reporting, and paying the correct amounts of TOR to the EU budget;
 - (iii) calculating the amounts resulting from adjustments to own resources;
- (c) the systems for TOR management and accounting in three member states (Belgium, Germany and Greece), selected on the basis of both the amount of customs duties they made available to the EU budget and our own risk assessment;
- (d) the reliability of the information on the *regularity* of own resources in the *annual activity reports* of the Directorate-General for Budget (DG BUDG) and Eurostat.

4.6. Our assessment of the Commission's systems for calculating the contributions based on GNI, VAT and plastics takes as a starting point the statistics and data provided by member states and verified by the Commission.

4.7. For TOR, some customs duties are not declared by importers or are declared incorrectly to the national customs authorities, leading to a shortfall in import duties collected – the “*customs gap*”. This shortfall is not captured in member states' TOR accounting systems and is not within the scope of our audit opinion on the regularity of revenue. A number of factors, many of which are outside the direct control of the EU, affect the level of the customs gap. However, since the customs gap may affect the amounts of duties collected by member states, we assessed the EU-level actions taken to reduce the gap and mitigate the risk of incomplete TOR. In particular, we examined the Commission's progress in preparing to implement the legislative proposal for EU customs reform.

Regularity of transactions

4.8. This section presents our observations on the regularity of revenue transactions underlying the EU accounts. We have based our conclusion on our examination of a representative sample of revenue transactions and on our assessment of the Commission's systems for verifying, calculating and collecting revenue. Our examination of a sample of 65 recovery orders found that none of them was affected by a *quantifiable error*.

Examination of elements of management and control systems

4.9. We examined a number of control systems (see paragraph 4.5). Our observations on these systems do not affect our opinion on the regularity of EU revenue. We found persistent weaknesses in the collection of individual categories of own resources. In addition, we noted delays by member states in providing data for EU wide customs risk assessment and risk of delays in the development of the EU Customs Data Hub which may weaken the EU action to reduce the customs gap and mitigate the risk of TOR being incomplete.

Delays by member states and weaknesses in the application of late payment interest for GNI reservations

Delays by some member states in addressing GNI reservations have kept all GNI contributions of the last 15 years open for adjustments

4.10. The Commission places reservations when it identifies deficiencies posing major risks to the reliability, comparability and completeness of the GNI data provided by member states. On 31 December 2025, 102 *GNI reservations* set by the Commission remained in place (see [Annex 4.1](#)):

- seven (Croatia four, Luxembourg one, Malta one, and Romania one) should have been addressed by 2021 and two (Luxembourg one and Malta one) by 2022;
- six (Romania three, Bulgaria two, and Luxembourg one) should have been addressed by 2025;
- the remaining 87 should be addressed by member states in 2026.

4.11. Member states' failure to provide the necessary information within the deadline³ delays the Commission's subsequent verification work and its lifting of reservations. With open reservations for four member states covering GNI statistics as far back as 2010, changes in their GNI for these years are still possible. As GNI changes in a single member state lead to changes in the EU GNI, in practice, contributions for

³ See also [2024 annual report](#), paragraphs 4.14-4.15; [2023 annual report](#), paragraph 4.9; [2022 annual report](#), paragraph 4.22; [2021 annual report](#), paragraph 3.19.

all member states remain open for adjustments. Delays in addressing past reservations can lead to further delays, in the member states concerned, in addressing any new reservations placed by the Commission.

The Commission is making limited use of the legislative tool designed to incentivise member states to resolve GNI reservations promptly

4.12. If member states are late in making corrections to GNI data needed to address reservations notified by the Commission and these corrections have a material impact on GNI, the Commission should charge late payment interest (LPI)⁴. In our 2023 annual report, we noted that the Commission did not charge LPI when it could not quantify the impact of corrections, or when member states only partially addressed GNI reservations by the deadline. For cases in the latter category, we recommended that the Commission should charge LPI⁵. The Commission did not accept and implement our recommendation on the grounds that the legislation does not mention applying late interest payments when information is partially provided by the deadline (see [Annex 4.2](#)).

4.13. Since then, the Commission has charged two member states (Malta in 2024 and 2025, and Croatia in 2025) with LPI on the grounds that none of the necessary corrections were provided by the deadline. In 2025, the Commission lifted 19 reservations in 10 member states. However, for eight of them in four member states (Greece five, Bulgaria one, Poland one, and the United Kingdom one) it did so without charging LPI when the necessary GNI data corrections had been provided on average 3 years after the deadline. For these cases, the Commission considered that the legal provisions for charging LPI were not applicable (see examples in [Box 4.1](#)).

⁴ Article 12 (2) (d) of [Regulation 609/2014](#) for making available the traditional, VAT and GNI-based own resources.

⁵ [2023 annual report](#), paragraphs 4.12-4.14 and recommendation 4.1.

Box 4.1**Examples of GNI data corrections not provided on time for which the Commission did not charge late payment interest****Partial provision of corrections on time**

A reservation for Poland with a deadline of September 2021 contained 20 sub-points. Only three sub-points were addressed on time. The remaining 17 points were addressed in September 2022. In 2022, the Commission requested additional information and calculations which the member state provided by 2024. In September 2024, the member state implemented additional corrections and the reservation was lifted in 2025. The final overall corrections for the whole reservation accepted by the Commission were materially different from what had been originally proposed by the member state for the three points addressed on time.

In this case, the Commission did not charge LPI for 28 months even though the member state had provided information on time for only three of the twenty (15 %) of the reservation points and implemented corrections that were significantly different from the final corrections accepted by the Commission.

Non-quantifiable impact of reservation

Five reservations were lifted for Greece in 2025. The Commission concluded that for three of these reservations, Greece had provided all the necessary information after the deadline, and for the remaining two reservations, part of the information had been provided after the deadline. The Commission considered that the impact of each reservation assessed individually was non-quantifiable and, on this basis, decided not to charge LPI.

4.14. In our view, according to the legislation, the sole determining factor for charging LPI is the timing of the member state GNI data corrections provided to the Commission that lead to reservations being lifted. The legislation does not specify rules for the partial provision of GNI data corrections or the partial lifting of reservations.

4.15. The Commission's rules for GNI reservations require that member states provide information with quantified impact for each (sub-)point of a reservation. We therefore consider that the Commission should have been in a position to quantify the impact for every reservation or request the necessary information from the member state when it was not provided.

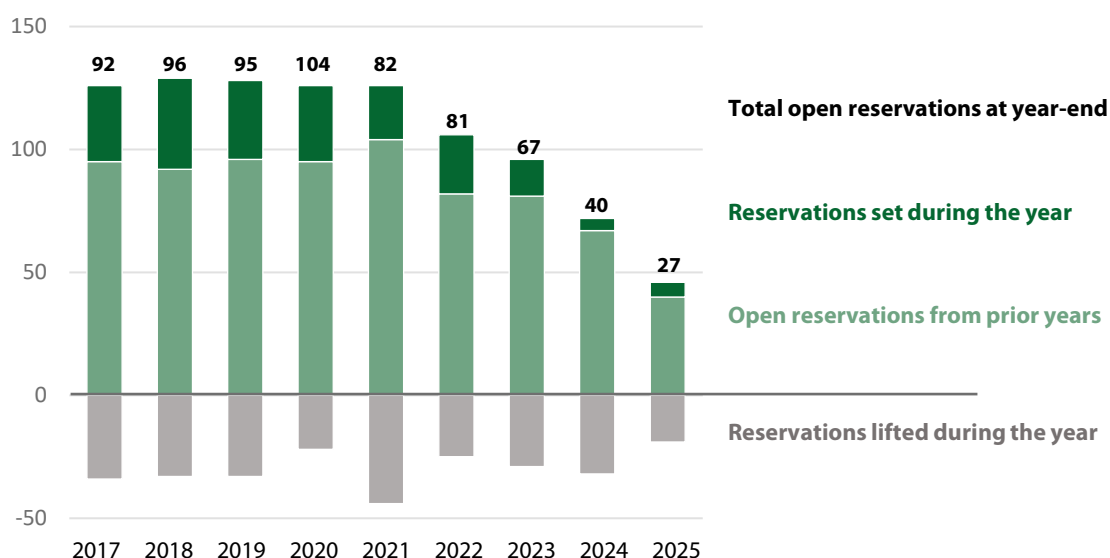
4.16. Changes to the GNI contributions of all member states are possible going back to 2010. Despite this problem, the Commission is applying the only tool available

designed to incentivise member states to address reservations in due time in a limited way. With the exception of two cases (see paragraph 4.13), member states that do not provide all the necessary information for lifting GNI reservations within the deadline set by the Commission are treated in the same way as compliant member states and bear no financial consequences.

Simplifying the VAT system led to significant reduction in open reservations

4.17. The VAT-based own resource was simplified for the 2021 – 2027 MFF by limiting the corrections required from member states and freezing the *weighted average VAT rate* for each country at its 2016 value. This contributed to a significant reduction in the number of VAT reservations placed in the 2021 - 2027 MFF from 104 in 2020 to 27 at the end of the 2025. (see [Figure 4.2](#) and [Annex 4.1](#)). In 2025, there was also progress in lifting reservations outstanding for more than 5 years which decreased from eight at the end of 2020 to four at the beginning of 2026.

Figure 4.2 – Evolution of the number of VAT reservations open at year-end.



Source: ECA, based on Commission data.

Weaknesses in countries' management and accounting for TOR persist

4.18. *Annex 4.3* shows the process the Commission uses to verify member states' calculation of TOR and VAT bases. The outstanding number of *TOR open points* at the end of 2025 increased by 14 % compared to the year before (see *Table 4.1*). *Annex 4.1* provides a breakdown by country of the open points at the end of 2025. The number of points open for more than 5 years remained unchanged at 80 but its relative share decreased from 39 % in 2024 to 34 % in 2025.

Table 4.1 – Traditional own resources open points statistics

TOR open points	2025	2024	Percentage change
Set	93	36	128 %
Closed	64	106	- 40 %
Outstanding at year-end	233	204	14 %

Source: ECA, based on Commission data.

4.19. In 2025, the Commission launched an IT system to report on its TOR inspections and to follow up open points with member states. This system enabled the Commission to issue the reports for its 2025 inspections more quickly, resulting in twice as many reports issued in 2025 compared to 2024 and more points set during the year. According to the Commission, the reduction in the number of points closed during the year was due to their increased complexity which requires more time to resolve. The proportion of long-outstanding TOR open points decreased compared to 2024 but they remained a significant part of the open points at the end of 2025.

4.20. We examined how Belgium, Germany, and Greece compiled their TOR statements, as well as their procedures for managing TOR owed to the EU budget (see *Annex 4.4*). We assessed the key TOR management and control systems in all three member states as partially satisfactory.

4.21. We previously reported that the Belgian customs' IT system failed to process financial data on import declarations covering goods with different statuses for customs duty calculation⁶. During our visit this year, we noted that the customs authorities had implemented improvements to their IT systems that were designed to

⁶ 2022 annual report box 4.1.

prevent similar cases of omission. At the same time, we noted that, although there is no financial impact, the way the Belgian authorities account for TOR remains complex and results in reporting that does not comply with EU rules⁷. In addition, we noted weaknesses in the management of some customs debts.

4.22. We examined the IT system used by traders to submit customs declarations for import into Belgium and the IT system used by the Belgian customs authorities for TOR management and accounting. We found that the Belgian customs authorities have put in place a generally robust IT framework and that the sample of controls we tested generally operated as intended. However, we identified some weaknesses in user access management and backup and disaster recovery. Moreover, the lack of an approved IT risk management policy and test plans makes it more difficult to ensure a consistent risk management approach and a reliable testing process of system changes.

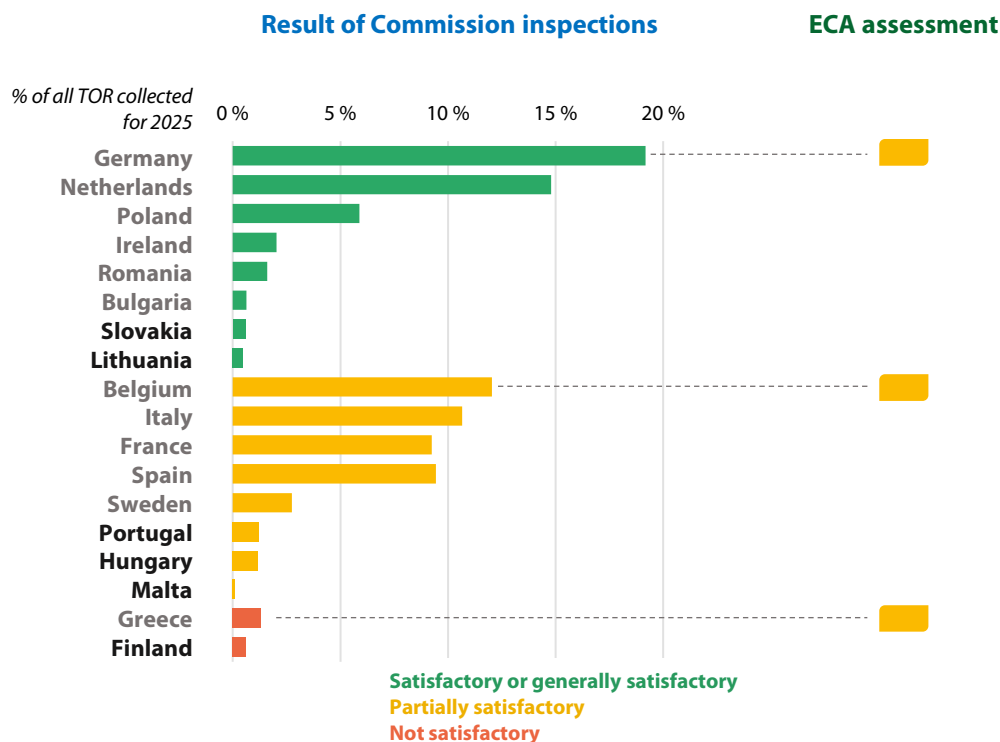
4.23. In Germany, we identified cases where assistance of other member states is requested late for the collection of customs debts where the debtor is not a German resident. This might jeopardise the collection of the full debt. As in Belgium, the way the German authorities reported TOR to the Commission did not comply with EU rules. In Greece, we also found weaknesses in the management of customs debts, such as delays and procedural errors in debt notification and debtor identification when establishing and collecting customs debts, in acting on risks identified and communicated by the European Anti-Fraud Office (OLAF), and in writing off irrecoverable debts.

4.24. The Commission's inspections continue to detect and report similar weaknesses in the management and accounting for customs duties and debts in member states. It found that in some cases, due to delays by member states in establishing, accounting, and reporting for customs debts, customs duties were not paid to the EU budget or were paid late. In 2025, as part of its inspection programme, the Commission visited six member states to assess the reliability of their TOR statements. In two member states the Commission evaluated the systems and procedures related to the TOR accounts as satisfactory or generally satisfactory. Three were evaluated as partially satisfactory and one was assessed as not satisfactory (see [Figure 4.3](#)).

⁷ [Decision \(EU, Euratom\) 2018/194](#) establishing models for statements of accounts for entitlements to own resources as amended by [Decision \(EU\) 2022/523](#).

Figure 4.3 – The Commission’s assessment of the systems and procedures related to the TOR accounts for member states inspected in 2024 and 2025

Members States inspected in 2024
Members States inspected in 2025



Source: ECA, based on Commission data.

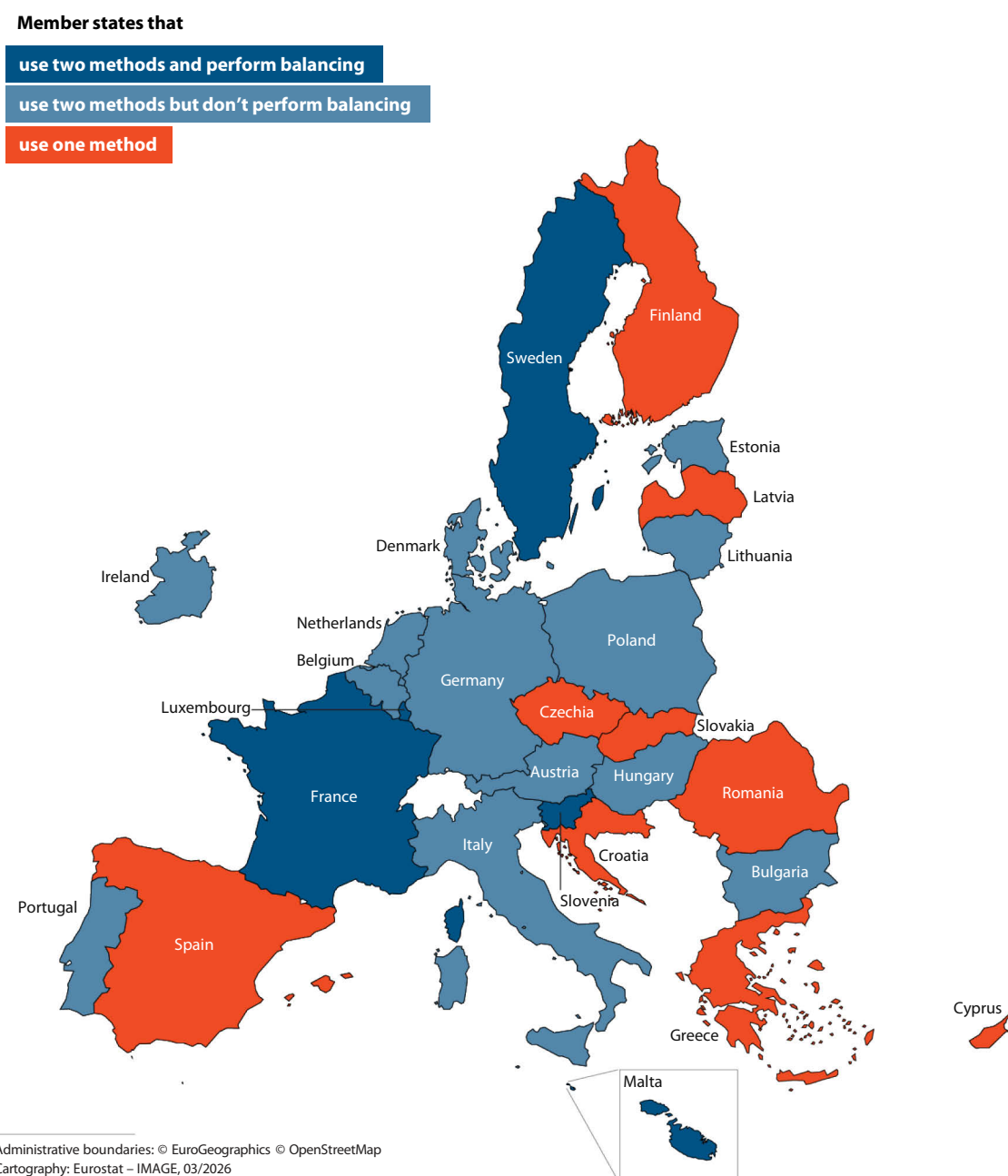
Member states' plastics data are not fully compliant with EU rules but the Commission sets relevant reservations

4.25. For the plastics own resource, to estimate the plastic packaging waste generated, member states must use two different compilation methods and provide a single estimate, referred to as *balancing* the results⁸. We found that in 2025, 18 member states submitted data for 2023 based on the two methods (also 18 member states in 2024), with five member states (one in 2024) balancing the results (see [Figure 4.4](#)). Using both methods and balancing them ensures that the data produced is comparable between member states and reliable. We recommended in

⁸ Regulation (EU) 2023/595 establishing the form for the statement relating to plastics own resource.

our special report 16/2024⁹ on the plastics own resource that the Commission, together with the member states, should improve the comparability and reliability of data used for the calculation of member states' contributions by 2026.

Figure 4.4 – Methods used by member states for estimating plastic packaging waste generated



Source: ECA, based on Commission data.

⁹ Special report 16/2024: “EU revenue based on non-recycled plastic packaging waste: A challenging start hindered by data that is not sufficiently comparable or reliable”.

4.26. In 2025, the Commission continued its work on the first 2023 – 2026 verification cycle by conducting formal inspection visits to ten member states. The cycle was completed with visits to the remaining five member states in the first quarter of 2026. By the end of 2025, the Commission had placed 34 reservations in 12 member states and lifted one (see [Annex 4.1](#)), compared to ten reservations placed in four countries and none lifted by the end of 2024. The Commission has placed reservations in all member states that do not use the two compilation methods and in member states where it has identified weaknesses in the:

- use of the methods;
- balancing the results; and
- estimation, calculation and verification of the recycled amounts.

4.27. A general reservation was placed in Poland for providing insufficient information about its calculation methodology. In France, no reservations were placed after the Commission’s inspection. At the end of 2025, 19 further reservations were in the process of being set.

While the establishment of the EU Customs Authority is on track, risks for the development of the EU Customs Data Hub remain

4.28. On 26 March 2026, the Council and the European Parliament reached an agreement on the Commission’s proposal for customs reform published in May 2023. The co-legislators agreed that a new EU agency will be established - the *EU Customs Authority* (EUCA), responsible for risk management at the EU level. In addition, the *EU Customs Data Hub*, a centralised online portal intended to replace the existing customs IT infrastructure in member states, was planned to enter its operational phase in 2028, initially for e-commerce goods.

4.29. We followed up the risks of delays in the implementation of the EU customs reform that we identified in our 2024 annual report¹⁰. In 2025, the Commission organised the procedure for selecting the seat of EUCA and prepared plans for its scope, governance arrangements, key milestones and the resources required for its

¹⁰ 2024 annual report paragraphs 4.27-4.30.

initial set-up. The host city of EUCA – Lille, in France – was selected by the co-legislators in March 2026 in time for the formal adoption of the customs reform.

4.30. The Commission has taken the first steps in the procurement process for the selection of the developer of the EU Customs Data Hub’s e-commerce phase. However, the process is not expected to conclude before early 2027. This would leave about one year for the design, development, testing, and implementation before the EU Customs Data Hub has to be operational on 1 July 2028. Given the inherent complexity of such a project, there is a risk that the time available might not be sufficient.

Some member states are delaying the transition towards a digital and interoperable EU customs environment

4.31. The roadmap for the transition to a fully electronic and harmonised EU customs environment includes an EU adopted work programme¹¹ with system specific milestones and deadlines. These milestones were designed to support the gradual replacement of paper based and fragmented national systems through the progressive deployment of interoperable EU customs IT systems, with the objective of completing the transition by 2025.

4.32. While most systems were deployed in accordance with the work programme, some systems faced delays on the part of member states. In 2025, the Commission opened *infringement procedures*, by sending letters of formal notice, against ten member states for failing to fulfil their obligations to deploy one or more IT systems, or to upgrade their national import systems on time. After receipt of additional information, the Commission escalated the infringement, by sending reasoned opinions, for four of them (see [Figure 4.5](#)) and maintained the procedure for the remaining six.

¹¹ [Implementing Decision 2023/2879](#) establishing the Work Programme relating to the development and deployment for the electronic systems provided for in the Union Customs Code.

Figure 4.5 – Infringement procedures against member states that had not implemented customs IT systems work programme on time (as of March 2026)

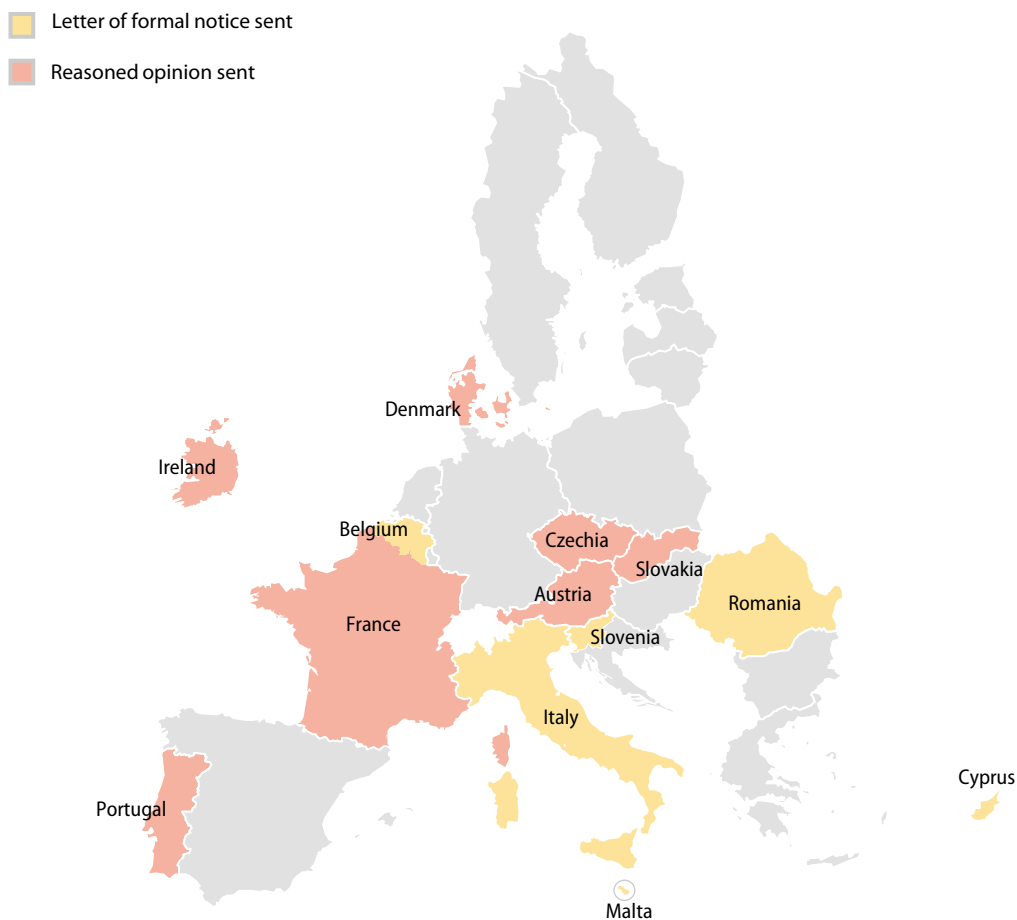


(*) The Commission has sent a reasoned opinion to Greece for the delay in one IT system and a letter of formal notice for two others.

Source: ECA, based on Commission data.

4.33. As part of the work programme, the Commission has developed an EU system, Surveillance III, designed to enhance the uniform application of customs controls and law, enhance risk management, and support compliance with EU border measures. To operate effectively, Surveillance III requires that member states transmit a standardised set of information for every import. Mainly due to delays in deploying the systems above, some member states did not provide all the information required. The Commission opened infringement procedures against 13 member states and, after their responses, escalated the procedure for seven of them (see [Figure 4.6](#)) and maintained it for the remaining six.

Figure 4.6 – Infringement procedures against member states that had not provided full customs data for risk assessment purposes (as of March 2026)



Source: ECA, based on Commission data.

4.34. These delays mean that the expected benefits of digitalisation - such as automation, interoperability and real-time monitoring and improved risk analysis - have not yet been fully achieved. Incomplete system deployment and partial data transmission limit the Commission's and member states' ability to target risks and perform effective customs controls, particularly for imports. This undermines the uniform application of EU customs legislation.

Annual activity reports

4.35. The information on the regularity of own resources provided in the 2025 annual activity reports published by DG BUDG and Eurostat generally corroborated our findings and conclusions.

4.36. In its 2025 annual activity report, DG BUDG reported that it finalised the quantification of TOR losses resulting from the undervaluation of textile and footwear imports from China over the period from 2011 to 2017 for Hungary and Spain in addition to the seven member states finalised in 2024. On 31 December 2025, the cumulative amount of TOR losses related to undervaluation by all remaining member states is estimated in the EU accounts to be €0.7 billion and the related late payment interest €0.3 billion. DG BUDG aims to finalise the calculations for the remaining member states in the course of 2026.

Conclusion and recommendations

Conclusion

4.37. The overall audit evidence indicates that the level of error in revenue was not material. The revenue systems we examined were generally effective. However, some elements of the control systems for the management of GNI reservations and TOR open points were partially effective (see paragraphs [4.16](#) and [4.19](#)). In addition, the provision of information on GNI reservations and the reporting of data on the plastics own resource, as well as some elements of the key TOR management and control systems we assessed in three member states, were partially effective (see paragraphs [4.11](#), [4.20](#), and [4.25](#)).

4.38. Therefore, in our opinion, the revenue underlying the accounts for the year ended 31 December 2025 is legal and regular in all material respects.

4.39. We also found that there were risks to the timely development of the EU Customs Data Hub (see paragraph [4.30](#)) and delays by member states in implementing the customs IT systems work programme (see paragraph [4.34](#)). We concluded that these risks do not have a material impact on the regularity of revenue transactions underlying the accounts and therefore do not affect our audit opinion.

Recommendations

4.40. [Annex 4.2](#) shows the results of our follow-up of a past recommendation. See also paragraph [4.12](#).

4.41. Based on our findings and conclusions for 2025, we recommend that the Commission:

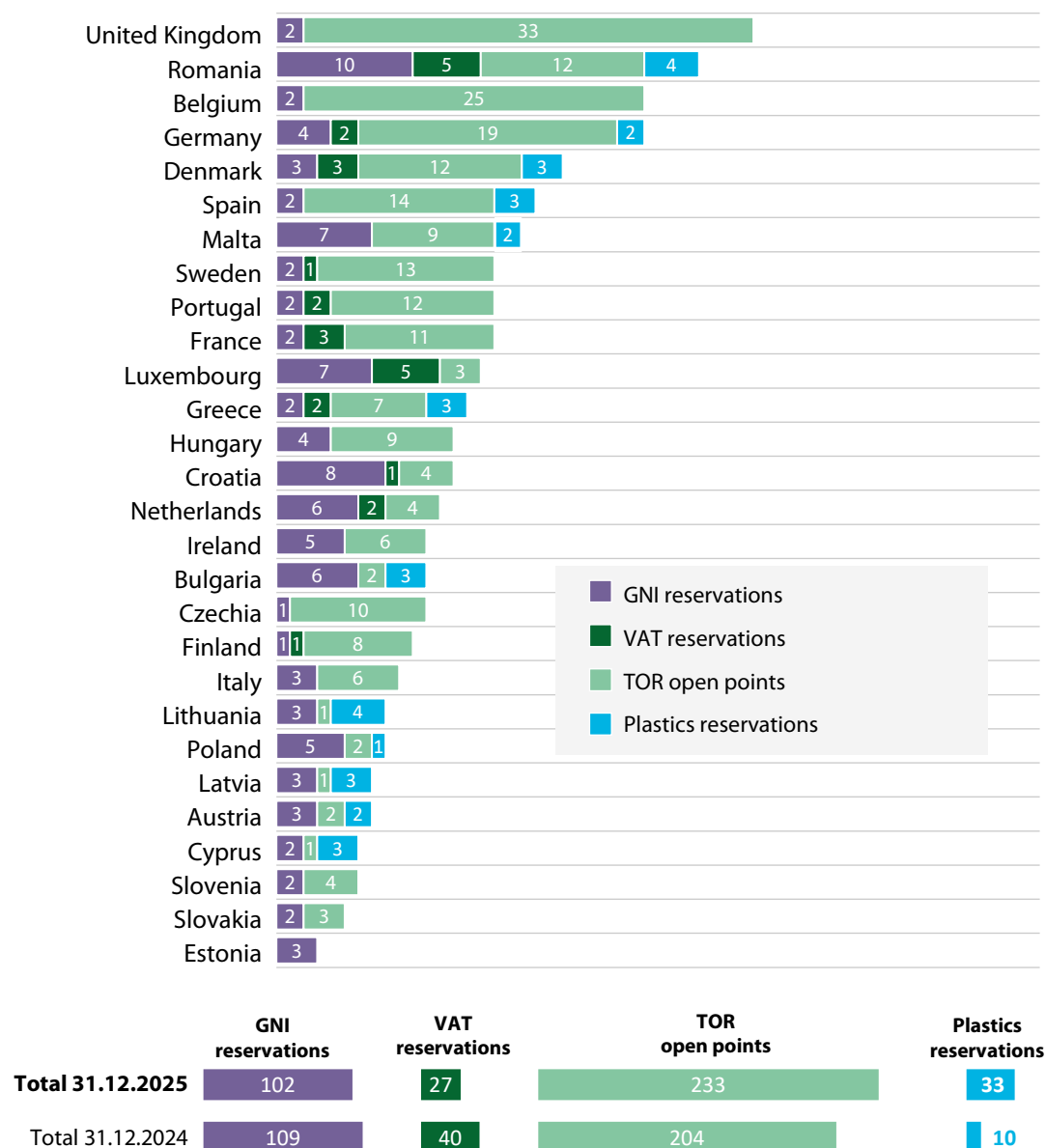
Recommendation 4.1 – Propose clearer rules for charging late payment interest

In its proposal for a Making Available Regulation for GNI, clarify unambiguous and complete rules for late payment interest, so that interest is charged when member states do not provide the necessary information within the prescribed deadline.

Target implementation date: by end of 2027.

Annexes

Annex 4.1 – Number of outstanding GNI reservations, VAT reservations, TOR open points and plastics reservations by member state as at 31 December 2025



Source: ECA, based on Commission data.

Annex 4.2 – Follow-up of previous recommendation

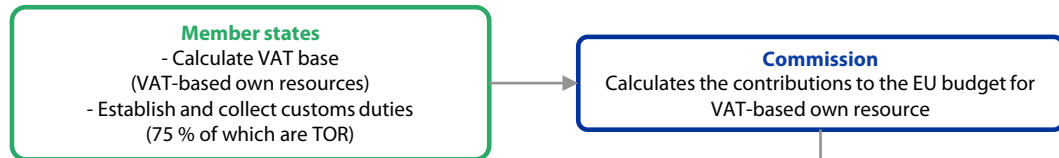
Degree of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Degree of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

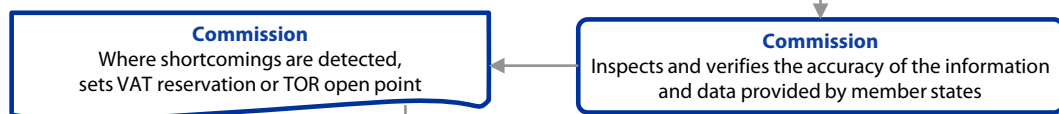
Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2023	We recommend that the Commission: Recommendation 4.1: Charge late payment interest when member states do not provide all the information needed to fully address reservations and correct GNI data by the deadline set.			See paragraph 4.12 .

Annex 4.3 – The process of verifying member states' VAT bases and traditional own resources

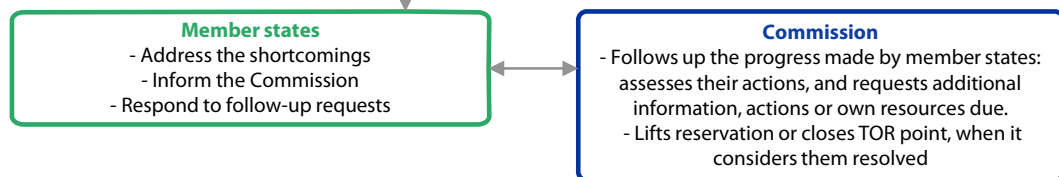
STEP 1: Calculation



STEP 2: Verification

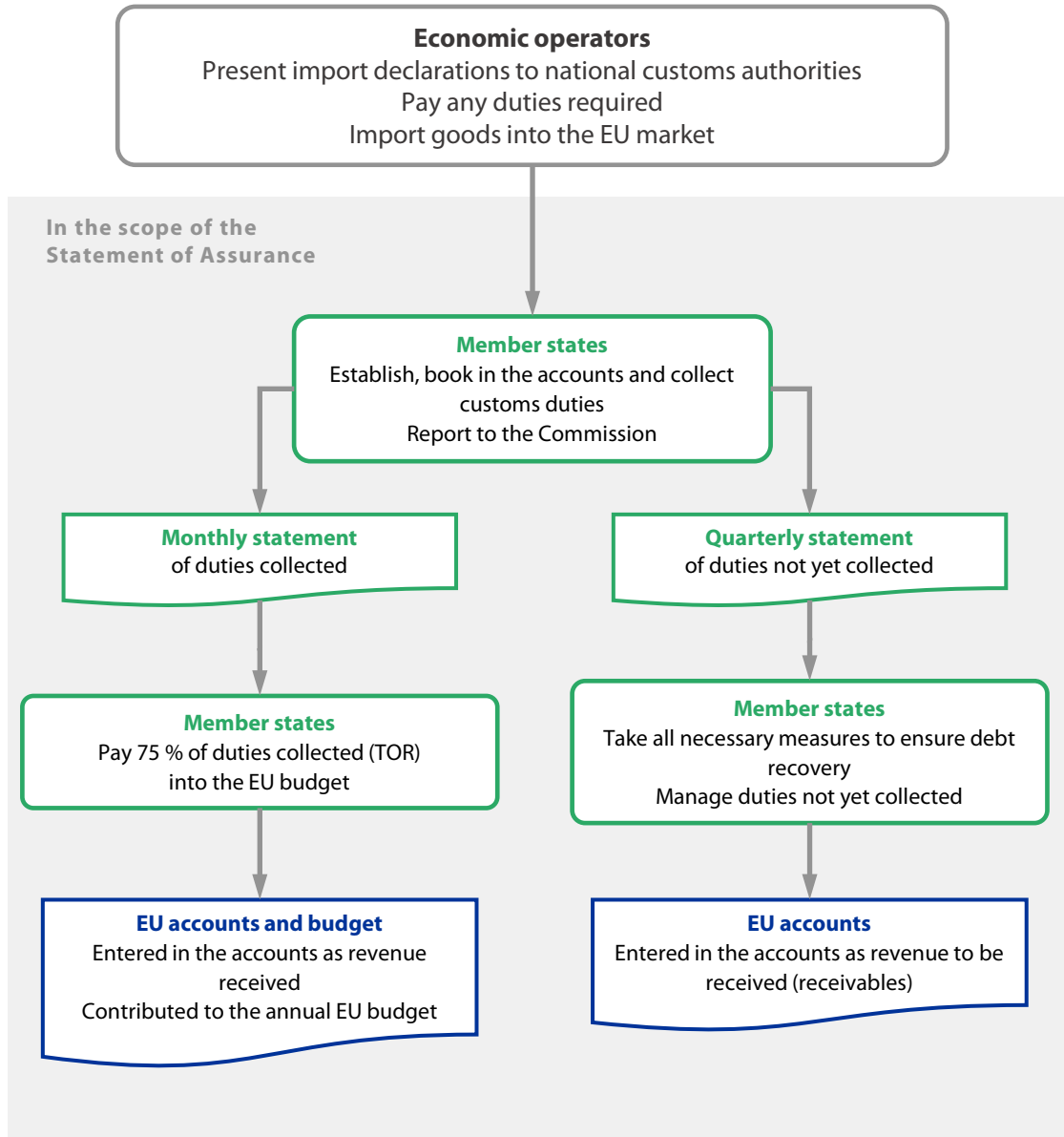


STEP 3: Follow-up



Source: ECA, based on Commission data.

Annex 4.4 – The process of drawing up the TOR statements of duties (collected and not yet collected) and their entry in the EU accounts and budget



Source: ECA, based on current EU legislation and rules.

Chapter 5

Single market, innovation and digital

Contents

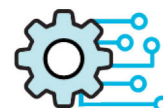
	Paragraph
Introduction	5.1.-5.10.
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Shortcomings in the use of lump sum grants	5.22.-5.25.
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Annex 5.1 – Follow-up of previous recommendations	

Introduction

5.1. This chapter presents the results of our audit of *MFF* heading 1 ‘Single market, innovation and digital’. **Figure 5.1** gives an overview of the main activities, the spending and the audit population under this heading in 2025.

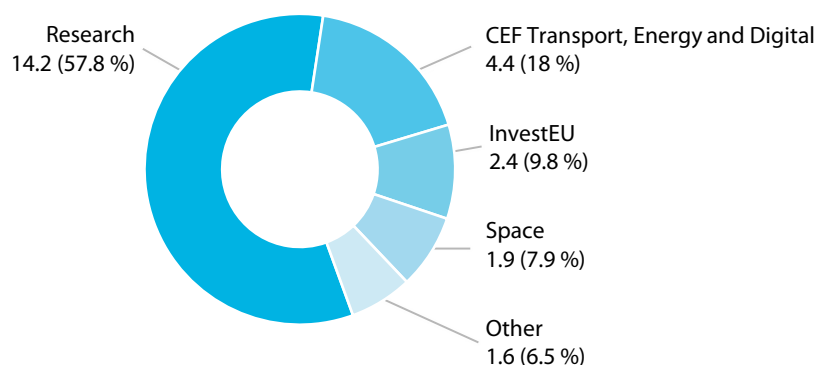
Figure 5.1 – Payments and audit population

Single market, innovation and digital
€24.5 billion (13.9 % of EU budget expenditure)



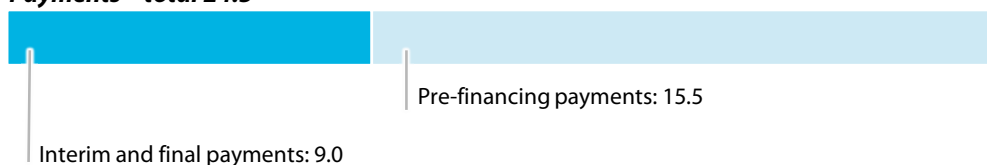
(billion euros)

2025 payments breakdown by fund

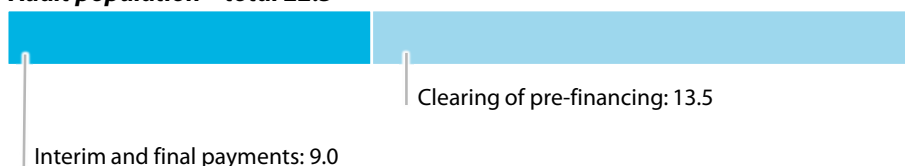


2025 audit population compared to payments

Payments – total 24.5



Audit population – total 22.5



Source: ECA, based on data from the 2025 consolidated accounts of the European Union.

Brief description

5.2. The *programmes* financed under ‘Single market, innovation and digital’ are diverse and aim to finance projects that contribute to, among other things, research

and innovation, the development of European infrastructure in the transport, energy and digital sectors, communications, digital transformation and the single market, and space policy.

5.3. Most spending on the programmes under this heading is managed directly by the Commission. The remaining parts of the budget under the MFF1 heading are implemented by *joint undertakings* and *decentralised agencies*.

5.4. The principal programmes for research and innovation are *Horizon Europe* for the 2021-2027 period, and its predecessor *Horizon 2020* (H2020) for the 2014-2020 period. In 2025, the former accounted for slightly more than half of the research *transactions* we audited.

5.5. MFF1 also finances infrastructure projects under the *Connecting Europe Facility* (CEF), *InvestEU* and the space programmes, including *Galileo* (the EU's global satellite navigation system), the *European Geostationary Navigation Overlay Service* (EGNOS), and Copernicus (the European Earth observation programme). In addition, the Digital Europe Programme (DIGITAL) and Single Market Programme (SMP) are also financed under MFF1. In the current MFF period, the cost eligibility rules for Horizon Europe, the CEF, DIGITAL, and the SMP are mostly standardised.

5.6. The bulk of the research spending under the Horizon programmes and the CEF takes the form of *grants* to public or private *beneficiaries* participating in projects. The Commission initially provides pre-financing to the beneficiaries upon signature of a grant agreement. In the case of grants reimbursing actual cost, which is the most common type of funding in research this year, the beneficiaries report their actual costs and are reimbursed accordingly. When *lump sum* grants are given, the beneficiaries are paid a pre-defined lump sum upon completion of each work package.

5.7. The space programmes are generally managed indirectly by dedicated implementing bodies (such as the European Space Agency and the EU Agency for the Space Programme), which are reimbursed on the basis of their actual expenditure on the programmes.

5.8. *Financial instruments* (i.e. loans, guarantees and *equity investments*) under the InvestEU programme are implemented mainly by the European Investment Bank or the *European Investment Fund*, which in turn use *financial intermediaries*.

Audit scope and approach

5.9. Our objective was to estimate the level of error for this MFF heading and to contribute to the *statement of assurance*. Applying the audit approach and methods set out in **Annex 1.1**, we examined the following for this MFF heading in 2025:

- (a) a statistically representative sample of 126 transactions covering all spending under this MFF heading. It consisted of 90 transactions in the area of research and innovation (40 for H2020 and 50 for Horizon Europe) and 36 under other programmes (notably 14 CEF transactions, 6 financial instruments, 10 SMP and DIGITAL transactions, and 2 transactions for the space programmes). The beneficiaries audited were located in 21 member states and 4 non-EU countries;
- (b) the Commission's control systems in place to prevent plagiarism and double funding in the research area (Horizon Europe);
- (c) the *regularity* information given in the *annual activity reports (AARs)* of the *European Health and Digital Executive Agency (HaDEA)* and the *European Research Executive Agency (REA)*, and then included in the Commission's *annual management and performance report (AMPR)*.

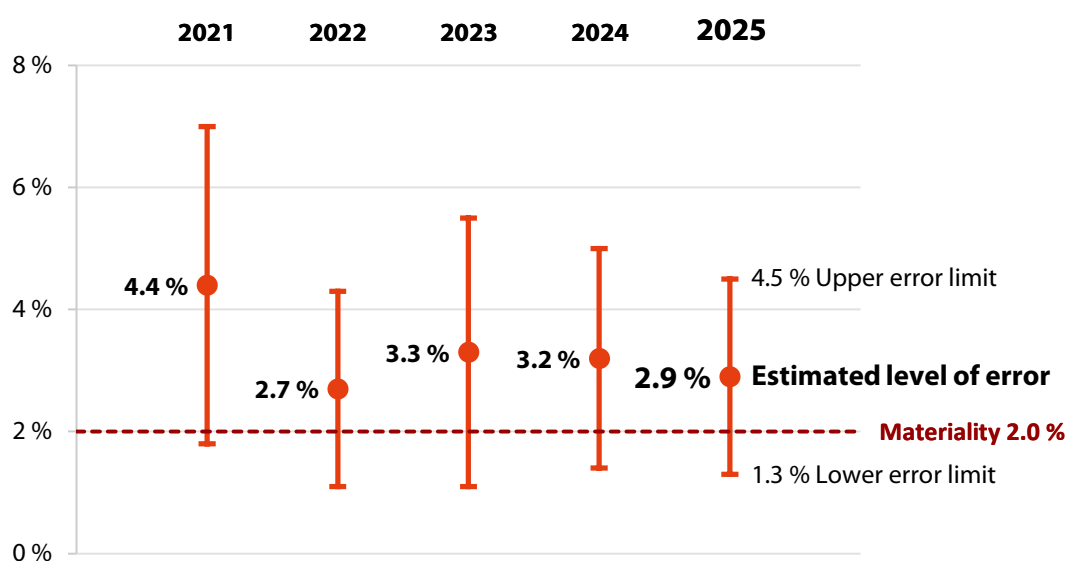
5.10. We also took account of the results of our annual audits of the 12 EU agencies – including the European Institute of Innovation and Technology (EIT) – and 11 joint undertakings implementing the budget under MFF1, with a minimal impact on our error rate. These were reported in our [specific annual reports](#) for the financial year 2024 and are based on the examination of 218 transactions.

Regularity of transactions

5.11. Of the 126 transactions we examined, 37 (29 %) contained *errors*. Based on the 33 errors we have quantified, and additional errors detected in transactions implemented by EU agencies and joint undertakings, we estimate the level of error to be 2.9 % (see [Figure 5.2](#)).

Figure 5.2 – Estimated impact of quantifiable errors

Estimated level of error (ELE)



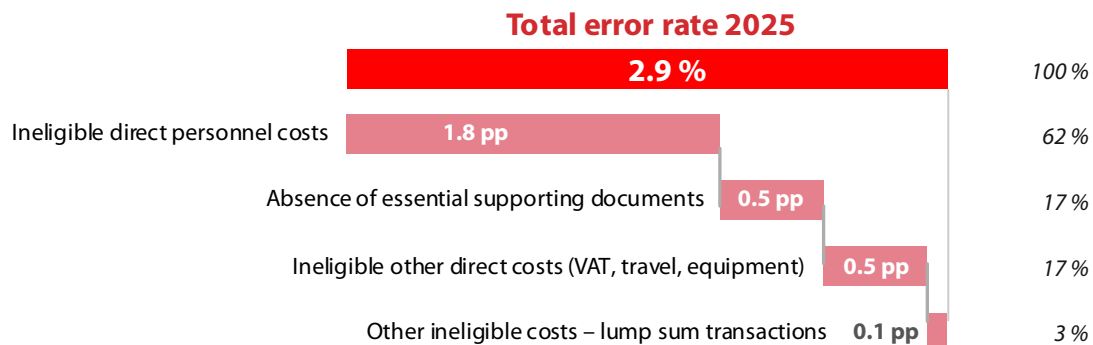
Sample size (transactions)

2021	2022	2023	2024	2025
130	127	127	127	126

Source: ECA.

5.12. [Figure 5.3](#) gives a breakdown of our *estimated level of error* by type for 2025.

Figure 5.3 – Breakdown of the estimated level of error by type



pp: percentage points

Source: ECA.

5.13. Research continues to be a spending programme with a high risk of error. We found *quantifiable errors* in 28 of the 90 research transactions audited as part of our representative sample (31 %). In addition, we reported *non-quantifiable errors* in four transactions. As in 2024, our audit found no significant differences between H2020 and Horizon Europe as regards the regularity of expenditure, despite the simplifications introduced under the latter to facilitate the beneficiaries' cost reporting.

5.14. In the case of other programmes and activities, we detected errors in five of the 36 transactions in our sample (14 %), all of which were quantifiable.

5.15. The Commission had applied corrective measures that directly affected seven of the transactions we sampled. These measures reduced our estimated level of error for this chapter by 0.4 percentage points.

Personnel costs are most affected by errors

5.16. Personnel costs constitute the bulk of the incurred costs of almost all research projects. Overall, we found quantifiable errors linked to personnel costs in 22 (24 %) of the 90 research transactions examined. In addition, we reported two non-quantifiable errors relating to personnel costs.

Costs claimed for time not spent on the project

5.17. Beneficiaries can only claim costs for the time their personnel has worked on the EU-funded projects. However, this basic rule has not been followed for 7 of the 50 Horizon Europe transactions in our sample: beneficiaries had declared either days when the persons were absent, or days which were not justified in the time-reporting. We found similar errors in one of the 40 H2020 transactions examined.

5.18. This is the third year in a row¹ that we report this type of error for a European intergovernmental organisation that implements one particular action under Horizon Europe. We explain the specifics of this case in [Box 5.1](#).

Box 5.1

Example of a case where the use of the model grant agreement is not appropriate for financing a particular action under Horizon Europe

The COST Association (European Cooperation in Science and Technology) is a European intergovernmental organisation established in Belgium to foster collaboration among researchers and innovators across Europe and beyond, through networking activities. This action is neither a traditional research ‘project’ nor does it fund research directly, and Horizon Europe is its only source of funding. Nevertheless, the Commission used the Horizon Europe model grant agreement to provide funding for this particular action.

In such a situation, a beneficiary is exposed to a structural funding gap since not all costs can be charged to the action. As a consequence of this structural mismatch, certain costs, including periods of certain leave and other absences, could not be reflected in the staff cost calculation, as per the rules of the model grant agreement, illustrating their limits for an action of this type.

Incorrect calculation of hourly and daily rates

5.19. Under H2020, beneficiaries must calculate annual or monthly hourly rates for their personnel, and multiply them by the number of hours spent on EU projects. Under Horizon Europe, however, the rules have been changed with the aim of simplifying: beneficiaries must now calculate daily rates and multiply them by the number of days (‘day-equivalents’) spent working on EU projects.

¹ [2024 annual report](#), paragraph 5.21 and Box 5.2; [2023 annual report](#), paragraph 5.18 and Box 5.1

5.20. We found, in both H2020 and Horizon Europe transactions, that beneficiaries did not calculate the hourly or daily rates correctly. These rates are calculated by dividing the personnel costs during a defined period by the productive time (hours or day-equivalents) during the same period. In some audited transactions the beneficiaries used the wrong productive time, calculated rates for the incorrect period, or included *indirect costs* or ineligible personnel costs in their rates. We provide examples of this type of error in [Box 5.2](#).

Box 5.2

Examples of ineligible costs included in the claimed personnel costs

In Denmark, the national authorities reimburse employers for certain costs paid to employees during parental leave. Consequently, these costs are not eligible for EU funding. We audited one transaction under Horizon Europe where the beneficiary had included such costs, thereby overestimating the actual personnel costs. The costs the beneficiary claimed were therefore overstated.

A public entity in France declared costs for two researchers under a Horizon Europe grant. In its calculation of the personnel costs, the beneficiary correctly excluded some ineligible costs. However, it did not exclude the related social security contributions, which led to an overstated daily rate.

Other *direct costs* not necessary for the action

5.21. A key condition for eligibility is that costs must be incurred in connection with the action and be necessary for its implementation. As reported in previous years², we found also this year that this condition had often not been met. This concerns ten of the transactions we audited. Examples of such cases included the cost of equipment and inventory that was not used in the project, services not delivered during the project period, and travel costs with no direct link to the project.

Shortcomings in the use of lump sum grants

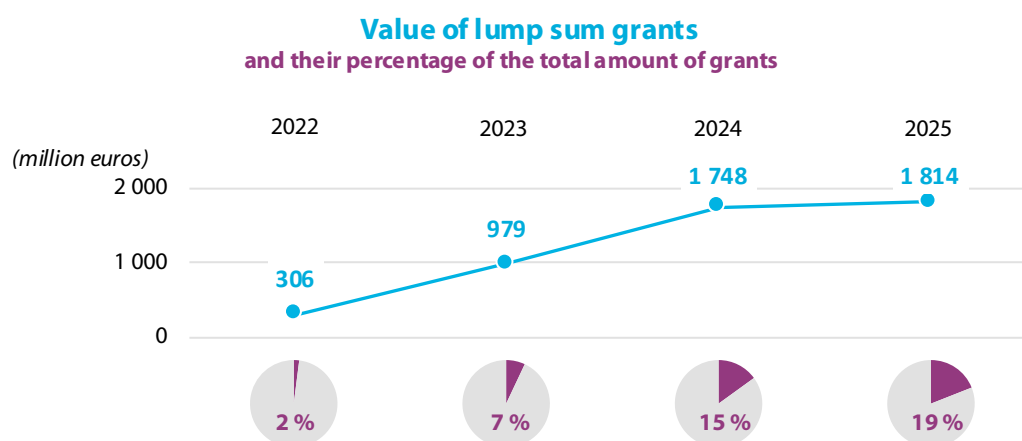
5.22. Lump sum funding is a *simplified cost option* provided for in Article 125 of the [Financial Regulation](#) that requires detailed cost estimates to be provided up front for each cost category per beneficiary and work package. Prior to signing the grant

² [2024 annual report](#), paragraph 5.22; [2023 annual report](#), paragraph 5.22; [2022 annual report](#), paragraph 5.22.

agreement, experts contracted by the Commission assess the cost estimates against the activities proposed to ensure that they are reasonable and non-excessive. The Commission then pays the grant amount subject to ‘proper implementation’ of the work packages, as assessed with the aid of experts.

5.23. By the end of 2027, the Commission intends to allocate around half of the annual Horizon Europe budget (allocated to calls) through lump sums. The grant amounts for projects funded through lump sums and signed in 2025 accounted for €1 814 million and represented approximately 19 % of all grants signed that year, as shown in *Figure 5.4*.

Figure 5.4 – Signed lump sum grant agreements in Horizon Europe: value and share of overall grant budget (2022 to 2025)



Source: ECA, based on Commission data.

5.24. In 2025, spending through lump sum funding under Horizon Europe amounted to €232 million (or 4 % of the 2025 total expenditure of the programme). We audited three research projects funded through single lump sum grants under Horizon Europe, implemented by project consortia comprising 5 to 17 beneficiaries. In all cases, we examined both the setting of the lump sum grant and whether the work packages had been properly completed, including the Commission’s verification thereof. As in previous years³, we found shortcomings mainly in two areas, and we describe these in *Box 5.3*. For one of the three transactions examined, these led to quantification of the error.

³ 2024 annual report, Box 5.3; 2022 annual report, paragraphs 5.31-5.32.

Box 5.3

Examples of shortcomings in lump sum grant payments

Lack of evidence of a robust *ex ante* assessment of the budget

In the budget proposals, each beneficiary provided information on the category of personnel needed for the project (e.g. senior or junior scientists), the number of months needed per category and work package, and the estimated cost per month ('monthly rates').

In all three projects, the experts expressed some reservations regarding personnel costs, project management resources or other budget components. However, these concerns were only partially reflected in the final evaluation reports and did not lead to any adjustments to the proposed budgets.

Moreover, although the external experts assessed the budgets, there was no evidence of any benchmarking of the proposed monthly rates against available reference data (such as historical costs), or of a critical assessment of differences between the costs of staff categories.

As a result, we found the personnel costs to be insufficiently justified, which involves a risk that overly high amounts were used for all three grant agreements.

Unclear definition of deliverables and insufficient implementation of work packages

For two of the audited projects, some key deliverables were not clearly defined, and for one the available evidence indicated that certain work packages might not have been completed as required under the grant agreement.

In one of the projects, a work package included a task on capacity-building including the implementation of a set of activities. In the grant agreement, neither the scope nor the design of the activities was specified, which hinders both the implementation and its assessment.

In the other project, a deliverable should have presented the 'value chain' for the particular industry sector. However, this was described in generic terms, not differing from value chains in other sectors. Another deliverable described a significantly different value chain, evidencing inconsistencies between different project documents. Furthermore, the reported performance indicators related to webinar organisation and membership growth were not supported by verifiable evidence. The Commission accepted the declared work packages as completed and authorised the payments for this project. However, as we consider that not all these work packages were satisfactorily completed, a part of the payment is undue.

We have also reported findings in relation to lump sums for another four Horizon Europe transactions implemented by the Europe's Rail Joint Undertaking.

5.25. In the meantime, the Commission has clarified its guidance on lump sum grants. Notably, since October 2023, the Commission has required the experts assessing the budget proposals to use the [Horizon dashboard for lump sum evaluations](#) as a benchmark for personnel costs. As the audited transactions concern proposals submitted in 2022 and 2023, the use of the dashboard was not yet compulsory. In addition, in line with our recommendation 5.3 from 2022, the Commission updated its definition of 'proper implementation' of these grants in 2024. However, the rules on how to assess their partial implementation and financial implications remain to be clarified and no Commission guidance on this matter has been issued.

Beneficiaries outside the EU and *small and medium-sized enterprises* are more prone to errors

5.26. In our previous annual reports⁴, we highlighted that small and medium-sized enterprises (SMEs) are more prone to errors. This year, SMEs represented 9 % of the sample (11 out of 126 transactions) but accounted for 30 % of the estimated error rate. We found errors in the cost claims of SMEs in six transactions, four of them in the area of research and two under other programmes. Four of these SMEs had no or very limited prior experience of EU-funded projects.

5.27. Both H2020 and Horizon Europe allow entities from non-EU countries to participate and receive funding. At year end, 21 countries were associated to the Horizon Europe programme and two had transitional arrangements in place, enabling participation. Our sample included 13 transactions with beneficiaries in non-EU countries, out of which 5 (38 %) contained errors. We provide two examples in [Box 5.4](#).

⁴ [2022 annual report](#), paragraph 5.24; [2023 annual report](#), paragraph 5.25.

Box 5.4**Examples of beneficiaries in non-EU countries claiming ineligible costs**

Two private SMEs in a non-EU country received funding to participate in research projects, one funded under H2020 and one under Horizon Europe.

One of the beneficiaries claimed travel costs related to the participation of the chief executive officer (CEO) in the project's general assembly meeting. The declared amount included costs not linked to the action, such as flight tickets for a relative of the CEO.

The other beneficiary claimed personnel costs, but it could provide neither the underlying calculations nor reliable evidence justifying the working time. In addition, the cost declaration included travel and miscellaneous costs which were not linked to the action, such as private expenses.

The Commission's control systems to prevent plagiarism and double funding in Horizon Europe

5.28. Plagiarism, i.e. using another person's ideas, work or words without proper acknowledgement, is a key issue for programmes involving research (such as Horizon Europe). Research integrity principles – such as those in the [European Charter for Researchers](#) – emphasise ethical conduct and the avoidance of plagiarism throughout the research process. Furthermore, the reuse of content across funded projects might create a risk that the same costs are financed twice (double funding), which is prohibited by the relevant legal framework (the [Financial Regulation](#) and the rules for Horizon Europe⁵).

5.29. In Horizon Europe, the risk of plagiarism and double funding is systematically assessed at project evaluation. Operationally, the Commission relies on SIMBA (SIMilarity-Based Analysis), a system owned by the Directorate-General for Research and Innovation (DG RTD), to support these checks. During the grant preparation phase, SIMBA automatically compares the consortium composition and the description of the action of the new, successfully evaluated proposals against all successful proposals in the Commission's *eGrants* database. It applies word-by-word matching and computes an overall similarity index. Proposals above a 30 % threshold are flagged for follow-up, with results displayed in the Commission's workflow system for grant evaluation and approval (COMPASS).

5.30. For proposals flagged by SIMBA, project officers must assess whether similarities are 'critical' (e.g. very similar objectives, ideas, approaches, or – regarding double funding – identical beneficiaries or highly similar consortia). The assessment can include contacting the service managing the matching project, seeking explanations from applicants, consulting independent experts, or involving the legal service. This may result in the proposal being funded with or without reinforced monitoring, or, in serious cases, being rejected.

5.31. Overall, we consider that SIMBA is a mature and continuously maintained tool that supports operational decision-making and is broadly fit for purpose. Our

⁵ [Regulation \(EU\) 2021/695](#) establishing Horizon Europe – the Framework Programme for Research and Innovation.

examination also confirmed that all sampled cases flagged above the threshold were properly followed up, including consulting applicants and, in more complex cases, seeking independent expert assessment.

5.32. Nevertheless, we identified some weaknesses.

- The similarity-index threshold triggering mandatory follow-up is set at 30 %, but neither the rationale behind this level nor evidence of formal approval was documented.
- SIMBA currently compares the new, successfully evaluated proposals against all successful proposals in the database, even if some of them were not funded, which can result in unnecessary follow-up work and increased processing time for project officers. We note that DG RTD has already scheduled an update of SIMBA for early 2026 to exclude unfunded proposals from the population subject to comparison, improving efficiency and the relevance of results.
- SIMBA retains only the latest similarity index. If a new comparison is made, it overwrites the previous results. In addition, COMPASS shows indices only as screenshots. These features limit traceability throughout the grant lifecycle.
- Finally, when the compared proposals include documents with significant differences in length, SIMBA might calculate a non-representative similarity-index value. In exceptional cases, this could distort the comparisons and produce misleading results.

Annual activity reports and other governance arrangements

5.33. We reviewed the information in the Commission's 2025 AMPR regarding the estimated *risk at payment* in the policy areas under MFF1, which the Commission calculated at 2.1 %. This percentage is within our range of estimated level of error, and slightly above materiality.

5.34. We examined the AARs of the *executive agencies* HaDEA and REA, for both of which the main expenditure in 2025 related to the H2020 and Horizon Europe programmes. With regard to H2020, the Commission estimated a *representative error rate* of around 3.8 % for the programme. The *residual error* rate for H2020, taking into account corrective actions, is 1.8 % (and around 2.1 % for both HaDEA and REA).

5.35. Regarding Horizon Europe, the Commission estimated a representative error rate of 4.4 % for the programme, and a residual error rate of 4.1 % (with similar rates for the two executive agencies). Overall, the findings from the *ex post* technical reviews of lump sum grants contributed less than 0.1 percentage points to these overall rates.

5.36. These estimates are based on a common representative sample of 207 *ex post* audits and reviews. These concern 177 actual costs grants and 30 lump sum grants. For 2025, as stated in the Commission's Horizon Europe multi-annual audit plan, the sample size for lump sum grants was set at the minimum accepted level of 30 because the expected error rate was very low. We also note that the payments under such grants represented only a small share of the total. So far, the Commission's multiannual audit plan for Horizon Europe does not indicate how the sample size for lump sum grants will be adjusted in the years to come, to take into account the expected increase in the amounts and share of such payments.

5.37. As the residual error rate for Horizon Europe is above the 2 % *materiality threshold*, HaDEA and REA have issued reservations in their AARs. As regards H2020, these rates were very close to 2 % for both HaDEA and REA. This is within the Commission's target range for H2020 and, therefore, no *reservations* were issued.

5.38. Based on the above, we consider that HaDEA's and REA's AARs reflected the information available to them and, based thereon, gave a fair assessment of the financial management as regards the regularity of the transactions underlying MFF1 expenditure.

Conclusions and recommendations

Conclusions

5.39. The overall audit evidence we obtained and have presented in this chapter indicates that the level of error in spending on ‘Single market, innovation and digital’ was material. For this MFF heading, our testing of transactions produced an estimated overall level of error of 2.9 %.

5.40. Year after year, our audits in this policy area find a level of error above the materiality level. This suggests a recurring risk of overpayments to beneficiaries. The main factor contributing to errors under MFF1 is ineligible or incorrectly declared personnel costs in research expenditure. Despite all the simplification measures introduced into the legal base over time and the Commission’s guidance to beneficiaries, the situation has remained unchanged for years⁶.

5.41. As regards lump sum funding, our audits indicate that the proposed budgets have in some cases been overstated and that this was not detected and corrected by the experts assessing the proposals. Paired with unclear definitions of deliverables and insufficient *ex ante* verification that work packages were implemented as planned, there is a risk that grant agreements have excessive budgets and that payments are made for projects that were not satisfactorily implemented.

5.42. Concerning the Commission’s controls to prevent plagiarism and double funding, we consider that SIMBA is mature and broadly fit for purpose. However, there is scope to better formalise the procedures.

Recommendations

5.43. [Annex 5.1](#) shows the findings of our follow-up review of the recommendations we made in our 2022 and 2023 annual reports that were due to be implemented by 2025. The Commission has implemented one recommendation in some respects, and two recommendations have been fully implemented.

⁶ [2018 annual report](#), paragraph 5.16; [2019 annual report](#), paragraph 4.11; [2020 annual report](#), paragraph 4.13; [2021 annual report](#), paragraph 4.12; [2022 annual report](#), paragraph 5.13; [2023 annual report](#), paragraph 5.13; [2024 annual report](#), paragraph 5.15.

5.44. Based on our findings and conclusions for 2025, we recommend the following:

Recommendation 5.1 – Improve the control framework for lump sum funding in the research area

The Commission should improve the control framework for lump sum funding in the research area, and in particular:

- (a) ensure that the experts carrying out the *ex ante* assessment of the budget proposals perform and document the required checks consistently;
- (b) establish clear criteria as well as the ranges of rates to be applied for possible grant reductions where work packages are only partially completed;
- (c) set the number of its *ex post* technical reviews to ensure an adequate representation of the lump sum payments within the statistically representative sample at programme level. The multiannual audit plan should be updated accordingly.

Target implementation date: end 2027.

Recommendation 5.2 – Formalise procedures concerning plagiarism and double funding checks (in SIMBA)

The Commission should:

- (a) document and formally approve the selected level of the similarity-index threshold, including its justification.
- (b) define the procedure for how to approve and implement future changes to the index threshold, including minimum control arrangements and the *audit trail*.

Target implementation date: mid-2027.

Annexes

Annex 5.1 – Follow-up of previous recommendations

Degree of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Degree of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Degree of acceptance	ECA analysis of progress made in implementing recommendation	
			Degree of implementation	Remarks
2022	We recommend that by end-2025 (Horizon Europe mid-term evaluation) the Commission: Recommendation 1 – Evaluate the lump sum funding (a) In the framework of the mid-term evaluation of Horizon Europe, include an evaluation of lump sum funding in order to assess whether certain types of projects (in terms of content, size, etc.) are not suited to lump sum funding, as well as cover the risk of <i>irregularities</i> and <i>fraud</i>.			The Commission issued a <i>staff working document</i> on the Interim Evaluation of the Horizon Europe Framework Programme for Research and Innovation (2021-2024) published on 30 April 2025 which was based on implementation data and a large-scale survey among participants, experts and internal staff of the Commission.
2023	We recommend that by mid-2025 the Commission: Recommendation 1 – Enhance beneficiaries' compliance with the daily-rate rules For Horizon Europe reporting, introduce measures that go beyond the awareness-raising actions taken to date			The Commission has addressed this recommendation through two measures: it has developed the Horizon Europe personnel costs wizard to assist beneficiaries in entering their personnel costs and as the reporting deadline approaches, it also sends personalised notifications to beneficiaries prone to errors.

Year	ECA recommendation	Degree of acceptance	ECA analysis of progress made in implementing recommendation	
			Degree of implementation	Remarks
	in order to enhance beneficiaries' compliance with the daily-rate rules.			
	We recommend that by mid-2025 the Commission: Recommendation 2 – Ensure clarity in Horizon Europe documents For Horizon Europe, further clarify the rules and methods for calculating daily rates for the personnel costs used in the model grant agreement.			The Commission has added minor clarifications to the annotated grant agreement and has taken other explanatory measures. Nevertheless, the provisions of the annotated grant agreement and the model grant agreement are still not fully aligned.

Source: ECA.

Chapter 6

Cohesion, resilience and values

Contents

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Conclusion	6.59.-6.60.
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Annexes

Annex 6.1 – Our sample of shared management transactions and compliance errors in 2025

Annex 6.2 – Follow-up of previous recommendations

Introduction

6.1. This chapter presents the results of our audit of *MFF* heading 2, 'Cohesion, resilience and values'. For an overview of the main activities, the spending and the audit population under this heading in 2025, see [Figure 6.1](#).

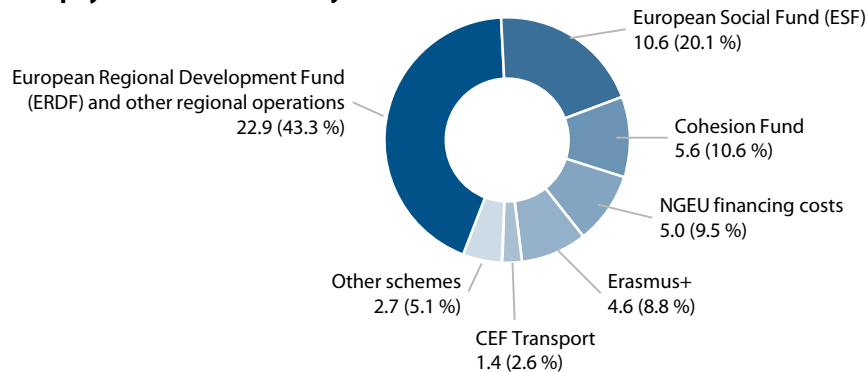
Figure 6.1 – Payments and audit population

Cohesion, Resilience and Values €52.8 billion (29.9 % of EU budget spending)



(billion euros)

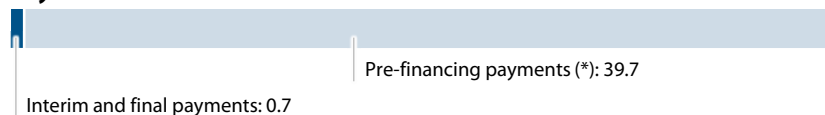
2025 payments breakdown by fund



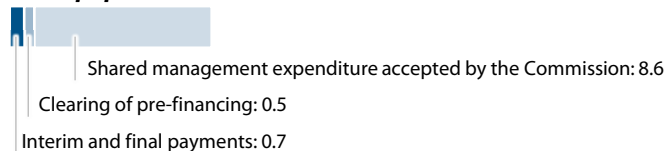
2025 audit population compared to payments

Economic, social and territorial cohesion (subheading 2a)

Payments – total 40.4

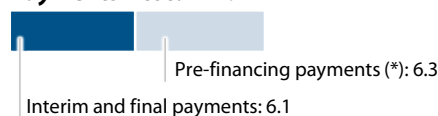


Audit population – total 9.7



Resilience and values (subheading 2b)

Payments – total 12.4



Audit population – total 8.6



(*) Including *shared management* annual advances and interim payments not yet accepted by the Commission.

Source: ECA, based on data from the 2025 consolidated accounts of the European Union.

6.2. MFF heading 2 comprises two subheadings. The majority of the payments under subheading 2a pre-financed shared management *programmes* for the 2021-2027 *programming period*. As pre-financing payments do not represent finalised expenditure, we do not audit them. The *transactions* we do audit – and provide our opinion on – are those underlying the expenditure accepted by the Commission as

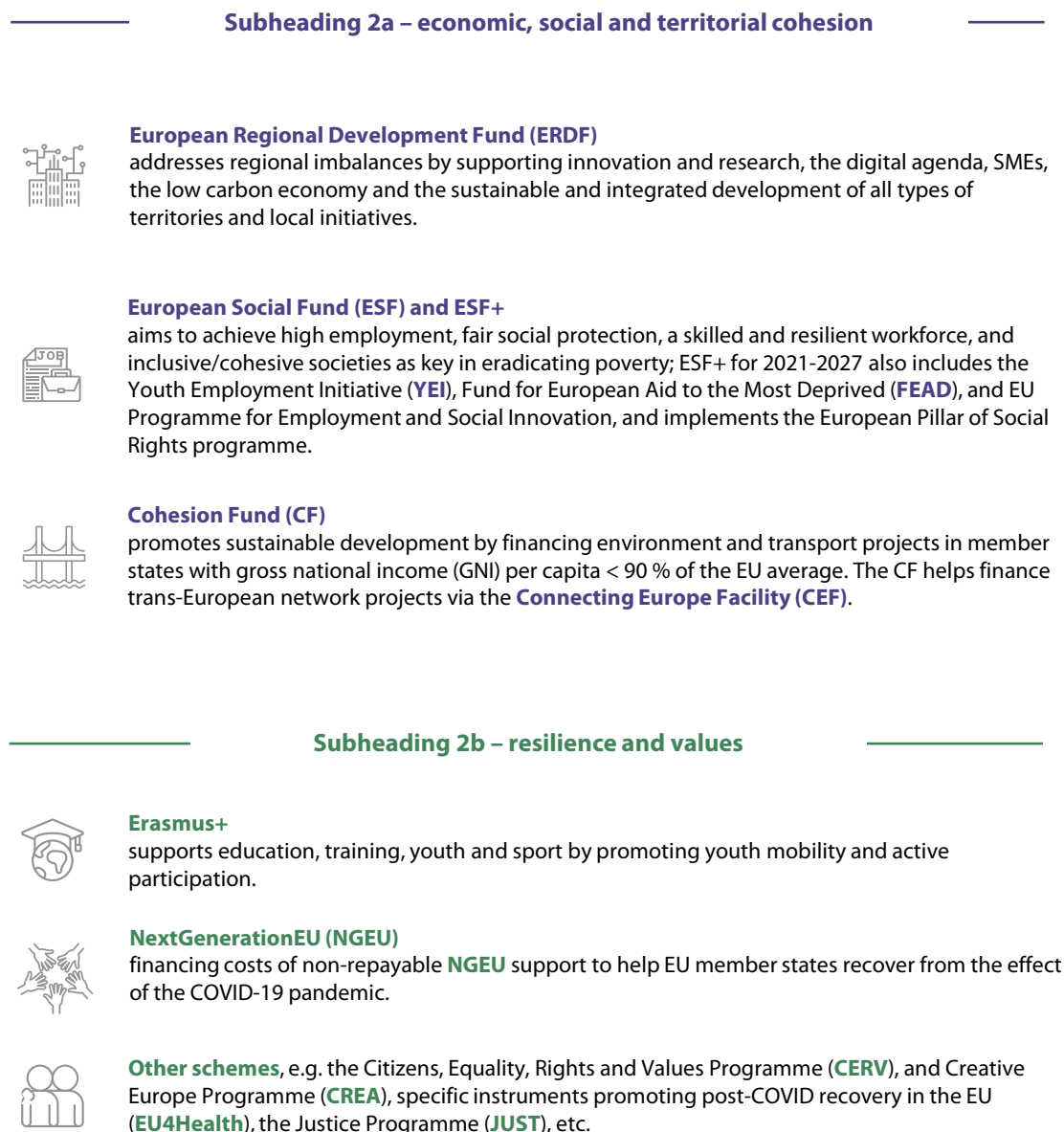
included in the accounts. Subheading 2b consists of transactions *managed directly* or *indirectly* by the Commission. For these, we audit the expenditure paid or cleared in 2025. A portion of the payment of *NextGenerationEU (NGEU)* financing costs is also allocated to this subheading.

Brief description

Policy objectives and spending instruments

6.3. The main purpose of spending under MFF heading 2 is to reduce development disparities between the member states and regions of the EU (subheading 2a), and to support and protect EU values and make the EU more resilient to the challenges it faces (subheading 2b). See [Figure 6.2](#) for more details.

Figure 6.2 – Policy objectives



Source: ECA.

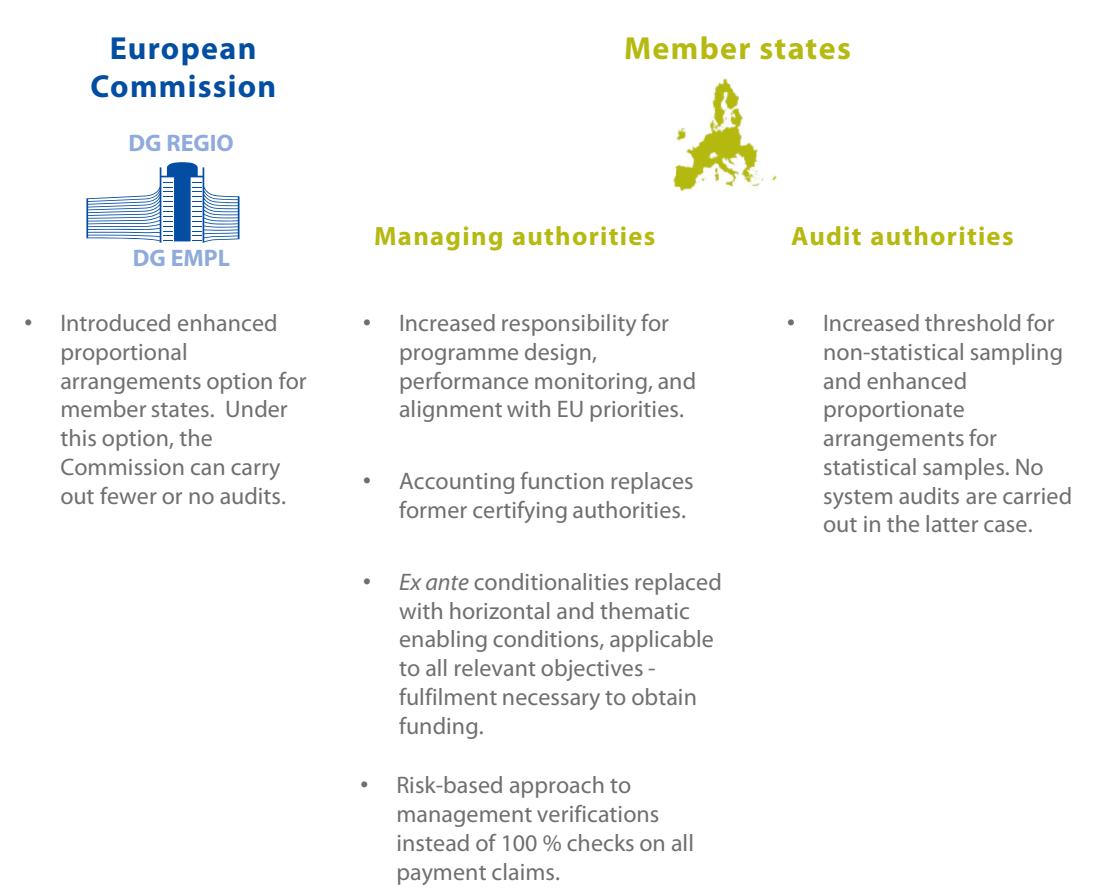
Management of funds

6.4. The *cohesion policy funds* (*European Social Fund (ESF)*, *ESF+*, *European Regional Development Fund (ERDF)* and *Cohesion Fund (CF)*) are mainly implemented under shared management. *Managing authorities* have primary responsibility for the *regularity* of payments, but the Commission is ultimately responsible for implementing the EU budget and ensuring that the member states have well-functioning *management and control systems*. The Commission is currently implementing

programmes from both the 2014-2020 and 2021-2027 periods. For the latter period, the managing authorities have taken over the role of certifying the annual accounts for each programme. Previously this was done by the *certifying authorities*. For both programming periods, the national *audit authorities* provide assurance on the regularity of the expenditure included in the annual accounts submitted to the Commission.

6.5. *Figure 6.3* highlights the main changes in the management, control and assurance roles between the two programming periods¹.

Figure 6.3 – Differences in roles in shared management introduced for 2021-2027



Source: ECA, based on the *2014-2020 Common Provisions Regulation (CPR)* and the *CPR 2021-2027*.

6.6. MFF heading 2, 'Cohesion, resilience and values', also covers EU funding through programmes or actions that are managed either directly by Commission *directorates-general (DGs)*, including some EU *executive agencies*, or indirectly with

¹ For details on the related processes and responsibilities in 2014-2020, see our [2024 annual report](#), Figure 6.3.

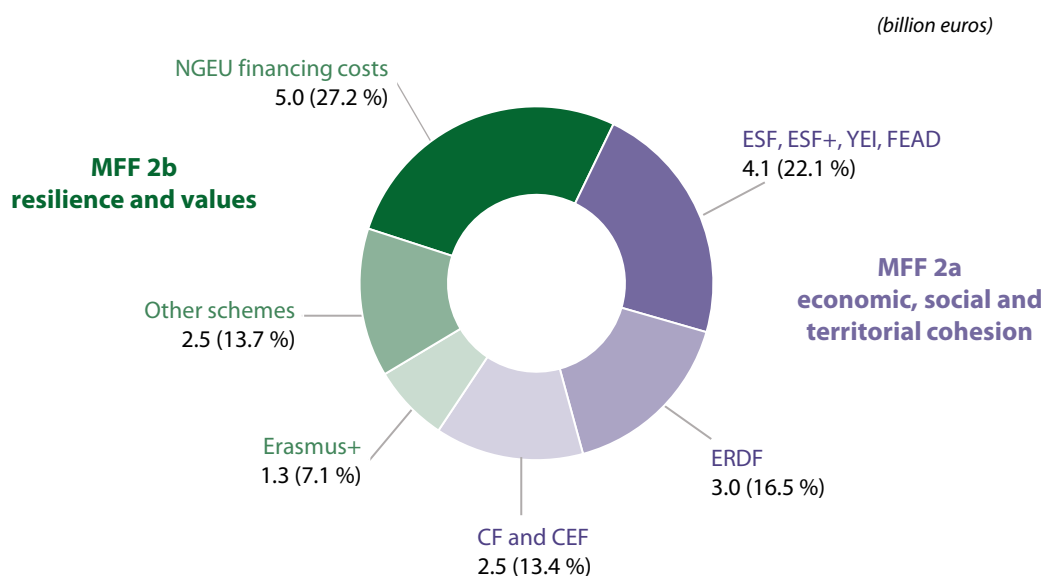
the support of partner organisations or other authorities such as *Erasmus+* national agencies (*Figure 6.2*).

Audit scope and approach

6.7. The objective of our audit was to contribute to the *statement of assurance* (SoA) as described in **Annex 1.1**, and to provide an assessment of the regularity of expenditure under MFF heading 2.

6.8. In 2025, our audit population is almost evenly split between MFF subheadings 2a and 2b, while in 2024, MFF subheading 2a represented 86 % of the population. *Figure 6.4* shows the proportion of our audit population in the funds and instruments listed in *Figure 6.2*. The payment of NGEU financing costs represents 27 % of our audit population, which is a significantly higher proportion than in 2024. These costs also make up half of the population of subheading 2b. These transactions are fundamentally different from the rest of our audit population under this heading, by nature low risk, and we found them to be legal and regular.

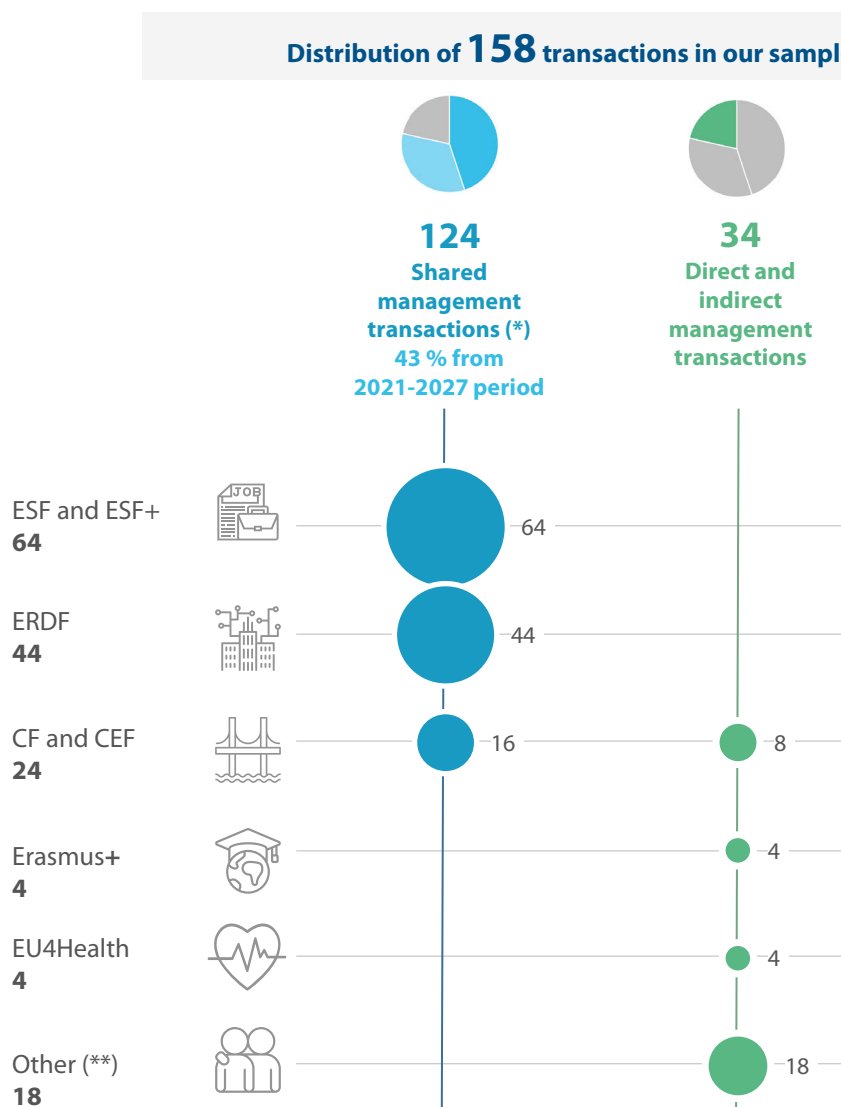
Figure 6.4 – 2025 audit population



Source: ECA.

6.9. We audited a **statistically representative sample of 158 transactions** drawn from our population under this MFF heading. The purpose of this is to estimate the level of *error* for MFF heading 2. *Figure 6.5* shows the number of transactions in our sample.

Figure 6.5 – Number of transactions in our sample



(*) Including **three financial instruments** under which we audited 17 *equity investments*, 11 loans, and two management costs.

(**) **18 other transactions**: seven relating to the Commission's service and works contracts; three under the Creative Europe Programme (CREA); three relating to NGEU financing costs; two under the *Citizens, Equality, Rights and Values programme (CERV)*; one under the Justice Programme (JUST); one under the Social Prerogative and Specific Competencies Lines programme (SOCPL); and one relating to the results of our annual audits of EU agencies financed under MFF 2.

Source: ECA.

6.10. In addition, we audited two transactions under the *European Union Solidarity Fund (EUSF)*. This is a *special instrument* managed by DG REGIO, but outside the MFF heading 2, which is why the result of this audit work is not included in the specific assessment of this heading.

6.11. We also reviewed the regularity information in the 2025 *annual activity reports* of DG EMPL and DG REGIO and the Commission's *annual management and performance report (AMPR)*.

6.12. For the 2017 to 2024 statement of assurance exercises, our approach involved reviewing and re-performing the audit work of the national audit authorities and the Commission. The purpose was to determine the extent to which we could rely on their work and derive our own assurance from the results they produced. However, in many cases we found weaknesses in this work². In addition, we assessed that the changes introduced to the design and set-up of the management and control system for the 2021-2027 period (*Figure 6.3*) did not mitigate the risk that these controls may not be effective. For these reasons, for the 2025 financial year onwards, we have returned to our pre-2017 audit approach for this MFF heading, by selecting our own sample of underlying transactions and testing them directly.

6.13. As in previous years, the audit population from which we have taken the sample for our 2025 audit of shared management includes the expenditure declared by the certifying or managing authorities between 1 July 2023 and 30 June 2024 (i.e. the accounting year) and accepted by the Commission in assurance and *closure* packages during 2025. This follows the annual cycle of checks completed by managing and audit authorities before presenting the accounts to the Commission. The expenditure relates to both the 2014-2020 and 2021-2027 programming periods. In line with paragraph **20** of *Annex 1.1* we only sample from the population of expenditure included in the accounts accepted by the Commission.

6.14. The deadline for submitting final assurance and closure packages for 2014-2020 was set as 15 February 2025. We therefore expected our sample for 2025 to comprise a large number of closures of *programmes*. However, the *STEP Regulation*³ postponed the deadline to 15 February 2026. Many member states made use of this flexibility. As a result, only around 20 % of the programmes were certified by them and accepted by the Commission in 2025. In addition to this, the expenditure declared by member states for 2021-2027 was low. This means that the population we audited was only one third as large as that of 2024.

² 2024 *annual report*, paragraphs 6.39 to 6.51, and *Review 03/2024*: “An overview of the assurance framework and the key factors contributing to errors in 2014-2020 cohesion spending”.

³ Article 14(4) of *Regulation (EU) 2024/795*.

6.15. As a consequence of the relatively small and atypical population in the accounts submitted by the member states and accepted by the Commission, the nature of the transactions we audited differed considerably from previous years. For example, under shared management, our sample is composed of a large proportion of ESF-related transactions, whereas the sample for our 2024 audit was dominated by ERDF-related transactions, which present different risks. Another feature of the 2025 audit is that 43 % of the transactions in the sample for both programming periods (53 out of 124) are concentrated in Czech, German and UK programmes. The UK expenditure relates to closures of 2014-2020 programmes, which were approved when the United Kingdom was still an EU member state. [Annex 6.1](#) shows the distribution of transactions under shared management that we audited, by country.

6.16. Part of our 2025 population regarded accounts for the last year of the 2014-2020 programmes, that included projects from several years prior to 2025. Some of these projects were initially financed from national funds and completed before being submitted in these last accounts to the Commission. This helps member states absorb EU funding that remains available at the end of the financing period. This is regular as long as the project application by the beneficiary was introduced to the managing authority before the completion of the project (as required by the CPR). Some of these cases included in our sample were complicated to audit because documents were not readily available.

6.17. Our audit population includes the amounts that the Commission accepted from the accounts of four programmes in Hungary, excluding *state aid* advances declared by Hungary (see paragraph 6.2): [Human Resources Development Operational Programme \(OP\) Plus](#), [Implementation OP Plus](#), [Integrated Transport Development OP Plus](#) and [Economic Development and Innovation OP Plus](#). At the time we completed our audit work, the European Court of Justice had not ruled on the action for annulment brought by the European Parliament ([C-225/24](#)) regarding the Commission's assessment that the horizontal enabling condition on judicial independence⁴ had been met. Based on this assessment, the Commission paid €781 million (including state aid advances) to Hungary for three of the four programmes: the Human Resources Development OP Plus, Integrated Transport Development OP Plus, and Economic Development and Innovation OP Plus programmes. We do not express an opinion on the Commission's assessment. However, as part of our sample we audited other aspects of regularity for two of the programmes: Human Resources Development OP Plus and Integrated Transport Development OP Plus.

⁴ Paragraphs VII and 86, and annex IV to [special report 03/2024](#).

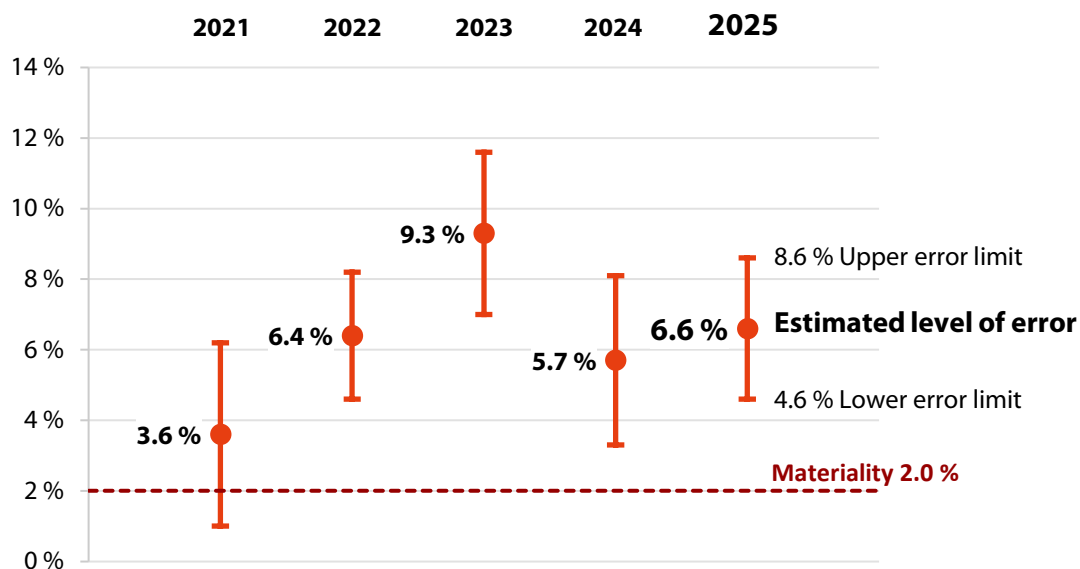
Regularity of transactions

Results of our transaction testing

6.18. Of the 158 transactions we audited, 71 (45 %) were affected by error, 53 of which we *quantified*. As a result of our audit, we estimate the level of error in MFF heading 2 to be 6.6 %⁵ (see [Figure 6.6](#)).

Figure 6.6 – Results of transaction testing

Estimated level of error



Sample size (transactions)

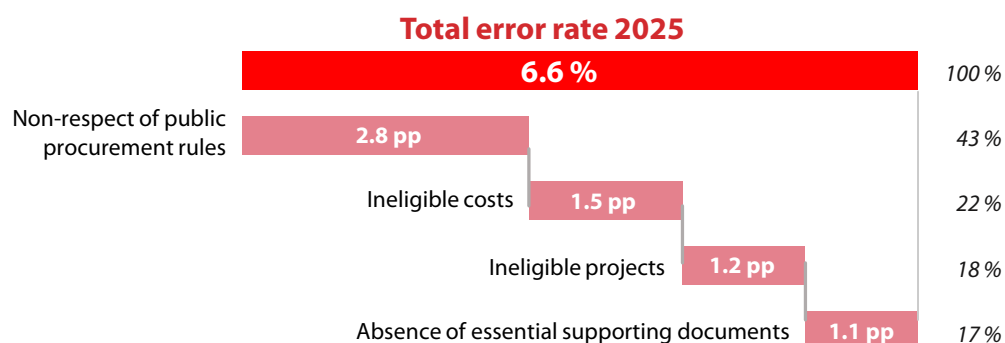
2021	2022	2023	2024	2025
243	260	238	223	158

Source: ECA.

6.19. The main types of error we found in this year's estimated level of error are set out in [Figure 6.7](#), shown as percentage points of the total error rate (paragraphs [6.23-6.36](#) and [6.39](#)).

⁵ The *estimated level of error* for subheading 2a only is 12.4 %.

Figure 6.7 – Main types of error (*)



pp: percentage points

(*) This figure does not show all the errors we found because some individual transactions were affected by more than one type of error. When that occurs, we only take account of the error with the highest quantification when estimating the error rate.

Source: ECA.

Cohesion – shared management

6.20. This section of the report presents our findings for expenditure under shared management in MFF subheading 2a (cohesion). [Annex 6.1](#) provides more details about our sample of transactions under shared management and the findings related to them.

6.21. When managing authorities in member states declare expenditure to the Commission in their accounts, they certify that it was incurred in compliance with the EU and national rules applicable, and that funding was granted to *beneficiaries* and projects that met eligibility and other programme requirements.

6.22. Although this year our selection of shared management transactions was not based on the audit authorities' samples (paragraph [6.12](#)), 27 % of the transactions in our sample had been audited previously by audit authorities. We found 16 errors in these transactions that they did not report, which we quantified.

Ineligible costs and projects

6.23. For our audit, we check for compliance with the relevant Common Provisions Regulation (CPR), national laws applicable and any other conditions for support. The types of error we found most frequently related to ineligible costs or projects. Of the 48 errors we quantified, 21 (44 %) were of this type. Eighteen⁶ of these errors related to costs that were ineligible. **Box 6.1** provides an example of costs incurred but not justified by needs expressed.

Box 6.1

Example of IT deliveries exceeding recipients' needs

The purpose of the project, implemented in a region in Germany with 100 % financing from *REACT-EU*, was to develop the digital capacity of regional education and training centres by providing them with IT equipment. To establish the demand for both hardware and software, the *beneficiary* organised extensive online information and consultation sessions, following which it invited these centres to fill in a detailed survey to specify their needs. The beneficiary then applied an algorithm to check that the needs expressed did not exceed what could be considered as reasonable given the size and staffing of each centre.

During our audit we found that the quantities of IT equipment delivered to *final recipients* were often higher than their request made in response to the survey. For example, one recipient who had requested 10 laptops actually received 30, in addition to 44 computer screens and 25 tablets, which it had not requested. In another instance, a recipient received tablets in quantities beyond the maximum defined by the algorithm. This was not in line with programme rules, which require that public *grants* be used to cover “only expenditure necessary for immediate implementation”. As we did not receive any justification for quantities exceeding the needs expressed by the training centres, we considered the related costs ineligible.

6.24. For our assessment of eligibility, we refer to both EU and national rules applicable and grant agreements between beneficiaries and managing authorities. In one case in France, the grant agreement set out actions to be implemented. We found that the way in which the grant agreement was formulated made it difficult to establish the link between the eligible costs and these actions. However, we established that eligible activities did occur, but there was no clear documentary link

⁶ Czechia, Germany, France, Italy, Poland, Finland, Sweden and Interreg.

between them and the cost claimed. In accordance with our methodology, we classified this as an error that we could not quantify.

6.25. In another case, we found a project in Hungary that was not eligible for EU financing. We quantified this error. A further five projects in our sample (three in Czechia and two in France) did not meet all of the criteria established by the related calls for project proposals. We consider these compliance errors to be significant, but without a direct and measurable financial impact and therefore we did not quantify them.

Absence of essential supporting documents

6.26. The CPR requires beneficiaries and *programme authorities* to maintain systems, procedures and documentation that ensure an adequate *audit trail*. In accordance with our methodology, we draw a representative sample of transactions on which we base our overall conclusion. Following this approach, we are required to obtain robust evidence for each transaction selected to ensure our results are fully representative. This may be many years after the activity took place, but still in line with the requirement in the CPR to retain documents.

6.27. We found that for 14⁷ of the transactions we examined (29 % of the errors in our shared management sample which we quantified), neither the programme authorities nor the beneficiaries could provide us with documents that we considered essential to demonstrate compliance with the eligibility conditions and other requirements ([Box 6.2](#)).

⁷ Germany, Hungary, Sweden, United Kingdom, and Interreg.

Box 6.2**Example of missing evidence to prove participants' eligibility**

In an ESF+ project implemented in 14 municipalities in Sweden, the beneficiary – a consortium of public authorities – offered a wide range of support to disadvantaged groups of people to improve their employability. This support could take the form of professional training courses or coaching sessions based on individual needs. Participation in the project was limited to 12 months.

To be eligible, potential participants should have been assessed as being in a “complex life situation”. For most of the participants we sampled, we received no evidence underlying the assessment of their life situation, either in the form of a referral from social services or in a professional assessment made prior to their registration for the project. We also found that some of the participants remained on the scheme for longer than 12 months.

6.28. Eligibility criteria are not only set in the CPR, but also in grant agreements drawn up by the national authorities and approved by the Commission. In some cases, managing authorities are allowed to base their assessment of eligibility on self-declaration by recipients without independent confirmation that all requirements are actually met. We consider that such self-declaration does not constitute sufficient evidence on which to base our audit conclusions. In two cases we could not confirm compliance with eligibility criteria and other requirements because managing authorities relied solely on self-declaration by beneficiaries. In other cases, we were able to confirm self-declarations from other sources (such as from national and regional information systems) to demonstrate eligibility, and therefore we did not report an error.

6.29. In three cases, we could not verify the set-up of *simplified cost option* methodology because supporting documents were not available (see also paragraph [6.38](#)).

Infringements of internal market rules regarding public procurement and state aid

6.30. When we audit *public procurement* procedures, we check them for compliance with EU and national public procurement rules in place, as required by the CPR. Public procurement rules are designed to ensure that public money is spent *effectively, economically and efficiently* while respecting the principles of transparency, proportionality, equal treatment and non-discrimination.

6.31. Sixty-four transactions in our sample of shared management expenditure involved procurement processes. In 18 of these, we identified cases of non-compliance with EU or national public procurement rules in Czechia, Italy, Portugal, and the United Kingdom and in Interreg projects. We quantified 13 of these in accordance with our methodology (which differs from our previous methodology – paragraphs **1.36** and **1.37**).

6.32. One type of public procurement error we found was when contracting authorities accepted substantial modifications made by the contractor to the original contract. Whilst contracts can be modified, EU directives and national public procurement rules must be followed. **Box 6.3** illustrates one case of non-compliance with these rules. We found similar errors in projects implemented in Czechia, Italy and in the United Kingdom, in both shared and *direct management*.

Box 6.3

Example of substantial modification of a contract

In an ESF-funded project in England the beneficiary, a penitentiary institution, received a grant to prepare inmates to enter the labour market upon their release. The contract for related training services was awarded to an external company in an open public procurement procedure. It was signed in 2015 and covered the period until the end of 2020, with the possibility of an extension for 24 months.

We found that in 2018 the contract was extended by 32 months and its value increased by over 50 %. The beneficiary signed the amendment knowing that the extension of eight months was not in line with the provisions of the initial contract. The beneficiary's main goal was to make use of ESF funds available following the UK's withdrawal from EU.

As this did not affect the implementation of the original project, and the extension beyond 24 months was not necessary to achieve the project's initial objectives, there were no valid grounds to justify the amendment. We consider the substantial modification of the contract without launching a new procurement procedure to be not compliant with [Directive 24/2014/EU](#).

6.33. We also identified other types of error in public procurement procedures (**Box 6.4**).

Box 6.4

Example of market-entry barriers creating unjustified obstacles to competition

The project, implemented by the railway authority in Czechia, was to install the track-side part of the European Train Control System (ETCS) on a railway section of 38 km. ETCS allows information exchange between an on-board interface in the driver cab and track-side infrastructure, improving safety of railway traffic. A pilot project was completed in 2011, and since then all contracts for the implementation of the ETCS in Czechia have been awarded to a single company responsible for integrating the ETCS with the existing national railway signalling systems.

To select the contractor for the audited ‘design-and-build’ project, the railway authority launched an open procurement procedure with a deadline of 37 days to submit bids, just above the minimum of 30 days required by the applicable [Directive](#)⁸. In our view, this leaves insufficient time for other potential bidders to present an alternative, 100 % compatible solution, given the complexity and the time required.

The tender specifications allowed potential bidders to present an alternative solution. However, no technical details were provided to allow potential bidders to assess whether or not they were in a position to meet the requirement of compatibility with the existing ETCS system, and there was no legal requirement for the current provider to share information on the existing solution.

By not disclosing the technical requirements in the tender specifications, the beneficiary prevented equal access to the procurement procedure. In addition, we found that the approval procedure for any new product or technical solution in conformity with existing standards would take at least 120 days to complete. In practical terms, it was technically not feasible for bidders other than the incumbent company to submit a compliant bid within the deadline. We concluded that this constituted a market-entry barrier creating unjustified obstacles to competition, which is not in line with the relevant EU Directives.

We observed a similar situation in two other railway projects implemented in Czechia.

6.34. Compliance with state aid rules is key in the implementation of EU-funded programmes, as it ensures that the public support granted does not distort trade

⁸ Articles 45-49 of the [Directive 25/2014/EU](#).

between member states. State aid, unless below the relevant regulatory threshold⁹, is in principle incompatible with the correct functioning of the internal market. There are, however, exceptions to this rule, in particular if the project is covered by the *General Block Exemption Regulation (GBER)*¹⁰.

6.35. In one of the Interreg projects we audited, we found aid being granted at a higher rate than provided for in the GBER. While this is an error, we did not quantify it because it did not affect the eligibility of the expenditure declared. We found two other cases of non-respect of the GBER which we did not quantify, one in Germany and one in France.

6.36. We audited another Interreg programme in which we identified an example of good practice. The managing authority had drawn up a comprehensive checklist covering all applicable state aid requirements and performed checks at all levels, including on beneficiaries receiving EU funding and end recipients benefiting from EU-financed activities. The managing authority assessed compliance with state aid rules not once, but throughout the life of the project, at each amendment of the grant agreement. This ensured continued compliance with the rules.

Simplified cost options

6.37. In cohesion policy, simplified cost options (SCOs) were introduced as an important simplification measure. Some of them are prepared by managing authorities and can simplify the procedures for beneficiaries. EU rules require the methodology behind SCOs to ensure that they are fair, equitable and verifiable. However, when the rules are not correctly established or applied, errors can occur, and these may be systematic as a single SCO can apply to many transactions.

6.38. Beneficiaries used SCOs to declare costs for 65 transactions in our sample (52 %), applying either flat rates, *standard scales of unit costs* or a combination of both. In five ESF+ transactions where SCOs were used, we either could not confirm the basis for the flat rate or unit cost used (**Box 6.5**), or found that it was outdated. In two of these cases we found that there was unnecessary complexity where managing authorities opted to create their own SCOs rather than use the standard ones provided

⁹ Commission regulations (EU) [1407/2013](#) and [2023/2831](#) on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis aid*.

¹⁰ [Regulation \(EU\) No 651/2014](#) declaring certain categories of aid compatible with the internal market.

for in the CPR. We also found incorrect application of standard scales of unit costs in one case. In all five cases, we quantified the difference between the cost claimed, which we could not confirm, and either standard SCOs provided for in the regulations, or our best approximation of what we considered the costs would be. In 10 out of the 65 transactions with SCOs we found errors in *direct costs* or units on which the SCOs were based.

Box 6.5

Example of calculation method of an SCO not verifiable

In an ESF project implemented under a 2014-2020 regional programme in Germany, designed to support unemployed people, the grant was calculated by multiplying the number of participants by a pre-established fixed amount per participant per month. The national authorities explained that this fixed amount (unit cost) was established based on historical data sets for similar projects from the previous programming period. However, the underlying documents were no longer available, meaning that the basis for the unit cost could not be checked.

We found a similar situation in four 2021-2027 ESF+ projects: two in a German programme and two in an Italian programme. In the German cases, the beneficiaries applied a flat rate to cover the *indirect costs* of the project. The calculation of this flat rate was partly based on historical rates, one of which was not verifiable due to missing data sets.

In two cases in Italy, a flat rate for indirect costs was based on a 2007 study of training providers in the region. In 2009, the Commission approved this flat rate although there were no checks on underlying data, and at the time of our audit, this study had not been updated. As the calculation method is based on incomplete financial data, we could not verify that it met the requirements of the CPR.

Resilience and values – managed by the Commission

6.39. This section of the report presents our findings for expenditure *managed directly or indirectly* by the Commission. We quantified four errors where the Commission directly supported projects through the *European Climate, Infrastructure and Environment Executive Agency (CINEA)*, the *European Education and Culture Executive Agency (EACEA)* and the European Commission's Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL). We quantified one further error in an action funded under Erasmus+. The contribution of these errors is taken into account in [Figure 6.6](#). [Box 6.6](#) describes another Erasmus+ project where there was unjustified retention of funds by the fund coordinator.

Box 6.6**Example of project coordinator retaining double its initial funding share**

In an Erasmus+ project managed by the EACEA, a consortium of four sports clubs received a fixed amount (*'lump sum'*) to organise sports classes in nursing homes, develop an exercise programme for the elderly and provide staff training. The allocation of the grant among the four partners was set out clearly in the grant agreement. However, the club acting as project coordinator signed partnership agreements with the other three project partners for amounts lower than those originally allocated while the responsibilities and workload remained unchanged. Ultimately it retained 71 % of the grant, substantially more than the initially attributed share. Moreover, this revised distribution was not formalised through an amendment, despite this being explicitly required by the grant agreement.

Annual activity reports and other governance arrangements

Commission's 2025 assessment

Member states' management and control systems did not function well for some programmes

6.40. In its annual activity reports (AARs), the Commission reports on whether the control procedures in place provide reasonable assurance that expenditure is legal and regular. In its 2025 AARs, the Commission concluded that member states' management and control systems (managing authorities/intermediate bodies and audit authorities) either did not function well or were partially affected by deficiencies in 72 of the 617 DG REGIO programmes and in 41 of the 384 DG EMPL programmes. This includes programmes from both the 2014-2020 and 2021-2027 periods. As a result, the Commission qualified its 2025 declarations of assurance with *reservations* on most of these programmes.

6.41. Given the Commission's audit results and our own findings, we agree with the Commission's conclusion that the member states' management and control systems did not function well for some programmes.

Material level of irregular expenditure in accounts accepted

6.42. In its AARs, the Commission assesses the individual error rates reported by the member states, the results of its own regularity work, and other available information such as the results of our audit work. It uses these to estimate the *risk at payment* and reports this error rate as a *key performance indicator (KPI) on legality and regularity*. For 2025 this relates to 2014-2020 programmes only. The Commission also provides an estimate of what it considers to be the likely risk at closure, which takes account of the *financial corrections* it expects to make following its own future legality and regularity audits and those of the ECA.

6.43. The risk at payment is the Commission's best conservative estimate of the amount of expenditure during the year that was not legal and regular at the time the payment was made, some of which it expects to detect and correct in subsequent years. The Commission estimates a maximum rate with the intention of addressing the

risk of error outside the sample of transactions in the programmes on which the error rates are based, as well as any additional risks identified by the Commission or the ECA.

6.44. For the 2023/2024 accounting year, DG REGIO reported a risk at payment of 2.1 % for 2014-2020 programmes under shared management (2.5 % for 2022/2023). The maximum error rate was estimated at 3.1 % (3.6 % for 2022/2023). The error rate calculated by DG EMPL was the same as for the previous year, at 2.2 %, with a maximum error rate of 3.2 % (3.0 % for previous accounting year).

6.45. Only around one third of 2021-2027 programmes submitted their accounts in 2025. For this reason, the Commission decided to estimate the risk at payment for these programmes at 2 % and did not include it in the KPI calculation. We noted the Commission has reservations for some of these programmes.

6.46. The Commission's estimate of the risk at payment reported in its 2025 AARs for cohesion was well below our *estimated level of error* (paragraph 6.18). The Commission has exceptionally calculated this year's KPI using error rates reported by the member states, on which it carried out only desk reviews. The Commission did this because it considered that the number of final accounts submitted in 2024 was too low to make a reliable calculation of the confirmed error rate. The Commission will further analyse these error rates per programme in its *ex post* audits (2026 and beyond) and they may increase once the results of these checks are known.

6.47. In the annual management and performance report (AMPR), the Commission reports an overall risk at payment for cohesion policy funds. This is based primarily on the values reported by DG REGIO and DG EMPL and covers both programming periods. In 2025, the combined error rate remained material, in the range of 2.0 % to 2.7 %, and represents a decrease compared with their estimate for 2024 (in a range from 2.3 % to 3.2 %). The Commission explains that this decrease is mainly due to the much larger share of expenditure from the 2021-2027 programming period in 2025 (80.5 % of total cohesion expenditure, compared with 15.3 % in 2024), for which the Commission applied a flat rate of 2 % (paragraph 6.45).

6.48. For MFF heading 2, the Commission estimated the risk at payment to be 2.3 % (2.9 % for 2024). The rate therefore remains material, although below the error range we have calculated for this heading following our audit (paragraph 6.18).

6.49. The inherent difference between our error rate and the rate calculated by the Commission is explained in **Chapter 1** (paragraphs 1.41 to 1.44). In its AARs, the

Commission emphasises the differences in the way the two error rates are calculated. It points out that, in line with our Treaty obligations, we report errors related to breaches of the applicable rules. However, the Commission and national audit authorities only quantify irregularities that can lead to financial corrections being applied in accordance with the CPR. In addition, our error rate for 2025 is based on the audit of transactions from both programming periods, while DG REGIO and DG EMPL base the KPIs reported in their AARs only on 2014-2020.

Low risk assessment for Interreg programmes – not confirmed by our findings

6.50. Interreg programmes are designed to promote cooperation between regions across the EU. Since they involve more than one country, their management is subject to different risk factors than other shared management programmes. In 2025, the Commission estimated the error rate in the Interreg programmes to be below 1 %. It considers these programmes as low risk and groups all programmes together to draw a single audit sample. This approach was introduced as a simplification measure to reduce the overall audit burden. However, we noted that in its 2025 AAR, DG REGIO included a reservation covering three Interreg programmes.

6.51. The atypical composition of our sample (paragraph [6.15](#)) for 2025 meant that we audited a higher number (12) of Interreg projects than usual. For example, there were none in our sample in 2024. This allowed us to gain more insight into this area. We report seven cases of non-compliance, out of which we quantified five. As a result, we do not confirm the Commission's risk assessment.

Closure of 2014-2020 programmes

6.52. By the end of May 2025, the original deadline for the closure of 2014-2020 programmes (prior to the STEP regulation), the Commission had accepted the last accounts and the final implementation reports for 93 programmes. For the remaining 348 programmes, member states took advantage of the extension to the deadline for submission granted in the [STEP regulation](#) (paragraph [6.14](#)).

6.53. In order to be able to close the programmes, the Commission carries out desk reviews on the final *assurance packages* it receives from the national authorities at the end of the programming period. These consist of reviewing the information submitted, assessing the final implementation reports, and then entering the final balances into the accounts. Following this, the Commission sends closure letters to the

member states. However, the closure letter indicates that these programmes may nevertheless be subject to further legality and regularity checks. This may continue until all issues have been addressed.

6.54. We noted that the Commission can enter the final balances into the accounts for programmes without having made financial corrections to address errors already identified. In our sample of 16 programmes from the 2014-2020 programming period, we identified three cases where findings were outstanding for audits which we had completed but for which the Commission had not yet closed the legality and regularity procedures. As such, the final accounts accepted by the Commission are still subject to potential corrections.

6.55. In its 2025 AARs the Commission reported that it had “fully” closed 21 programmes managed by DG REGIO and 13 programmes managed by DG EMPL. This means that the vast majority of programmes are still to be “fully” closed. The condition for “full” closure is that the *residual error rate* is estimated to be below 2 %, and all identified irregularities have been appropriately addressed by the national authorities.

2021-2027 programming period

6.56. For the 2021-2027 programming period, implementation is slower than initially timetabled. The slow *absorption* reported in paragraph **2.17** may result in additional pressure on member states to spend the funds available to them as they approach the end of the programming period, and could reduce the effectiveness of the checks by managing and audit authorities. In September 2025, two new regulations modifying ERDF/CF and ESF+ regulations¹¹ came into force, which allowed for the extension of the eligibility period to 31 December 2030 under certain conditions.

6.57. The CPR for the 2021-2027 programming period (Article 73(2)) sets more explicit requirements for member states when selecting projects for financing. These include assessing the projects’ expected contribution to the programme objectives, the expected results, and compliance with applicable legal requirements and horizontal principles (for example, the projects’ environmental *impact* and climate-proofing). In the 14 programmes for the 2021-2027 programming period included in our sample, we assessed how the managing authorities checked that projects met these requirements.

¹¹ Regulation (EU) 2025/1914 and Regulation (EU) 2025/1913.

In six cases we identified weaknesses in the quality of the managing authorities' assessments.

6.58. The managing authorities are required to carry out “management verifications” before submitting the accounts. For the 2021-2027 programming period, the CPR requires these checks to be risk-based and proportionate to the risks identified. The Commission reported in the AARs that, for the majority of the programmes, the managing authorities applied risk-based checks either in full or partially. However, applying a risk-based approach still results in 100 % checks in some cases. Our own audit of 2021-2027 programmes confirms this information provided by the Commission.

Conclusion and recommendations

Conclusion

6.59. We estimate that the overall level of error for the ‘Cohesion, resilience and values’ MFF heading for the 2025 financial year is 6.6 % (paragraph [6.18](#)).

6.60. Our work shows that the management and control system in place does not always prevent or detect and correct errors in expenditure declared. The most common type of error continues to be ineligible costs and projects (paragraphs [6.23-6.25](#)).

Recommendations

6.61. [Annex 6.2](#) shows the outcome of our follow-up review of six recommendations we made in our [2022 annual report](#). We found that the Commission had implemented one recommendation in full, two in most respects, and three in some respects. We also reviewed five recommendations from the [2023](#) and [2024](#) annual reports that were targeted for implementation by the end of 2025. We also assessed again recommendations from the [2017](#), [2020](#) and [2021](#) annual reports that had not yet been fully implemented at the time of the [2024](#) annual report, but which remain relevant. Of these, one was not accepted and seven were accepted but have not yet been fully implemented.

6.62. Based on our findings and conclusions for 2025, we recommend the following.

Recommendation 6.1 – Improve choice and justification of simplified cost options

The Commission should:

- (a) promote the use by managing authorities of the ‘off-the-shelf’ (standard) simplified cost options provided for in the Common Provisions Regulation and the related fund-specific regulations;

- (b) remind managing authorities of the requirement to retain the documentation justifying simplified cost options that remain in effect from previous programming periods, and to update it appropriately; and
- (c) further support member states to enhance their knowledge of simplified cost options by encouraging the sharing of good practice between managing authorities as regards setting up and applying simplified cost options, with a particular focus on minimising complexity for beneficiaries and final recipients.

Target implementation date: end of 2027.

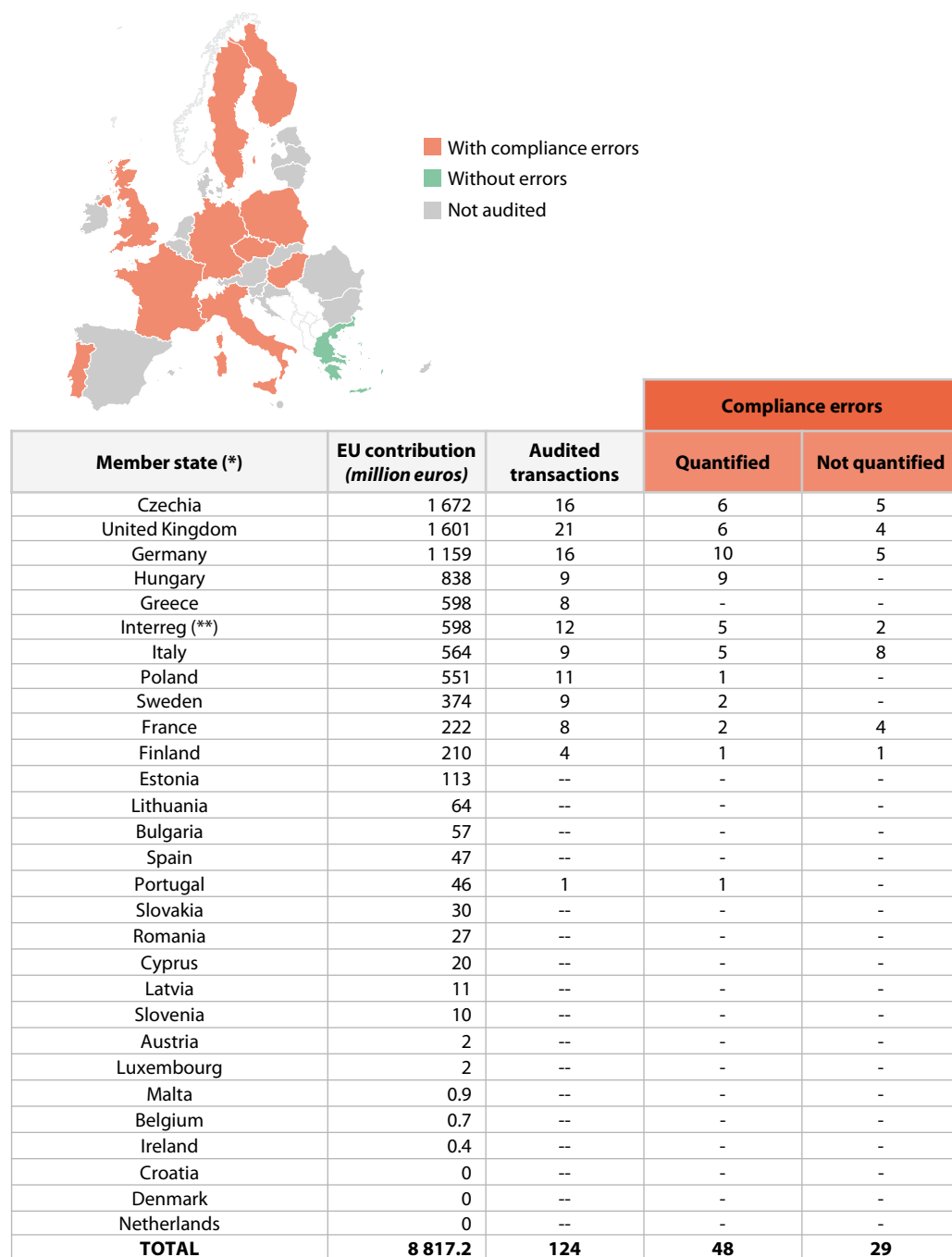
Recommendation 6.2 – Update the risk assessment for Interreg programmes

The Commission should assess, and update as necessary, its risk assessment for the Interreg programmes, taking account of the errors we detected this year as well as the outcome of its audit work, and act upon it accordingly.

Target implementation date: end of 2027.

Annexes

Annex 6.1 – Our sample of shared management transactions and compliance errors in 2025



(*) Our sample is not designed to conclude on each member state separately.

(**) Interreg VI-B North Sea (Belgium, Denmark, Germany, France, the Netherlands and Sweden), Interreg V-A France-United Kingdom and Interreg V-A Belgium-The Netherlands. These contributions are not included in this illustration.

Source: ECA.

Annex 6.2 – Follow-up of previous recommendations

Degree of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Degree of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2017	We recommend that the Commission: Recommendation 1: ensure that the audit arrangements for financial instruments managed by the <i>EIF</i> are adequate at the level of <i>financial intermediaries</i>. When the <i>EIB/EIF</i> uses agreed-upon procedures with external auditors, the Commission should define the minimum conditions of such contracts with a view to the need to provide assurance, in particular the obligation for sufficient audit work at the level of the member state. (Implementation date: immediate).			The <i>Omnibus Regulation</i> introduced a requirement for audit authorities to perform system audits and audits of operations on financial instruments at the level of financial intermediaries, including financial instruments managed by the <i>EIB Group</i> but excluding <i>SME Initiative</i> programmes set up before 2 August 2018. This is still relevant. Our 2020 and 2022 (SMEi Spain) audits revealed that these checks at the level of financial intermediaries were not yet performed consistently. No new elements have been provided to show that this was corrected in 2025.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2020	We recommend that the Commission: Recommendation 5.2 – Keeping track of the risk of <i>fraud</i> in audit authorities’ audits of operations Encourage audit authorities explicitly to introduce specific questions in their checklists on fraud risks and document the steps taken to address any such risks discovered in the course of an audit. Audit authorities should work in collaboration with national anti-fraud coordination services (AFCOSs) and take account of cases of suspected or established fraud reported to the Commission via the Irregularities Management System (IMS). We also refer to our recommendations in special report 06/2019. (Timeframe: June 2022).			

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2021	Recommendation 5.2 – Contribution of national schemes to ESF objectives Ensure that, when operational programmes are based on existing national schemes, the operation implemented contribute effectively to programme objectives, taking particular account of the situation detected this year in relation to <i>participants not in employment, education or training (NEET)</i> in Spanish ESF/YEI operational programmes. (Target implementation date: November 2022).			The Commission had taken action in relation to the Spanish case referred to in the recommendation. However, it did not address the issue of how operations financed through programmes based on existing national schemes contribute effectively to the programme objectives.
	Recommendation 5.4 – Manufacturer compliance with advance purchase agreements for COVID-19 vaccines Verify that COVID-19 vaccine manufacturers comply with the terms of advance purchase agreements, in particular as regards production cost estimates, the use of upfront financing and, where applicable, no-profit clauses, and take corrective action as necessary. (Target implementation date: December 2025).			The Commission has taken some action, and is currently reviewing possible further action in the light of its own recent audits.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2022	Recommendation 6.1 – Mitigation measures for recurring errors Strengthen the measures designed to address the recurring errors, specifically in relation to ineligible costs and projects, ensure sufficient coverage of its own audit work for all audit authorities and disseminate the results to reduce the occurrence and impact of irregular spending. (Target implementation date: December 2025).			The Commission has developed an action plan, but we note gaps in implementation and coverage.
	Recommendation 6.2 – Major projects notifications Verify, when closing the 2014-2020 programmes, that only expenditure linked to notified major projects has been accepted, taking particular account of the situation detected this year. (Target implementation date: latest by March 2025).			Due to the extended closure procedures, the programmes most affected by the issue will only be subject to audit within SoA 2026. Consequently, we are not yet able to fully assess whether the recommendation has been addressed in all its aspects, specifically whether the situations raised in Box 6.2 of the 2022 annual report have been correctly taken into account.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
	Recommendation 6.4 – Targeted checks on financial corrections for multi-annual operations during closure Carry out specific targeted checks in its 2014-2020 closure audits to ensure that member states have applied the necessary financial correction for errors detected in one accounting year which also affect expenditure in other accounting periods. (Target implementation date: from February 2025 until end of closure of all 2014-2020 OPs).			The Commission has introduced some initiatives, notably thematic audits and closure monitoring procedures and has informed us that it is paying specific attention to this aspect going forward. We will continue to follow progress in this respect.
	Recommendation 6.5 – Reliability of self-declarations Ensure that audit authorities have appropriate methods in place to check the validity and reliability of self-declarations and share good practices, taking particular account of the situation detected this year. (Target implementation date: December 2023).			The Commission has taken action on this matter and plans to share more examples of good practice. However, in our 2025 audit, we identified four cases for which we considered that self-declaration was not adequate evidence of the eligibility of participants.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
	Recommendation 6.6 – Enhancing fraud risk awareness to ensure a more effective reporting on suspected fraud Plan and implement focused thematic audits on risk awareness of the managing authorities and the use of data mining and risk-scoring tools for the 2021-2027 programmes. (Target implementation date: for recommendation 6.6(a) by December 2025 [...]).			
	Recommendation 6.7 – Deployment of data mining and risk-scoring tool Advance the date for deployment of the single integrated IT tool for data mining and risk-scoring from 2028 to 2025, the first year when a significant amount of 2021-2027 expenditure is expected to be declared. In the meantime, ensure that OLAF, the EPPO and the ECA have access to <i>Arachne</i>. (Target implementation date: December 2025).			The Commission has granted access to the ECA, EPPO and OLAF only on a “case-by-case” basis. The ECA reiterates that this is not sufficient for it to carry out its work efficiently. The Commission did not accept the recommendation to advance the date of deployment.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2023	Recommendation 6.1 – Follow-up of weaknesses in member states’ management and control systems (a) Follow up in a timely manner all weaknesses in the member states’ management and control systems we identified and reported on in the context of our statement of assurance exercise for the outgoing 2014-2020 period. (b) Identify, together with the audit authorities, the key lessons learnt in the follow-up under point (a) and apply them to the arrangements for the 2021-2027 period, and communicate the actions needed and supporting best practices to the member states’ programme authorities. (Target implementation date: December 2025).			The Commission has improved the monitoring and analysis of the root causes of errors, but there are gaps in implementation and coverage.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
	Recommendation 6.2 – Harmonised treatment of public procurement errors under direct and shared management Establish a harmonised treatment of public procurement irregularities for projects financed under both direct and shared management, such as projects financed by both CEF and ERDF. Irregularities resulting from the breach of the same legal provisions should lead to the same assessment and correction rate. (Target implementation date: December 2024).			
	Recommendation 6.3 – Address financial risks while checking that performance targets are achieved Ensure that member states establish a process to systematically check the fulfilment of contractual obligations after payment, by which the beneficiary has committed to achieve performance indicators linked to actions taking place following project implementation. (Target implementation date: at the time member states submit OP closure documents, and by March 2026 at the latest).			We acknowledge that the Commission has taken action in the field, including the thematic audits, and is in the process of implementing the recommendation.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
	Recommendation 6.4 – Ensure sound preparation ahead of 2014-2020 closure Elaborate detailed closure procedures addressing the risks identified in our annual reports, by: (a) Setting up a closure monitoring system to trace the status of all 2014-2020 OPs, the amounts actually closed during the year and cumulatively, the amounts still open, and the actions still pending for closure; and (b) disclosing this information in the AARs. This information on 2014-2020 closures should also contain the <i>decommitment</i> of outstanding funds in the Commission's accounts. (Target implementation date: June 2025).			The Commission has introduced the Launchpad Report "2014-2020 Closure monitoring Overview" and plans to pay greater attention to this aspect going forward. We will continue to follow up this issue.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2024	Recommendation 6.2 – Restart checks after flat rates imposed Ensure, when systematic weaknesses have been detected in (operational) programmes and a flat rate has been consequently imposed, that member state authorities do not use the flat rate correction mechanism to avoid their responsibility to check the eligibility of the expenditure before declaring it to the Commission, and make individual recoveries as necessary. (Target implementation date: end of 2025).			The Commission has introduced a new section in the DAC checklist for key requirement 13 on audits of operations. We will continue to follow up this issue.

Source: ECA.

Chapter 7

Natural resources and environment

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Introduction

7.1. This chapter presents the results of our audit of the MFF heading 3 ‘Natural resources and environment’. **Figure 7.1** gives an overview of the main activities and spending under this heading in 2025.

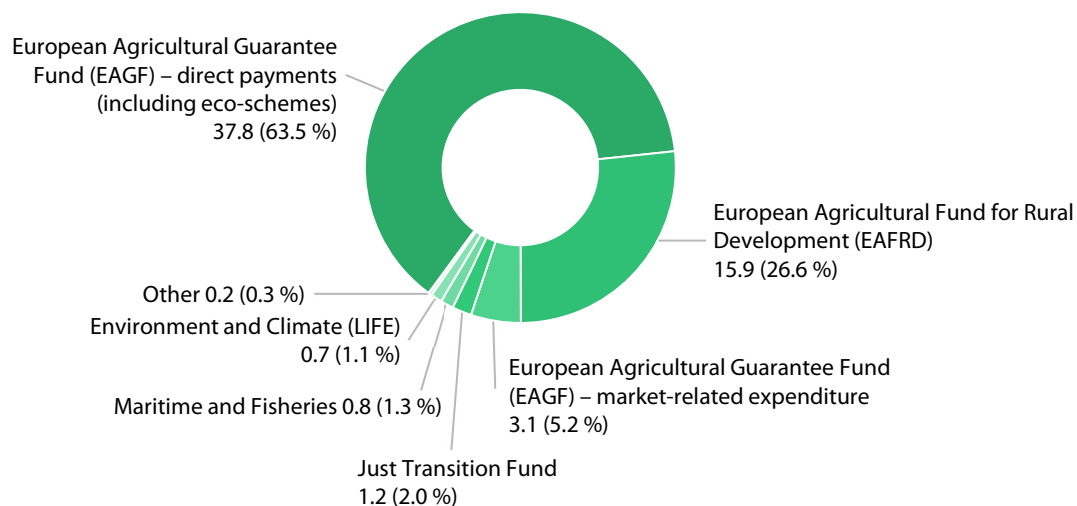
Figure 7.1 – Payments and audit population

Natural resources and environment
€59.6 billion (33.8 % of EU budget spending)



2025 payments breakdown by fund

(billion euros)



2025 audit population compared to payments

Payments – total 59.6



Audit population – total 58.3



Source: ECA, based on data from the 2025 consolidated accounts of the European Union.

Brief description

Policy objectives and areas

7.2. In 2025, the *common agricultural policy (CAP)* represented the main share (95.3 %) of EU spending on ‘Natural resources and environment’. The CAP has three general objectives for the 2023-2027 period¹:

- to foster a smart, competitive, resilient and diversified agricultural sector ensuring long-term food security;
- to support and strengthen environmental protection, including biodiversity, and climate action;
- to strengthen the socio-economic fabric of rural areas.

7.3. While the European Commission, in particular the Directorate-General for Agriculture and Rural Development (DG AGRI), is ultimately responsible for the CAP, it shares its management with *paying agencies* in the member states that are responsible for ensuring the *legality and regularity* of the spending declared to the Commission.

7.4. The spending under this MFF heading outside the CAP (4.7 %) covers:

- the *Just Transition Fund (JTF)*, which supports regions and people affected by the transition towards climate-neutrality², whose expenditure is managed by the Directorate-General for the Regional and Urban Policy (DG REGIO);
- spending under the maritime and fisheries policy financed by the *European Maritime, Fisheries, and Aquaculture Fund (EMFAF)*, which falls under the responsibility of the Directorate-General for Maritime Affairs and Fisheries (DG MARE); and
- the *LIFE Programme* for the environment and climate action, under the responsibility of the Directorates-General for the Environment (DG ENV), Climate Action (DG CLIMA) and Energy (DG ENER).

¹ Article 5 of [Regulation \(EU\) 2021/2115](#) establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP strategic plans).

² Article 2 of [Regulation \(EU\) 2021/1056](#) establishing the Just Transition Fund.

Spending instruments and frameworks

7.5. For the 2023-2027 period, member states have established *CAP strategic plans* covering spending from the *European Agricultural Guarantee Fund (EAGF)* and the *European Agricultural Fund for Rural Development (EAFRD)*. In total, €46.2 billion out of €56.8 billion of the CAP payments in 2025 were made under *CAP strategic plans*, while €10.6 billion were made outside CAP strategic plans, including spending under the 2014-2022 CAP framework.

7.6. For 2025, the main spending instruments ("interventions") for the CAP were:

- *direct payments* to farmers, fully funded by the EU budget (EAGF);
- member states' national and regional *rural development interventions*, co-financed by the EU budget (EAFRD) and the member states; and
- agricultural *market measures*, fully funded by the EU budget (EAGF) except for certain measures, such as agri-food promotion measures, which are co-financed by the member states.

7.7. Direct payments accounted for 63.5 % of spending under *MFF* heading 3 (€37.8 billion in 2025). The main direct payment interventions were as follows.

- The '*basic income support for sustainability*' intervention (€18.8 billion) and the '*complementary redistributive income support for sustainability*' (€4.0 billion), which provide income support based on the area of agricultural land declared by farmers.
- '*Eco-schemes*' (€9.1 billion), which are voluntary schemes for farmers introduced under the 2023-2027 CAP to support agricultural practices that contribute to the climate and the environment goals as well as animal welfare improvement.
- '*Coupled income support*' (€4.5 billion) for specific types of agricultural sectors facing difficulties, such as beef and veal, milk, or protein crops. [Box 7.1](#) provides an example.

Box 7.1

Example of coupled income support

In Sweden, a small farm with 17 grass-fed heads of cattle received coupled income support. Swedish beef and dairy production is mainly based on grassland and pastures, which contribute to capturing and storing carbon, and biodiversity. The photo shows the farmer's animals grazing on natural pastures. During our audit, we confirmed that the beneficiary had respected the eligibility conditions.



Source: ECA.

7.8. Direct payments to farmers are mainly entitlement-based; receiving them depends on meeting certain conditions. Such payments carry a lower risk of *error* than reimbursement-based payments, provided the attached conditions are not complex (paragraph **1.17**). Except for certain eco-schemes, we consider that the conditions for receiving direct payments are not complex.

7.9. Direct payments are managed by each member state through an *integrated administration and control system (IACS)*, which interlinks databases of holdings, aid applications, animal registries and agricultural areas. The IACS incorporates an *identification system for agricultural parcels*, a *geospatial application system*, and an *area monitoring system*. The IACS helps farmers to submit their area-related aid

applications and provide evidence of their activities, which facilitates checks carried out by paying agencies. This allows certain errors in aid applications to be corrected prior to payment and reduces the risk of error.

7.10. Rural development accounted for 26.6 % of spending under MFF heading 3 (€15.9 billion) and consisted of:

- payments to farmers based on environmental and climate-related criteria (€5.2 billion) applied to the agricultural area or on the number of animals in the holding (“area or animal-related”), which are also covered by member states’ IACS;
- aid to investment projects (€10.7 billion) to support social and economic development in rural areas (“non-area-based”).

7.11. In 2025, most rural development spending by member states continued to be related to commitments made under national and regional *rural development programmes* covering the 2014-2022 period (€8.8 billion).

7.12. Agricultural market measures, which accounted for 5.2 % of MFF heading 3 spending (€3.1 billion), include several schemes, such as support for fruit and vegetables producer organisations and the restructuring of vineyards – each with their own eligibility conditions.

7.13. The 4.7 % of MFF heading 3 outside the CAP, mainly under the JTF, the EMFAF, and the LIFE Programme, also involves a variety of selection criteria, eligibility requirements and disbursement methods.

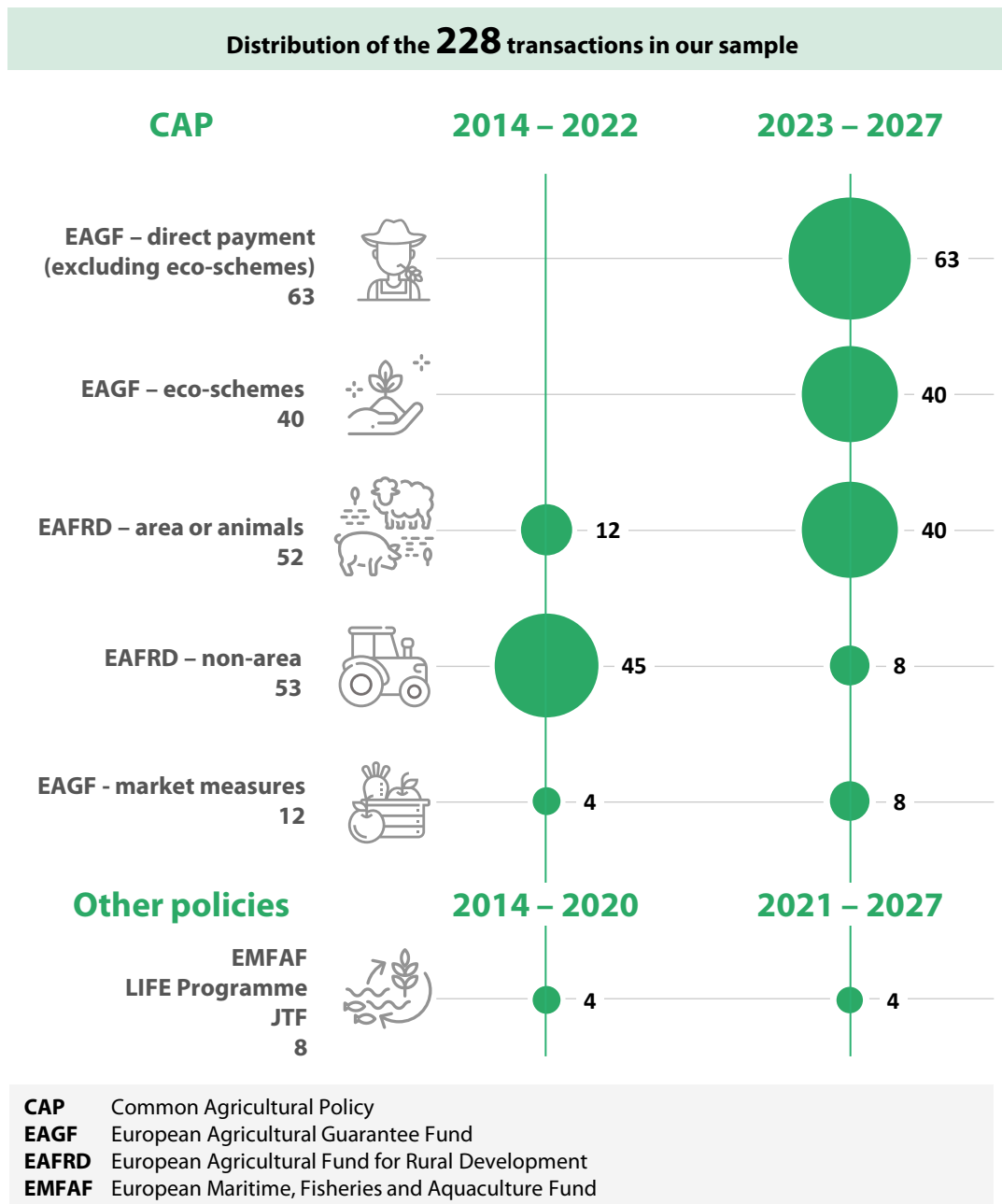
7.14. The eligibility conditions for eco-schemes, most spending on rural development, market measures, and the MFF heading 3 policy areas outside the CAP are more complex than for direct payments (excluding eco-schemes), and the risk of error is higher (paragraph **1.17**).

Audit scope and approach

7.15. The objective of our audit was to estimate the level of error under this MFF heading and to contribute to the *statement of assurance (SoA)*. Applying the audit approach and methods set out in **Annex 1.1**, we examined the following for this MFF heading in 2025:

- (a) a statistically representative sample of 228 *transactions* covering all spending under this MFF heading ([Figure 7.2](#)); and
- (b) the regularity information provided in the *annual activity reports (AAR)* of DG AGRI and DG MARE and then included in the Commission's *annual management and performance report (AMPR)*.

Figure 7.2 – Distribution of the sample for 2025



Source: ECA.

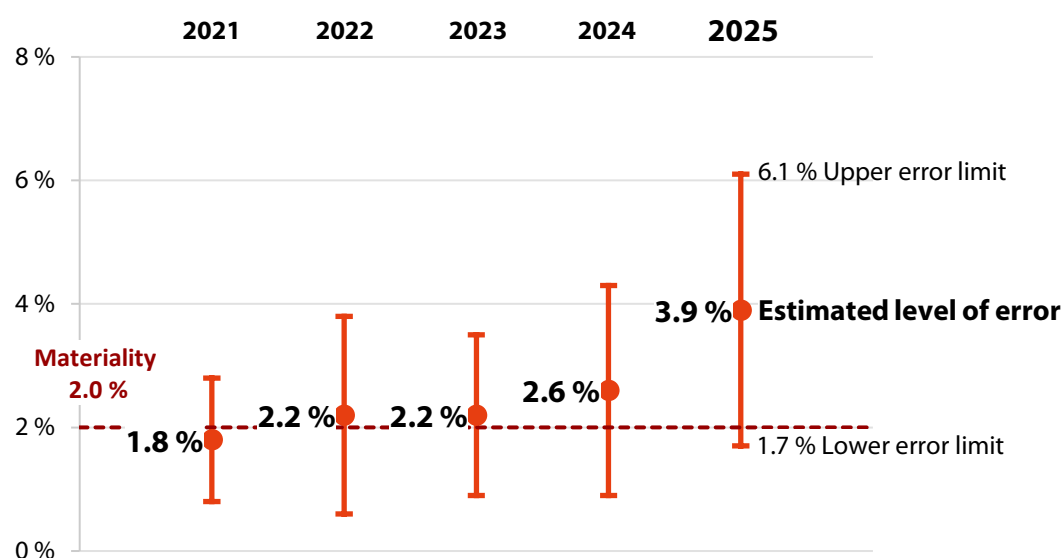
Regularity of transactions

Results of transaction testing

7.16. Of the 228 transactions examined, 46 (20 %) contained errors. Based on the 36 errors we have quantified, we estimate the level of error to be 3.9 % ([Figure 7.3](#)). Last year, with the sample size of 228 transactions, 39 (17 %) transactions contained errors and we quantified 22 errors.

Figure 7.3 – Results of transaction testing

Estimated level of error (ELE)



Sample size (transactions)

2021	2022	2023	2024	2025
212	218	218	228	228

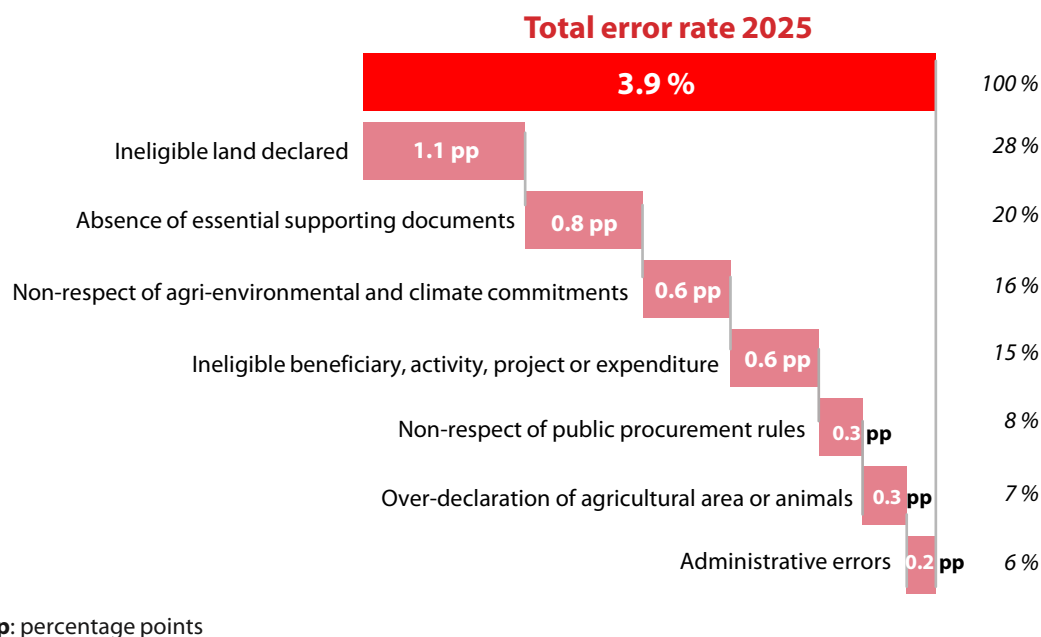
Source: ECA.

7.17. Our results indicate that the level of error was lower for direct payments (excluding eco-schemes), representing over half of CAP spending and 49 % of spending under this MFF heading, than for the other spending areas taken as a whole (eco-schemes, rural development, market measures, the JTF, maritime and fisheries policy, and environment and climate action), representing 51 % of spending.

7.18. [Figure 7.4](#) gives a breakdown of our estimated level of error for 2025, by category of error. The increase in the estimated level of error for 2025 is largely

related to ineligible land being declared by beneficiaries. We note that, at the time of our audit, the Commission had ongoing conformity audits related to weaknesses in control systems covering the underlying errors.

Figure 7.4 – Much of the estimated level of error is related to ineligible land being declared



Source: ECA.

7.19. Direct payment transactions accounted for the largest number of quantifiable errors we found (17). We also found quantifiable errors in rural development transactions (14), market measures (1) and other policy areas outside the CAP (4). In addition, we found 17 compliance issues with no impact on the error rate.

7.20. The member state authorities had applied corrective measures that directly affected 45 of the transactions we sampled. These measures were relevant to our calculations, as they reduced our estimated level of error for this chapter by 0.7 percentage points. In 19 cases of *quantifiable errors*, the member state authorities had sufficient information to prevent, or to detect and correct, the error before accepting the expenditure. Had the member state authorities made proper use of all the information at their disposal, the estimated level of error for this chapter would have been 2.4 percentage points lower. [Annex 7.1](#) presents an overview of MFF

heading 3 expenditure showing the results of our transaction testing for the 18 member states covered by our audit³.

Direct payments

7.21. In the 63 direct payment transactions (excluding eco-schemes) tested, we found eight quantifiable errors. Five of them resulted from small over-declarations of area or the number of animals, two from ineligible land being declared, and one from the incorrect calculation of payment entitlements. **Box 7.2** provides an example of declared land being ineligible due to non-compliance with the requirement for agricultural activity.

³ Bulgaria, Czechia, Denmark, Germany, Ireland, Greece, Spain, France, Croatia, Italy, Lithuania, Hungary, Austria, Poland, Portugal, Romania, Slovakia and Sweden.

Box 7.2

Example of non-compliance with a requirement for agricultural activity on the land declared

In Greece, a beneficiary declared 102 sheep and goats and requested access to public pastureland. In line with national rules, the Greek authorities allocated 7.14 ha of permanent pasture, divided into six parcels, to the beneficiary on the island of Kythnos, which is over 226 km away from the farmer's stable and animals on Crete. No record had been made in the Greek authorities' central animal register or the beneficiary's application of the animals being transported to Kythnos for grazing. Under national rules, to be eligible for payment for "permanent pasture in production", the permanent pasture must meet a minimum grazing density. As no animals were transported to Kythnos, the grazing density on the allocated parcels was zero. We also found that only one of the six parcels allocated was publicly owned and the rest should not have been considered as at the legal disposal of the beneficiary. At the time of our audit, the Commission had an ongoing conformity procedure regarding, among others, weaknesses in the Greek authorities' control systems for the verification of the requirement for agricultural activity.



Source: Eurostat – GISCO.

7.22. In the 40 eco-scheme transactions, we found nine quantifiable errors. Three of them related to declared land being ineligible due to a lack of evidence that the land was legally at the beneficiary's disposal ([Box 7.3](#)). In addition, we found two

errors resulting from a lack of mandatory documentation, two resulting from non-compliance with funding requirements, and two from over-declaration of area.

Box 7.3

Examples of lack of evidence of the legal disposal of land

Requiring beneficiaries of area-based interventions to be able to provide evidence of their legal disposal of land, either as part of their application or upon request, is essential for preventing irregular claims. For three transactions in Croatia, we found that the beneficiary was not able to provide evidence that they had the legal right of disposal for one or more of the rented parcels claimed. Under Croatian legislation, farmers were required to submit documentation proving their legal disposal of rented land by 31 January 2026. Neither the paying agency nor the beneficiary had provided evidence of legal disposal for the parcels concerned that were registered as rented. At the time of our audit, the Commission had an ongoing conformity procedure regarding weaknesses in the Croatian authorities' control systems for land at disposal.

Rural development, market measures and other policy areas

7.23. We examined 52 rural development payments based on the area or animal numbers declared by farmers. These included payments for meeting specific *agri-environment-climate commitments*, compensation payments for organic farming, payments to farmers in areas with natural constraints and compensation payments for farming in Natura 2000 protected areas. Of the 52 payments, 40 related to the 2023-2027 CAP and 12 to the 2014-2022 CAP.

7.24. Of the 52 area or animal-related rural development transactions we tested, 6 contained quantifiable errors. The errors included three over-declarations of area, two cases of *agri-environment-climate commitments* not being met, and one case of lack of evidence of legal disposal of land.

7.25. We examined 53 rural development payments to investment projects, such as investments in physical assets, basic services and village renewal, and forestry development. Of the 53 payments, 8 related to the 2023-2027 CAP and 45 to the 2014-2022 CAP.

7.26. We quantified errors in eight payments, one related to the 2023-2027 CAP and seven to the 2014-2022 CAP. The payments included one or more errors resulting from declarations of ineligible expenditure or activities, non-compliance with public

procurement rules, or incorrect calculation of the support rate. **Box 7.4** provides an example of a payment related to the 2014-2022 CAP that included multiple errors.

Box 7.4

Example of an investment project with multiple errors

In Hungary, a non-profit limited liability company submitted its application for support in June 2019 in reply to a call for applications for “Support for cooperation to design, develop and promote short supply chains and local markets”. The grant decision was issued in October 2020. The deadline for completion of the project, which was originally October 2022, was extended after it had expired following a request from the beneficiary in June 2024.

The errors we found included the reimbursement of ineligible costs for renting and furnishing an office, and undisclosed prior business involvement between the beneficiary and the successful tenderer in the procurement process. We also found that the paying agency had extended the deadline for the completion of the project by over one and a half years.

7.27. In the 12 market measure transactions tested, we found one quantifiable error. The error related to the over-declaration of the area for replanting a vineyard.

7.28. For other policies outside the CAP, we audited eight transactions and we found four quantifiable errors. Three of them related to ineligible costs included in LIFE projects and one to the overvaluation of a beneficiary’s in-kind contribution to a JTF project.

Annual activity reports and other governance arrangements

DG AGRI and DG MARE reporting on the regularity of spending

7.29. In 2025, two sets of arrangements continued to apply to DG AGRI's reporting on the regularity of spending: the performance-based assurance model for 2023-2027 CAP strategic plan spending, and the compliance framework from the 2014-2022 CAP. The latter continues to apply for spending outside CAP strategic plans, including the remaining payments made by member states during the year under their 2014-2022 rural development programmes. Since 2024, neither the Commission nor the member states has been required to provide estimates of the risk of error at payment for spending under CAP strategic plans.

7.30. Each member state is required to provide DG AGRI with an “*assurance package*”. The package includes the annual accounts on expenditure, an *annual performance report* for each paying agency and a management declaration from its director. This declaration states that the information provided is complete and accurate and that the governance systems function properly, including those for ensuring the legality and regularity of declared expenditure. The package also includes the reports and opinions of independent *certification bodies* on the paying agencies' financial accounts, governance systems, annual performance report and the legality and regularity of their spending outside CAP strategic plans.

7.31. For spending under the 2023-2027 CAP strategic plans (€46.3 billion), DG AGRI assessed the level of risk of interventions, based on the certification bodies' reports and on its own audit work. For 2025, the Commission assessed 68 % of CAP strategic plan spending as low risk, 24 % as medium risk, and the remaining 8 % as high risk. Low-risk spending corresponds to interventions unaffected by potential serious deficiencies in their governance systems. Most low-risk spending relates to direct payments and other support covered by the IACS (€29.0 billion).

7.32. For spending outside the CAP strategic plans covered by the compliance framework from the 2014-2022 CAP (€10.6 billion), DG AGRI continued to calculate a “risk of error at payment” for direct payments, rural development and market measures. The figures are based on error rates reported by the paying agencies, which the Commission adjusts to take account of its and the certification bodies' audits. For 2025, DG AGRI calculated the “estimated amount at risk at payment” at around

3.5 % of €10.6 billion of spending outside CAP strategic plans, including around 1.6 % for direct payments of €0.5 billion, 3.8 % for rural development of €8.8 billion, and 2.4 % of €1.3 billion for market measures.

7.33. Overall, for 2025, DG AGRI assessed 64 % of CAP spending as low risk (77 % in 2024), 20 % as medium risk (10 % in 2024), and 16 % as high risk (13 % in 2024). The Commission highlighted three key factors behind the results of the 2025 assessment:

- placing all CAP spending in Greece under reservation, where the paying agency was under probation in the 2025 financial year, following persistent deficiencies affecting compliance with regard to several accreditation criteria and the imposition of a €415 million financial correction⁴;
- improved assessments by certification bodies in several member states, including France, in the second year of operation of the 2023-2027 arrangements;
- some member states accelerating expenditure to maximise the absorption of funds before the closure of the 2014-2022 rural development programmes.

7.34. We also performed a limited review of the regularity information in DG MARE's annual activity report. We noted that the methodology for the calculation of the risk at payment and at *closure* for DG MARE was in line with the Commission guidelines.

The Commission's annual management and performance report (AMPR)

7.35. The Commission no longer provides an estimate of *risk at payment* for 'Natural resources and environment' in its AMPR, as only 20 % of the heading is covered by the compliance frameworks of DG AGRI, DG MARE, DG ENV and DG CLIMA.

Review of performance reporting under the 2023-2027 CAP

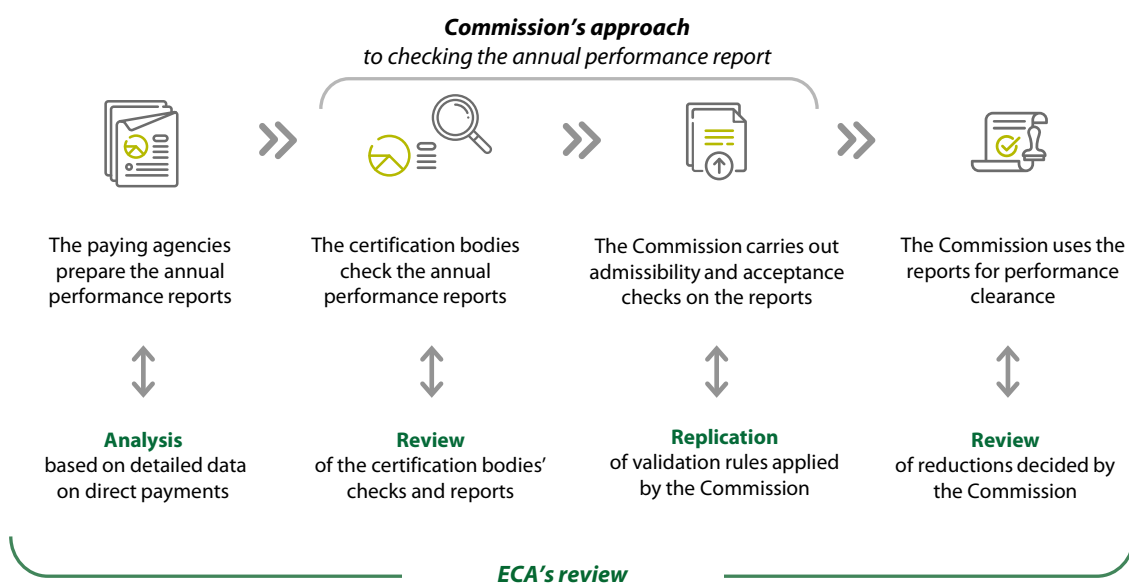
7.36. Paying agencies prepare annual performance reports showing the outputs and expenditure for interventions under CAP strategic plans, whose accuracy is checked by certification bodies. The Commission carries out automated checks based on validation rules before accepting the performance reports. It then uses the

⁴ Commission Implementing Decision (EU) 2025/1147 of 11 June 2025.

performance reports and the results of certification bodies' checks to assess the consistency between reported outputs and the corresponding expenditure. The Commission may decide to reduce expenditure that is not matched by corresponding outputs in the *performance clearance procedure*.

7.37. We reviewed the Commission's approach to providing assurance on the accuracy of paying agencies' annual performance reports for the 2024 financial year. We selected 10 paying agencies, covering nine member states⁵, and examined key checks carried out by their certification bodies and the Commission to ensure the accuracy of their performance data. The performance reports were submitted to the Commission in February and March 2025 and used for the performance clearance procedure in October 2025. **Figure 7.5** summarises the process and our review approach.

Figure 7.5 – Our review of assurance on performance reporting



Source: ECA.

7.38. Our analysis of underlying data for direct payments confirmed the reported figures for 9 out of the 10 selected paying agencies. For the French annual performance report, our analysis confirmed the Commission's identification of significant discrepancies (over 2 %) between net and gross expenditure for 5 out of 35 direct payment unit amounts, which could lead to reductions in expenditure, as well

⁵ Bulgaria, Germany (Niedersachsen-Bremen-Hamburg), Spain (Andalusia and Galicia), France (ASP), Greece, Hungary, Italy (AGREA), Poland and Romania.

as several minor differences (under 2 %) for expenditure and outputs between the paying agencies' underlying data and the data reported.

7.39. Our review of the certification bodies' reports confirmed that the information provided in the reports complied with legal requirements⁶. For 9 out of the 10 reports, certification bodies provided sufficient evidence of checks carried out on the accuracy of performance data. The French certification body was only able to conduct partial checks on certain elements of the performance report due to the paying agency's data transmission delays.

7.40. We replicated the validation rules that the Commission used to perform automated checks on reconciliations and identify discrepancies between reported outputs and expenditure. The results of our testing were consistent with that of the Commission.

7.41. We found that the reductions the Commission made to member states' expenditure in the performance clearance procedure were consistent with the data in the annual performance reports and the results of checks. In the case of Germany, part of the performance reporting data was submitted to the Commission significantly later than the mid-February deadline for its submission.

7.42. Overall, we found no issues relating to the assurance provided for 8 of the 10 paying agencies we covered in our review. For France and Germany, our work confirmed that data transmission delays affected the certification bodies' ability to verify figures and hence their ability to provide assurance on the accuracy of some of the information reported. We note that as of the 2025 financial year the performance clearance procedure has been discontinued.

⁶ Article 12 of [Regulation \(EU\) 2021/2116](#) and Articles 5 to 7 of Commission Implementing [Regulation \(EU\) 2022/128](#) of 21 December 2021 laying down rules for the application of Regulation (EU) 2021/2116.

Conclusion and recommendations

Conclusion

7.43. The overall audit evidence we obtained and have presented in this chapter indicates that the level of error in spending on ‘Natural resources and environment’ as a whole was material (paragraph [7.16](#)). For this MFF heading, our testing of transactions produced an estimated overall level of error of 3.9 %.

Recommendations

7.44. The follow-up of the recommendation we made in our 2022 annual report was already performed in 2024⁷. The Commission had implemented the recommendation in full.

7.45. We also reviewed the implementation of the recommendations from the 2023 and 2024 annual reports that had either required immediate action or had been targeted for implementation during 2025. One recommendation was made in the 2023 annual report that had been targeted for implementation in 2025 (Annex 7.2). We consider that this recommendation has been implemented.

7.46. Based on our findings and conclusions for 2025, we recommend the following.

Recommendation 7.1 – Work with member states to improve controls on land at disposal

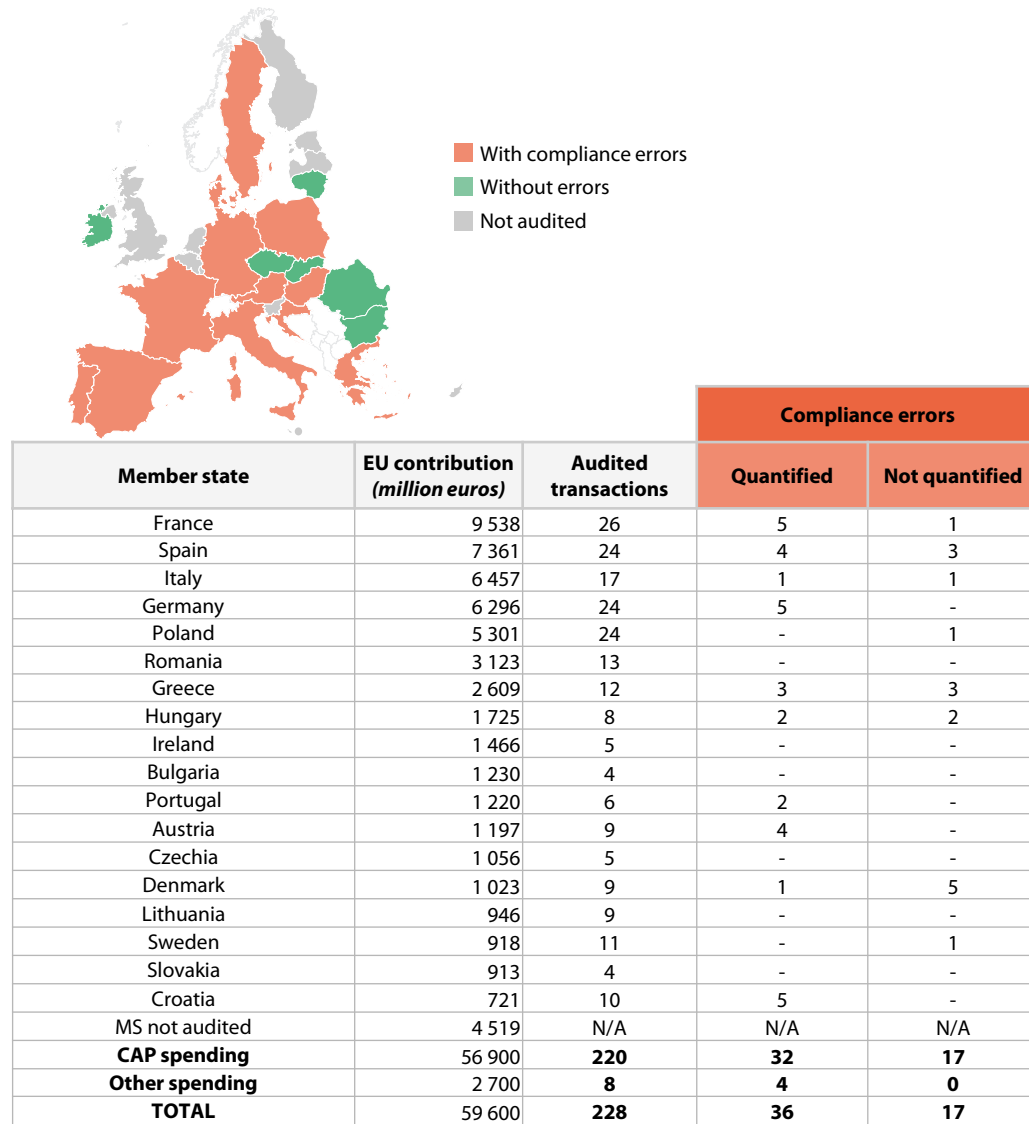
In the context of planning the implementation of the 2028-2034 CAP, the Commission should work with member states to improve their control systems for ensuring that land declared is legally at the beneficiaries’ disposal.

Target implementation date: 2027.

⁷ [2024 annual report](#), Annex 7.2.

Annexes

Annex 7.1 – Our sample of transactions and compliance errors in 2025



Source: ECA, based on Commission data.

Annex 7.2 – Follow-up of previous recommendations

Degree of implementation:  fully;  in most respects;  in some respects;  not implemented.

Year	ECA recommendation	ECA analysis of progress made in implementing recommendation	
		Degree of implementation	Remarks
2023	Our recommendation to the Commission: Recommendation 7.1: Examine the effectiveness of national arrangements for capping EU support to large farms Given the responsibility of member states for targeting income support to those who need it most, examine the effectiveness of member states' measures for limiting direct payments for large farms. Target implementation date: 2025.		We consider this recommendation to have been implemented, as the Commission examined the distribution of income support to farms of different sizes in the member states when preparing its proposals for the 2028-2034 CAP.

Source: ECA.

Chapter 8

Migration and border management
Security and defence

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Introduction

8.1. This chapter presents the results of our audit of *MFF* headings 4 ‘Migration and border management’ and 5 ‘Security and defence’. *Figure 8.1* and *Figure 8.2* give an overview of the main activities, the spending and the audit population under these headings in 2025.

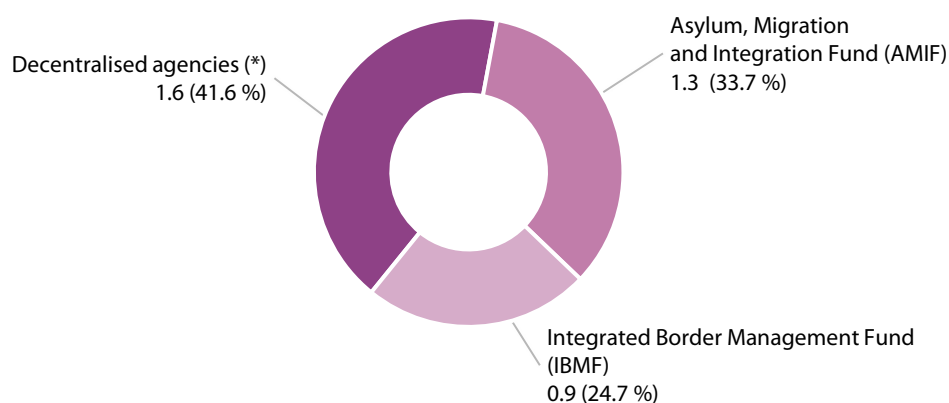
Figure 8.1 – Payments and audit population – Migration and border management

Migration and border management
€3.8 billion (2.2 % of EU budget spending)



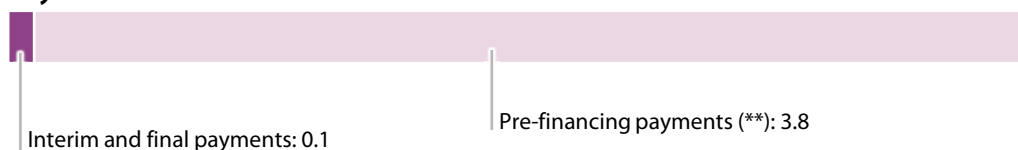
(billion euros)

2025 payments breakdown by fund/spending area

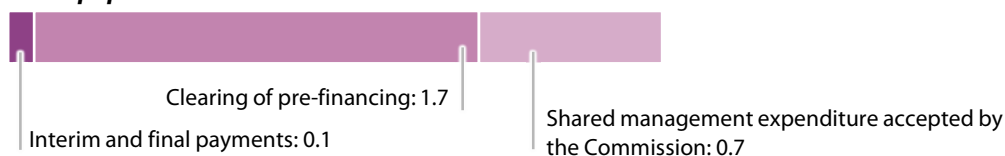


2025 audit population compared to payments

Payments – total 3.8



Audit population – total 2.5



(*) We report on payments to decentralised agencies in our annual report on EU agencies.

(**) Including shared management annual advances and interim payments not yet accepted by the Commission.

Source: ECA, based on data from the 2025 consolidated accounts of the EU.

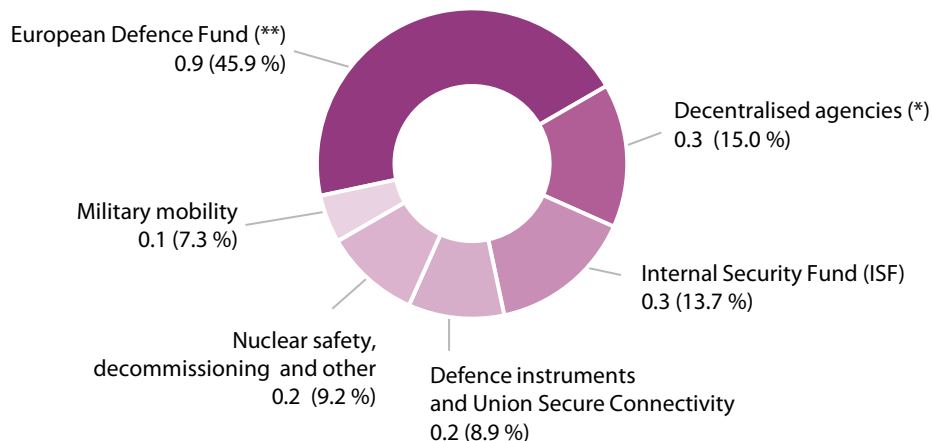
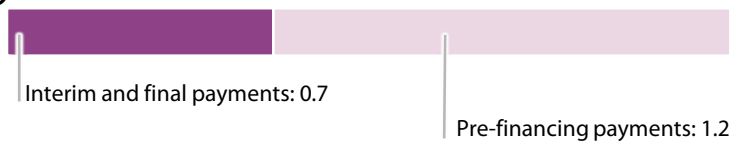
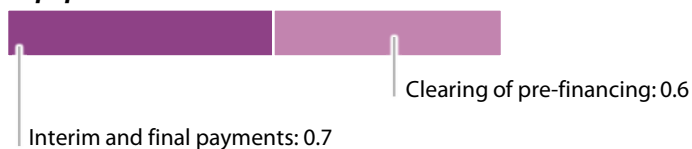
Figure 8.2 – Payments and audit population – Security and defence

Security and defence

€1.9 billion (1.1 % of EU budget spending)



(billion euros)

2025 payments breakdown by fund/spending area**2025 audit population compared to payments****Payments – total 1.9****Audit population – total 1.4**

(*) We report on payments to decentralised agencies in our annual report on EU agencies.

(**) This is a spending area that includes funding of projects from several funds (European Defence Fund, European Defence Industrial Development Programme and the Act in Support of Ammunition Production).

Source: ECA, based on data from the 2025 consolidated accounts of the EU.

Brief description

8.2. Spending under heading 4 focuses on support to national authorities receiving asylum seekers and migrants immediately upon arrival, developing a common asylum and migration policy, and ensuring effective returns. It also covers support for border management and visa policy. Spending under heading 5 includes *programmes* that strengthen the security and safety of European citizens, improving the EU's defence

capacities and providing crisis response tools. In [Figure 8.3](#) we show the policy objectives of both headings and the related funds and instruments.

Figure 8.3 – Policy objectives and modes of implementation

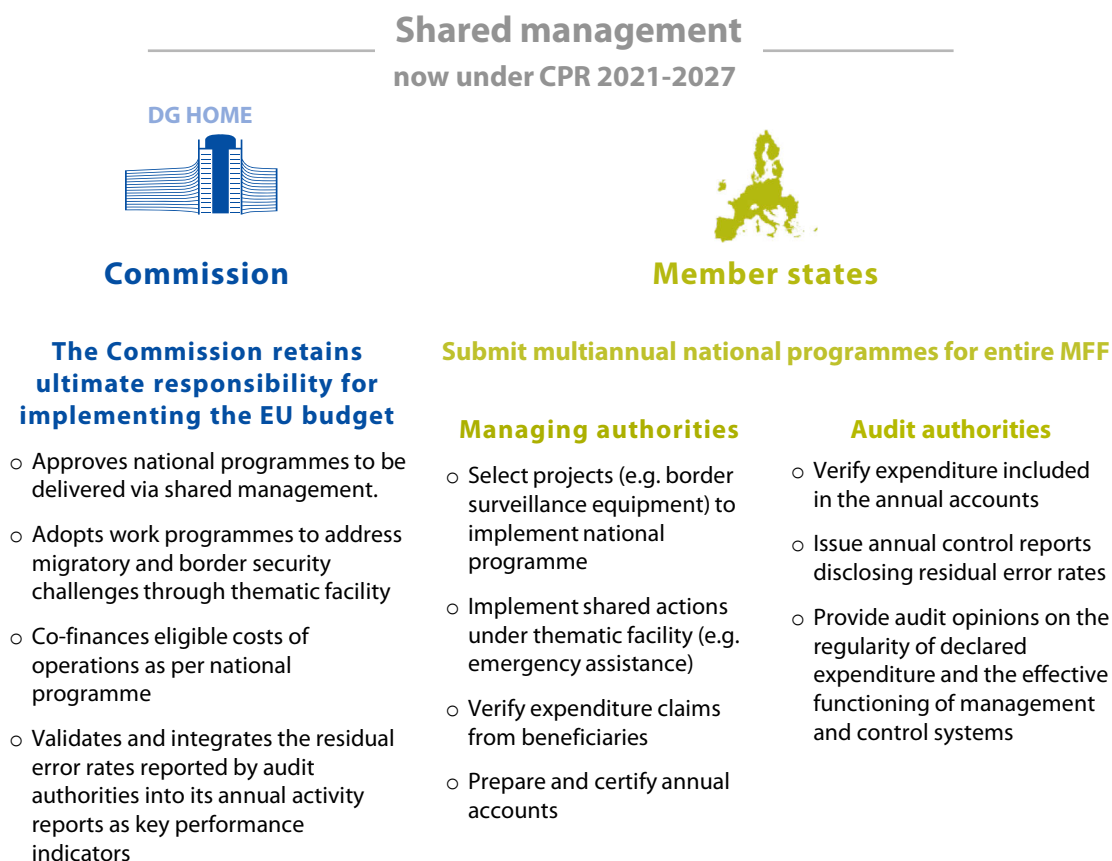
Heading 4 – Migration and border management		
<i>Management mode</i>		
Shared Direct Indirect	Asylum, Migration and Integration Fund	Supporting accommodation and reception services for asylum seekers, information measures in non-EU countries on legal migration channels, language training, assistance to vulnerable people and cooperation between EU member states
	Integrated Border Management Fund	Supporting common measures for the effective control of the EU's external borders
	Border Management and Visa Policy Instrument	Ensuring European integrated external border management, while safeguarding the free movement of people within the EU, respecting fundamental rights, and contributing to a high level of security
Direct	Customs Control Equipment Instrument	Supporting the customs union and customs authorities to protect the EU from unfair and illegal trade, and ensuring security and safety within the EU while facilitating legitimate business activities
Heading 5 – Security and defence		
Shared Direct Indirect	Internal Security Fund	Supporting thematic networks of specialised national units and an effective and coordinated crisis response, training staff and experts, and combating cybercrime
Direct Indirect	Nuclear safety, decommissioning and other	Protecting the environment and health by safe dismantlement of eight soviet-era nuclear reactors and the decommissioning and waste management of obsolete Joint Research Centre nuclear installations
	European Defence Industrial Development Programme	Fostering cooperation between industry and member states, supporting the competitiveness of the European defence industry, and improving the exploitation of defence research
	European Defence Fund	Fostering competitiveness and innovativeness of the European defence technological and industrial base, and increasing greater interoperability between member states' capabilities
Direct	Act in Supporting Ammunition Production	Strengthening the EU's defence industry to ensure the timely supply of ammunition and missiles
	Military mobility	Developing the EU's strategic transport infrastructure to support dual mobility
	Defence instruments and Union Secure Connectivity	Reinforcing the European defence industry through common procurement and ensuring global access to secure governmental satellite communication services, as well as allowing the private sector to provide commercial services throughout the EU

Source: ECA.

8.3. Another significant spending area is the funding for decentralised agencies. Under MFF heading 4, these are the *European Border and Coast Guard Agency (Frontex)*, *European Union Agency for Asylum (EUAA)*, and *European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA)*. Under MFF heading 5, these are the *European Union Drugs Agency (EUDA)*, *European Union Agency for Law Enforcement Cooperation (Europol)*, and *European Union Agency for Law Enforcement Training (CEPOL)*.

8.4. Under shared management, member states implement multiannual programmes that have been approved by the Commission. This implementation mode applies to most funding of the *Asylum, Migration and Integration Fund (AMIF)*, the *Internal Security Fund - Borders and Visa (ISF-BV)* and the *Internal Security Fund - Police (ISF-P)* for 2014-2020, and its successors, the AMIF, the *Border Management and Visa Policy instrument (BMVI)*, formerly ISF-BV and the *ISF* (formerly ISF-P) for 2021-2027. As regards ISF-BV and BMVI, this also concerns the Schengen associated countries, Iceland, Liechtenstein, Norway and Switzerland (for 2021-2027, all funding for Liechtenstein is implemented directly by the Commission). [Figure 8.4](#) provides more details about the functioning of shared management.

Figure 8.4 – Shared management, control and assurance processes for the 2021-2027 programming period in the area of migration, border management and internal security

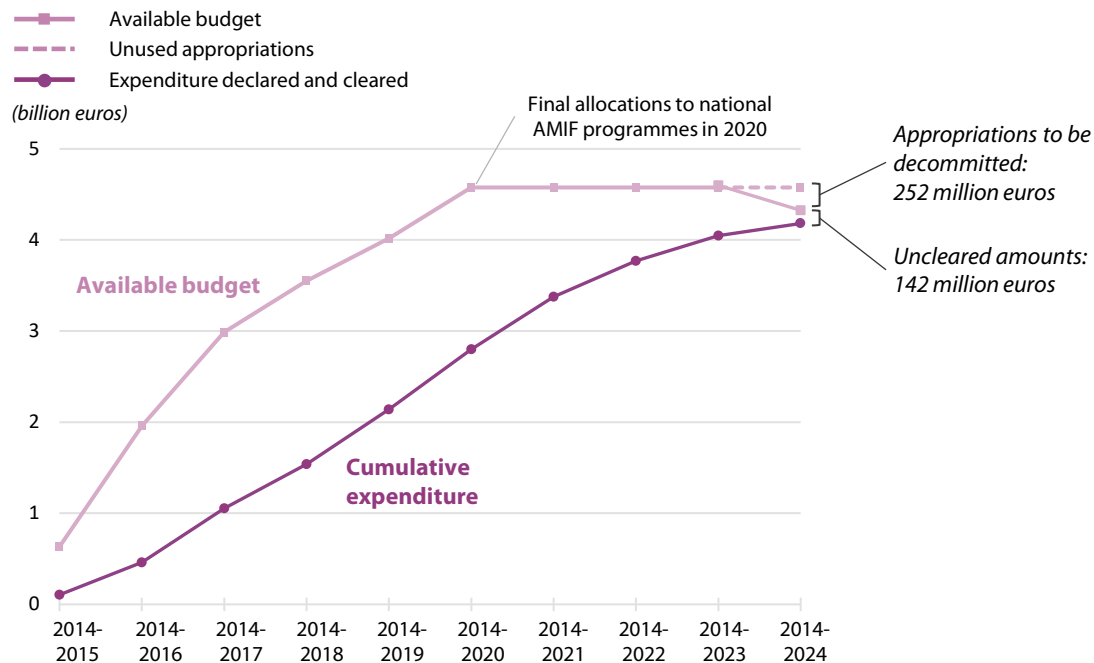


Source: ECA.

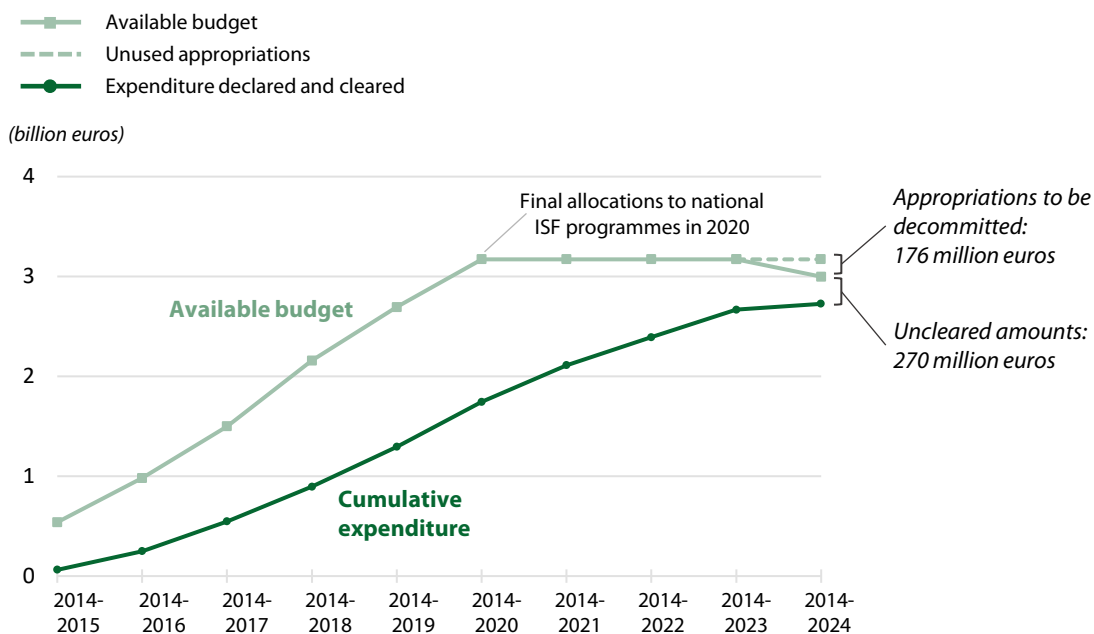
8.5. The final *appropriations* under the 2014-2020 AMIF and ISF programmes amounted to €4 576 million and €3 172 million respectively. By programme *closure*, member states had declared cumulative expenditure of €4 324 million for AMIF and €2 996 million for the ISF. Appropriations totalling €252 million (or 5.5 %) and €176 million (5.5 %) remained unused and thus will be decommitted. As of 31 December 2025, the Commission had accepted €4 182 million and €2 726 million of cumulative expenditure under AMIF and the ISF, respectively, with a further €142 million (3.3 %) declared for AMIF and €270 million (9.0 %) declared for the ISF still to be cleared. **Figure 8.5** sets out the expenditure that member states have declared to the Commission for reimbursement since the beginning of the 2014-2020 *programming period* and the present state of the closure process.

Figure 8.5 – Progress of 2014-2020 AMIF and ISF shared management programmes

Closure of AMIF 2014-2020



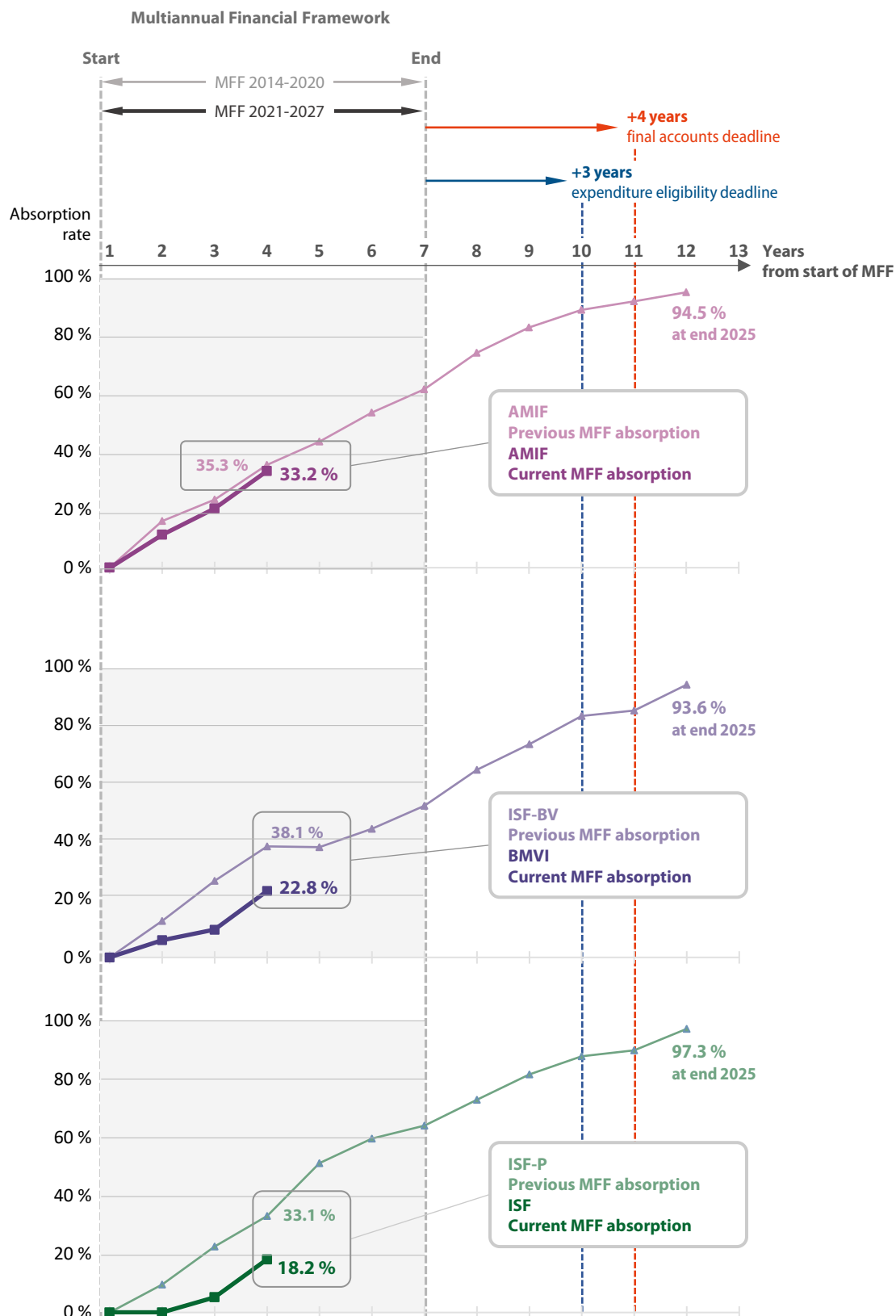
Closure of ISF 2014-2020



Source: ECA, based on the 2024 accounts submitted by member states and on Commission clearance decisions as of 31 December 2025.

8.6. *Figure 8.6* sets out the expenditure that the Commission has accepted to reimburse to member states since the beginning of the 2021-2027 *programming period* and compares absorption to the previous period up to year N+4 (2018 vs 2025) of implementation. Among the main reasons for the delayed implementation shown are the late approval of the 2021-2027 legislation and programmes and the extension of the implementation period for the 2014-2020 programming period. Information is also provided in **paragraph 2.13** on the implementation of these shared management programmes.

Figure 8.6 – Progress of 2021-2027 AMIF, BMVI and ISF shared management programmes compared to previous period



Source: ECA, based on Commission's accepted amounts according to SFC support portal data as of 12 April 2026.

Audit scope and approach

8.7. For our audit of MFF headings 4 and 5 in 2025, we applied the audit approach and methods set out in **Annex 1.1**. We examined a sample of 28 *transactions*, which contributed to our overall *statement of assurance*. However, this sample is not representative of the spending under these MFF headings, and so does not allow us to *estimate the error rate* for these headings. The sample comprised:

- (a) 11 transactions under *shared management* with member states – Bulgaria, Germany, France, Netherlands and United Kingdom for MFF heading 4; and Czechia for MFF heading 5;
- (b) 14 transactions under the Commission’s *direct management* (five for MFF heading 4; nine for MFF heading 5); and
- (c) three transactions under *indirect management* (two for MFF heading 4; one for MFF heading 5).

8.8. We also examined selected control systems by reviewing:

- (a) the *annual control reports* of the Bulgarian, Czech and French national *audit authorities* submitted with the 2024 annual accounts for the ISF under the 2021-2027 MFF;
- (b) the work done by those audit authorities on the 2024 annual accounts for the ISF from those member states;
- (c) whether these audit authorities had¹:
 - (i) put in place adequate procedures for providing reliable audit opinions and annual control reports;
 - (ii) used an appropriate sampling methodology;
 - (iii) sampled sufficient transactions to allow conclusions to be drawn for the whole population;
 - (iv) correctly calculated the error rate.

¹ As required by [Regulation \(EU\) 2021/1060](#).

8.9. We also examined the closure of the 2014-2020 AMIF programmes for the Netherlands and the United Kingdom and assessed the Commission's actions to verify the eligibility of the expenditure declared in the final accounts.

8.10. Furthermore, we reviewed the regularity of information given in the *annual activity reports* (AARs) of Directorate-General for Migration and Home Affairs (DG HOME) and the Directorate-General for Defence Industry and Space (DG DEFIS) and then included in the Commission's *annual management and performance report* (AMPR).

Regularity of transactions

8.11. Of the 28 transactions we examined, 14 were affected by *errors*. We have quantified 9 errors which had a financial impact on the amounts charged to the EU budget. These errors related to shortcomings in grant award procedures, and improper modification of contracts or grant agreements, and other types of ineligible expenditure. [Box 8.1](#) shows examples of the errors we have quantified.

Box 8.1

Examples of shortcomings in grant award procedures

We audited two AMIF projects under shared management in France. One provided compulsory civic education courses, and the other provided first reception support to asylum seekers. We checked the implementation of the open call for proposals published in 2022 that had led to the award of these *grants*. The call required applicants to provide services to facilitate the integration of non-EU nationals in France.

We found that potential applicants had not been properly informed about the evaluation process. The *managing authority* applied different evaluation criteria from those published in the call (e.g. the introduction of a new criterion and a different point scale for another). This was a breach of the principle of transparency.

We considered both projects (with accepted expenditure totalling €34.7 million and €43.1 million, respectively) to be affected by a 10 % error.

Example of contract modifications without competitive procedure

We audited an AMIF project under shared management with the United Kingdom. The project was implemented from February 2021 until December 2023 by the responsible national authority. It involved the transportation of unaccompanied asylum-seeking children, adults and families in need of protection to different locations within the United Kingdom and their safe placement, under the National Transfer Scheme.

In November 2021, following a *public procurement* procedure the *beneficiary* signed a service contract for £3.3 million with a transport service provider. We found that the beneficiary modified this contract without a competitive procedure three times, extending its duration and services to be provided, ultimately increasing the value of the contract to £9.7 million. This substantial modification of the contract breaches the applicable procurement rules.

Consequently, we considered 71 % of the accepted expenditure (totalling £1.3 million) to be ineligible for EU funding.

Example of substantial modification of military mobility contract affecting contract award conditions

We audited a military mobility transportation project under direct management. The project was implemented by a Latvian public body and consisted of the acquisition of modern icebreaking equipment for dual military-civilian use in the Gulf of Riga. The Commission accepted all costs except the final payment, which occurred outside the implementation period.

We found that the beneficiary had substantially modified the delivery contract during the project, infringing the principles of transparency and equal treatment. The contract's economic balance shifted in the supplier's favour, as a new interim payment advanced three quarters of the final payment by five months, the vessel's delivery schedule was extended, and the original penalty clauses for late delivery were not applied.

Consequently, we considered 25 % of the accepted expenditure (totalling €10.1 million) to be ineligible for EU funding.

8.12. We also found 17 cases of non-compliance with legal and financial provisions, but with no financial impact on the EU budget. These cases related to, for example, insufficient *audit trail*, no evidence of conflict-of-interest measures, and weaknesses in design of *lump sum* grants. **Box 8.2** shows examples of the errors we found.

Box 8.2

Example of insufficient audit trail

We audited an AMIF project under shared management in the Netherlands. It was implemented under the [FAST CARE Regulation](#) from June until December 2023. It involved the partial reimbursement to the Dutch authorities of the cost of receiving and hosting displaced people afforded temporary protection from Russia's war of aggression against Ukraine.

We requested the underlying records for the project so we could verify that the support provided from the EU budget related to people displaced by the military aggression. However, the Dutch authorities did not maintain an adequate audit trail. The Commission guidance did not require an audit trail to an individual level to be maintained, unless a risk assessment had established a specific risk of *irregularity or fraud*. This impeded the verification of eligibility requirements provided for in the EU legislation as regards the number of persons sheltered and the duration of their stay. In the absence of such a record, we were unable to verify that the resulting expenditure was linked to people displaced by the military aggression.

We therefore concluded that the project was affected by a non-quantifiable error.

Examples of no documentation of conflict-of-interest measures

We audited two AMIF projects under shared management with France, one providing compulsory civic education courses and the other providing first reception support to asylum seekers.

Both projects procured services for the implementation of the grant through two different calls for tenders. We examined these calls to verify that the award of the contracts complied with the public procurement requirements.

We also audited a military mobility transportation project under direct management. The project was implemented by a Swedish public body and consisted of the construction of a new tunnel with twin tracks for dual military-civilian use.

We found that the public procurement procedures conducted by the beneficiaries in all three cases did not maintain an adequate audit trail of the identity of the members of the evaluation committee. Furthermore, no declarations of conflict-of-interest had been made. Thus, we were unable to verify the absence of conflict of interests.

We therefore concluded that the three projects were affected by a non-quantifiable error.

Example of weakness in design of lump-sum grants by the Commission

We audited an *Act in Support of Ammunition Production (ASAP)* project under direct management aiming to support the expansion of production facilities at a private defence-related manufacturing company in Germany. At the time of our audit, the project was ongoing. We audited the first interim payment.

The project is financed by means of a lump-sum grant that was established based on the estimated budget presented in the applicant's proposal. We consider that the estimated budget was not precise enough as it was planned to develop the necessary budget accuracy only over the course of its implementation.

In several cases, the deliverables that established the conditions for payment were not precisely defined. As a result, we could not verify that the documents the beneficiary submitted to the Commission for these deliverables actually satisfied the requirements set out in the grant agreement.

We therefore concluded that the project was affected by a non-quantifiable error.

Examination of elements of internal control systems

Review of audit authorities' work

8.13. The three audit authorities (see paragraph [8.8\(a\)](#)) we reviewed had developed and implemented detailed procedures of sufficient quality to report on their work in the annual control report.

8.14. We selected six audit files from these audit authorities to check their underlying audit work and see whether it covered three specific key requirements(KR)²:

- KR12 – appropriate systems audits;
- KR13 – appropriate audits of operations; and
- KR15 – appropriate procedures for providing a reliable audit opinion and for preparing the annual control report.

8.15. Overall, we found that the audit authorities had detailed audit programmes and used checklists to support their conclusions. However, we detected a shortcoming in one audit authority whereby a portion of an audited cost was not supported by documentary evidence (see [Box 8.3](#)).

² Annex XI to [Regulation \(EU\) 2021/1060](#).

Box 8.3**Example of shortcoming in the work of an audit authority**

Fund	Shortcoming	Potential impact
Czechia ISF	The audit authority did not obtain all the necessary documentation to verify that specific expenditure was eligible.	Risk of failure to detect ineligible expenditure.

Review of Commission closure actions

8.16. We also assessed the Commission's actions to verify the eligibility of expenditure for two member states at the closure of the 2014-2020 programming period. We detected a shortcoming in the closure of the United Kingdom as the Commission did not exclude an amount from its clearing decision that we had previously identified to be ineligible³.

³ 2023 annual report, Box 8.1.

Annual activity reports and other governance arrangements

8.17. For the 2025 financial year, we reviewed the AARs of DG HOME and DG DEFIS. Our analysis focused on whether these DGs had presented the regularity information in accordance with the Commission's instructions, and had consistently applied the methodology for estimating future corrections.

8.18. We found that the estimates of the DGs for overall *risk at payment* and at closure were calculated and reported in the AMPR in accordance with the methodology. For the 2025 expenditure (€3 782.0 million), DG HOME estimated the total amount at risk at payment to be €40.3 million (1.1 %), and it estimated a figure of €36.9 million (1.0 %) for overall risk at closure resulting from its estimated future corrections. DG DEFIS' main relevant expenditure under MFF5 in 2025 amounting to €490.7 million related to directly and indirectly managed grants under EU defence programmes (i.e. the *European Defence Fund* and its precursor programmes, ASAP and European Defence Industry Reinforcement through common Procurement Act). In the absence of *ex post* control results, no specific audit error rates are yet available for this area. Therefore, DG DEFIS considered it a conservative approach to report an estimated risk at payment flat rate of 2.0 %.

8.19. The Directors-General of DG HOME and DG DEFIS declared that they had reasonable assurance that the resources assigned to the activities described in the AARs had been used for their intended purpose and in accordance with the principles of sound management, with some *reservations* by DG HOME. As the number of transactions we check is only a small proportion of those managed by these DGs, we cannot validate these statements based on the results of our audit work.

Conclusion and recommendations

Conclusion

8.20. Our examination of transactions and systems highlighted three areas in which there is scope for improvement – adequate measures to ensure no conflicts of interest, appropriate management of public contracts and preservation of an adequate audit trail. While we did not audit sufficient transactions to estimate the level of error for the MFF headings covered in this chapter (paragraph 8.7), our audit results indicate that it is a high-risk area, given the frequency of errors we found. The results of transaction testing contribute to our statement of assurance.

Recommendations

8.21. *Annex 8.1* shows the findings of our follow-up review of the two recommendations we made in our 2023 annual report, and one made in our 2024 report, all of which were targeted for implementation by the end of 2025. The Commission had fully implemented two recommendations. Although it had not accepted the third one, it had nonetheless implemented it in some respects.

8.22. Based on our findings and conclusions for 2025, we recommend the following:

Recommendation 8.1 – Increase member state managing authorities' awareness of their obligations

The Commission should take steps to increase member state managing authorities' awareness of their obligations in relation to the award of grants and public contracts, especially with regard to:

- (a) the measures required to ensure the absence of conflict of interest and proper documentation of those measures;
- (b) the potential consequences of breaching the national or EU rules on the modification of public contracts;
- (c) beneficiaries' obligation to retain sufficient documentation to support the costs claimed.

Target implementation date: end of 2027.

Recommendation 8.2 – Review verification checks

For directly managed projects, the Commission should review and, where necessary, enhance checks to verify that:

- (a) beneficiaries have taken measures to establish the absence of conflict of interest and adequately documented those measures;
- (b) beneficiaries have respected the national and EU rules on the modification of public contracts;
- (c) the documentation retained by beneficiaries is sufficient to support the costs claimed.

Target implementation date: end of 2027.

Annex

Annex 8.1 – Follow-up of previous recommendations

Degree of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Degree of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2023	We recommend that the Commission Recommendation 1: Provide further guidance to the member state authorities responsible for implementing DG HOME funding via shared management on adhering to: (a) the rules for retaining appropriate supporting documentation that can be presented in the event of checks or audits;			The recommendation has been fully implemented. The Commission held a webinar in June 2024 with member state authorities responsible for implementing DG HOME funding to address part (a) of the recommendation concerning the obligation to retain appropriate supporting documentation that can be presented in the event of checks or audits.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
	(b) the obligation to comply with the national and EU rules on transparency and equal treatment when awarding grants following open calls for proposals.			The Commission addressed part (b) of the recommendation by organising a guidance session for national authorities responsible for implementing HOME funds under shared management on 27 October 2025, which addressed shortcomings in grant award procedures and reiterated the need to comply with the principles of transparency and equal treatment.
2023	Recommendation 2: Carefully check and document the technical aspects of military mobility grant applications to the Connecting Europe Facility during the grant award procedure. In particular, identify whether dual-use infrastructure projects meet the eligibility conditions and ensure that EU financial support does not exceed the level of requirements necessary for dual use.	⊗		The recommendation was not accepted by the Commission. Nevertheless, we note that following the audit, the Commission reminded the beneficiary to describe more accurately the existing infrastructure elements to be upgraded or replaced, as well as the future parameters to be achieved by the works, so that these could be properly assessed against the <i>TEN-T/CEF</i> requirements.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2024	Recommendation 2: Provide further guidance to member state <i>managing authorities</i> under shared management on their obligations to respect the principles of equal treatment and transparency in the execution of calls for proposals to address shortcomings in grant award procedures.			The recommendation has been fully implemented. The Commission addressed the recommendation by organising a guidance session for national authorities responsible for implementing HOME funds under shared management on 27 October 2025, which addressed shortcomings in grant award procedures and reiterated the need to comply with the principles of transparency and equal treatment as mentioned above.

Source: ECA.

Chapter 9

Neighbourhood and the world

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Introduction

9.1. This chapter presents the results of our audit of MFF heading 6 ‘Neighbourhood and the world’. **Figure 9.1** gives an overview of the main activities, the spending and the audit population under this heading in 2025.

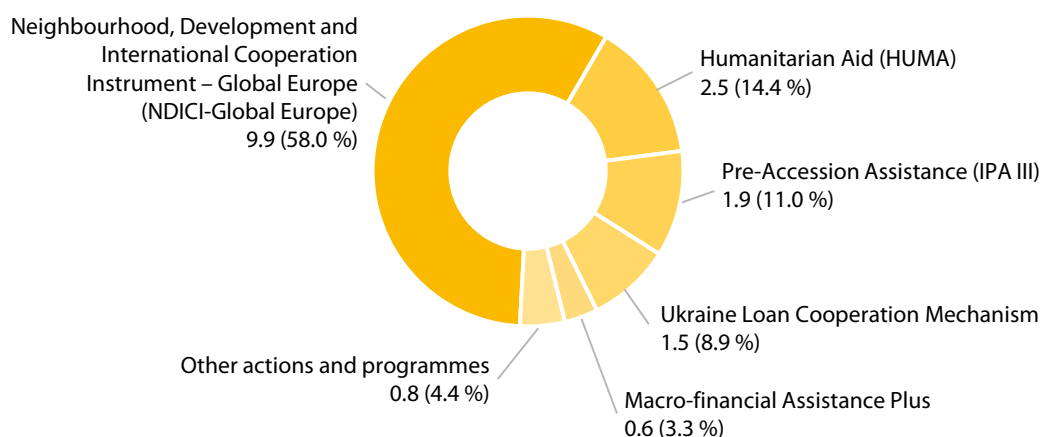
Figure 9.1 – Payments and audit population

Neighbourhood and the world
€17.2 billion (9.7 % of EU budget spending)



2025 payments breakdown by fund

(billion euros)

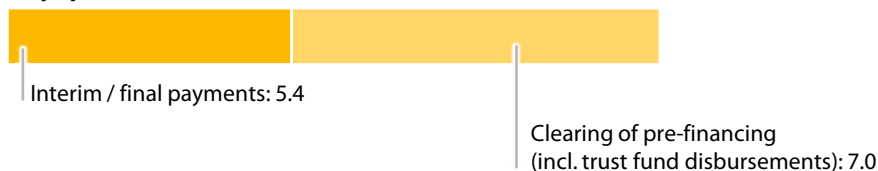


2025 audit population compared to payments

Payments – total 17.2



Audit population – total 12.5



Source: ECA, based on data from the 2025 consolidated accounts of the European Union.

Brief description

9.2. The EU implements external action instruments throughout the world, often in challenging geopolitical and organisational environments. These instruments span diverse regions with varying legal and institutional frameworks, requiring them to be able to adapt to different regulatory and operational conditions. Spending in this area is channelled through several instruments, most notably the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI – Global Europe)¹, the humanitarian aid (HUMA) budget and the Instrument for Pre-accession Assistance (IPA III)².

9.3. The general objective of NDICI – Global Europe is to uphold and promote EU values, principles and fundamental interests worldwide, and help promote multilateralism and stronger partnerships with non-EU countries.

9.4. The EU also provides needs-based humanitarian assistance to people affected by human-induced disasters and natural hazards, with a particular focus on the most vulnerable.

9.5. The objective of the Instrument for Pre-accession Assistance is to support *beneficiary* countries in adopting and implementing the reforms required to align with EU values with a view to membership, thereby contributing to their stability, security and prosperity.

9.6. For the first time in 2025, heading 6 included payments related to the Ukraine Loan Cooperation Mechanism (ULCM)³. The ULCM uses revenue from immobilised Russian sovereign assets to service and repay EU and G7 macro-financial assistance loans to Ukraine.

9.7. The main directorates-general (DGs) and services implementing EU external action in 2025 were the Directorate-General for International Partnerships (DG INTPA), the Directorate-General for Enlargement and the Eastern Neighbourhood (DG ENEST), the Directorate-General for European Civil Protection and Humanitarian Aid

¹ [Regulation \(EU\) 2021/947](#) establishing the Neighbourhood, Development and International Cooperation Instrument - Global Europe.

² [Regulation \(EU\) 2021/1529](#) establishing the Instrument for Pre-Accession assistance (IPA III).

³ [Regulation \(EU\) 2024/2773](#) establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine.

Operations (DG ECHO), the Directorate-General for the Middle East, North Africa and the Gulf (DG MENA), and the Service for Foreign Policy Instruments (FPI).

9.8. In 2025, payments for ‘Neighbourhood and the world’ amounted to €17.2 billion (pre-financing, interim and final payments). They were disbursed using several instruments ([Figure 9.1](#)) and delivery methods. These include works, supply and service contracts, grants, special loans, loan guarantees and financial assistance, *budget support*, and other targeted forms of budgetary aid in non-EU countries ([Annex 9.1](#)). Total payments under this heading were €15.4 billion in 2024.

Audit scope and approach

9.9. The objective of our audit was to estimate the level of error for this MFF heading and to contribute to the *statement of assurance*. Applying the audit approach and methods set out in [Annex 1.1](#), we examined the following for this MFF heading in 2025:

- (a) a statistically representative sample of 138 *transactions* covering all spending under this MFF heading. We sampled 57 transactions from DG INTPA, 30 from DG ENEST, 21 from DG ECHO, 13 from FPI, 12 from DG MENA, as well as five transactions from other DGs (the Directorate-General for Economic and Financial Affairs (DG ECFIN, two transactions), the Directorate-General for Education, Youth, Sport and Culture (DG EAC), the Directorate-General for Trade and Economic Security (DG TRADE), as well as the European Education and Culture Executive Agency (EACEA));
- (b) one transaction financed outside the annual MFF ceiling, relating to the Ukraine Facility⁴. The results of our audit work on this transaction have no *impact* on the *estimated level of error* for MFF heading 6 but they do affect our overall estimated level of error.

9.10. We also examined the regularity information which is given in the *annual activity reports* (AARs) of DG MENA and DG INTPA and then included in the Commission’s *annual management and performance report* (AMPR).

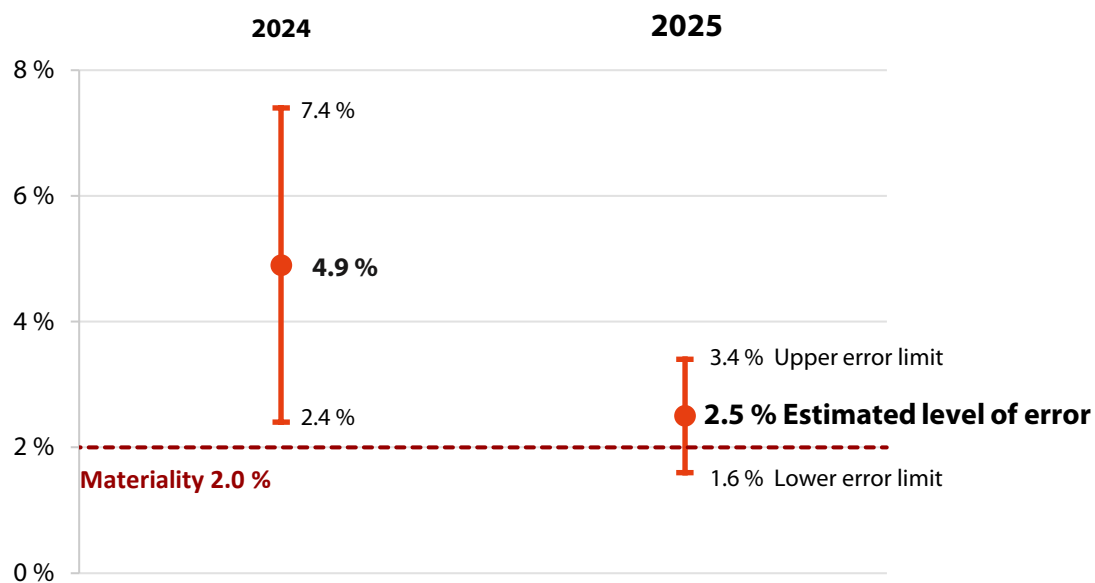
⁴ Regulation (EU) 2024/792 establishing the Ukraine Facility.

Regularity of transactions

9.11. Of the 138 transactions examined, 52 (37.7 %) contained errors. Based on the 43 errors we have quantified, we estimate the level of error to be 2.5 % ([Figure 9.2](#)).

Figure 9.2 – Results of transaction testing

Estimated level of error (ELE)



Sample size (transactions)

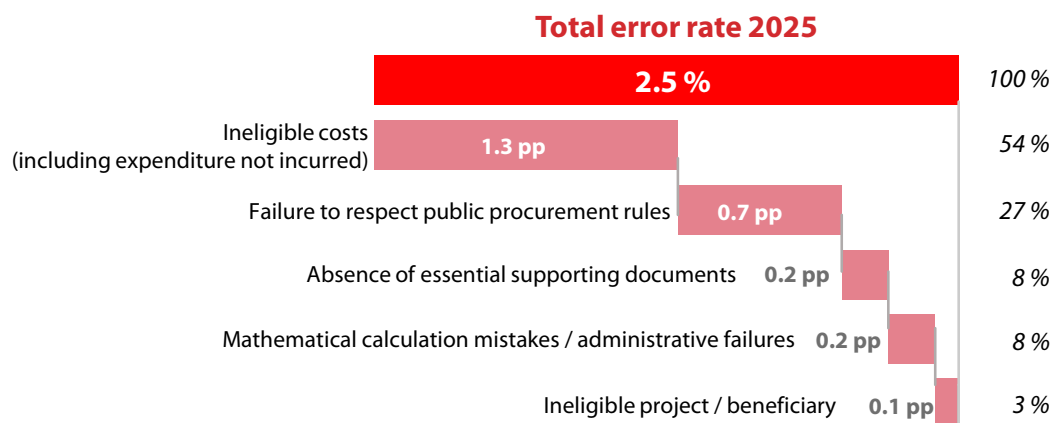
2024	2025
137	138

Source: ECA.

9.12. Payments related to the ULCM amounted to €1.53 billion (12 % of our audit population, see [Figure 9.1](#)). This instrument is temporary and the associated transactions (payments of windfall profits to Ukraine) are fundamentally different from the rest of our audit population under this heading. We audited two transactions related to the ULCM, with a total value of €1.23 billion.

9.13. *Figure 9.3* gives a breakdown of our estimated level of error for 2025 by error type.

Figure 9.3 – Breakdown of estimated level of error, by error type



pp: percentage points

Source: ECA.

9.14. We identified various error types, affecting multiple transactions, which have recurred over multiple audit years (*Box 9.1* and *Box 9.2*). The main types of errors were:

- inclusion of *indirect costs* as *direct costs* in payroll;
- failure to respect *public procurement* rules;
- application of incorrect exchange rates; and
- *over-clearing* of pre-financing.

9.15. As in previous years, a number of errors we identified concerned contracts implemented by *pillar-assessed entities* (international organisations, international financial institutions and EU member state agencies) under *indirect management*. For such contracts, the Commission accepted expenditure based on a financial report and a management declaration. The latter is a self-declaration from the pillar-assessed entity certifying that the submitted financial information is properly presented, complete and accurate, and that it has been drawn up in compliance with the obligations laid down in the contract. Of the 43 errors we quantified (paragraph 9.11), 14 related to such contracts, contributing 0.6 percentage points to the estimated level of error.

9.16. This year, international organisations gave us full access to the documents they had to support the audited transactions. This is an improvement on previous years, when access was limited to temporary electronic consultation in a view-only

environment without document transfer, which hindered audit planning, implementation, and quality control. Last year we recommended that the Commission take further steps to ensure that international organisations provide the ECA with complete, unrestricted and timely access to documents necessary to carry out its task in accordance with the TFEU and in particular, ensure that contractual arrangements with international organisations are clear and fully respect the ECA's right to receive, at our request, any document or information necessary to perform our audit functions⁵. We will continue to monitor and report on this issue.

9.17. Examples of some of the errors we have quantified can be found in [Box 9.1](#).

Box 9.1

Example of expert non-compliant with requirements for professional experience

DG MENA

We audited an invoice under a €1.88 million contract for civil society support in a north African country.

We reviewed the fees charged for a senior expert employed for the project. We concluded that the expert did not meet the minimum professional experience required for them to be considered a senior expert under the contract's terms of reference. According to the length of their professional experience, they should properly have been considered a junior expert. In addition, the contractor and the contracting authority did not follow a proper selection and approval procedure.

Therefore, we considered the fee rate difference between senior and junior experts as ineligible.

Example of indirect costs included in payroll

DG INTPA

We audited an invoice under a €7.94 million *contribution agreement* for boosting regional economic governance with an international organisation in a west African country.

When reviewing staff-related expenditure, we found that the organisation had also included, as direct costs, expenses that are indirect, such as payroll management, security, IT and training costs. The indirect costs that are included

⁵ Paragraph 8.13 and recommendation 8.1 from the [2024 annual report](#) on the implementation of the EU budget.

within the international organisation's *remuneration* (up to 7 % of direct costs) cannot be claimed as direct eligible costs.

Furthermore, we did not receive supporting documents to confirm that these costs had actually been incurred, or that they had been calculated correctly. We therefore deemed these costs to be ineligible.

We have already identified similar issues in previous years (Box 9.3 of our [2024 annual report](#)).

Example of transport costs ineligible due to absence of documents

DG INTPA

We audited an invoice under a €19.20 million EU contribution agreement for environmental conservation activities in a central African country.

The beneficiary charged transport costs, claiming that kilometres were travelled in relation to the EU-funded project. However, during the audit, we were not provided with adequate supporting documents, such as mission orders, vehicle logbooks or activity records, to demonstrate that these trips were actually linked to the implementation of the EU action.

In the absence of reliable evidence supporting the allocation of these costs to the project, we considered them to be ineligible.

Example of unintended use and underutilisation of equipment

DG INTPA

We audited an invoice under a €2.56 million *grant* contract for the promotion of solar energy in a southeast Asian country.

During our on-the-spot visit, we examined 15 solar panels purchased with the project funds. These panels were intended to establish demonstration sites showcasing practical solar applications for small businesses.

Our audit found that the beneficiary had kept the panels for five years without using them. It had then donated them to a public high school, a use not provided for in the contract and not covered by an approved budget amendment. We therefore deemed these costs to be ineligible.

Moreover, during our visit to the school, we found that only two panels were in use. The remaining thirteen were still being stored unused.

Example of evaluation criteria not applied as published

DG INTPA

We audited an invoice under a €2.57 million grant contract to a non-governmental organisation (NGO) for COVID-19 response activities in a southeast Asian country.

We audited the procurement of consulting services conducted by the NGO through a negotiated procedure. We found that the evaluation committee had not applied the award criteria and scoring method set out in the tender documents: several qualification requirements had not been assessed, additional criteria not provided for in the tender dossier had been introduced, and different scoring scales had been used. This breached the principles of transparency and equal treatment.

Therefore, we considered that the procurement procedure was irregular. This affected the eligibility of the cost.

9.18. In 19 cases of quantifiable errors made by final beneficiaries, the Commission had sufficient information to prevent, or to detect and correct, the error before accepting the expenditure. Had the Commission made proper use of all the information at its disposal, the estimated level of error for this chapter would have been 1.1 percentage points lower.

9.19. We also found 33 cases of non-compliance with legal and financial provisions, though these had no direct financial impact on the EU budget. [Box 9.2](#) shows examples of errors that we have not quantified.

Box 9.2**Example of staff costs incorrectly calculated**

DG ECHO

We audited expenditure claimed through seven different invoices under direct-management grant agreements with NGOs.

According to the terms of these agreements, personnel costs were to be calculated either by using daily rates based on annual actual costs and a predetermined number of workable days, or by applying unit costs consistent with the NGOs' established cost accounting practices.

However, in all audited transactions, personnel costs had not been calculated using either of these methods.

While we considered that this approach does not align with the applicable rules, we lacked sufficient information to calculate the corresponding ineligible amount.

Example of exchange-rate differences charged to the project

DG ENEST

We audited an invoice under a €2.03 million contribution agreement for civil society support in a country in the South Caucasus.

According to the terms of this agreement, exchange-rate fluctuations could only be covered if a contingency reserve was provided for in the budget, which was not the case. We identified that currency conversion losses and gains had nevertheless been recorded as project expenses.

While we considered that this approach does not align with the applicable rules, we lacked sufficient information to calculate the corresponding ineligible amount.

Example of non-compliance with EU visibility requirements

DG ENEST

We audited an invoice under a €1.0 million grant for integrated territorial development in a country in the South Caucasus. The audit included on-the-spot verification of selected works.

During our visit, we found that a sports and health complex and the outdoor lighting system financed under the project did not display any visible indication of EU financial support.

We concluded that this breached the visibility obligations of the contract, which required beneficiaries to publicise EU financing and display the EU logo on funded infrastructure.

9.20. Over the years, we have consistently found fewer errors in two spending areas owing to their specific payment conditions. These areas are (i) *budget support* and (ii) projects subject to the '*notional approach*'. In 2025, we audited four budget-support transactions (three in 2024) and 10 '*notional approach*' transactions (same as in 2024).

9.21. Budget support is a contribution to a state's general budget or its budget for a specific policy or objective. Budget support payments financed by the EU general budget amounted to €58 million in 2025. We examined whether the Commission had complied with the conditions governing budget-support payments to partner countries, and whether it had verified that these countries met the eligibility conditions, such as satisfactory improvement in public-sector financial management. The scope of our regularity audit does not include anything that happens after the Commission pays aid to the recipient country, since these funds then merge with that country's own budgetary resources.

9.22. Under the '*notional approach*', when contributions from the Commission to multi-donor projects are pooled with those from other donors and not earmarked for specific, identifiable items of expenditure, the Commission assumes that expenditure is compliant with EU eligibility rules provided that the total pooled amount includes sufficient eligible expenditure to cover the EU's contribution. Where relevant, we took this approach into account in our substantive testing.

9.23. When examining the regularity of transactions, we also noted examples of effective controls carried out by the Commission. We present one such example in [Box 9.3](#).

Box 9.3**Example of effective grant implementation**

DG INTPA

We audited an invoice related to an NGO grant contract with a total budget of €0.65 million in a west African country. The objectives of the project were to improve the quality of life of people with disabilities, and to promote the integration and inclusion of children and young people affected by such conditions.

During our on-the-spot visit, we verified equipment and materials delivered to several rehabilitation centres in 2022 and 2023. We inspected the procured items and found them to be in excellent condition. The equipment was being actively used and had significantly enhanced the centres' capacity to deliver rehabilitation services.

The evidence gathered during the audit indicated that the Commission's control mechanisms had contributed to ensuring that funds were used for their intended purpose, and that the action delivered its expected outputs.

Annual activity reports and other governance arrangements

DG MENA's annual activity report

9.24. We reviewed DG MENA's AAR for the 2025 financial year. We focused on whether DG MENA had presented the regularity information in its AAR in accordance with the Commission's instructions, and whether it had been consistent in its application of the methodology for estimating future corrections and recoveries.

9.25. Of the total expenditure accepted in 2025 (€1.15 billion), DG MENA estimated the total amount at *risk at the time of payment* to be €11.92 million (1.04 %). The estimated value of future corrections and deductions is 0.01 % of total relevant expenditure, while the risk at closure is calculated as 1.03 %, below the *materiality threshold*.

9.26. DG MENA's risk at closure is based on *residual error rate* (RER) study performed by an external contractor. The study estimates the rate of errors not detected by DG MENA's management checks across its area of responsibility, and serves as a basis for assessing the effectiveness of these checks. The RER study does not constitute an *assurance engagement* or an audit. For 2025, the study examined a sample of 138 closed contracts.

9.27. DG MENA's Director-General declared that the DG's financial exposure was below the Commission's 2 % materiality threshold of total accepted expenditure €1.15 billion. As the number of transactions we checked was only a small proportion of those managed by DG MENA (see paragraph 9.9), we cannot validate this statement based on the results of our audit work.

DG INTPA's annual activity report

9.28. Our work on DG INTPA's 2025 AAR is presented in detail in our annual report on the 9th, 10th and 11th European Development Funds.

Annual management and performance report

9.29. We reviewed the information in the Commission's 2025 AMPR regarding the estimated risk at payment in the policy areas under 'Neighbourhood and the world'. The Commission did not present any risk at payment for this MFF heading.

Other elements

9.30. We audited one transaction concerning expenditure outside the annual MFF ceilings (see paragraph [9.9](#)). The transaction related to grants provided under the Ukraine Facility. Our audit did not identify any errors. As this expenditure does not fall under MFF heading 6, the corresponding audit results have no impact on the estimated level of error for this heading; however, they do affect our overall estimated level of error.

Conclusion and recommendations

Conclusion

9.31. The overall audit evidence we obtained and have presented in this chapter indicates that the level of error in spending on ‘Neighbourhood and the world’ was material. For this MFF heading, our testing of transactions produced an estimated overall level of error of 2.5 %.

Recommendations

9.32. *Annex 9.2* shows the findings of our follow-up of the four recommendations we made in our 2022 annual report. In our 2024 annual report, we already reported on three recommendations. The Commission had implemented them in full. A fourth recommendation had not been accepted and had therefore not been acted upon at all.

9.33. Based on our findings and conclusions for 2025, we recommend the following:

Recommendation 9.1 – Improve the selection procedure for experts

The Commission should ensure that its approval procedure for experts in service contracts includes the verification that their professional experience complies with the terms of reference as regards duration and specific field.

Target implementation date: end of 2027.

Recommendation 9.2 – Strengthen controls to prevent remuneration costs from being accepted as direct

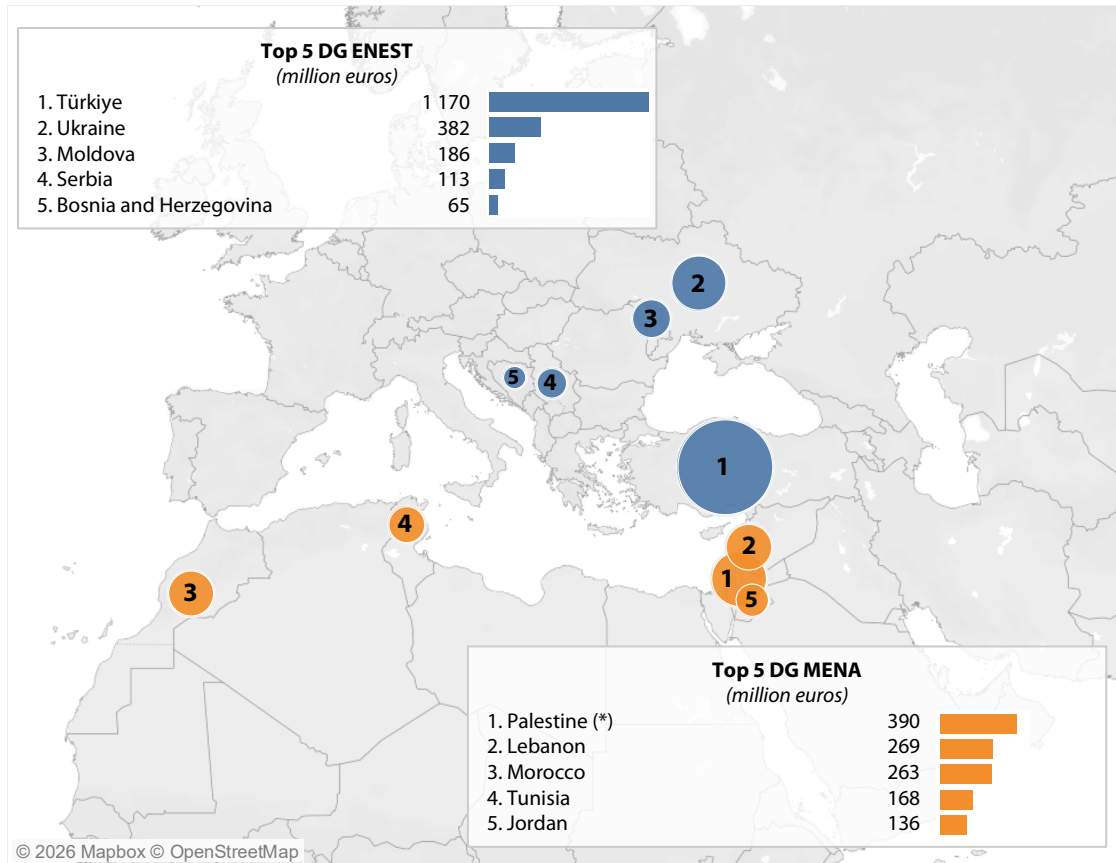
To reduce the risk of costs which may be covered by the remuneration being incorrectly accepted as direct costs in payroll expenditure under contribution agreements, the Commission should provide further guidance clarifying:

- (a) the distinction between direct costs and remuneration; and
- (b) the need for payroll-related claims to exclude expenditure that is not direct eligible costs but which may be already covered by the remuneration.

Target implementation date: end of 2027.

Annexes

Annex 9.1 – Payments to individual countries by DG INTPA, DG ENEST and DG MENA



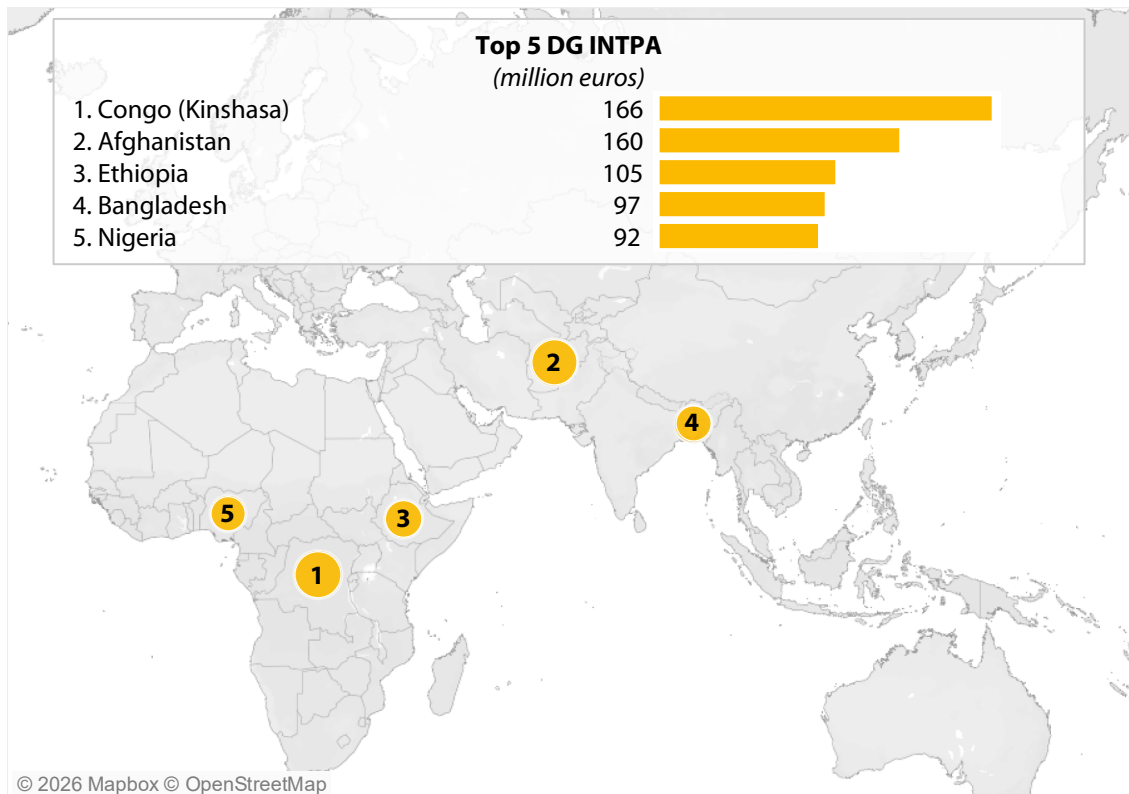
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DG NEAR⁶: Top five recipients of funds in previous years (in million euros)

2021		2022		2023		2024	
Türkiye	127	Ukraine	714	Türkiye	992	Türkiye	1 077
Moldova	109	Tunisia	268	Ukraine	399	Ukraine	736
Morocco	106	Egypt	124	Serbia	338	Palestine (*)	429
Egypt	88	Palestine (*)	120	Palestine (*)	223	Tunisia	263
Jordan	70	Morocco	102	Morocco	195	Morocco	228

(*) This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the member states on this issue.

⁶ Since 1 February 2025, DG NEAR has been split into two separate DGs: DG ENEST and DG MENA.



Source: Map background © Mapbox and © OpenStreetMap licensed under the [Creative Commons Attribution-ShareAlike 2.0](#) license (CC BY-SA).

In addition, DG INTPA made payments for regional programmes covering multiple countries. In 2025, these payments amounted to €1.1 billion for Africa, €197.1 million for Asia, and €142.8 million for the Americas.

DG INTPA: Top five recipients of funds in previous years (in million euros)							
2021		2022		2023		2024	
Bangladesh	140	Afghanistan	200	Afghanistan	135	Bangladesh	166
Iraq	103	Congo (Kinshasa)	79	Bangladesh	120	Afghanistan	120
Pakistan	89	Pakistan	76	Iraq	81	Somalia	88
Nepal	85	Ethiopia	76	Pakistan	79	Zambia	82
Afghanistan	77	Yemen	69	Congo (Kinshasa)	76	Nigeria	7

Annex 9.2 – Follow-up of previous recommendations

Degree of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Degree of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2022	We recommend that the Commission: Recommendation 1: Strengthen controls to prevent irregular alteration of proposals at the contracting stage when awarding grants on the basis of a call for proposals. Target implementation date: June 2024.			
2022	We recommend that the Commission: Recommendation 2: Carry out risk assessments, as required by the manual of procedures, to ensure that pre-financing payments of between €60 000 and €300 000 are only made without a bank guarantee if the risk is assessed as low. Target implementation date: end of 2024.			

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2022	We recommend that the Commission: Recommendation 3: Establish an appropriate timeframe so that expenditure verification reports issued by contractors for grant contracts are available before processing payments or clearing expenditure. Target implementation date: end of 2025.			
2022	We recommend that DG NEAR: Recommendation 4: Enhance controls to exclude recovery orders for unspent pre-financing from the calculation of DG NEAR's <i>corrective capacity</i>. Target implementation date: from the 2023 annual activity report onwards.			

Source: ECA.

Chapter 10

European public administration

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Introduction

10.1. This chapter presents our findings for MFF heading 7, ‘European public administration’. **Figure 10.1** gives an overview of the spending of the EU institutions and bodies under this heading in 2025.

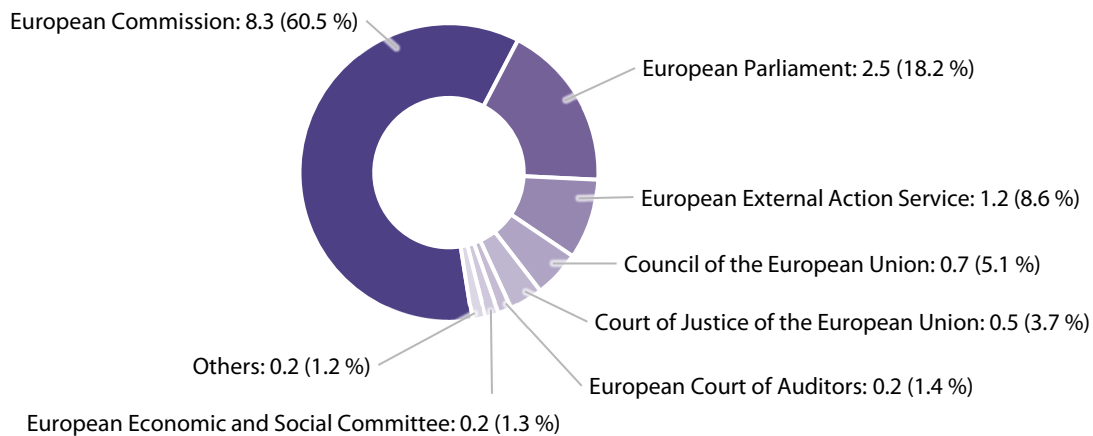
Figure 10.1 – Payments and audit population

European public administration
€13.8 billion (7.8 % of EU budget spending)



(billion euros)

2025 payment breakdown by institution



2025 audit population compared to payments

Payments – total 13.8



Audit population – total 13.7



Source: ECA, based on data from the 2025 consolidated accounts of the European Union.

Brief description

10.2. Administrative expenditure comprises expenditure on human resources including pensions, which in 2025 accounted for about 71 % of the total, and on

buildings, equipment, communications and information technology. Our work over many years indicates that, overall, this spending is low risk.

Audit scope and approach

10.3. Applying the audit approach and methods set out in **Annex 1.1**, we examined the following for this MFF heading in 2025:

- (a) a statistically representative sample of 70 *transactions* covering the full range of spending under this heading, drawn from each EU institution and body. Our objective was to estimate the level of *error* and contribute to the *statement of assurance*.
- (b) the supervisory and control systems of the Office for the Administration and Payment of Individual Entitlements (PMO), in particular the implementation of internal control standards, risk management and key controls.
- (c) the *regularity* information given in the *annual activity reports* of all EU institutions and bodies, including those of the Commission's directorates-general and offices primarily responsible for administrative expenditure¹, as reflected in the Commission's *annual management and performance report*.

¹ The Directorate-General for Human Resources and Security (DG HR), the Directorate-General for Digital Services (DG DIGIT), the Office for the Administration and Payment of Individual Entitlements (PMO), and the Offices for Infrastructure and Logistics in Brussels (OIB) and Luxembourg (OIL).

Regularity of transactions

10.4. Of the 70 transactions examined, 18 (26 %) contained errors. Based on the nine errors we have quantified, we estimate the level of error to be below the *materiality threshold*.

10.5. The *quantifiable errors* we identified concerned the expenditure of the European Parliament, the Council of the European Union, the European Commission, and the *European External Action Service*. They mostly relate to shortcomings in *public procurement* processes such as missing essential documentation. We found non-quantifiable errors for the European Parliament, the European Commission, the Court of Justice of the European Union and the European External Action Service. We did not identify any significant issues concerning the European Economic and Social Committee, the European Committee of the Regions, the European Ombudsman or the European Data Protection Supervisor. The external auditor of the European Court of Auditors reported one issue (paragraph [10.20](#)). Where errors relate to public procurement processes, we report on these primarily in the section on the institution that managed the process concerned.

10.6. One non-quantifiable error applies to all institutions based in Luxembourg. It relates to a payment for transport costs made to a parents' association managing children's transport to the European Schools in Luxembourg. We noted the absence of a written contractual framework setting out the rights and obligations of the parties involved and the terms for calculating, verifying and making such payments. This creates uncertainty regarding responsibilities and may make it difficult to resolve disputes or errors in invoicing.

European Parliament

10.7. We examined 15 transactions and identified two that were affected by quantifiable errors. One error related to a payment made to a political group. One of the contracts was awarded by the political group without seeking sufficient tenders as required by the European Parliament's rules². This restricted competition. For another contract relating to this payment, there was no clear distinction between selection and

² Rules for Budget item 400, last amended on 15 July 2024.

award criteria and the weighting of the award criteria was not sufficiently detailed. This affected the transparency of the evaluation process.

10.8. The other error concerned a *procurement procedure* involving a 6-year IT framework contract whose duration was not sufficiently justified. The *Financial Regulation* limits framework contracts to 4 years, except in duly justified cases.

10.9. In addition, we identified one transaction affected by a non-quantifiable error, paid by the European Commission, for which the procurement procedure was managed by the European Parliament. The procedure lacked documentation required by the Financial Regulation.

Council of the European Union

10.10. We examined four transactions and identified that two are affected by quantifiable errors. One concerned a payment for IT services from an external service provider, where a criterion to determine the hourly rate of one consultant was not properly applied.

10.11. The second quantifiable error concerned a contract managed by the European Commission, as reported in paragraph [10.16](#).

European Commission

10.12. We examined 25 transactions and identified three that were affected by quantifiable errors.

10.13. One of these errors concerned the undue payment of a resettlement allowance to a pensioner. We concluded that existing controls were insufficient to prevent the incorrect establishment of the pensioner's rights in this case.

10.14. The other errors concerned two buildings-related transactions affected by weaknesses in procurement procedures and absence of essential documents. For the first of these transactions, we did not obtain evidence that essential documentation – such as an invitation to tender, tender specifications or confirmation of the appointment of an opening and evaluation committee – was available as required by the Financial Regulation for negotiated procedures.

10.15. The second buildings-related transaction involved a payment for fit-out works for a data centre, accounting for more than 50 % of the overall costs of the rental contract for that centre. The market prospection preceding the negotiated procedure for the rental contract was substantially incomplete, as it covered only the rental costs but not the fit-out works. Consequently, the fit-out works were not subject to any independent evaluation or competitive cost comparison. We therefore consider that the negotiated procedure did not comply with the requirements of the Financial Regulation. We also noted the absence of essential documentation, similar to the cases reported in paragraph [10.14](#).

10.16. In addition, we identified quantifiable errors in three transactions sampled for other institutions, for which the procurement procedures were managed by the European Commission. One transaction, for which the payment was made by the Council of the European Union, concerned the purchase of office equipment. The related framework contract included a price revision clause which did not comply with EU public procurement law, as it did not include a reference to an independent index, to a formula or to a verifiable benchmark. It therefore lacked the objectivity and transparency required by the Financial Regulation.

10.17. For the second transaction, for which the payment was made by the European External Action Service, the invitation to tender did not include selection and award criteria as required by the Financial Regulation.

10.18. The third transaction, for which the payment was made by the European Court of Auditors, involved a contract for the purchase of equipment and acquisition of professional services. The specific 6-year duration of the contract was not sufficiently justified. This is similar to the case reported in paragraph [10.8](#).

10.19. Another buildings-related transaction, identified as a non-quantifiable error, concerned a contract managed by the European Parliament, as reported in paragraph [10.9](#).

European Court of Auditors

10.20. The independent external auditor of the institution examined two transactions and identified one quantifiable error, relating to a contract managed by the European Commission, as reported in paragraph [10.18](#).

European External Action Service

10.21. We examined 15 transactions. We identified one quantifiable error, relating to a contract managed by the European Commission, as reported in paragraph [10.17](#).

Examination of elements of internal control systems

10.22. We examined the supervisory and control systems at the Office for the Administration and Payment of Individual Entitlements (PMO) as outlined in paragraph [10.3\(b\)](#). We found that, out of the Office's eight units, only one had recently reviewed its *sensitive posts*. Furthermore, the PMO's 2022-2024 anti-fraud strategy had not been updated, and there was no formal, timely evaluation of the implementation of actions included in the associated action plan.

10.23. Since 2019, the PMO has progressively automated its checks to verify pensioners' eligibility for continued pension payments. When reviewing the feature used to maintain proof-of-life records for pensioners in the PMO's IT system, we noted the absence of:

- (a) regular reviews of user access rights;
- (b) a monitoring process to identify pensioners without proof-of-life records and subsequent follow-up; and
- (c) formal procedures for data-entry clerks and validators on the processing of pensioners' life declarations, and on the verification of pensioners' identities during in-person visits or phone calls.

This may undermine the *effectiveness* of the PMO's automated checks, increasing the risk of undue payments and the need to recover them.

Annual activity reports and other governance arrangements

10.24. The annual activity reports we reviewed did not identify material levels of error, which is consistent with our audit findings (paragraph [10.4](#)).

Conclusion and recommendations

Conclusion

10.25. The overall audit evidence we obtained and have presented in this chapter indicates that the level of error in spending on ‘European public administration’ was not material.

Recommendations

10.26. [Annex 10.1](#) shows the follow-up of the recommendation made to the European Parliament in our [2022 annual report](#). We consider this recommendation to have been implemented in some respects. Our audit for 2025 (paragraph [10.7](#)) indicates that this recommendation remains relevant.

10.27. Based on our audit work, we recommend the following:

Recommendation 10.1 – Enhance checks to verify pensioners’ eligibility for continued pension payments

The PMO should:

- (a) strengthen its monitoring processes to identify and follow up pensioners’ missing proof-of-life records; and
- (b) establish formal procedures for processing life declarations in its IT system and verifying pensioners’ identities.

Target implementation date: mid-2027.

Annexes

Annex 10.1 – Follow-up of previous recommendations for ‘European public administration’

Degree of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Degree of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2022	We recommend that: Recommendation 1: The European Parliament’s administration should strengthen its guidance of the implementation of budget appropriations by the European political groups, and propose to the Parliament’s Bureau actions to require the political groups to effectively apply the internal rules and to ensure compliance with procurement procedures. Timeframe: by the end of 2024.			The European Parliament’s administration has worked to strengthen its guidance of the implementation of budget <i>appropriations</i> by the European political groups by organising several training sessions and providing assistance to the political groups on the application of public procurement rules. However, the administration has not proposed to the Parliament’s Bureau any actions to require the political groups to apply the Parliament’s internal rules effectively and to ensure compliance with procurement procedures.

Source: ECA.

Chapter 11

Recovery and Resilience Facility

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Introduction

Brief description of the RRF

11.1. The RRF was established by [Regulation \(EU\) 2021/241](#) ('the [Regulation](#)'), which entered into force on 19 February 2021. It has been amended twice: first, in February 2023, allowing member states to add a '*REPowerEU* chapter' to their national recovery and resilience plans (NRRPs)¹; and then in February 2024², allowing member states to include in their NRRPs, as estimated costs, the amount they contributed to establish the *Strategic Technologies for Europe Platform (STEP)*. The RRF has supported reforms and investments in member states since the start of the COVID-19 pandemic in February 2020 (since 1 February 2022 in the case of *REPowerEU*), and will run until 31 December 2026.

Policy objectives

11.2. The main objective of the RRF is to mitigate the economic and social consequences of the COVID-19 pandemic, while making member states' economies more resilient and better prepared for future challenges, also by accelerating their progress towards the green and digital transitions. The *REPowerEU* plan – the EU's response to global energy-market disruption caused by Russia's war of aggression against Ukraine – added a further objective: ending the EU's dependence on Russian fossil fuels by transforming the EU's energy system.

Management and control framework

11.3. The Commission implements the RRF through *direct management*, meaning that the Commission is directly responsible for implementation. Payments under the RRF are conditional upon member states satisfactorily fulfilling the *milestones* and *targets* set out in the annexes to the *Council implementing decisions (CIDs)* approving their NRRPs³. Further requirements are that milestones or targets that have previously been satisfactorily fulfilled should not have been reversed, and that there is no breach of the double-funding principle. The eligibility conditions laid down in the [Regulation](#) include compliance with the eligibility period, the '*Do No Significant Harm*' (*DNSH*)

¹ [Regulation \(EU\) 2023/435](#).

² [Regulation \(EU\) 2024/795](#).

³ Article 24(2) of the '[Regulation](#)' amending [Regulation \(EU\) 2021/241](#).

principle, and non-substitution of recurring national budgetary expenditure (except in duly justified cases)⁴. The member states must ensure that the use of funds complies with applicable EU and national law, in particular regarding the prevention, detection and correction of *fraud*, corruption and conflicts of interest. Member states may submit requests for disbursement up to twice a year, together with a summary of audits and a management declaration regarding the information provided.

11.4. As required by the [Regulation](#), the Commission verifies the satisfactory fulfilment of milestones and targets, which is the condition for payment under the RRF. The compliance of expenditure with EU and national rules is not a condition for member states to receive RRF payments. As reported in previous years, this represents a significant difference⁵ for our audit work compared to other areas of the EU budget, where we assess compliance with all relevant EU and national rules down to final recipient level (e.g. the eligibility of costs incurred or compliance with *state aid* and *public procurement* rules⁶).

State of implementation

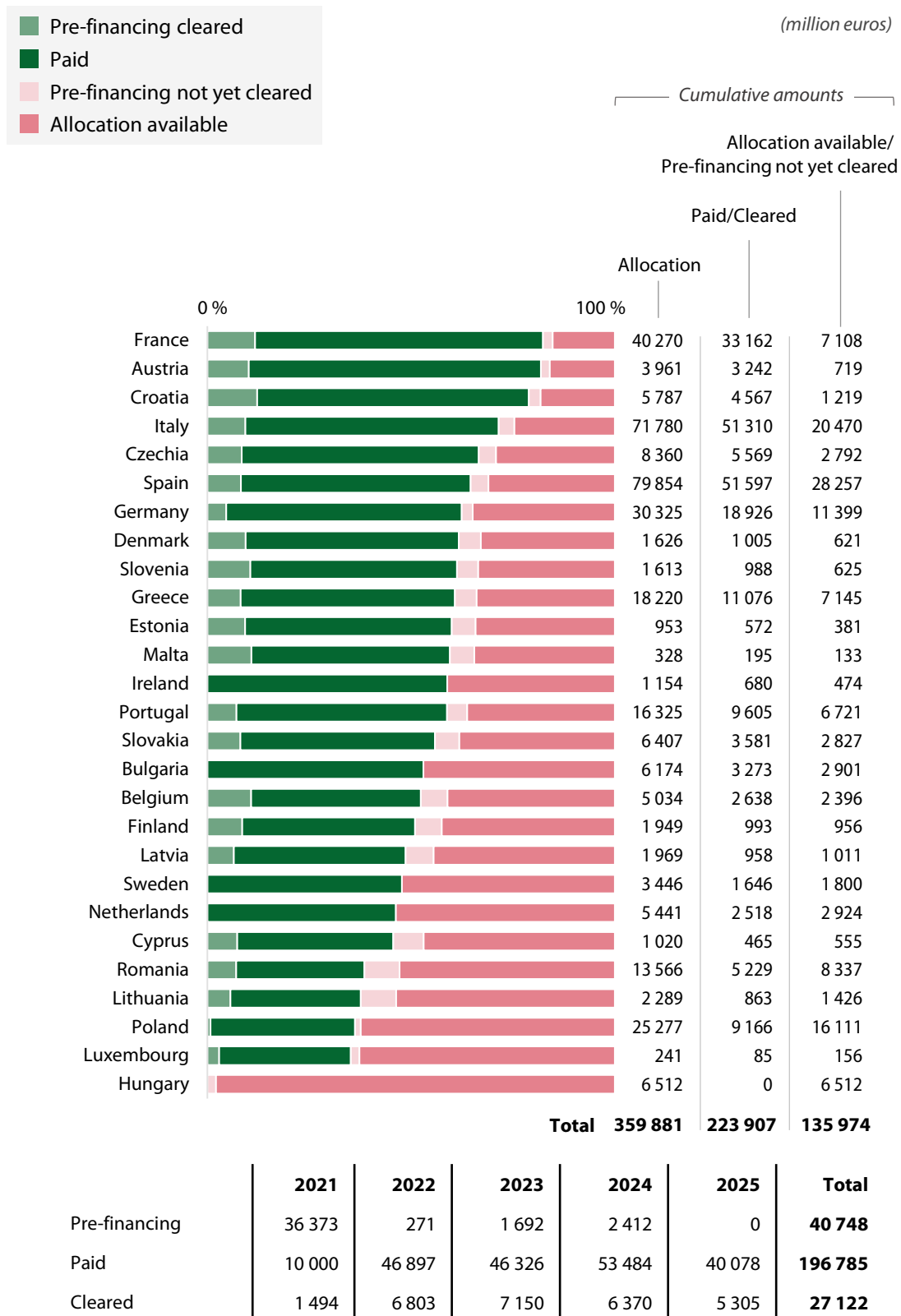
11.5. By the end of 2025, the Commission had made 102 *grant* payments (one in 2021, 13 in 2022, 23 in 2023, 28 in 2024, and 37 in 2025) and expenditure totalled €223.9 billion. This means that 38 % of the total available (grant) funds remains available for disbursement in the last year of the RRF (see [Figure 11.1](#)). We note that by the end of 2025, Hungary had not yet submitted any payment requests.

⁴ [Ibid.](#), Articles 5, 9, 17(2) and 24(3).

⁵ [2023 annual report](#), paragraph XXXVIII.

⁶ [Ibid.](#), paragraph 11.13.

Figure 11.1 – Progress of RRF grant payments to member states as of 31 December 2025



Source: ECA.

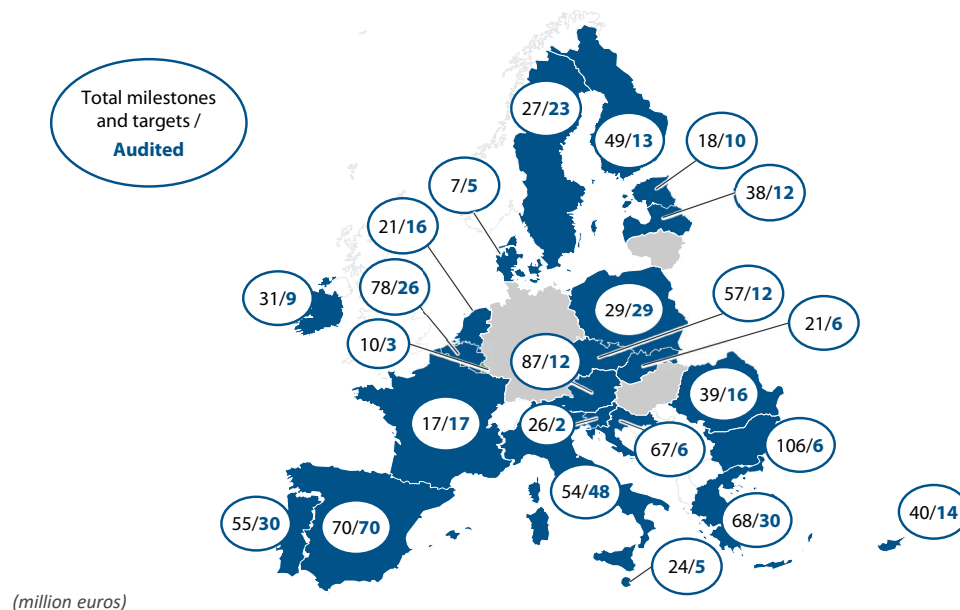
Audit scope and approach

11.6. RRF grant expenditure in 2025 totalled €45.4 billion and our audit covered all 37 grant payments totalling €40.1 billion and *clearing* of pre-financing totalling €5.3 billion.

11.7. In line with our audit approach set out in [Annex 11.1](#), for our opinion on the regularity of 2025 RRF expenditure, we examined:

- (a) 200 milestones and 220 targets included in the requests for the 37 grant payments made in 2025, to assess whether they comply with the payment and eligibility conditions (see [Figure 11.2](#)). We cover 40 % of the total audit population of milestones and targets. This assessment involved:
 - (i) a desk review of the Commission's preliminary assessments, and of the eight milestones linked to the member states' audit and control systems;
 - (ii) on-the-spot visits for 27 milestones and targets in five member states (Belgium, Spain, Latvia, Austria and Poland).
- (b) the Commission's *ex post* audit reports to review their audit work and the findings reported, including implementation of recommendations stemming from these audits; and
- (c) reporting by the Commission's Directorate-General for Economic and Financial Affairs (DG ECFIN) on the regularity of 2025 RRF expenditure in its *annual activity report (AAR)*, and the way this information is presented in the *annual management and performance report (AMPR)*.

Figure 11.2 – Total and audited milestones and targets underpinning 2025 RRF expenditure



Member state	Expenditure	Audit population		Audit sample		Percentage of total milestones and targets audited
		Total milestones	Total targets	Milestones audited	Targets audited	
Belgium (*)	1 695	55	23	10	16	33 %
Bulgaria (*)	1 904	96	10	2	4	6 %
Czechia (*)	2 003	31	26	2	10	21 %
Denmark	148	5	2	3	2	71 %
Estonia	143	13	5	6	4	56 %
Ireland (*)	356	19	12	2	7	29 %
Greece (*)	3 997	58	10	20	10	44 %
Spain (*)	8 136	28	42	28	42	100 %
France	3 776	7	10	7	10	100 %
Croatia (*)	1 204	29	38	2	4	9 %
Italy (*)	8 836	31	23	25	23	89 %
Cyprus (*)	220	30	10	8	6	35 %
Latvia	339	27	11	7	5	32 %
Luxembourg	60	6	4	1	2	30 %
Malta	57	12	12	3	2	21 %
Netherlands	1 185	15	6	10	6	76 %
Austria (*)	2 438	63	24	6	6	14 %
Poland	2 266	19	10	19	10	100 %
Portugal (*)	2 176	31	24	6	24	55 %
Romania	1 044	34	5	11	5	41 %
Slovenia	463	20	6	1	1	8 %
Slovakia	569	15	6	4	2	29 %
Finland (*)	720	39	10	7	6	27 %
Sweden	1 646	14	13	10	13	85 %
Total	45 383	697	342	200	220	40 %

(*) There was more than one payment in 2025.

For the selection of the milestones and targets, see [Annex 11.1](#), paragraphs (9)-(11). Our audit coverage varies from one country to another, as we focus on high-value payments.

Source: ECA.

11.8. Our audit did not cover either the regularity of expenditure incurred by final recipients or the loans component of the RRF.

11.9. Given the high number of CID amendments and their importance for the effective implementation of the RRF, we also reviewed a risk-based sample of 32 amendments (relating to 20 milestones and targets). We analysed the extent to which the member states provided justification that the change was due to objective circumstances (Article 21 of the [Regulation](#)), as well as the subsequent analysis by the Commission. In addition, we are currently carrying out a dedicated audit to assess whether the last rounds of RRP revisions in 2025/2026, as assessed by the Commission and approved by the Council, remain aligned with the overall level of the plans' prior ambition.

11.10. In addition, we reviewed a risk-based sample of 20 public procurements in five member states (Belgium, Spain, France, Portugal and Romania) and 10 state aid cases in four member states (Denmark, France, Cyprus and Sweden) related to RRF payments made in 2025. The objective of this work was to conclude whether they had been implemented in line with EU and national rules.

Assessment of compliance with payment and eligibility conditions

11.11. We found that 16 of the 420 milestones and targets examined were affected by findings with a financial *impact* (see [Annex 11.2](#)). These concerned nine of the 37 RRF payments (and related clearings of pre-financing) in nine member states. We conclude that the minimum financial impact of these findings is above our *materiality threshold*.

11.12. Given the nature of the RRF spending model, and since the Commission's payment suspension methodology⁷ relies on many judgements, possibly leading to different interpretations, we do not provide an *error* rate comparable to other EU spending areas (see [Annex 11.1](#)). [Figure 11.3](#) presents the types of findings that have a financial impact.

Figure 11.3 – Types of findings that have a financial impact



Source: ECA

Non satisfactory fulfilment of milestones and targets

11.13. Our checks identified 10 milestones and targets in seven member states that had not been satisfactorily fulfilled. We found that not all elements required by the milestone or target had been fulfilled, and that these missing elements represented more than a minimal acceptable deviation (see example in [Box 11.1](#)). The Commission had nevertheless made the corresponding payments.

⁷ [COM \(2023\) 99](#): Annex II of 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.

Box 11.1**Example of milestone not satisfactorily fulfilled**

Poland – description of milestone B5G: ‘The regulation shall set quality standards for biomass solid fuels intended for household use, including wood pellets’.

Poland adopted a regulation in May 2025 setting quality standards only for wood pellets (12 standards) and briquettes (8 standards) that account for 14.9 % of all heating units using biomass as fuel in Polish households. The other types of biomass (mainly firewood), accounting for 85.1 % of all heating units, are not subject to the regulation.

The Commission assessed the milestone as satisfactorily fulfilled, and treated the exclusion of other types of biomass as a “minimal deviation”. The Commission takes the view that there was no need to set quality standards for other types of biomass since they are subject to the standards set in anti-smog resolutions.

However, the anti-smog resolutions are regional acts and not national legislation as required by the CID. Furthermore, these resolutions exist in only 14 out of 16 Polish regions and set only one standard (maximum humidity) related to all types of biomass, including wood pellets and briquettes.

We do not consider the deviation as minimal, because a vast majority of household biomass fuels are not covered by the regulation under this milestone. We therefore concluded that this milestone was not satisfactorily fulfilled.

We also found milestones/targets that were not satisfactorily fulfilled in payments made to Bulgaria, Ireland, Greece, Spain, Italy and Sweden.

11.14. Last year, we refrained from concluding on the satisfactory fulfilment of two *control milestones* included in the first payment to Poland⁸. These milestones, which were a precondition for any RRF payment to Poland, aimed to strengthen the independence and impartiality of courts by reforming the disciplinary regime for judges. Although we highlighted serious weaknesses in the appointment of judges, we did not conclude due to a pending request for a preliminary ruling to the Court of Justice of the European Union (CJEU) in case C-517/24, which directly concerned this matter. The CJEU subsequently declared the request for a preliminary ruling inadmissible, as it considered that the request went beyond the CJEU jurisdiction to give preliminary rulings. It therefore did not examine the substance of the questions raised by the referring national court. Nevertheless, the case is still pending before the national court. However, we note that other related cases in relation to these

⁸ 2024 annual report, paragraphs 11.16.

milestones are still pending before the CJEU (e.g. case C-555/24). We therefore await the final CJEU rulings on these cases before concluding on the satisfactory fulfilment of these milestones and another directly related milestone.

Measures that started before the eligibility period

11.15. The [Regulation](#) stipulates that only measures which started from 1 February 2020 onwards⁹ can be funded under the RRF, but does not provide further criteria as regards what constitutes the ‘start’ of a measure. In October 2024, the Commission issued guidance¹⁰ clarifying that it interprets the ‘start’ of a measure as the beginning of that measure’s implementation on the ground when costs materialise.

11.16. Our view remains¹¹ that the start of a measure should be considered the date of the first (legal) *commitment* (e.g. in the form of a contract, purchase order, or financing decision), since this constitutes the start of the first activity related to the measure. Such a contract or financing decision establishes an obligation, triggering economic and productive activity at contractor and subcontractor levels and leading to *results* in subsequent payments.

11.17. We found that projects relating to four targets from two payments (Belgium and Sweden) had started before February 2020. Therefore, these four projects should not have been funded by the RRF.

Double funding

11.18. Avoiding double funding is a key principle for the eligibility of EU expenditure¹², and is fundamental for the protection of the EU’s financial interests¹³.

11.19. The Regulation uses the traditional cost-based definition of double funding, even though RRF payments do not reimburse eligible costs incurred but rather reward the satisfactory fulfilment of milestones and targets. We take the view that for the RRF

⁹ Article 17(2) of the [Regulation](#).

¹⁰ [COM \(2024\) 474](#): Annex II to the report from the Commission to the European Parliament and the Council on the implementation of the Recovery and Resilience Facility.

¹¹ [2023 annual report](#), paragraph 11.22.

¹² Article 191(3) of the [Financial Regulation](#).

¹³ Article 1 of [Council Regulation \(EC, EURATOM\) No 2988/95](#).

double funding occurs when the same underlying cost of a milestone or target is financed twice, and/or when the same deliverables are declared and thus funded twice. Thus, the same deliverable cannot be financed twice from the EU budget, even if one of the financing instruments concerned is not cost-based.

11.20. In [special report 22/2024](#), we concluded that the systems set up and implemented by the Commission and the member states were not sufficient to adequately mitigate the increased risk of double funding by the RRF and other EU funds.

11.21. We found two cases of double funding (see example in [Box 11.2](#)), which should not have been funded by the RRF.

Box 11.2

Example of milestone funded by the RRF and other EU funds

Latvia – description of milestone 144: *“The mapping of human resources in healthcare shall include detailed information on the number of health professionals working in different disciplines, in the public and in the private sector, and at all levels of care”*.

The Commission considers that there cannot be double funding when the RRF does not cover the same cost, and uses the costs put forward by a member state in the RRF to determine this.

We found that the deliverable of the milestone, the mapping of human resources in healthcare, had already been fully financed, developed and adopted within a project under the EU Technical Support Instrument.

This was one of two instances of double funding in Latvia.

Examination of selected monitoring and control systems

Weaknesses in the Commission's preliminary assessment

11.22. For 12 of the 16 findings with financial impact, we found weaknesses in the Commission's assessment. In addition, we found another 28 cases of weaknesses in the Commission's assessment that did not impact the satisfactory fulfilment of the milestone/target. In these cases, the Commission did not carry out sufficient checks to assess the reliability of data provided with the payment request, and we obtained further information from the member states (see example in [Box 11.3](#)).

Box 11.3

Example of a weakness in the Commission's preliminary assessment

Cyprus – description of target 193: *“Reduction of backlog of pending cases for issuance of title deeds Of this total of 20 000 pending title deeds, 80 % shall be resolved resulting either to the issuance of title deeds or to a rejection of the case.”*

The Commission based its assessment on a progress report submitted by the Cypriot authorities and on remote verification of the system. However, it did not verify the reliability of the aggregated information.

Specifically, the Commission did not ask for a list of pending or completed cases, nor did it sample individual applications to verify the accuracy of the reported figures, as required by its own sampling guidelines.

As a result, the Commission did not have sufficient, adequate evidence to confirm whether the 80 % backlog in the 20 000 pending title deeds for real estate was reduced.

Although there are fewer open significant recommendations from the Commission's audits, most are overdue

11.23. In line with the *Financial Regulation*¹⁴, and with the financing agreements signed with member states, the Commission carries out *ex post* audits to detect and correct errors relating to operations after they have been authorised.

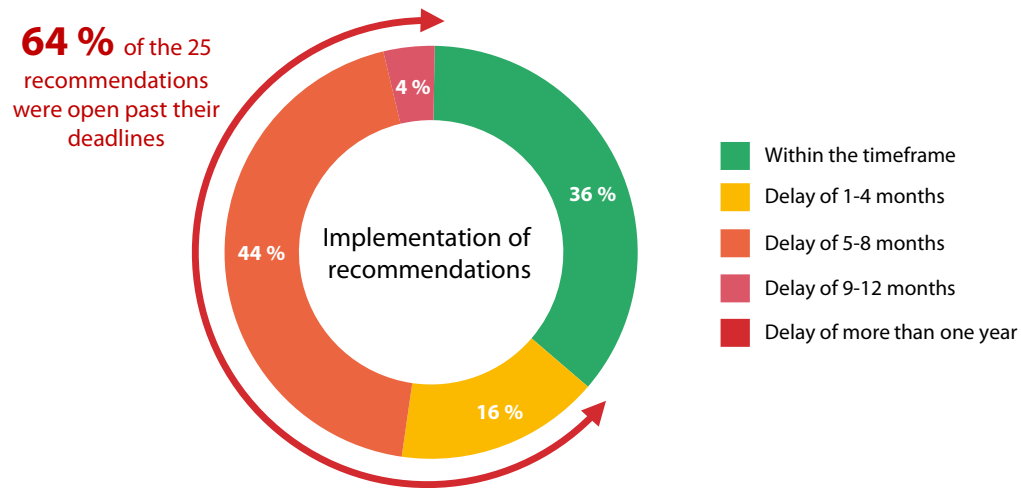
11.24. Since 2021, the Commission has issued 37 final audit reports with 852 recommendations to 21 member states. As of 11 May 2026, the Commission's view was that 758 (89 %) recommendations had been implemented and the remaining 94 (11 %) were open. The Commission's reporting is structured in three main stages (a flash report, a draft report and a final report). The Commission sets an internal deadline of 40 days after the end date of the field work for completing the draft audit report. We note that, as at end May 2026, 34 audits remain at the flash report stage for an average of nine months after this date, prolonging the adoption of potential recommendations.

11.25. The Commission categorises its findings as critical, very important, important, or desirable. Critical or very important findings may trigger the introduction of control milestones (see paragraph 11.29), or a *reservation* in the Commission's AAR if member states have not yet accepted them, rejected them, or failed to implement them. Those critical or very important findings may also represent a serious breach of obligations of the financing agreement.

11.26. The number of open recommendations related to critical or very important findings has decreased, from 136 in 2025 to 25 in 2026. Despite this improvement, 64 % of the latter recommendations were still (as at December 2025) overdue during the last year of RRF implementation (see [Figure 11.4](#)).

¹⁴ Article 74(6) of the [Financial Regulation](#).

Figure 11.4 – Delays in implementing recommendations related to critical and very important findings of Commission audits



Source: ECA

11.27. *Table 11.1* presents the number of recommendations related to critical and very important findings concerning member state control systems, together with details about their implementation.

Table 11.1 – Most open recommendations related to critical and very important findings are overdue

	Critical			Very important		
	Open 		Closed 	Open 		Closed 
	Open (by the deadline)	Open (beyond the deadline)		Open (by the deadline)	Open (beyond the deadline)	
Weaknesses in member states’ control systems and protection of EU financial interest						
Weaknesses in checks on conflicts of interest, double funding, fraud and corruption	-	5	22	-	1	65
Inadequate or insufficient checks on compliance with EU and national rules (including public procurement and state aid) or with DNSH principle	-	-	8	-	4	43
Suspected fraud case	-	-	2	-		7
Lack or limited use of Arachne as a risk detection tool	-	-	-	2	-	7
Weaknesses in payment request						
Ineligible declared projects or items	-	-	2	-	-	3
Weaknesses in the audits by national audit bodies (e.g. incorrect assessment, methodological weaknesses)	-	-	-	6	-	26
Inadequate or weak <i>audit trail</i> or data management process	-	-	43	-	1	78
Other weaknesses						
Inadequate data collection contrary to Article 22.2.d of the Regulation	-	-	14	-	4	27
Lack of administrative capacity/training or clear organisational structure	-	-	1	-	-	28
Non-compliance with publicity rules	-	-	4	1	1	43
Totals (Number of recommendations/ member states)	-	5/2	96 /12	9/1	11/6	327/19

Source: ECA.

11.28. We sampled eight closed critical and very important recommendations to verify that they had been implemented. We found that the Commission had closed two recommendations without adequate evidence. In these two cases, the recommendations aimed to address findings regarding a lack of applied procedures for the protection of the financial interests of the Union (PFIU). The evidence provided did not show the actual implementation of these procedures.

Member state control systems are still insufficiently effective

Continued need for control milestones

11.29. If, during its audits, the Commission detects weaknesses in a member state's control system, it may add *control milestones* when revising that country's NRRPs. The addition of control milestones blocks all future RRF payments until the member state fulfils them satisfactorily. We consider the existence of control milestones to be a positive step in improving member state control systems¹⁵. However, the need for control milestones also indicates that member state systems are not entirely effective.

11.30. Our audit work does not aim to provide an opinion on the overall *effectiveness* of member state control systems. Nevertheless, our assessment of the satisfactory fulfilment of control milestones enables us to assess key components of these systems. In 2025 (the penultimate year of the RRF), the member states were still implementing control milestones to ensure their control systems were ready to implement the RRF. Overall, we conclude that all eight control milestones related to 2025 RRF grant payments were satisfactorily fulfilled.

11.31. Weaknesses in the control systems of member states whose second or subsequent payments were conditional upon achieving control milestones pose a risk to the PFIU until they are fulfilled, with a potential impact on the regularity of expenditure. We found that out of the eight control milestones mentioned above, five (two in Belgium, and one each in Ireland, Austria and Finland) were added to the second payment requests, while the remaining three (all in Sweden) relate to the first payment request.

¹⁵ Review 02/2025: "Performance-orientation, accountability and transparency – lessons to be learned from the weaknesses of the RRF", paragraph 63.

Some member states have persistent weaknesses in their control systems

11.32. Based on the review of the Commission’s audit reports and the implementation of the relevant recommendations, we found the following:

- As regards issues with double funding, the Commission’s *PFIU* report contains a very important finding in relation to checks regarding the risk of double funding that affect a significant part of a member state’s control system. Thus, there is no assurance that this member state implemented its NRRP with adequate double-funding safeguards from the time of the audit finding (December 2023) until the recommendation was closed in January 2025.
- As regards findings on conflicts of interest, the Commission’s *ex post* audit reports reveal very important findings in two member states. Thus, there is no assurance that both member states implemented their NRRPs with adequate safeguards against conflicts of interest, at least since the audit findings were drawn up (in August 2023 and May 2024, respectively). The findings remained open at the time of our checks. The Commission also found (October 2023 and August 2024) significant weakness (critical and very important findings) in the control systems of another member state. Thus, there is no assurance that this member state implemented its NRRP with adequate safeguards against conflicts of interest, at least from the time of the audit findings until the recommendations were closed in November 2025.

We cannot disclose the member states, as the Commission considers the above audit reports as confidential until the follow-up procedure of all its recommendations has ended.

Weaknesses in some member states’ systems for ensuring compliance with public procurement and state aid

11.33. Although compliance with public procurement and state aid rules is not a condition for payments of RRF funds to member states, protection of the EU’s financial interests requires member states to ensure that RRF projects comply with them. As the body ultimately responsible for budget implementation, the Commission has to ensure that the member states’ systems are fit for purpose. In our [special report 09/2025](#)¹⁶, we identified weaknesses in the member states’ systems for ensuring compliance with

¹⁶ [Special report 09/2025](#): “Systems for ensuring compliance of RRF spending with public procurement and state aid rules – Improving but still insufficient”.

public procurement and state aid rules. We note that breaches of these rules are a perennial problem in cohesion and other areas of budget expenditure.

11.34. We found the following breaches of public procurement rules:

- (a) in two cases (in Spain and Romania), the contracting authority did not justify its decision not to divide contracts into lots;
- (b) in one case in Romania, the contracting authority unlawfully chose a simplified procedure, and had not ensured proper publication of the contract notice;
- (c) in one case in Romania, the contracting authority unlawfully used a negotiated procedure without prior publication.

11.35. In addition, we found other compliance issues which do not affect the overall regularity of the procedures in question. These concern a lack of checks to prevent/detect conflicts of interest (four cases in Belgium and France), and failure to publish the contract award notice (four cases in France).

11.36. As regards state aid rules, we detected the following irregularities:

- (a) artificial split of projects to avoid notification thresholds¹⁷ (see example in [Box 11.4](#)) and incorrect calculation of eligible costs (two cases/projects in Sweden);
- (b) not meeting exclusion conditions (four cases/projects in France), and late publication of transparency information (one case/project in France), and;
- (c) weaknesses in the assessment of compliance with the de minimis¹⁸ thresholds (two cases/projects in Denmark).

¹⁷ Commission Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, with its subsequent modifications - consolidated text published in the Official Journal of the European Union of 01 July 2023 (GBER) (as amended).

¹⁸ Commission Regulation (EU) No 2023/2831 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.

Box 11.4

Example of non-compliance with state aid requirements

Sweden Target 1 – “Award of projects reducing carbon dioxide emissions by an expected 300 000 tonnes”

On 9 December 2021, the Swedish Environmental Protection Agency (EPA) granted state aid to the same recipient company through 24 separate grant decisions¹⁹. The total eligible cost, for all 24 decisions, was SEK 506.9 million (equivalent to €49.5 million) and the total value of the aid granted under all 24 decisions was SEK 354.9 million (equivalent to €34.6 million).

We found that all decisions provided aid to the same recipient, under the same scheme by the same granting authority, and were approved on the same date. Details of the unique recipient application and of the progress reports show the intention of establishing a network of hydrogen refuelling stations.

Based on the above, we take the view that the 24 grant decisions constitute a single project. As total eligible costs and the total aid granted exceed notification thresholds²⁰, aid should not have been granted without the Commission having been notified.

We note that 13 of the 24 grant decisions were later cancelled, resulting in SEK 192.3 million being recovered.

11.37. We also found other compliance issues which do not affect the overall regularity of the procedures or cases in question. These concerned instances of immaterial non-compliance with the GBER regarding “small and medium-sized enterprise”²¹ status (one case/project in France), and weaknesses in the obligation to keep records for de minimis aid (two cases/projects in Denmark).

Weaknesses in payment requests

11.38. We identified inaccuracies in the payment requests in four member states (Italy, Poland, Slovakia and Sweden). In two of them (Italy and Sweden), we found

¹⁹ Under Article 56 GBER.

²⁰ Under Article 4(1)(cc) GBER.

²¹ Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (Text with EEA relevance) (notified under document number C (2003) 1422) ([2003/361/EC](#)).

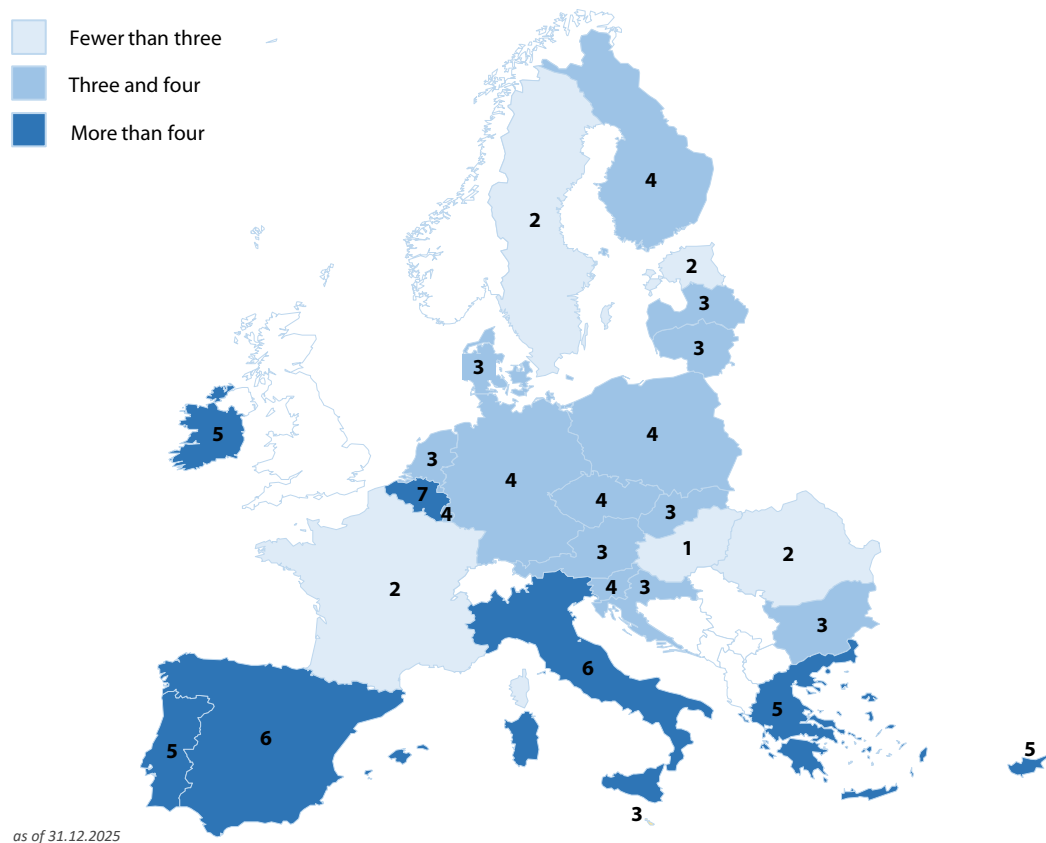
issues in the management declarations. The aim of these declarations is to provide assurance that the information submitted with the payment requests is complete, accurate and reliable²². In their management declarations to the Commission, member states should include *reservations* to highlight missing evidence when needed. We found that these two member states were aware of insufficient evidence for the satisfactory fulfilment of some milestones and targets when they submitted the payment request. However, neither of these two member states included a reservation in their management declaration highlighting that a milestone/target was only partially fulfilled at the time of the payment request.

²² Article 22(2)(c) of the [Regulation](#).

Analysis of CID amendments

11.39. Member states can request²³ an amendment of their NRRP if one or more milestones and targets are no longer achievable due to objective circumstances. In the event of a positive assessment by the Commission, it proposes an amended CID, which is adopted by the Council. In June 2025, the Commission²⁴ issued a communication in which it provides the member states with options for streamlining their RRP allocation and ensuring that they comply with all assessment criteria laid down in the [Regulation](#). Since the start of the RFF and up to December 2025, the Council had adopted 99 amendments, ranging from one in Hungary to seven in Belgium (see [Figure 11.5](#)). Our work covered milestones and targets in 18 CID amendments.

Figure 11.5 – CID amendments adopted by the end of 2025



Source: ECA, based on RRF Scoreboard data.

²³ Article 21(1) of the [Regulation](#).

²⁴ COM(2025) 310 final/2 - Communication from the Commission to the European Parliament and the Council – NextGenerationEU – The road to 2026.

11.40. We reviewed 32 modifications of 20 milestones and targets that were part of 18 CID amendments in eight member states²⁵. We analysed whether the member states properly justified the objective circumstances for requesting CID amendments. Furthermore, we examined whether the Commission assessed the amendments based on sufficient evidence for the justification provided by the member states.

Several CIDs were modified after submitting the payment request to fit actual achievements

11.41. In 13 analysed milestones and targets (involving 13 of 32 modifications), we found that the CID requirements for these milestones and targets were amended after the member states had submitted the respective payment request to the Commission (see example in [Box 11.5](#)). In nine cases, the request to change the CID was submitted only after the payment request. The CIDs were adopted during the preliminary assessment of satisfactory fulfilment and aligned with actual achieved *outputs*, which made the payment possible.

11.42. The [Regulation](#) does not set a deadline for requesting amendments. We consider that the practice of amending the requirements of the milestones and targets subject to payment reduces the effectiveness of the EU's financial leverage and sends the message that the unsatisfactory fulfilment can be avoided by amending a CID to unlock the payment.

Objective circumstances were not always sufficiently explained and often not supported by appropriate evidence

11.43. Member states have to provide adequate justification and demonstrate a clear causal link between the objective circumstances and the measure no longer being achievable as envisaged, or the need to lower the administrative burden²⁶. By way of support, member states should provide evidence to demonstrate the circumstance cited.

11.44. In 17 of 32 modifications, we found that the objective circumstances were sufficiently described, but not accompanied by sufficient evidence. In 12 others, we

²⁵ Ireland, Greece, Spain, Italy, Latvia, Netherlands, Poland and Slovakia.

²⁶ Guidance on Recovery and Resilience Plans in the context of REPowerEU (2023/C 80/01); Guidance on recovery and resilience plans (C/2024/4618).

found that the member states did not sufficiently explain the objective circumstances and did not provide sufficient evidence (see example in [Box 11.5](#)).

Some amendments removed important implementation stages from the RRF measure

11.45. We found five CID amendments that removed either fully or partially the part of the measure related to the implementation stage. This was done for example by replacing the concrete delivery of outputs with preparatory steps. With the revised milestones and targets, payments are linked to *inputs* or processes, leaving the substantive outputs outside the RRF implementation period. These cases show that certain CID amendments went beyond adjusting timelines or technical specifications and instead removed - fully or partially - outputs that initially constituted key elements for the completion of measures. The Commission's guidance²⁷ underlines that the changes made to the RRFs under Article 21 should not reduce their overall ambition. However, the guidance does not specifically address the situations described in this paragraph.

Weaknesses concerning the impact of amendments on cost estimates

11.46. We noted that 10 out of 32 amendments, affecting 9 out of 20 milestones/targets, resulted in revision of the cost estimates. The Commission verified detailed cost explanations provided by the member states. However, despite detailed justification, the supporting evidence was frequently limited to narrative calculations without primary documentation. Although the [Regulation](#) does not require the member states to provide such evidence systematically, an absence of underlying data and first-hand evidence weakens the audit trail and reduces assurance as to the robustness of revised cost estimates.

11.47. In our [special report 14/2026](#) on RRF transparency and traceability, we also found that some member states use actual cost data to update cost estimates and reallocate funds in the event of cost savings, but that there is no consistent approach across member states and the Commission does not systematically request such information, even when available at national level. We concluded that limitations in the availability of underlying data, actual costs and supporting documentation reduced transparency and assurance regarding the use of EU funds.

²⁷ [C/2024/4618 - Guidance on recovery and resilience plans \(2024 Guidance\)](#).

11.48. Unlike cost-based measures, where reduced outputs need to be reflected through adjusted estimated costs, amendments to ‘zero-cost’ reforms do not constitute change in the overall estimated costs and also do not affect the related payment amounts (see example in [Box 11.5](#)) as long as the assessment criteria for the plans are met. This may weaken incentives to maintain the initial scope and ambition of the reforms.

Box 11.5

Example of weaknesses in CID amendments

Reform 2.7 in the Irish NRRP consists of a measure to increase the number of graduates with high-level ICT skills. After the first amendment in 2024, the corresponding target 75 required at least 12 450 ICT learners to have graduated in 2021.

Ireland submitted a payment request on 23 December 2024 with the management declaration, stating that additional evidence for target 75 was being collected and would be provided. However, Ireland requested a modification of its NRRP on 31 January 2025, amending target 75 for the second time: the goal of 12 450 graduates was decreased by approximately 12.5 % to 10 900. Ireland attributed this amendment to an unjustified administrative burden, and the Commission approved the request. Consequently, the target was amended in 2025 when its satisfactory fulfilment was being assessed, and the Commission made the corresponding payment.

The objective circumstances were not demonstrated with evidence that the original target caused an unjustified administrative burden and how that burden was avoided through the change. The 2025 amendment was approved, based on documents proving the satisfactory fulfilment of the revised target, not the reasons for the amendment. The target faced a risk of non-fulfilment, which was remedied during the Commission’s assessment through the CID amendment. Moreover, this reform did not have a cost estimate in the NRRP (a ‘zero-cost’ measure), meaning that the downward amendment of the quantitative indicator did not affect the total cost of the plan and did not have financial consequences for the member state.

Issues related to the design of measures, milestones and targets

11.49. This part of the chapter presents issues not directly linked to our statement of assurance, but highlights weaknesses in the design of measures, milestones and targets. Previous [ECA special reports](#) and our review²⁸ provide a more comprehensive view of *sound financial management* aspects concerning the RRF.

11.50. Milestones and targets should measure the member states' progress in implementing the investments and reforms contained in their national RRFs – and therefore the achievement of the RRF's objectives. To ensure that these milestones and targets are meaningful and in line with sound financial management principles, it is important that they cover all the main elements of the underlying reform or investment, in particular its completion²⁹.

11.51. We identified seven cases of reforms or investments where either not all elements were covered by milestones or targets, or their completion was not captured by a milestone or target. Similar cases were found in previous years³⁰.

11.52. Moreover, in Sweden, an existing control milestone was amended with the aim of addressing the very important and critical findings identified in the Commission's 2023 PFIU audit. However, the milestone has a design flaw, as it does not guarantee that the necessary procedures are put in place and applied effectively by the implementing bodies (see [Box 11.6](#)).

²⁸ [Review 02/2025](#).

²⁹ [Special report 26/2023](#): "The Recovery and Resilience Facility's performance monitoring framework - Measuring implementation progress but not sufficient to capture performance", paragraphs 30-32.

³⁰ [2022 annual report](#), paragraph 11.36, [2023 annual report](#), paragraphs 11.44-11.46 and [2024 annual report](#), paragraphs 11.50-11.52.

Box 11.6**Example of design weakness of a control milestone**

The Swedish NRRP has three control milestones, including milestone 41 which requires the government to assign mandates to the relevant authorities to ensure effective implementation of the NRRP. This milestone was amended after significant findings in a Commission audit.

In the preliminary assessment of this milestone, the Commission concluded that it had been satisfactorily fulfilled, based on the issuing of government mandates requiring implementing bodies to establish the procedures related to fraud, corruption, conflicts of interest, double funding, and collection of data. While acknowledging that the government formally issued these mandates, the milestone has a design flaw, since it merely requires the mandates/assignments to be formally issued by the government, but does not require the implementing bodies to put the necessary procedures in place and apply them effectively.

As a result, the milestone did not address the root causes of the findings of the Commission audit triggering the amendment. Key audit recommendations remain open, and a subsequent Commission audit found the same issues.

11.53. We also found six cases of vaguely defined milestones or targets. We note that such milestones and targets increase the risk of discretionary assessment of their satisfactory fulfilment.

Annual activity reports and the annual management and performance report

11.54. AARs are the main tool which the Commission's directorates-general use to report whether they have reasonable assurance that control procedures guarantee the regularity of expenditure.

11.55. The Commission does not estimate a quantifiable *risk at payment*, but assigns a risk level (low, medium or high) for the regularity of each RRF payment. The Commission assessed the payment to Poland as high risk, and so the opinion of the Director-General of DG ECFIN is qualified with a financial reservation. One payment to Italy was assessed as medium risk, and the remaining 35 payments as low risk. Overall this assessment is not in line with our findings.

11.56. To assign a risk level to each RRF payment, the Commission uses, among other things, information from its *ex post* audits reports, including flash and draft reports depending on the maturity of their findings at the time of the assessment. For the 2025 AAR, the Commission considered all payments related to the 24 flash reports as low risk, although nine of these reports contain indications affecting the regularity of the payments concerned. While we acknowledge that this approach enables the Commission to consider all available information, it may underestimate the risk classification for these nine payments. For example, in 2023 the Commission issued a flash mission report in a member state with a finding on the regularity of the payment concerned, and assessed this payment in the 2023 AAR as low risk. However, in 2026 the final *ex post* audit report concluded that one milestone had not been fulfilled and so the initial assessment of the payment was underestimated.

11.57. As regards assurance in the area of public procurement and state aid, the Commission classified 12 payments as medium risk. For these cases, Commission audits found critical or very important findings for more than one implementing body, for which there is no evidence that the member state has taken the recommended corrective action. The approach to reaching a conclusion about the risk assessment is not in line with our previous recommendation³¹, and is likely to underestimate the estimated level of risk, as there is no assurance that member states will take corrective action.

³¹ Special Report 09/2025.

11.58. We have also recommended³² that the Commission should disclose the coverage of their checks, i.e. the proportion of implementing bodies with procurement and state-aid investments in each member state covered by its audits. The Commission did not accept this, and so such information is not disclosed in the AAR.

11.59. As regards serious irregularities not corrected by the member states, the opinion of the Director-General of DG ECFIN is qualified with a financial reservation, for two payments to Czechia regarding two separate cases of a conflict of interest. The Commission also assessed 25 payments as medium-risk and 10 payments as low-risk. As the approach to risk assessment is similar to that used for checking public procurement and state aid, we take the view that this assessment also underestimates the level of risk.

³² Ibid.

Conclusions and recommendations

Conclusions

11.60. The rules governing RRF spending are significantly different from those for expenditure under the EU general budget. Under the RRF, regularity of expenditure incurred by final recipients is not a condition for the Commission to make payments to member states. This affects the coverage of our regularity audit and the extent of the assurance that we can provide. The overall audit evidence from our work as presented in this chapter shows that:

- (a) 16 of the 420 milestones and targets we examined did not comply with payment and eligibility conditions. These concern nine payments made to nine member states (see paragraphs [11.13-11.21](#)). The minimum financial impact of the 16 findings is above our *materiality threshold*;
- (b) we found weaknesses in the Commission's *ex ante* assessment. In 40 cases, the Commission relied on member state information and checks without performing a sufficient level of testing of all the CID requirements (see paragraph [11.22](#));
- (c) the Commission's open *ex post* audit recommendations relating to critical and very important findings have decreased, but for most (64 %) of them, the agreed deadlines have already passed (see paragraphs [11.23-11.27](#));
- (d) in the penultimate implementation year of the RRF, weaknesses in member states' control systems persist, including public procurement and state aid irregularities (see paragraphs [11.33-11.37](#));
- (e) the information that member states included in their payment requests was not always reliable (see paragraph [11.38](#));
- (f) there were seven reforms and investments for which the corresponding milestones/targets did not cover all elements of the measure, thereby limiting the results that the RRF can achieve under these measures (see paragraph [11.51](#));
- (g) there were six cases of vaguely defined milestones/targets that increased the risk of discretionary assessment of their satisfactory fulfilment (see paragraph [11.53](#)) and;
- (h) the declaration provided by DG ECFIN's Director-General is not in line with our findings and conclusions (see paragraphs [11.54-11.59](#)).

11.61. By the end of 2025, the Council had adopted 99 amendments to CID measures. Several milestones and targets were revised during the Commission's preliminary assessment and were aligned with actual achievements, thereby facilitating RRF payments. Our analysis of revised milestones and targets shows that changes were frequently made without sufficient explanation or appropriate supporting evidence of the objective circumstances, as required by Article 21(1) of the [Regulation](#). Some amendments removed important implementation stages from the RRF measures, meaning that payments were sometimes linked to preparatory inputs or processes rather than the initially expected outputs. Additionally, we found that there is not necessarily a financial impact when downward amendments concern 'zero-cost' reforms (see paragraphs [11.39-11.48](#)).

Recommendations

11.62. [Annex 11.3](#) shows the findings of our follow-up review of the recommendations we made in our [2022](#), [2023](#) and [2024](#) annual reports. The Commission has implemented one recommendation in full, three in most respects, and five remain open or have not been accepted. Since RRF implementation will end by December 2026, we will not issue any additional recommendations. However, we have expressed our views regarding the use of financing not linked to costs and the risks related to such instruments in a series of opinions on the Commission's legislative proposals for the 2028-2034 MFF³³.

³³ EU budget 2028-2034 – The ECA's view: Many changes may not it make it better.

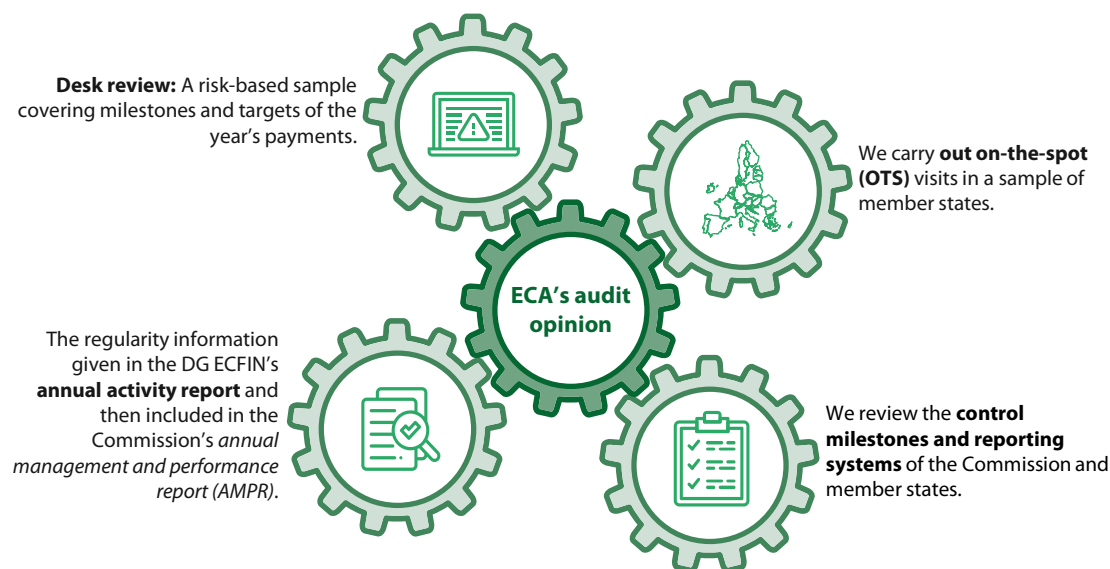
Annexes

Annex 11.1 – Audit approach and methodology

General

- (1) This annex covers our audit approach and methodology for the statement of assurance on the regularity of RRF expenditure.
- (2) We issue a separate opinion on the regularity of the RRF expenditure as part of our statement of assurance on the EU budget. This is because we consider the RRF delivery model to be different and a temporary instrument. With this opinion, we aim to provide reasonable assurance on payments, and provide detailed information based on this opinion in the statement of assurance.
- (3) We derive most of our assurance from substantive testing and assessment of the supervisory and control systems. Our assurance is complemented by the AARs-AMPR and the reports of the Internal Audit Service (see [Figure 11.1](#)).

Figure 11.1 – Audit opinion



Source: ECA.

- (4) Our work conforms to international audit standards, and ensures that our audit opinions are supported by sufficient and appropriate audit evidence.
- (5) As regards our audit procedures in relation to fraud, we follow the approach detailed in part 3 of **Annex 1.1**.

Regularity of *transactions*

How we define underlying transactions and how we test them

- (6) The underlying transactions relevant for our statement of assurance work on the RRF are grant payments to member states and/or clearing of previous pre-financing. In contrast to most spending under the *Multiannual Financial Framework*, RRF payment requests are not supported by incurred costs, but by justification of satisfactory fulfilment of milestones and targets. As the RRF loans are not recognised as expenditure in the EU accounts, they are not part of our audit.

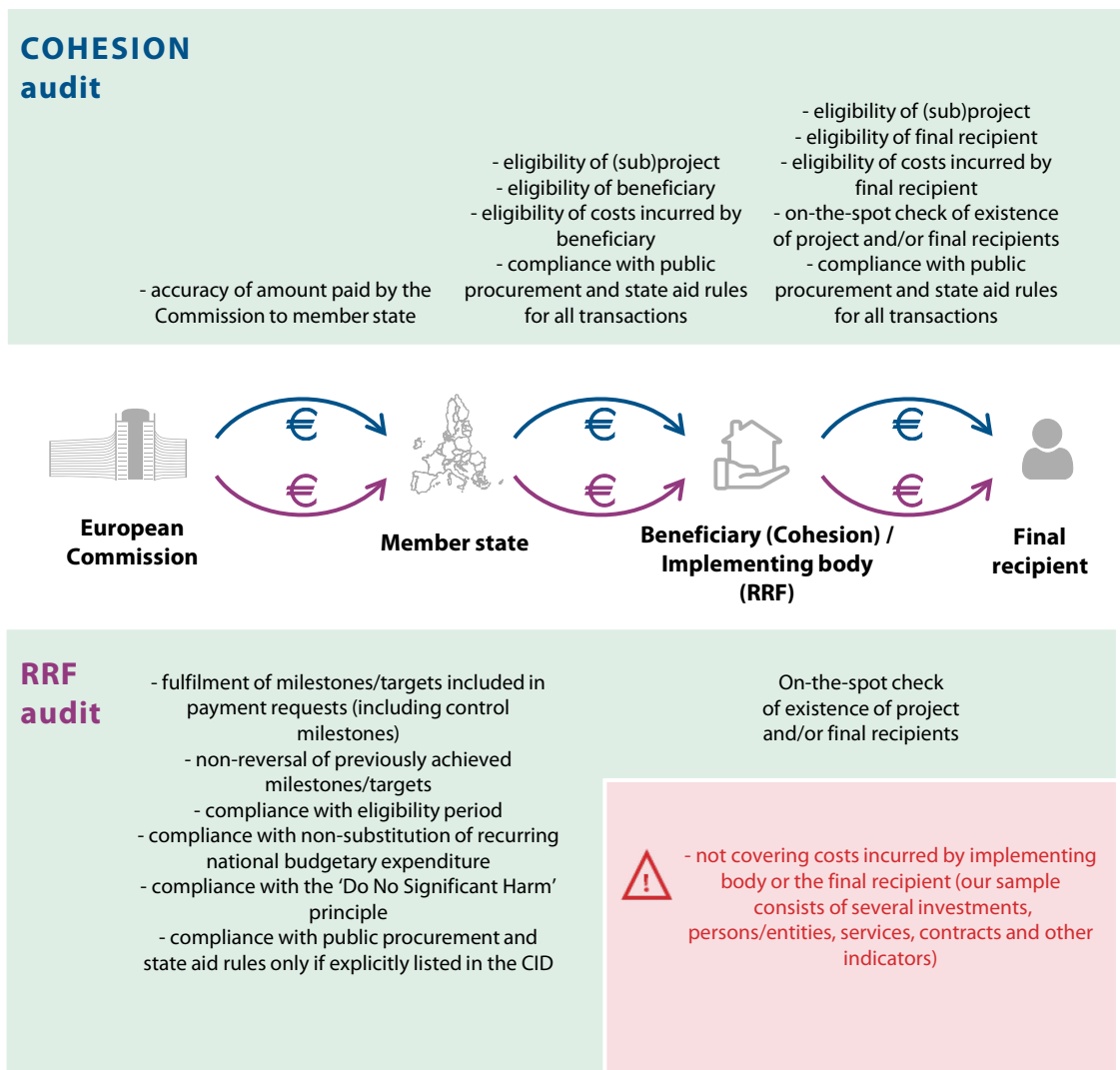
- (7) Our substantive testing mainly consists of assessing whether RRF payments were made in compliance with the payment conditions stipulated in the [Regulation](#)³⁴. Where feasible, we cover the non-reversal of previously fulfilled measures and double funding. We also assess the fulfilment of other eligibility conditions, such as non-substitution of recurring national budgetary expenditure, compliance with the eligibility period, and the ‘Do No Significant Harm’ principle³⁵.

- (8) Our audit of the regularity of RRF grant payments to member states focuses on whether the predefined milestones and targets have been satisfactorily fulfilled, and whether the eligibility conditions defined by the [Regulation](#) were met. This represents a significant difference compared to our audit work in other areas of the EU budget, where we assess compliance with all relevant EU and national rules down to final recipient level (e.g. the eligibility of costs incurred, and compliance with state aid and public procurement rules). [Figure 11.2](#) compares what we audit for cohesion spending and RRF spending, and illustrates the differences between our work in the two areas.

³⁴ Article 24(3) of the [Regulation](#).

³⁵ [Ibid.](#), Articles 5, 9 and 17(2).

Figure 11.2 – Our audit work on the regularity of cohesion and RRF expenditure



Source: ECA.

- (9) To reach our conclusion, we first used a risk-based sample to review whether the Commission had gathered sufficient and appropriate evidence during its preliminary assessments to support its assessment of satisfactory fulfilment. If we consider the evidence available in the Commission's files to be insufficient for us to reach a conclusion, we ask the member state directly to provide further evidence. We also carry out on-the-spot visits in a sample of member states.
- (10) First, we select control milestones and milestones related to the *general regime of conditionality* for the protection of the Union budget³⁶. We then apply a number of risk criteria to select the remaining sample.

³⁶ Regulation (EU, Euratom) 2020/2092.

- (11) For our assessment of whether individual milestones and targets have been satisfactorily fulfilled, we use the Commission's framework³⁷. In line with this framework, if the nature of the milestone (and, if applicable, the nature of the target) does not allow for an assessment based on quantitative elements, we will accept minimal deviations in substance, form and timing. For milestones or targets for which an assessment based on quantitative elements is possible, we will accept deviations below 5 %.
- (12) We may detect cases of fraud, corruption, conflicts of interest, double funding or breaches of the financing agreement (e.g. the unavailability of information on final recipients and of funding from other EU funds). In these cases, we assess (where feasible) how these 'serious irregularities' impact the legality and regularity of RRF expenditure.

How we evaluate the results of *transaction* testing

- (13) We determine the type of each finding.
- (14) Quantitative findings are related to cases of non-compliance with the payment and eligibility conditions laid down in the [Regulation](#), i.e. unsatisfactory fulfilment of milestones and targets; the reversal of previously fulfilled milestones and targets; and non-compliance with the eligibility period, the DNSH principle and double funding.

In line with auditing standards, the auditor should consider using existing criteria³⁸. Following this consideration, to quantify the financial impact of these findings, we use the Commission's payment suspension methodology³⁹ as a basis. The methodology entails a three-step approach to arrive at the amount to be suspended:

- (i) determining the unit value of a milestone or target included in a plan;
- (ii) correcting unit values by applying a coefficient; and
- (iii) adjusting the corrected unit values.

³⁷ [COM \(2023\) 99](#).

³⁸ [ISSAI 4000](#).

³⁹ [COM \(2023\) 99](#), Annex II.

We do not systematically estimate a financial impact when the milestone or target is satisfactorily fulfilled within six months⁴⁰ after the payment and within the audited year.

- (15) Findings linked to suspicion of fraud, corruption and conflicts of interest are quantified only if there is sufficient evidence to prove that they impact the fulfilment of a milestone or target (i.e. a fraudulent case that calls into question the existence of the items, or the complete absence of a procurement procedure).
- (16) Findings without a financial impact are qualitative findings.

Examination of supervisory and control systems

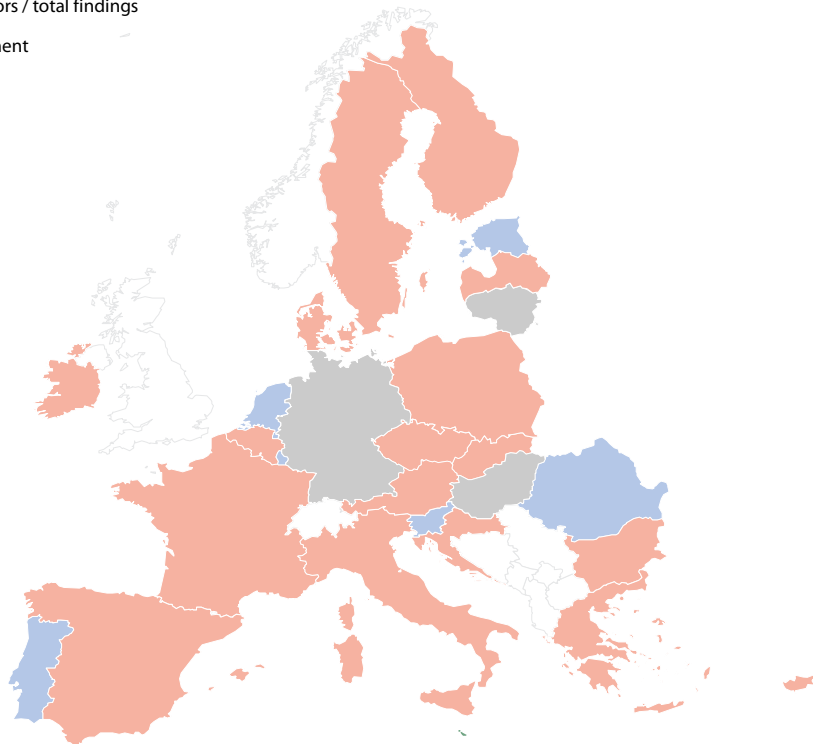
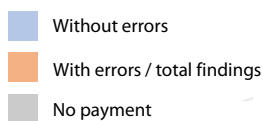
- (17) Our examination of the supervisory and control systems may identify:
- (i) weaknesses in Commission and member state control and audit activity to ensure the regularity of RRF expenditure and the protection of the EU's financial interests;
 - (ii) weaknesses in the availability of the list of final recipients, contractors, subcontractors and beneficial owners;
 - (iii) weaknesses in the availability of information about the measure and the total public funding involved; and
 - (iv) weaknesses in record-keeping.
- (18) Such weaknesses might affect the regularity of RRF expenditure at member state level and result in a recovery (i.e. a reduction in the overall amount of the plan) after the Commission has made the payment to the member state. The financing agreements provide for flat-rate corrections for serious breaches, by taking account of the frequency and extent of such breaches. For our assessment, we consider system weaknesses and breaches of the financing agreements as qualitative findings.
- (19) We also assess the Commission's *ex post* audits. These may identify milestones and targets as not having been satisfactorily fulfilled. Where feasible, we use the findings that have not been corrected during the year of the payment to formulate our opinion.

⁴⁰ Article 24(8) of the [Regulation](#).

Formulating our audit opinion

- (20) Materiality is a fundamental concept, as it sets the level of deviation that we consider is likely to influence our stakeholders' decisions.
- (21) We define materiality on both a quantitative and a qualitative basis.
- (22) By analogy with other audits, we use the level of 2 % as the materiality threshold for our opinion, and we also take account of the nature, amount and context of errors and other available information.
- (23) The quantitative findings are an important element for reaching our conclusion. To assess the regularity of RRF expenditure, we will reach a conclusion, based on the quantitative findings, as to how the estimated amount of error compares to the materiality threshold. To calculate the overall impact of quantitative findings (including those initially identified by the Commission's *ex post* controls), we use the Commission's payment suspension methodology as a basis.
- (24) We also consider the impact of the qualitative findings and system weaknesses. In addition to our professional judgment, we take into account the number of these findings and the materiality of the payments affected.
- (25) Our audit opinion does not disclose an error amount/rate. Due to the RRF spending model, it is not possible to determine an error rate comparable to those reported in other MFF chapters. This is because there is no link between RRF payments and costs incurred by final recipients. In addition, the nature of milestones and targets and risk-based sampling does not allow for extrapolation of our results. This means that the result of our testing provides only an estimate of the minimum error amount.

Annex 11.2 – Results of the audit of grant payments to member states



Member state	Total milestones and targets audited	Number of milestones and targets with findings	Quantitative findings	Weaknesses in Commission's <i>ex ante</i> assessment	Vaguely defined milestones and targets	System weaknesses	Total findings
Belgium (*)	26	3	2	1	0	0	3
Bulgaria (*)	6	3	1	2	1	0	4
Czechia (*)	12	1	0	1	0	0	1
Denmark	5	1	0	1	0	1	2
Estonia	10	0	0	0	0	0	0
Ireland (*)	9	1	1	1	0	1	3
Greece (*)	30	6	3	5	1	0	9
Spain (*)	70	3	1	3	0	1	5
France	17	3	0	3	0	0	3
Croatia (*)	6	1	0	0	1	0	1
Italy (*)	48	7	1	6	0	1	8
Cyprus (*)	14	1	0	1	0	0	1
Latvia	12	2	2	2	0	0	4
Luxembourg	3	0	0	0	0	0	0
Malta	5	0	0	0	0	0	0
Netherlands	16	0	0	0	0	0	0
Austria (*)	12	4	0	4	1	0	5
Poland	29	6	2	4	0	3	9
Portugal (*)	30	0	0	0	0	0	0
Romania	16	0	0	0	0	0	0
Slovenia	2	0	0	0	0	0	0
Slovakia	6	3	0	2	2	1	5
Finland (*)	13	2	0	2	0	0	2
Sweden	23	4	3	2	0	2	7
Total	420	51	16	40	6	10	72

(*) There was more than one payment in 2025.

Source: ECA.

Annex 11.3 – Follow-up to previous recommendations

Level of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Level of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2022	Recommendation 1(a): Cover in its preliminary assessments and <i>ex post</i> audits compliance with the eligibility period and the principle of non-substitution of recurring national budgetary expenditure.			The Commission's preliminary assessments and <i>ex post</i> audits include some checks on compliance with the eligibility period, but not on substitution of recurring national expenditure. However, the criterion used by the Commission to assess the start of a measure is the start of physical works as opposed to the signing of the first legal commitment.
	Recommendation 1(b): Revise its <i>ex post</i> audit procedures so that they provide for checks to verify whether the audited targets previously assessed as fulfilled were not reversed after the payment.			The Commission updated the <i>ex post</i> audit strategy to include checks on reversal.
	Recommendation 2: Based on experience acquired during the RRF implementation, verify that the reviewed plans clearly define all milestones and targets and that all key elements of a measure are covered by milestones and targets.			In our 2025 audit we found six cases of vaguely defined milestones/targets that increase the risk of discretionary assessment of their satisfactory fulfilment (see paragraph 11.53). We also found seven cases of reforms or investments where either not all elements were covered by milestones or targets, or the completion was not captured by a milestone or target (see paragraph 11.51).

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2023	Recommendation 1: Apply stricter criteria for assessing compliance with the eligibility period.			Not accepted and not implemented.
	Recommendation 2: Define specific criteria for assessing substitution of recurring national budgetary expenditure.			Annex III to the 2024 RRF annual report provides the criteria used by the Commission to assess substitution of recurring national budgetary expenditure.
	Recommendation 3: Address remaining weaknesses in member state control systems.			The number of open recommendations related to critical or very important findings has decreased, from 136 in 2025 to 25 in 2026 (see paragraph 11.26). However, we reported that some member states have persistent weaknesses in their control systems, such as the systems ensuring compliance with EU and national rules (see paragraphs 11.32-11.37).
	Recommendation 4: Provide assurance on the effective functioning of member state control systems.			Not accepted and not implemented.
2024	Recommendation 1: Extend the coverage of checks performed during preliminary assessments.			In our 2025 audit, we found 40 cases where the Commission had carried out limited checks (see paragraph 11.22).
	Recommendation 2: Address delays in member states' implementation of Commission audit recommendations.			Although the total number of open and very important recommendations has decreased, 64 % of the open recommendations related to critical and very important findings concerning the member states' control systems have missed their deadline (see paragraph 11.26).

Source: ECA.

Chapter 12

**Follow-up of the recommendations made in our
special reports from 2022**

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Introduction

Brief description

12.1. Every year, we review the extent to which our auditees have taken action in response to our recommendations 3 years after we made them. This follow-up is an important step in the audit cycle. It provides feedback on whether our auditees have implemented the actions we recommended and whether the issues we raised have been addressed. It is also important in designing and planning our future audit work and for keeping track of risks.

Scope and approach

12.2. This year, we analysed recommendations from all 28 special reports we published in 2022. We followed up a total of 226 recommendations, of which 194 (86 %) were addressed to the European Commission. The remaining 32 (14 %) were addressed to the European Parliament, the Council of the European Union, the Court of Justice of the European Union, the European Centre for Disease Prevention and Control, the European Securities and Markets Authority, the European Union Agency for Cybersecurity, and the European Union Intellectual Property Office.

12.3. We used documentary reviews and interviews with auditees to carry out our follow-up work. To ensure a fair and balanced review, we sent our findings to the auditees and took account of their replies in our final analysis. To avoid repetition, recommendations are listed under the auditee to which they were mainly addressed. The results of our work reflect the situation as at the end of April 2026.

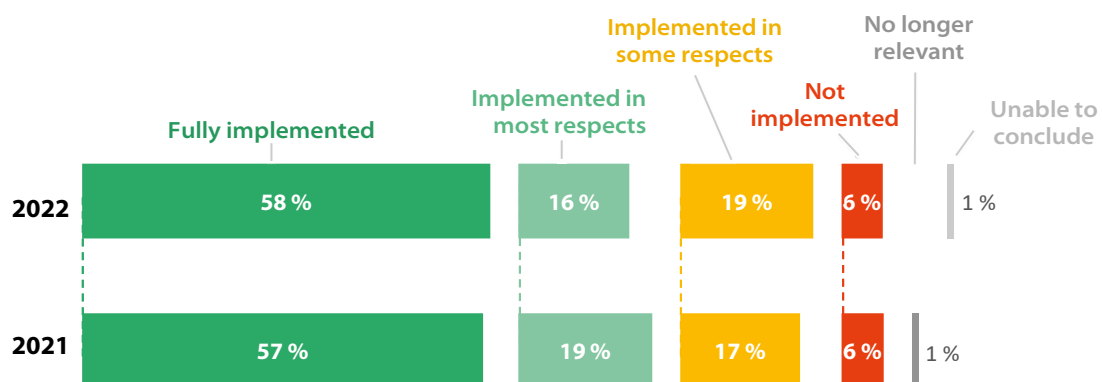
Observations

The proportion of recommendations implemented in full or in most respects remained broadly constant

12.4. Four of the 226 recommendations we followed up were not yet due for implementation at the time of our follow-up review. Of the remaining 222 recommendations, our auditees fully or mostly implemented 165 (74 %, as shown in [Figure 12.1](#)). This proportion remained broadly constant compared with the previous year's corresponding figure (76 %).

12.5. The proportion of recommendations not implemented remained stable at 6 %. When our auditees did not implement our recommendations, in around one third of cases it was because they had not accepted them. For two cases (1 %), we were unable to draw conclusions because the circumstances described in the recommendations had not yet occurred¹. [Annex 12.1](#) shows the implementation status of the recommendations addressed to the Commission, whereas [Annex 12.2](#) focuses on the recommendations addressed to other auditees. The annexes also provide brief descriptions of the improvements and the remaining weaknesses.

Figure 12.1 – Implementation of our 2022 and 2021 special report recommendations by our auditees



Source: ECA.

¹ See [Annex 12.1](#) for information on recommendations 1(a) and 2(b) from [special report 25/2022](#).

Of the recommendations addressed to the European Commission, 74 % were implemented in full or in most respects

12.6. Of the 194 recommendations addressed to the Commission in 2022, four were not yet due for implementation by the time of our follow-up. Of the remaining 190 recommendations, the Commission fully implemented 110 (58 %) – we provide an example in [Box 12.1](#) – and implemented a further 30 (16 %) in most respects. Compared with the previous year, the total proportion of recommendations fully or mostly implemented decreased from 77 % to 74 %.

Box 12.1

An example of a recommendation fully implemented by the Commission

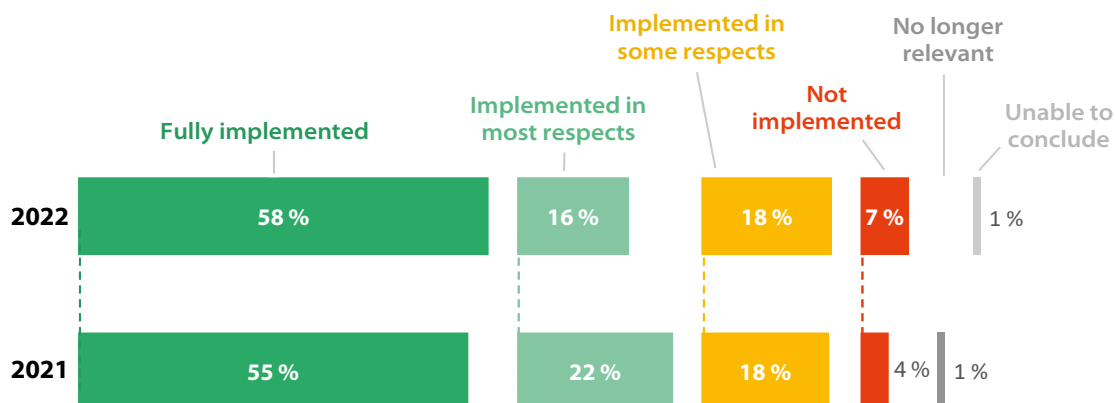
In [special report 01/2022](#) on EU support for the rule of law in the Western Balkans, we recommended that the Commission assist civil society and independent media organisations in this region to enable them to develop tailor-made tools to monitor how corruption evolves. This recommendation was accepted by the Commission, which then supported regional initiatives to fight corruption, for example through the contract “Integrity Watch in the Western Balkans and Turkey: civil society combating corruption with political integrity data”. This support will help watchdogs from state authorities, civil society and the media to prevent and detect political corruption risks using open data.



Source: © Proxima Studio, stock.adobe.com.

12.7. In addition, the Commission implemented 35 (18 %) recommendations in some respects, and did not implement 13 (7 %) at all ([Figure 12.2](#)). Compared with the previous year, the proportion of recommendations not implemented increased from 4 % to 7 %.

Figure 12.2 – Implementation of our 2022 and 2021 special report recommendations addressed to the Commission



Source: ECA.

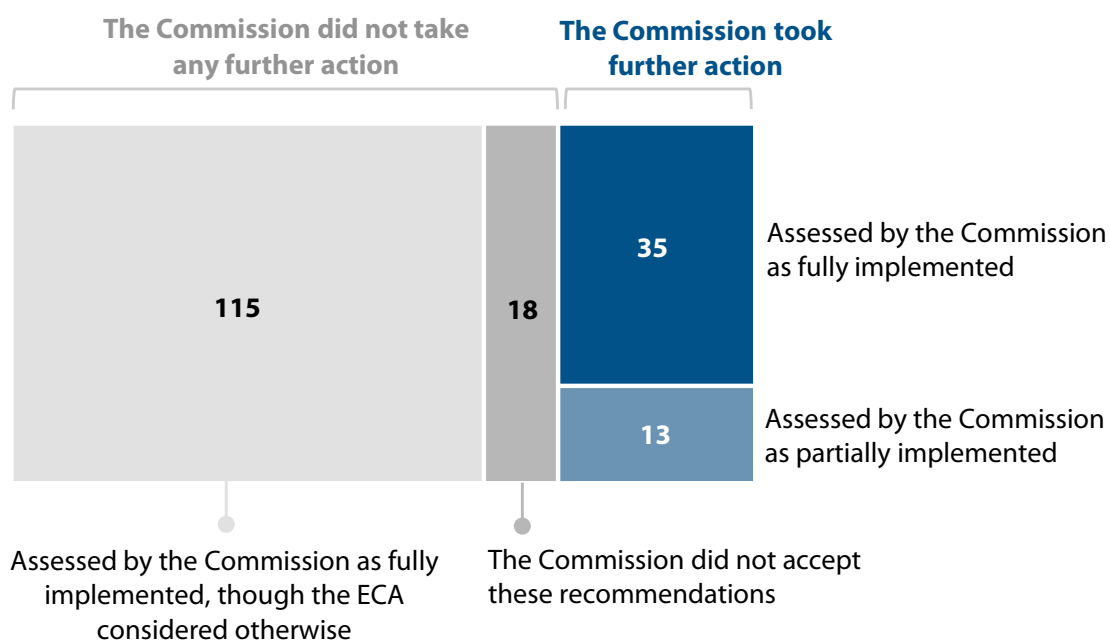
12.8. We measure the level of implementation against what we recommended, whereas the Commission measures it against what it accepted. As a result, the Commission sometimes differs from us in its assessment of whether and to what extent recommendations have been implemented. If the Commission considers that a recommendation has been fully implemented, it usually stops following it up, even if our assessment of the level of implementation differs. We continue to monitor outstanding recommendations from our previous two follow-up exercises (relating to our 2020 and 2021 special reports) by analysing Commission data, meaning we did not examine them in detail.

12.9. Consequently, we looked at 89 recommendations from our 2020 special reports and 92 recommendations from our 2021 special reports, which we had assessed as outstanding in our follow-up exercises from 2023 and 2024². The Commission database showed that, for 133 of those 181 recommendations, the Commission did not take any further action ([Figure 12.3](#)). The Commission, in its replies to the special reports, had not accepted 18 of those 133 recommendations. It

² [2023 annual report](#), paragraphs 3.73-3.76; [2024 annual report](#), paragraphs 12.10-12.12.

considered that the remaining 115 recommendations had been fully implemented by the time of the last 2 years' follow-up exercises, though our assessment differed.

Figure 12.3 – Follow-up of 2020 and 2021 special report recommendations not fully implemented by the Commission during our two previous years' follow-up exercises



Source: ECA.

12.10. The Commission took further action for the remaining 48 recommendations that had not been implemented in full. The Commission considered that it had since finished implementing 35 of those 48 recommendations.

Of the recommendations addressed to other auditees, 78 % were implemented in full or in most respects

12.11. Special reports [04/2022](#), [05/2022](#), [06/2022](#), [13/2022](#) and [18/2022](#) contained a total of 32 recommendations addressed to auditees other than the European Commission (paragraph [12.2](#)).

12.12. These auditees fully implemented 20 (62 %) recommendations (we provide one example in [Box 12.2](#)), implemented a further 5 (16 %) in most respects, and implemented 7 (22 %) in some respects.

Box 12.2

An example of a recommendation fully implemented by other auditees

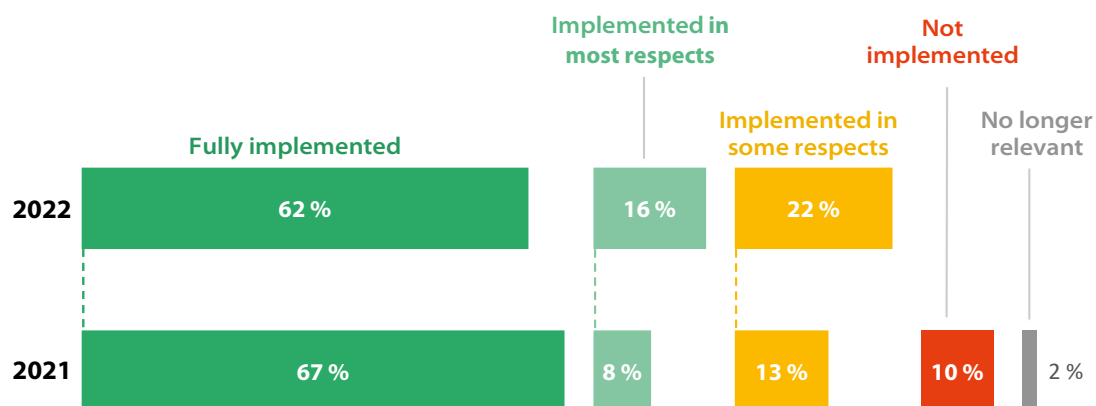
In [special report 18/2022](#) on the EU institutions' response to COVID-19, we recommended that the European Parliament, the Council of the European Union, the Commission and the Court of Justice of the European Union advance the rollout of paperless workflows and extend the use of electronic signature. This recommendation was accepted by all institutions, leading to a significant increase in the use of qualified electronic signatures within [EU Sign](#). The European Parliament does not use EU Sign, but a high volume of advanced electronic signatures has been used since 2022 and the introduction of qualified electronic signatures in 2023 will further enhance digital procedures.



Source: © WrightStudio, stock.adobe.com.

12.13. Compared with the previous year, the total proportion of recommendations fully or mostly implemented increased from 75 % to 78 %, while the total proportion of recommendations implemented in some respects or not implemented slightly decreased from 23 % to 22 % ([Figure 12.4](#)).

Figure 12.4 – Implementation of our 2022 and 2021 special report recommendations addressed to auditees other than the Commission



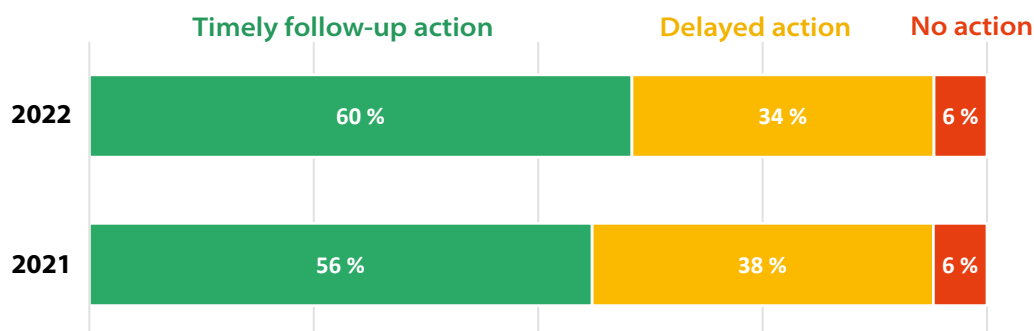
Source: ECA.

The proportion of recommendations implemented on time slightly increased

12.14. Time frames for the implementation of recommendations are discussed and agreed with the auditee and specified in our special reports.

12.15. Compared with the previous year, the proportion of recommendations implemented on time increased from 56 % to 60 %, while the proportion of recommendations for which action was delayed decreased from 38 % to 34 % ([Figure 12.5](#)).

Figure 12.5 – Timeliness of actions taken by auditees to address our 2022 and 2021 special report recommendations



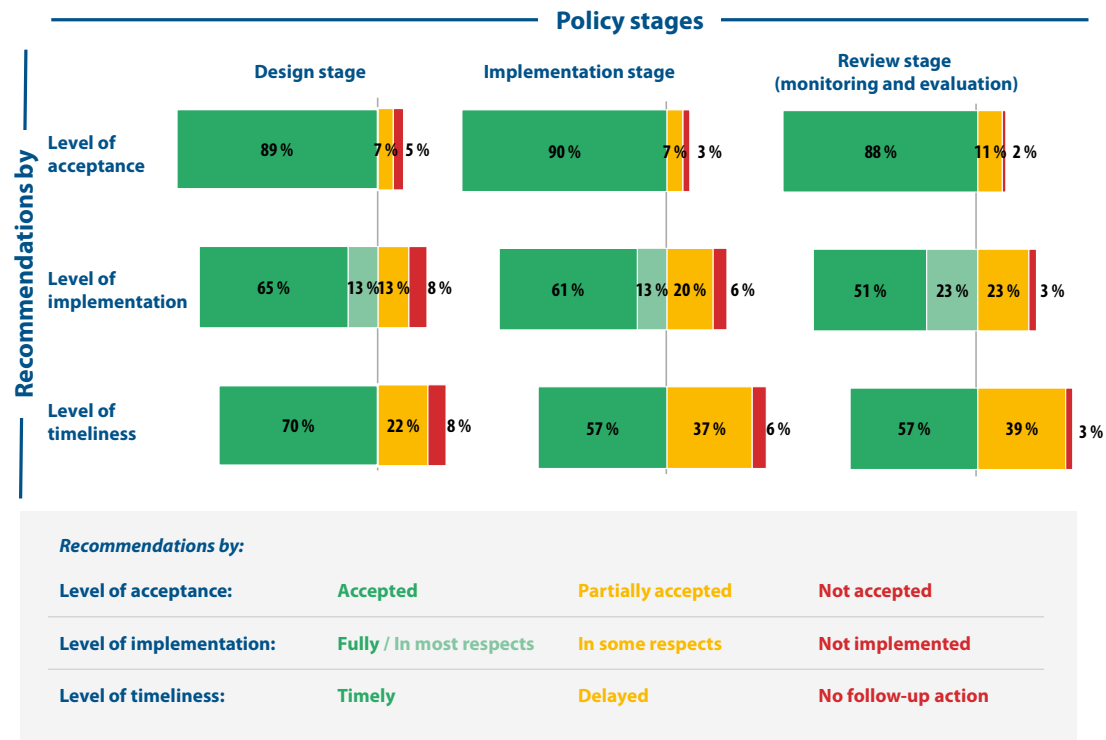
Source: ECA.

Recommendations related to the design stage of policies or programmes show the highest level of implementation and timeliness

12.16. We classified our 2022 special report recommendations according to the stage in the policy cycle on which they focus: design stage, implementation stage or review stage (monitoring and evaluation). This classification enabled us to analyse whether there were differences between the three policy stages regarding the level of acceptance, the level of implementation, and the timeliness of corrective actions taken in response to our recommendations.

12.17. As regards policy stages, roughly half of our recommendations address weaknesses in the implementation stage (45 %), one quarter in the design stage (27 %), and another quarter in the review stage (28 %). The level of acceptance was fairly consistent across policy stages (ranging from 95 % to 98 %). The share of recommendations fully or mostly implemented was the highest in the design stage (78 %). The timeliness of actions taken by auditees to address our recommendations was markedly lower in the implementation and review stages (57 % each) than in the design stage (70 %). Detailed results of our analysis are presented in [Figure 12.6](#).

Figure 12.6 – Level of acceptance, implementation and timeliness by stage in the policy cycle



Note: Figures are presented without fractional digits to improve readability which can lead to rounding differences.

Source: ECA.

Conclusion

12.18. We conclude that 74 % of the recommendations published in our 2022 special reports were implemented in full or in most respects (76 % last year). The proportion of recommendations implemented on time increased from 56 % last year to 60 % this year. Approximately half of our recommendations relate to the implementation stage of policies or programmes (45 %). The highest levels of implementation (78 %) and timeliness (70 %) concern recommendations addressing the design stage of policies or programmes.

Annexes

Annex 12.1 – Follow-up of 2022 special report recommendations – European Commission

Degree of acceptance:  accepted;  partially accepted;  not accepted.

Degree of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Degree of timeliness:  timely;  delayed;  deadline still pending;  no follow-up action;  no assessment of timeliness.

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
SR 01/2022: “EU support for the rule of law in the Western Balkans – Despite efforts, fundamental problems persist”	1	72				
	2(a)	75				
	2(b)	75			The Commission is supporting civil society organisations (CSOs) and media organisations via the EU Civil Society Facility and Media Programme for the Western Balkans and Türkiye. Total funds allocated to the facility have increased significantly, from €48.1 million per year in the 2014-2020 period, to €70.18 million per year in the 2021-2027 period. The Commission issued the Guidelines for EU Support to Civil Society in the Enlargement Region (2021-2027) , with the aim of assisting EU staff in designing and implementing EU support to civil society. An assessment of these guidelines is carried out every year. Despite the increased financial support, the evidence provided does not demonstrate that this	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					support is long-term financial support for CSOs and independent media organisations in a way that is not exclusively based on project funding.	
	2(c)	75	✓			
	2(d)	75	✓			
	3	77	✓			
	4(a)	80	✓			
	4(b)	80	✓			
	4(c)	80	✓			
SR 02/2022: “Energy efficiency in enterprises – Some energy savings but weaknesses in planning and project selection”	1(a)	125	✗		There is still no systematic assessment of the potential contribution of EU funds to energy efficiency in enterprises at the programming stage, nor is there a structured link between cohesion policy allocations and the financing needs identified in the national energy and climate plans. As a result, programming decisions continue to rely primarily on member states’ own justifications, without an EU-level assessment of whether the scale and design of planned energy-efficiency investments in enterprises adequately address identified needs.	
	1(b)	125	✓			
	2	134	✓			

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
SR 03/2022: “5G roll-out in the EU – delays in deployment of networks with security issues remaining unresolved”	1(a)	83			The Commission has taken initial steps, but there is still no common EU-wide definition of the expected quality of service of 5G networks covering aspects such as minimum speed or maximum latency thresholds.	
	1(b)	83				
	1(c)	83				
	2(a)	91				
	2(b)	91				
	2(c)	91			The Commission, together with the member states, has assessed for which aspects of 5G networks security there is a need to specify enforceable requirements. At the beginning of 2026, the Commission proposed a revised Cybersecurity Act that sets out a mechanism to address strategic risks in information and communication technologies (ICT) supply chains. The Commission intends to publish implementing acts specifying enforceable requirements; however, those implementing acts are still pending.	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	3(a)	93	✓		The Commission regularly monitored and reported on member states' adopted or proposed legal frameworks for granting time to mobile network operators to replace equipment from high-risk suppliers. The <i>impact assessment</i> of the revised Cybersecurity Act analysed the financial costs of replacing 5G equipment from high-risk suppliers. There is a lack of information because not all member states have taken action regarding all relevant issues, and there is no specific information on how to treat mobile network operators' costs for replacing 5G equipment purchased from high-risk vendors.	
	3(b)	93	✓			
SR 04/2022: “Investment funds – EU actions have not yet created a true single market benefiting investors”	1(a)	129	✗		The Commission carried out a targeted consultation to gather stakeholder feedback on barriers to financial market integration across the EU. On 4 December 2025, the Commission presented the Savings and Investments Union (SIU) package, partially revising the Alternative Investment Fund Managers Directive and the Undertakings for Collective Investment in Transferable Securities Directive, offering improvements notably in the areas of cross-border distribution and supervisory <i>convergence</i> . The recent compromise on the Retail Investment Strategy was underpinned by three further impact assessments. The targeted consultation addresses specific barriers to cross-border activity stemming from the regulatory framework, which is not fully harmonised. Structural drivers – such as demand, distribution networks, and supervisory systems – were either not taken into account or only partially considered. The SIU package contributes only partially to achieving the objectives of a single market for investment funds more effectively, because it does	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					not tackle structural drivers of domicile concentration such as supervisory systems or fund servicing clusters. In addition, many <i>provisions</i> are still based on directives rather than regulations.	
	1(b)	129	✓	✗	The Commission did not improve the set of indicators for measuring the <i>performance</i> of investment funds in the 2025 Management Plan of the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA). The only new indicator in the plan does not provide added value for assessing whether the Commission's regulatory framework has achieved its intended objectives in the investment fund sector.	✗
	2(a)	132	✓	✓		⌚
	3(a)	134	✓	✓	The Commission's proposal for the Retail Investment Strategy improved cost information and transparency. It aimed to limit inducements and stressed the already existing "best interest of the client" principle. Inducements have been banned for payments for order flow (PFOF), which is mainly relevant for companies that just carry out orders (execution only). Advisory brokers can continue selling high-fee products. In its proposal, the Commission also suggested banning inducements in certain channels and imposing stronger best-interest obligations, while the co-legislators introduced a new inducement test in the provisional agreement on the strategy, allowing inducements to remain if justified (tangible benefit).	⌚
	5(a)	138	✓	✓		⌚
	5(b)	138	✓	✓		⌚

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
SR 05/2022: “Cybersecurity of EU institutions, bodies and agencies – Level of preparedness overall not commensurate with the threats”	1(a)	98	✓			
	1(b)	98	✓			
	1(c)	98	✓			
	1(d)	98	✓			
	1(e)	98	✓			
	1(f)	98	✓			
	1(g)	98	✓			
	2(a)	99	✓			
	2(b)	99	✓			
	2(c)	99	✓			
SR 06/2022: “EU intellectual property rights – Protection not fully waterproof”	1(a)	96	✓			
	1(b)	96	✓		The Commission extended the scope of the rights associated with registered designs to include counterfeit goods passing through the EU or under customs procedures. However, it did not introduce an intervention threshold for customs enforcement of intellectual property rights (IPR) nor did it enlarge the definition of small consignments as recommended.	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	2	97	✓	✗	The Commission did not provide any evidence of having assessed – in the context of its evaluation under Article 210 of Regulation (EU) 2017/1001 – the governance arrangements and the lack of clear methodology for determining fees.	✗
	4	100	✓	✓		⌚
	5(a)	101	✓	✓	The Commission launched several studies, working groups and evaluations to implement the recommendation. The <i>results</i> will inform future legislation. However, the draft proposal for a control strategy based on IPR risk management is still pending.	⌚
	5(b)	101	✓	✓		⌚
	5(c)	101	✓	✗	The Commission launched a study for the standardisation of the related reporting activities, but the report is not available yet and the Commission has not initiated the legislative procedure.	✗
SR 07/2022: “SME internationalisation instruments – A large number of support actions but not fully coherent or coordinated”	1(a)	90	✓	✓		⌚
	1(b)	90	✓	✓		⌚
	1(c)	90	✓	✓		⌚
	1(d)	90	✓	✓		⌚
	2(a)	90	✓	✓		⌚
	2(b)	90	✓	✓		⌚

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	2(c)	90	✓			
	2(d)	90	✓			
	3(a)	90	✓		Key performance indicators (KPIs) have been established for projects under the Startup Europe initiative . However, the lack of coherent KPI reporting practices and long-term monitoring makes it difficult to assess start-ups at project level, as well as the overall <i>effectiveness</i> and sustainability of the Startup Europe initiative.	
	3(b)	90	✓			
	3(c)	90	✓		Criteria measuring start-ups' contribution to growth and job creation in the EU have been implemented in the calls as selection criteria. However, criteria that measure the extent to which a proposed start-up would benefit from participating in the funded project – specifically in terms of fully developing its potential and competitiveness – are currently missing.	
	1(a)	80	✓			
	1(b)	80	✓			
	1(c)	80	✓			

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
SR 08/2022: “ERDF support for SME competitiveness – Design weaknesses decrease effectiveness of funding”	2(a)	80			The Commission has not accepted this recommendation. It has not invited member states to review <i>European Regional Development Fund</i> (ERDF) selection procedures – particularly for <i>grant</i> financing – with the aim of selecting projects through a non-competitive process only when duly justified, nor has it supported member states in doing so.	
	2(b)	80				
	3(a)	80				
	3(b)	80				
SR 09/2022: “Climate spending in the 2014-2020 EU budget – Not as high as reported”	1	58			In January 2026, the Commission published a study on budget tracking of the common agricultural policy’s contribution to climate change . Even though the study indicates a 24 % overestimation in the current climate tracking methodology compared to the methodology developed in the context of the study, the Commission decided not to make any adjustments.	
	2(a)	60			The Commission neither accepted nor implemented the recommendation to identify and report on EU spending with a potentially negative <i>impact</i> on climate.	
	2(b)	60				
	2(c)	60				

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	3	63			In its 2023 and 2024 <i>annual management and performance reports</i> (AMPRs), the Commission reported figures for indicators on energy efficiency savings, avoided emissions, and installed renewable energy capacity. However, the common agricultural policy, a major element of EU climate spending, is not considered in any of the figures reported in the AMPRs. The negative climate effects of EU spending are not considered either.	
SR 10/2022: “LEADER and community-led local development facilitates local engagement but additional benefits still not sufficiently demonstrated”	1(a)	84				
	1(b)	84				
	1(c)	84				
	1(d)	84				
	1(e)	84			In 2023, the Commission published an evaluation support study of the costs and benefits of the implementation of LEADER . LEADER is an approach in which local communities are involved in the design and delivery of strategies and allocation of resources for the development of rural areas. However, although it was agreed at the scoping stage of the evaluation that the extent to which LEADER funds financed the statutory tasks of EU, national, regional or local bodies would be assessed, this was not done in a systematic or quantitative manner because sufficiently detailed and comparable data was limited.	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	2	84			The Commission has launched two evaluations: one for cohesion policy, and one for the <i>European Maritime and Fisheries Fund</i> (EMFF). Based on the available evidence (e.g. publication of the cohesion policy evaluation and terms of reference, and the Fisheries and Aquaculture Monitoring, Evaluation and Local Support Network (FAMENET) publications for the EMFF evaluation), the evaluations cover only some of the aspects detailed in points (a) to (e) of recommendation 1. The EMFF evaluation is still to be published.	
SR 11/2022: “Protecting the EU budget – Better use of blacklisting needed”	1	90				
	2(1)	93				
	2(2)	93			The Commission has made progress in improving corporate oversight of the Early Detection and Exclusion System (EDES) by establishing monitoring mechanisms for information from the European Anti-Fraud Office (OLAF) and the European Public Prosecutor’s Office (EPPO) and formalising central checks through the amended internal rules. The integration of oversight into the internal rules represents a significant improvement as it embeds accountability and consistency in exclusion-related decisions. The establishment of monitoring systems for both OLAF and EPPO recommendations ensures a more systematic and evidence-based follow-up process. Despite these improvements, significant weaknesses remain. Most notably, the Commission has not demonstrated any corporate-level monitoring of any of the key data sources specifically mentioned in the recommendation, including Irregularities Management System (IMS) records, final audit results, competition decisions, and implementing	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					partner notifications. While the Commission explained that the use of these sources falls primarily under the responsibility of the <i>authorising officers</i> , in line with the decentralised management of the EU budget, it has not demonstrated how their use is overseen at corporate level to ensure consistent identification of potential EDES cases across services. These gaps limit the Commission's ability to identify potential exclusion cases properly and represent a fundamental shortcoming in the implementation of recommendation 2(2). In addition, although the EPPO monitoring framework was recently established and initial exercises were carried out in 2025, its effectiveness in practice has not yet been demonstrated.	
	2(3)	93			The requirement to verify the EDES database at multiple procurement stages and the built-in warnings in the ABAC accounting system (and later in SUMMA) reflect a systematic approach to mitigating the risks of contractual arrangements with excluded entities. The reference to detailed internal guidance documents demonstrates the institutionalisation of these checks. Although these safeguards are now embedded in the updated guidance and the new SUMMA system, the Commission has not introduced substantial new <i>ex post</i> verification checks beyond those already in place at the time of our audit. While the Commission has developed a web service intended to facilitate access to the EDES database by external systems, this functionality is not operational in practice. In addition, enhanced analytical checks and effective interconnections with other corporate tools have not yet materialised.	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	2(4)	93			The Commission has developed guidelines supporting the operation of the EDES and provided clearer support to authorising officers, particularly in relation to OLAF-related procedures. The 2024 guidance on the use of OLAF reports aims to ensure a consistent and transparent handling of EU-level information by authorising officers. Collectively, these actions enhance the overall governance and accountability of the system and constitute meaningful progress in the area covered by the recommendation. Despite these achievements, the scope of the formal guidance remains mostly limited to OLAF-related procedures within the EDES. For the remaining EU-level data sources (such as IMS records, EPPO cases, audit findings, competition cases, or implementing partner notifications), the Commission relies on pre-existing ad hoc arrangements that have not been standardised into a coherent framework. Consequently, the recommendation's objective of ensuring comprehensive, standard procedures for EU-level data sources has not yet been fully achieved.	
	2(5)	93			The Commission has made progress in institutionalising awareness of the EDES. The launch of the annual EDES workshop and the EDES Experts Platform marks a transition from ad hoc awareness initiatives to a more structured, sustainable, and collaborative approach for those involved internally. While substantial progress has been made within the Commission, no awareness-raising activities have been documented for implementing partners under indirect management and such activities have been limited for member-state authorities. As these groups manage significant parts of the EU budget, their complete or partial exclusion from awareness-raising efforts	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					represents a fundamental weakness in the implementation of the recommendation.	
	3	95	✓		By updating the management declaration model and <i>contribution agreement</i> templates, the Commission strengthened the formal framework, ensuring that partners are reminded of their obligation to report cases of <i>fraud</i> , irregularities, and exclusion situations. The Commission relies on partners' administrative autonomy and has not complemented this approach with monitoring or verification activities to ensure that partners comply with their obligation to report exclusion situations.	
	4	96	✓		The Commission's proposal for the revision of the <i>Financial Regulation</i> addressed the recommendation by extending EDES to <i>shared management</i> and to funds implemented under direct management with member states. However, the final scope of the adopted Financial Regulation as regards this matter is more limited due to compromises with co-legislators during the legislative process.	
	5(1)	97	✓			
	5(2)	97	✓			
	5(3)	97	✓		Regulation 2024/2509 requires all entities implementing the EU budget to feed the data-mining and risk-scoring tool with relevant data, strengthening the Commission's capacity to identify risks and protect the EU budget. It also provides for the new tool to introduce modern IT architecture leveraging <i>interoperability</i> and artificial intelligence, modernising financial management and oversight	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					mechanisms across the EU. The Commission has not yet finalised the development of the common data-mining and risk-scoring tool. Furthermore, as the tool will be used on a voluntary basis, its effectiveness might be limited until the proposed review in 2027 assesses the potential for enforcing mandatory application. Full interoperability with national systems is expected by 2028.	
	5(4)	97	✓		The Commission has taken steps to promote corporate-level coordination on data sharing, including regular working group meetings and targeted events such as the 2025 <i>Arachne</i> workshop. These initiatives have raised awareness of Arachne and provided a forum for directorates-general (DGs) to exchange information on data-related needs and developments. Despite these efforts, the core data-mining and risk-scoring tool, which underpins corporate-level data availability and sharing, has not yet reached full maturity in terms of advanced functionalities and interoperability. Consequently, DG uptake remains uneven, and data sharing is not yet systematic or complete. These limitations are fundamental, as they arise from the broader challenges identified under recommendation 5(3), affecting the Commission's overall ability to ensure comprehensive data availability and sharing at corporate level.	
	5(5)	97	✓		The Financial Regulation (recast) provides a legal framework that reinforces the Commission's efforts to improve data accessibility, integration, and risk-scoring mechanisms across EU-funded programmes. The continued development of Arachne, which now has additional features and indicators, demonstrates a clear commitment to modernising data-driven financial oversight. While the Financial	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					Regulation (recast) establishes a framework supporting the use of digital, accessible, and interoperable data, the Commission has not yet developed a comprehensive strategy to ensure that national and EU data on EU counterparties is standardised and interoperable as recommended. The framework does not yet include specific mechanisms or governance arrangements to coordinate data harmonisation across member states. As a result, the interoperability objective remains partly dependent on the extent to which member states align their national systems and share relevant data in a compatible format.	
SR 12/2022: “Durability in rural development – Most projects remain operational for the period required, but there are opportunities to achieve longer lasting results”	1	69	✓			
	2(a)	69	✓			
	2(b)	69	✓			
	3(a)	70	✓		The Commission surveyed member states to identify relevant sources of information on the continued operation of EU-funded projects. However, the Commission’s action failed to identify relevant sources of information on this matter after the end of the legal durability period. No member state provided indications of such sources.	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	3(b)	70	✓	✗	The implementation of recommendation 3(a) (i.e. identification of relevant sources of information on the continued operation of EU-funded projects) is a precondition for the implementation of recommendation 3(b) (i.e. using this information to draw up a list of risk factors). Since recommendation 3(a) has been implemented only in some respects, the Commission could not draw up a list of risk factors based on examples of projects which are less durable.	✗
SR 13/2022: “Free movement in the EU during the COVID-19 pandemic – Limited scrutiny of internal border controls, and uncoordinated actions by Member States”	1(a)	80	✓	✓		✓
	1(b)	80	✓	✓		✓
	1(c)	80	✓	✓		✓
	1(d)	80	✓	✓		✓
	1(e)	80	✗	✗	The Commission has not accepted this recommendation, nor has it developed a clear approach for strengthening the assessment of compliance and applying sanctions.	✗
	2	82	✓	✓		✓
	3(a)	83	✓	✓		✓
	3(b)	83	✓	✓		✓
	1(a)	112	✓	✓		✓
	1(b)	112	✓	✓		✓

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
SR 14/2022: “The Commission’s response to fraud in the Common Agricultural Policy – Time to dig deeper”	1(c)	112	✓			
	2(a)	112	✓			
	2(b)	112	✓			
	2(c)	112	✓		The Commission has organised various exchanges with member states on the topic of artificial intelligence and machine learning, though these discussions occurred in a general context (i.e. not specific to the <i>common agricultural policy</i> (CAP)). In the specific context of the CAP, the Commission has initiated a horizontal fraud risk assessment covering, among other things, the use of artificial intelligence and other advanced tools at the level of <i>paying agencies</i> . The Commission has yet to finalise and disseminate the horizontal fraud risk assessment. The Commission’s anti-fraud work programme for 2024 included <i>technical assistance</i> funding to support the purchase of artificial intelligence systems and data-mining tools by national or regional public authorities. However, we have not found evidence of the technical assistance funds being used to finance projects within the CAP.	
	1(a)	90	✓			
	1(b)	90	✓			
	2	92	✓			
	3	94	✓		The Commission adopted a notice on synergies between ERDF programmes and <i>Horizon Europe</i> that promotes an integrated	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
SR 15/2022 : “Measures to widen participation in <i>Horizon 2020</i> were well designed but sustainable change will mostly depend on efforts by national authorities”					approach and strengthens synergies between Horizon Europe and the ERDF to increase the impact of research and innovation funding. With regard to complementary funding for Teaming for Excellence projects, the notice on synergies clarifies that Teaming projects’ co-funding is exempt from notifying <i>state aid</i> to the Commission. It also introduces a single evaluation of the project proposal that covers both parts of the project (i.e. the Horizon Europe part and the part relating to the chosen complementary funding source, such as a cohesion policy programme). The notice on synergies does not provide details on how the single evaluations should be carried out in practice nor clarify responsibilities. Furthermore, it does not specify how the national resources can be assigned to the Widening Participation and Spreading Excellence projects. Other documents referred to by the Commission – such as the new template for the declaration of complementary funding for 2025 Teaming projects, the document on the state of play of Teaming projects, and the new templates for implementation reports – are concerned with monitoring and ensuring adherence to commitments; they do not primarily aim to encourage <i>managing authorities</i> to follow a simplified grant approval process as recommended.	
	4(a)	96				
	4(b)	96				
	4(c)	96			By regularly updating project results on the Horizon Results Platform and ensuring they are publicly accessible, the Commission has enhanced the visibility of projects on EU platforms. <i>Beneficiaries</i>	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					supported by the widerAdvance Facility are encouraged to make their results publicly available through such tools. The widerAdvance Facility project started in January 2025, so it is too early to assess its overall impact on the visibility of projects. In our special report, we concluded that information on the results of Widening projects was not adequately updated in the Community Research and Development Information Service (CORDIS) database and that it was only partially reliable. The Commission has not provided information on any changes since then.	
	5(a)	99	✓	✗	We recommended that the Commission set specific objectives and appropriate KPIs at measure level to monitor the Widening measures and their impacts effectively. We take note that the Commission has updated the Teaming implementation report templates and identified better KPIs. However, it did not provide evidence of having set objectives and monitored their achievement at measure level, i.e. how much the Teaming and ERA Chair measures have increased the performance of research and technological development in countries taking part in Widening projects.	✗

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	5(b)	99	✓		To address this recommendation, the Commission has only introduced one measure: a Teaming survey, which received feedback from 25 % of the Teaming projects. The survey revealed that “only 38 % of Teaming for Excellence projects believe they have achieved long-term sustainability” and that “funding and financial stability are the primary barriers to long-term sustainability, as reported by 50 % of respondents”. The Commission has not developed a systematic approach to collect <i>ex post</i> information on Teaming projects after the end of the funding period, which is necessary to assess their mid- to long-term impact.	
SR 16/2022: “Data in the Common Agricultural Policy – Unrealised potential of big data for policy evaluations”	1	87	✓			
	2(a)	87	✓			
	2(b)	87	✓			
	2(c)	87	✓			
SR 17/2022: “External consultants at the European Commission – Scope for reform”	1(a)	87	✓			
	1(b)	87	✓			
	1(c)	87	✓			
	2(a)	89	✓			

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	2(b)	89	✓			
	2(c)	89	✓			
	2(d)	89	✓			
	3(a)	90	✓			
	3(b)	90	✓			
	3(c)	90	✓			
	4	91	✓			
SR 18/2022: “EU institutions and COVID-19 – Responded rapidly, challenges still ahead to make the best of the crisis-led innovation and flexibility”	1	96	✓			
	2(a)	99	✓			
	2(b)	99	✓			
	3(a)	101	✓			
	3(b)	101	✓			
	3(c)	101	✓			
	3(d)	101	✓			
	1	78	✓			

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
SR 19/2022: “EU COVID-19 vaccine procurement – Sufficient doses secured after initial challenges, but performance of the process not sufficiently assessed”	2(a)	81			The production of crisis procurement guidelines has involved elements of a risk assessment. However, the Commission has not yet carried out a risk assessment of the EU’s procurement approach or proposed appropriate measures to address the weaknesses identified.	
	2(b)	81			The Commission has signed the single framework contract needed for the performance of the stress tests and simulation exercises. The Commission has not yet run exercises to test all parts of its updated pandemic procurement framework, including information and intelligence gathering, to identify weaknesses and areas for improvement.	
SR 20/2022: “EU action to combat illegal fishing – Control systems in place but weakened by uneven checks and sanctions by Member States”	1(a)	98				
	1(b)	98			The Commission revised the risk criteria and reporting obligations introduced under Commission Regulation (EC) No 1010/2009 on illegal, unreported and unregulated fishing by adopting Commission Implementing Regulation (EU) 2025/1522 . This should ensure the uniform use of risk criteria by member states and enable the Commission to monitor whether checks and verifications are aligned with these revised criteria. The Commission will be able to monitor whether member states’ checks and verifications have focused on the revised risk criteria only after it receives their first biennial reports in 2028, which will cover the 2026-2027 period.	
	1(c)	98			The Commission published a report on the application of Council Regulation (EC) No 1005/2008 based on its analysis of the 2018-2021 reports submitted by the member states, and launched an	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					<i>infringement procedure</i> against one of them. The Commission has not yet finalised the analysis of member states' reports on illegal, unreported and unregulated fishing for the 2022-2023 period. Only once that is done will it be able to take appropriate action and remedy shortcomings.	
	2(a)	103	✓			
	2(b)	103	✓			
	2(c)	103	✓			
	2(d)	103	✓			
SR 21/2022: “The Commission’s assessment of national recovery and resilience plans – Overall appropriate but implementation risks remain”	1(a)	113	✓		The updated guidance for <i>REPowerEU</i> in 2023 and the guidance update of 2024 introduce additional criteria for assessing modifications of the <i>national recovery and resilience plans</i> (NRRPs), with the aim of standardising the approach in all countries. In this sense, these guidelines establish a common set of assessment criteria for all NRRP revisions. The 2024 updated internal guideline include Annex IIA and Annex IIB, which can be considered a checklist for the qualitative assessment of NRRP revisions, and which must be completed. We consider this an important improvement. For modified plans, the structure of the Commission’s <i>staff working document</i> accompanying the Commission’s proposal to amend the <i>Council implementing decision</i> presents the outcome of the Commission’s assessments, following the structure of the assessment criteria set out in Annexes IIA and IIB. In terms of the completion of Annexes IIA or IIB for modified plans, we observed differences in the	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					level of quality and completeness. In some cases, the reasoned justification for the assessments is insufficient and/or the underlying evidence is missing.	
	1(b)	113	✓	✗	The Commission has not changed or improved the way it documents the assessment of NRRP revisions or the retrieval process of supporting documents. As a result, the same difficulties for tracing and quickly retrieving key documents persist.	✗
	2	114	✓	✓		✓
	3(a)	116	✓	✓		✓
	3(b)	116	✓	⏸	Overall, the reports produced by member states for the European Semester cycle provide sufficient <i>input</i> for the Commission to track the implementation of <i>Recovery and Resilience Facility</i> (RRF) measures and their relevance to certain specific sub-country-specific recommendations (CSRs). However, the different approaches and the discretion that the country teams have do not guarantee that all country reports provide a clear and complete list of which RRF measures have contributed to the progress of CSR implementation. Furthermore, the reports do not show the extent to which these measures have played a key role in the progress made towards the implementation of CSRs in each member state.	⏸
	4(a)	117	✓	✓		✓
	4(b)	117	✓	✓		✓

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	5(a)	119	✓			
	5(b)	119	✓		The Commission tried to address this recommendation during the approval process for NRRP revisions and clarified a number of vaguely defined or incomplete <i>milestones</i> and <i>targets</i> . In our <i>compliance</i> and performance audits, we continue to find measures with sets of milestones and targets that do not fully cover key stages of the implementation phase, or all the essential elements of a measure, especially regarding its completion. Additionally, we have identified cases where the Commission applied diverging practices across member states for milestones and targets of similar types of measures.	
	6(a)	121	✓			
	6(b)	121	✓			
SR 22/2022: “EU support to coal regions – Limited focus on socio-economic and energy transition”	2	63	✓		Regulation (EU) 2024/1787 on the reduction of methane emissions in the energy sector has been adopted. In line with its provisions, an expert group has been formed, which agreed that there will be a discussion on good practices for measuring and managing methane emissions from closed or abandoned coal mines. It is unclear when the expert group will actually meet to share examples of good practices.	
	1(a)	80	✓			
	1(b)	80	✓			

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
SR 23/2022: “Synergies between Horizon 2020 and European Structural and Investment Funds – Not yet used to full potential”	2(a)	83				
	2(b)	83			By launching the European Innovation Council (EIC) Seal of Excellence dashboard and creating the new ERA Forum subgroup “Access to Excellence” – Research and Innovation and Cohesion Managing Authorities Network (RIMA), the Commission provided examples of the tools it uses to monitor existing synergies and identify and promote examples of good practice. Nevertheless, the newly developed module of the EIC Seal of Excellence dashboard and the CORTEX mining tool only guarantee a partial coverage of funds and synergies. The EIC Seal of Excellence dashboard only covers alternative funding synergies, whereas CORTEX remains limited to EU funds under <i>direct management</i> . The work on <i>eGrants</i> carried out by the Commission was a one-off exercise, and there is no evidence that its results have been used to promote examples of good practice to member-state authorities.	
	3(a)	89				
	3(b)	89				
	3(c)	89			The Commission funded the widerAdvance Facility project under the call “Dissemination and Exploitation Support Facility (HORIZON-WIDERA-2023-ACCESS-05)”. It also adopted the Horizon Europe strategic plan for 2025-2027. These are two examples of actions taken by the Commission that are a good start but only partially address recommendation 3(c). It should be noted that the widerAdvance Facility project only started in January 2025, making it too early for us	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					to assess the project's overall impact. Furthermore, the project's geographic scope is limited to Widening countries and, although these countries typically receive substantial structural funds, most Horizon beneficiaries (i.e. the primary targets of our recommendation) are based in non-Widening countries. In addition, the Horizon Europe strategic plan for 2025-2027 currently exist only as a plan and has yet to lead to any concrete actions. Moreover, while the Horizon Results Platform may serve as an information source for (potential) ERDF beneficiaries, it remains unclear how this platform would provide Horizon Europe beneficiaries with information on ERDF funding opportunities, which was the main point of our recommendation.	
	4	90	✓			
SR 24/2022: “e-Government actions targeting businesses – Commission’s actions implemented, but availability of e-services still varies across the EU”	1(a)	93	✓			
	1(b)	93	✓			
	1(c)	93	✓			
	2	97	✓		The Commission has made some progress by adopting the Interoperable Europe Act, putting in place a governance framework and deploying a single access portal that mainly targets policy officers, relevant public service officials, data engineers, IT specialists, and business architects, and that provides access to a series of facilities and instruments (e.g. training, conferences, dashboards, open-source software). The Commission has continued to foster collaboration and the exchange of good practices between member	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					states in different ways (e.g. expert groups, platforms, workshops, seminars). However, the Commission has not issued a comprehensive strategy to promote the available e-Government services among key end users (businesses or citizens) at EU level and to coordinate the services with the actions taken nationally by member states. No dedicated surveys have been conducted among end users to assess their level of awareness. Furthermore, the national Digital Decade strategic roadmaps have not consistently included similar dissemination measures for implementation by the member states.	
SR 25/2022 : “Verification of <i>Gross National Income</i> for financing the EU budget – Risks in data compilation well covered overall, but scope for increased prioritisation of actions”	1(a)	106	✓		We recommended that, when many transversal issues need to be addressed, Eurostat should prioritise those likely to have a very high impact in most member states. However, due to the low number of issues (three) identified by Eurostat for the 2025-2029 verification cycle, there was no need for prioritisation as all of them will be addressed. We were therefore unable to assess the recommended prioritisation of work.	↻
	1(b)	106	✓			
	1(c)	106	✓			
	1(d)	106	✓			
	2(a)	107	✓			

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	2(b)	107			We recommended that Eurostat should, where a decision has to be made to limit the period of application for future <i>reservations</i> , carry out a sound cost-effectiveness analysis based on sufficient quantitative or qualitative information and the specific risk in each member state concerned. However, we cannot yet assess the level of implementation of this recommendation, as the decisions to limit the period of application of reservations were based on specific technical aspects and did not require a cost-effectiveness analysis.	
	3(a)	109				
	3(b)	109				
	3(c)	109				
SR 26/2022: “European statistics – Potential to further improve quality”	1	92			The Commission has not taken steps to ensure a more balanced representation of all users within the European Statistical Advisory Committee.	
	2(a)	93				
	2(b)	93				
	3(a)	98				
	3(b)	98				

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	4(a)	100	✗	✗	The Commission has neither accepted nor implemented the recommendation to assess the necessity and the added value of granting pre-release access.	✗
	4(b)	100	✓	✓		⌚
	5	103	✗	✗	The Commission has not accepted the recommendation and has not taken any action to assess the feasibility and appropriateness of extending the European Statistical Governance Advisory Board's current mandate to include deciding on all the key design elements of the peer review exercise.	✗
SR 27/2022: "EU support to cross-border cooperation with neighbouring countries – Valuable support, but implementation started very late and problems with coordination need to be addressed"	1(a)	91	✓	✓		⌚
	1(b)	91	✓	✓		⌚
	2	92	✓	✓		⌚
	3	95	✓	✓		⌚
	4	99	✓	✓		⌚
	5	101	✓	✓		⌚
	6	102	✓	✓		⌚

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
SR 28/2022: <i>“Support to mitigate Unemployment Risks in an Emergency (SURE)</i> – SURE financing contributed to preserving jobs during the COVID-19 crisis, but its full impact is not known”	1	70				

Source: ECA.

Annex 12.2 – Follow-up of 2022 special report recommendations – Other auditees

Degree of acceptance:  accepted;  partially accepted;  not accepted.

Degree of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Degree of timeliness:  timely;  delayed;  deadline still pending;  no follow-up action;  no assessment of timeliness.

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
European Securities and Markets Authority (ESMA)						
SR 04/2022: “Investment funds – EU actions have not yet created a true single market benefiting investors”	2(b)	132				
	2(c)	132			Regarding peer reviews, ESMA has mapped the observed practices of national competent authorities (NCAs) and compared them with expectations. Union strategic supervisory priorities (USSPs) and common supervisory actions (CSAs) may also provide insights into NCAs’ level of convergence. ESMA has started mapping NCAs’ practices and improvements at tool or topic level (e.g. peer reviews, case discussions, USSP stocktakes). There is no comprehensive plan on how and in which areas to map divergent practices across other tools and topics systematically. ESMA has not yet demonstrated that it has used its knowledge derived from activities other than peer reviews and USSPs to systematically map the level of convergence and follow-up on divergence. ESMA has not tailored its key performance indicators (KPIs) to assess NCAs’ divergent practices and overall convergence. Although ESMA has improved its KPIs to measure the evolution of supervisory risks, it still does not measure the level of convergence in its performance framework. Instead, this assessment is done on an ad hoc basis in the context of	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					USSPs in selected areas.	
	3(b)	134				
	3(c)	134			ESMA has actively promoted the creation of a cost comparison tool and has contributed to the legislative process. Further analysis clarified that legislative changes would be necessary for the tool to be developed. The idea has been included as part of the negotiating position on the Commission's Retail Investment Strategy. The tool still does not exist. The mandate for its development is in the hands of the co-legislators.	
	4	136			ESMA and the European Systemic Risk Board (ESRB) have made measurable progress towards building a coherent <i>stress testing</i> architecture across the investment fund sector. The annual stress testing cycle of the Money Market Fund has become an established practice. For Article 25 of the Alternative Investment Fund Managers Directive, a procedure for regular monitoring has been set up. The joint cross-sector fund stress test conducted by the International Monetary Fund and ESMA under the euro area Financial Sector Assessment Program (FSAP) has improved analytical depth. The ESRB's development of a top-down, cross-sector model is an important step towards a consistent EU-wide macroprudential framework. Despite the tangible progress, several fundamental weaknesses persist. There is no harmonised EU-wide framework defining which fund types require supervisory stress testing. Data fragmentation across sectors and limited data-sharing agreements continue to hinder the full implementation of system-wide models. These issues are part of the Commission's	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					consultation on a macroprudential framework for non-bank financial institutions. There is still uncertainty regarding the supervisory use of value-at-risk metrics for highly leveraged undertakings for collective investment in transferable securities. Furthermore, the incomplete publication of stress test results reduces transparency and limits market discipline.	
European Union Agency for Cybersecurity (ENISA)						
SR 05/2022: “Cybersecurity of EU institutions, bodies and agencies – Level of preparedness overall not commensurate with the threats”	3(a)	100	✓			
	3(b)	100	✓			
European Union Intellectual Property Office (EUIPO)						
SR 06/2022: “EU intellectual property rights – Protection not fully waterproof”	3(a)	99	✓			
	3(b)	99	✓			
	3(c)	99	✓			

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
European Centre for Disease Prevention and Control (ECDC)						
SR 13/2022: “Free movement in the EU during the COVID-19 pandemic – Limited scrutiny of internal border controls, and uncoordinated actions by Member States”	4	86				
European Parliament						
	1	96				
	2(a)	99				
	2(b)	99				
	3(a)	101				
	3(b)	101				

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
SR 18/2022: “EU institutions and COVID-19 – Responded rapidly, challenges still ahead to make the best of the crisis-led innovation and flexibility”	3(c)	101			The results of the new ways of working are reported in the annual environmental statements, focusing on environmental aspects like water consumption or office paper consumption. The impact of the new ways of working has not been quantified in monetary terms, which limits the ability to assess the financial consequences of the new ways of working.	
	3(d)	101				
Council of the European Union						
SR 18/2022: “EU institutions and COVID-19 – Responded rapidly, challenges still ahead to make the best of the crisis-led innovation and flexibility”	1	96			Regarding interinstitutional cooperation, the EU institutions updated the rules of procedure of the <i>Comité de préparation pour les questions statutaires</i> (the preparatory committee for matters concerning the Staff Regulations) to task this committee with ensuring cooperation among institutions in the event of a crisis. The business continuity plans include a new section on cooperation between EU institutions in the event of long-term disruptions, as well as on measures related to short-term disruptions. While the General Secretariat of the Council accepted the recommendation and replied that business continuity plans would be updated with respect to longer-term crises, the plans do not specify measures regarding long-term disruptions.	
	2(a)	99				

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
	2(b)	99	✓			
	3(a)	101	✓			
	3(b)	101	✓			
	3(c)	101	✓		The study conducted by the Council's Advisory Management Board in 2022 assessed the potential savings of different scenarios with varying levels of teleworking. The 2023 and 2024 corporate carbon footprint reports list home-work commuting (meaning staff's daily travel to and from the office) and mobility as sources of emissions. Teleworking emissions are included in these figures. The study conducted by the Advisory Management Board in 2022 is based on scenarios and not on actual data. In the two reports mentioned above, figures are neither broken down by type of consumption (e.g. heating, electricity, water or paper use) nor are they expressed in monetary terms. Therefore, the actual impact of the new ways of working has not been quantified in monetary terms, which limits the ability to assess the financial consequences of the new ways of working.	
	3(d)	101	✓		The study conducted by the Council's Advisory Management Board in 2022 assessed the potential CO ₂ emissions and reduction of the carbon footprint of different scenarios with varying levels of teleworking. The 2023 and 2024 corporate carbon footprint reports list home-work commuting (meaning staff's daily travel to and from the office) and mobility as sources of emissions. Teleworking emissions are included in these figures. Both reports also provide a	

Report number and title	No	SR para.	Degree of acceptance	ECA analysis of progress made in implementing recommendation		
				Degree of implementation	Remarks	Degree of timeliness
					figure for the additional consumption of gas and electricity related to employees teleworking from home. The study conducted by the Advisory Management Board in 2022 is based on scenarios and not on actual data. In the two reports mentioned above, teleworking emissions are only presented as a single figure representing the additional consumption of gas and electricity at employees' homes. No breakdown is provided by type of consumption (e.g. heating, water or paper use at the workplace), which would enable the assessment of the environmental impact of the new ways of working.	
Court of Justice of the European Union						
SR 18/2022: “EU institutions and COVID-19 – Responded rapidly, challenges still ahead to make the best of the crisis-led innovation and flexibility”	1	96	✓			
	2(a)	99	✓			
	2(b)	99	✓			
	3(a)	101	✓			
	3(b)	101	✓			
	3(c)	101	✓			
	3(d)	101	✓			

Source: ECA.

Appendix

Reporting

(pursuant to Article 92 (4) Regulation (EU) No 806/2014)

On any contingent liabilities arising as a result of the performance by the Commission and by the Council, of their tasks under this Regulation for the 2025 financial year

Introduction

Legal basis

01 Article 92(4) of the Single Resolution Mechanism (SRM) [Regulation](#) requires us to report on any contingent liabilities (whether for the Single Resolution Board (SRB), the Council, the Commission or otherwise) arising as a result of the performance by the SRB, the Council and the Commission of their tasks under this Regulation. This appendix covers the SRM contingent liabilities of the Commission and of the Council, and those of the SRB are covered in our annual report on EU agencies for the 2025 financial year. The SRM contingent liabilities of the Commission and of the Council are also covered by our opinion on the reliability of the consolidated accounts of the EU (see paragraph II of the ECA's statement of assurance to the European Parliament and the Council – independent auditor's report).

Contingent liabilities: definition and recognition criteria

02 A contingent liability is defined as follows:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the European Union; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of economic resources embodying economic benefits or service potential will be required to settle the obligation, or because the amount of the obligation cannot be measured with sufficient reliability.

03 To determine if a contingent liability needs to be disclosed or a provision recognised, the probability of an outflow of economic resources (in general, of cash) must be assessed. If a future outflow of resources is:

- probable, a provision needs to be recognised;
- possible, a contingent liability needs to be disclosed;
- remote, no disclosure is necessary.

Background information on contingent liabilities related to the Single Resolution Mechanism

04 In the context of the performance of their tasks under the [SRM Regulation](#), the SRB, the Council and the Commission can incur contingent liabilities linked to ongoing legal proceedings (before EU or national courts) in relation to:

- **their resolution and non-resolution decisions** – In its judgment of 18 June 2024 (case C-551/22 P), the Court of Justice found that only the Commission’s endorsement decisions can be challenged before the EU courts. Both a decision to apply or not to apply resolution tools can be challenged before a court.
- **the “no creditor worse off” principle** – to safeguard fundamental property rights, the [SRM Regulation](#) provides that no creditor must be left worse off under resolution than they would be under normal insolvency proceedings. Based on that principle, any creditors who would have received better treatment under normal insolvency proceedings must be compensated by the Single Resolution Fund. To assess the treatment of creditors and shareholders, a valuation of difference in treatment must be conducted.

Observations

Part I: Contingent liabilities of the Commission

05 *Table 1* shows the number of SRM-related legal proceedings potentially affecting the Commission as a result of the Commission's performance of its tasks under the *SRM Regulation* and the related contingent liabilities of €0, disclosed in the Commission's accounts, as well as the related provisions of €0, recognised in these accounts.

Table 1 – SRM-related legal proceedings potentially affecting the Commission and the related contingent liabilities and provisions

Cases related to	Number of cases before EU courts	Related contingent liabilities disclosed in the Commission's accounts (in million euros)	Related provisions recognised in the Commission's accounts (in million euros)
	(The numbers in brackets show the figures from our 2024 report)		
Resolution and non-resolution decisions	2 (6)	0 (0)	0 (0)
<i>Resolution of Banco Popular Español S.A. (BPE)</i>	<i>0 (4)</i>	<i>0 (0)</i>	<i>0 (0)</i>
<i>Resolution of Sberbank d.d. and Sberbank banka d.d. and non-resolution of Sberbank Europe AG</i>	<i>2 (2)</i>	<i>0 (0)</i>	<i>0 (0)</i>
"No creditor worse off" decisions	2 (2)	0 (not applicable)	0 (not applicable)
TOTAL	4 (8)	0 (0)	0 (0)

Source: The Commission's 2025 accounts and additional information provided by the Commission, as well as information from curia.europa.eu.

06 On 7 June 2017, the Commission endorsed the SRB's resolution decision regarding **Banco Popular Español S.A. (BPE)**. In mid-2026 none of the litigation cases

was still pending, while in mid-2025 there were four such cases¹ before EU courts affecting the Commission in this regard. For all these cases the General Court by the order of 21 July 2025 dismissed the actions as manifestly unfounded.

07 On 1 March 2022, the Commission endorsed the SRB’s resolution decision regarding **Sberbank banka d.d.** and **Sberbank d.d.** On the same day, the SRB adopted a non-resolution decision regarding **Sberbank Europe AG**. In our [2024 report](#) we stated that in mid-2025 there were two² pending cases before EU courts affecting the Commission in this regard. For these cases, the General Court dismissed the legal action brought by the applicants with its judgment on 26 November 2025. Subsequently, in February 2026 two appeals³ were filed against the General Court’s judgment of 26 November 2025 as regards cases T-523/22, and T-524/22 and remain pending in mid-2026.

08 Two applications⁴ regarding “no creditor worse off” decisions by the SRB regarding Sberbank banka d.d. and Sberbank d.d., were filed in March 2025 and remain pending mid-2026. The Commission is intervening to defend the legality of the SRM Regulation and of the SRB’s decisions.

09 The Commission considers the likelihood of an unfavourable outcome in these cases to be remote and therefore did not disclose any contingent liabilities nor recognised any provisions in this regard.

Part II: Contingent liabilities of the Council

10 [Table 2](#) shows the number of SRM-related legal proceedings potentially affecting the Council as a result of the Council’s performance of its tasks under the [SRM Regulation](#) and the related contingent liabilities of €0, disclosed in the Council’s accounts, as well as the related provisions of €0 recognised in these accounts.

¹ Cases [T-678/17](#), [T-600/17](#), [T-499/17](#) and [T-498/17](#).

² Cases [T-523/22](#) and [T-524/22](#).

³ Cases [C-61/26 P](#), and [C-62/26 P](#).

⁴ Cases [T-147/25](#) and [T-149/25](#).

Table 2 – SRM-related legal proceedings potentially affecting the Council and the related contingent liabilities and provisions

Cases related to	Number of cases before EU courts	Related contingent liabilities disclosed in the Council's accounts (in million euros)	Related provisions recognised in the Council's accounts (in million euros)
	(The numbers in brackets show the figures from our 2024 report)		
Resolution and non-resolution decisions	0 (0)	Not applicable	
"No creditor worse off" decisions	0 (0)	Not applicable	
TOTAL	0 (0)	0 (0)	0 (0)

Source: The Council's 2025 accounts and additional information provided by the Council, as well as information from curia.europa.eu.

11 The Council has not disclosed any contingent liabilities (or recognised any provisions) arising as a result of the performance of its tasks under the [SRM Regulation](#) because there are no pending cases before EU courts in which the Council is the defendant and from which contingent liabilities could arise.

**Institutions' replies to the annual
report on the implementation of the
EU budget for the 2025 financial year**

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REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, CHAPTER 1:

Statement of Assurance

I. THE COMMISSION'S REPLIES IN BRIEF

1. Reliability of the accounts

The Commission acknowledges the validity of the broad findings of the European Court of Auditors (ECA) on the reliability of the accounts, as outlined in Chapter 1. The Commission has already taken steps or is implementing changes to address many of those observations.

In the final accounts, the Commission has corrected all material errors identified in clearing letters addressed to Commissioners in respect of transactions and programmes implemented under their responsibility. This is the case, in particular, in respect of errors relating to multiannual programmes where the required legal commitments were not properly recorded in the provisional accounts, as well as correcting the errors in the final accounts. The Commission will introduce systematic controls to prevent the errors from recurring in the relevant programmes.

The Commission would like to underline that many of the observations made by the ECA on the basis of the SUMMA IT audit stem from the exceptional and transitional context in which SUMMA functioned during 2025. The fact that 2025 was a transitional year does not in any way detract from the pertinence of the ECA's observations, which the Commission is determined to address. However, the Commission would like to recall briefly that the implementation of a far-reaching change to its financial reporting system will inevitably necessitate adaptation.

The Commission, anticipating the challenges that would inevitably arise from such a far-reaching system transformation, implemented systematic and heightened controls to uphold the reliability of the first annual accounts on the basis of financial information reported through SUMMA.

During the first few months after SUMMA went live, there were a large number of errors and incidents reported as a large population of the Commission's and executive agencies' finance and accounting teams familiarised themselves with the new arrangements introduced by SUMMA. This situation placed heavy demands on end-user support and increased both response times and the need to help users implement workarounds.

Where initial experiences revealed the need for corrections to SUMMA configurations, surgical enhancements were quickly deployed by the SUMMA implementation team when possible. Documentation of process changes was also delayed in this demanding and dynamic context.

The transitional issues are gradually being overcome, with improvements being made through a steady roll-out of enhancements/upgrades to SUMMA during 2026. In line with the recommendation issued by the ECA, further actions will be taken during 2026 to improve data quality, enhance the SUMMA system and architecture, the supporting IT processes and business continuity.

2. Regularity of transactions

Amidst the many challenges the European Union are confronted with, the Commission continued to prioritise the best possible use of taxpayers' money, ensuring that the EU budget is spent responsibly

and correctly. Overall, the Commission strives to strike the right balance between a low level of error, fast payments, reasonable costs of controls and timely delivery on all its policy objectives.

As part of their control strategies the Commission and the Member States perform thousands of checks every year within the internal control framework to prevent, detect and correct errors and weaknesses in the management and control systems for implementing the EU budget. All the controls and audits carried out have given the Commission detailed and robust evidence of the differentiated risk level for EU budget expenditure and revenue. Therefore, the Commission considers that, in 2025, the EU budget was well protected overall. This is also confirmed by the internal auditor's overall conclusion.

The Commission takes note of the ECA's estimated level of error reported (3.8%) in expenditure, see [Section II.2 below](#). The Commission welcomes the ECA's assessment that, as in previous years, the level of error in revenue and administrative expenditure was not material.

The Commission's approach, as manager of the EU budget, is different from that followed by the ECA in its role of the external auditor.

As the EU's independent auditor, the ECA's mandate is to estimate a level of error affecting all EU expenditure, reported at one point in time on an annual basis and based on a statistical sample ([§1.22](#)).

The **Commission and the Member States** implement the budget in line with the principles of sound financial management of EU funds set out in the EU's Financial Regulation. To protect the financial interests of the Union, the Commission sets up management and control systems to prevent, detect, and correct irregularities and fraud. Reflecting the **multiannual nature** of programmes and actions funded by the EU budget, corrective actions may be taken one or more years after a risk for an irregularity or fraud materialised and was detected. Therefore, the Commission establishes error rates to quantify the risk at payment (and at closure) as one of the management tools to prevent irregular spending.

Since 2024, the Commission has presented its conclusion on the level of protection of the EU budget at the level of the headings of the multiannual financial framework (MFF). This is due to the shift to more performance-based delivery models in the 2023–2027 common agricultural policy (CAP) and since 2025, in the facilities for Ukraine, Western Balkans and Moldova, where the Commission can no longer determine a quantitative risk at payment (and at closure). For the **headings 'natural resources and environment' and 'neighbourhood and the world'** this has led to the use of a new indicator: the **share of expenditure that is considered low risk**. This indicator is based on the low-medium-high classification for performance-based expenditure. For **all the other MFF headings**, the **risks at payment and at closure** continue to be quantified. It should be noted that in 2025, for the first time since the start of the 2021–2027 programming period, payments related to that programming period were higher than payments related to the 2014–2020 period.

In 2025, for the MFF headings where a **quantitative risk at payment and at closure** are determined, the **risk at closure remained below the 2% materiality threshold for all headings**. For all MFF headings where a quantitative risk at payment is determined, the Commission determines a **risk at closure**, which measures the level of error remaining after all ex-post controls and corrections have been performed. This is in line with the **multiannual nature of the Commission's expenditure** and of its differentiated control strategies, whereby, together with the Member States in shared management, it makes substantial efforts to perform controls and to make corrections after the payments have taken place and until the end of the programming cycle. The Commission considers the risk at closure to be the most representative indicator of its own actions

and those taken by Member States. **The risk at payment remained below 2% except for 'cohesion, resilience and values' and 'single market, innovation and digital'.**

Differences persist between the ECA's estimated level of error and the Commission's risk at payment (§1.42). For instance, the ECA quantifies errors when the payment conditions are affected, regardless of whether a financial correction or recovery is applicable under the existing regulation or not (§1.43). For irregularities due to a weakness in its own procedures, the Commission does not apply recoveries; however, for serious procurement procedural errors, the error is quantified and is included in the risk at payment. This difference in how errors are quantified continues to have an impact for the heading 'cohesion, resilience and values', in addition to the specific features of the audit population in cohesion in 2025 – and therefore the ECA sample (§6.14 and §6.15). Finally, the Commission considers that further cooperation is needed with the ECA on interpreting applicable rules and methodological approaches, as the Commission still concluded differently in the assessment of some individual cases audited by the ECA.

For '**natural resources and environment**', the share of low-risk expenditure was 64%, which was in line with the range of between 50.6% and 77.6% for the years 2020-2024. For '**neighbourhood and the world**', the share of low-risk expenditure was 89.6%, which was also in line with the range of between 76.6% and 100% for the years 2020-2024.

II. THE COMMISSION'S REPLIES TO THE ECA'S MAIN OBSERVATIONS

1. Reliability of the accounts

The economic result of the year is negative, while the budget result is positive

The Commission notes the ECA's characterisation of the budgetary treatment of amounts borrowed under NextGenerationEU (NGEU), as 'unusual'. NGEU was an exceptional response to temporary but extreme circumstances, providing extraordinary and temporary additional means to address the consequences of the COVID-19 crisis pursuant to Article 5 of Decision (EU, Euratom) 2020/2053. NGEU was established because of the urgent need to address the crisis and its economic consequences, in full compliance with the TFEU rules allowing such extraordinary situations and crises to be addressed.

The difference between budget and economic results mentioned by the ECA in §1.6, is a normal consequence of the different conceptual principles underlying the budgetary and accrual accounts. Whereas in the budgetary accounts cash inflows and outflows balance each other in the budget year, in accrual accounting – and on the basis of internationally accepted accounting standards – the grant part (non-repayable under the Recovery and Resilience Facility) does not give any right to an asset, and hence increases negative net assets (i.e. liabilities not yet covered by the budget).

As the ECA notes, the legal basis requires amounts borrowed under NGEU that are channelled into NGEU grants and top-ups of EU programmes to be treated as external assigned revenue, which is counted over and above the annual budget. The accruals-based accounts fairly present the economic reality that amounts borrowed and disbursed as non-repayable support create negative net assets representing amounts to be funded by future budgets.

Observations relating to the 2025 consolidated annual accounts and the related internal control framework

The 2025 consolidated annual accounts are the first set of accounts prepared using SUMMA, and in such a large-scale project transitional issues may arise, as highlighted by the ECA in §1.11.

As the ECA points out in §1.12, the total legal commitment value for multiannual contracts was generally not available in SUMMA – either for contracts migrated from ABAC to SUMMA or for contracts newly created in SUMMA. As a result, the accrued expenditure recorded in the accounts in the year-end cut-off exercise had to be corrected for the final accounts. The Commission has identified the technical solution to rectify this missing information in SUMMA, and the solution is being implemented. The Commission is also working on raising awareness across the services (Directorates-General, offices and executive agencies) of the existing solution and issuing instructions on its correct use. The aim is to prevent this matter from recurring in the future.

The issue of the transfer of invoices from eGrants to SUMMA (§1.13) was detected by the Commission early enough in 2025, before the closure of the annual accounts for the 2025 financial year, thanks to the robustness of the Commission's internal control system. That allowed the services to be instructed in good time to reflect the amount of the missing invoices in the year-end cut-off exercise. In February 2026 an action plan had been agreed with DG RTD to solve the issue addressed in the ECA's observation, allowing the correct invoice amounts to be fed into SUMMA since May 2026.

The Commission acknowledges that there was an erroneous parameterisation (§1.14) of the SUMMA group reporting tool that resulted in an immaterial amount being shown as a third-party balance instead of as an intercompany balance. This parameterisation error was immediately corrected. Additional controls have been implemented to prevent similar issues from recurring.

With reference to the ECA's observation in §1.15 on the comprehensive validation of the Commission's local accounting systems, the Commission would like to underline that the Financial Regulation (FR) does not require the Accounting Officer to carry out a comprehensive validation of all local accounting systems.

In accordance with the FR, all existing local systems were validated when they were developed and implemented in ABAC, and the work carried out by the Commission has been positively assessed by the ECA over the past decade. As the introduction of SUMMA affected the manner in which financial information from local accounting systems is sent to the Commission's central accounting system (to SUMMA rather than to ABAC), the Accounting Officer took the necessary steps to obtain an appropriate level of assurance both before and after SUMMA went live.

To mitigate risks during the transition and ensure that local systems work properly, all Directorates-General responsible for such systems were required to perform substantive testing and submit the results to the Accounting Officer before the launch of SUMMA. This process formed an integral part of documenting the go-live decision, and all related testing documentation is available.

In addition, to further reduce risks, in 2025 the Accounting Officer's services carried out targeted reviews of the three main systems integrated with SUMMA (covering more than 90% of Commission payments in 2025), focusing specifically on the risks arising from the introduction of SUMMA. The Commission agrees that a comprehensive validation of all local accounting systems would be beneficial. However, the work performed – on the basis of a risk-based approach – was sufficient to mitigate the risks to the reliability of the accounts.

An increased number of errors is inevitable when transitioning to a new accounting system, as identified by the ECA in §1.16, due to the exceptional and transitory context in which SUMMA

functioned during 2025. In the very first year of using SUMMA, a large population of the services' financial and accounting teams had to familiarise themselves with SUMMA. At the same time, a large number of surgical enhancements had already been made by the SUMMA implementation team to address recurrent issues and make the system work better. The Commission will continue to address these issues, aiming to reduce the frequency of errors and eventually to eliminate them.

Observations from our IT audit work on SUMMA

As noted by the ECA in [§1.18](#), the Commission launched SUMMA at the beginning of 2025 with a focus on the core functionality, while minimising the risk of such large-scale deployment. Other non-essential functionalities were postponed and have been gradually released since 2025. This is a standard approach for the deployment of large-scale IT systems. The objective is to minimise operational risk and disruption of operations by reducing the scope as far as possible and focusing the first deployment on core features.

Since the SUMMA roll-out, the Commission has worked on further improving the system by introducing new elements to increase the efficiency of financial processes in the Commission. Workarounds necessary in the transitional period will gradually be phased out between now and 2027.

While controls in technical access management and IT change management will be improved. To limit the risks, mitigation measures, monitoring using dashboards, a release management process and the change control board as the operational governance body, have been put in place since 2025, before the 2025 annual accounts are closed. The approvals required a 'Four-eyes' principle with at least two different units involved, and no undue change deployment was found during the year. Weaknesses in incident resolution management found by the ECA ([§1.19](#)) were addressed by extensive end-user support with successful established channels for regular communication.

In this context, several support measures were put in place: all tickets were logged in a dedicated tool. A community of local SUMMA coordinators and SUMMA experts in the services was also created, giving them direct access to DG BUDG through dedicated channels, including moderated chatrooms and dedicated training courses. In addition, an extensive end-user support structure was established, with weekly reporting to senior management of DG BUDG. End-user support meetings were held at least once a week, with an open-door approach and DG BUDG experts on hand to support users. Finally, additional training sessions were organised for wider audiences on specific topics, such as year-end closure, but also any functionality where the user community had a wider interest in support. Comparing this phase to the standard incident management practices of a stable system does not take account of the reality of a complex situation and the mitigating factors implemented.

2. Regularity of transactions

Revenue

As regards the revenue side of the EU budget, the Commission welcomes that the ECA considers revenue free from material error and that the revenue managing systems were generally effective ([§1.24\(a\)](#)).

The Commission remains fully committed to addressing and resolving the remaining outstanding issues in the areas of VAT-based own resources and traditional own resources. In the first quarter of 2026, the Commission concluded the first inspection cycle for revenue from non-recycled plastic packaging waste and is following up the issues identified closely with Member States (see also [detailed reply to Chapter 4](#)).

Expenditure

The Commission notes the overall increase in the level of error estimated by the ECA for 2025 to 3.8% (**§1.24(b)**), from 3.6% for 2024. Overall, the level of error estimated by the ECA that is linked to rules, systems and implementing bodies of the current MFF spending is within the range of previous years (see **Figure 1.7 Estimated level of error (2021 and 2025)**).

In the area of **‘cohesion, resilience and values’**, (**§1.27**), the Commission notes that the error rate calculated by the ECA is based on an audit sample that reflects the specificities of an atypical and substantially smaller audit population than in previous years, as explained by the ECA in **Chapter 6 (§6.8–§6.15)**. This limits the possibility of making direct comparisons with the results reported over previous years.

In addition, the ECA reverted to its pre-2017 audit approach which involves selecting transactions directly from the full audit population (accounts submitted by Member States and accepted by the Commission) rather than exclusively auditing transactions audited previously by audit authorities. As a result, managing authorities (instead of audit authorities) became the main interlocutors on the audited transactions, but were not always able to provide in a timely manner all the audit evidence requested by the ECA (**§6.14**). The Commission considers that this may have influenced the error rate calculated by the ECA. The Commission will endeavour to raise awareness of managing authorities to the new approach as well as to the lessons learnt from this first exercise, so that they are better equipped to answer ECA auditors’ requests in future years.

This calculation of an overall error rate made by the ECA for annual cohesion payments differs from the Commission’s approach, which applies a programme-by-programme assessment. The Commission’s calculation is based on an aggregation of all programme-specific error rates reported by audit authorities, resulting from their audits of over 9.000 (parts of) operations as part of representative samples selected per programmes (or group of programmes). The aim of the “single audit approach”, applied by the Commission is to reduce the administrative burden and obtain reasonable assurance through thorough reviews of national audit results and opinions reported each year for all programmes, complemented with its own risk-based audits.

As every year, the Commission will duly follow up all errors reported by the ECA and will request corrective measures or financial corrections, as deemed necessary and legally feasible. The Commission will also recommend that the managing authorities concerned further improve management and control systems as necessary, in view of the implementation of the 2021-2027 period (see also **replies to Chapter 6**).

In the area of **‘natural resources and environment’** (**§1.30**), the Commission takes note of the ECA’s findings concerning the **‘land at disposal’ condition**, which is an important eligibility requirement for direct support. Its verification is systematically addressed in the Commission’s and certification bodies’ audits, given its importance for protecting the EU’s financial interests and ensuring that support is granted in accordance with the applicable rules. The Commission currently has ongoing conformity procedures addressing weaknesses in the control systems for land at disposal in the same Member States where errors were detected by the ECA. These conformity procedures have started before the ECA’s visits. Regarding the eco-schemes and agri-environment-climate commitments, the ECA’s assessment is in line with the Commission’s own assessment, which also identifies a higher risk of errors in these measures due to their complexity, diverse eligibility conditions and, for eco-schemes, their recent introduction under the 2023-2027 CAP. The Commission continues to support Member States through guidance, and sharing best practices and recommendations to help them design, control and implement these measures and eligibility conditions effectively, while following up identified risks through conformity procedures where necessary to protect the EU budget (see also **replies to Chapter 7**).

The Commission shares the ECA's view that the way funds are disbursed has an impact on the risk of error (§1.28), and in particular that the risk of error is lower for entitlement-based expenditure, for which beneficiaries must meet certain conditions (like Erasmus+ grants). However, most of the payments from the EU budget are **reimbursement-based payments** for which beneficiaries must demonstrate compliance with **eligibility rules** and, where relevant, public procurement or state aid rules. These payments are prone to error (§1.32-§1.35) since, to address programme objectives, applicable eligibility and reimbursement rules are often complex.

The Commission continues to promote the use of schemes which contribute to a simpler implementation of EU funding, thereby reducing the risk of error. This includes, among others, promoting simplified cost options and financing not linked to costs. As a result, simplified funding schemes are being used increasingly across various policy areas, including the utilisation of lump sums in **research and health initiatives**. For the **cohesion policy**, the Commission continued to promote the use of simplified cost options or financing not linked to cost in the 2021-2027 programmes. Furthermore, the shift as from 2026 towards more-performance-based models (CAP 2023-2027, facilities in external action or social climate fund) aligns with this trend towards streamlined funding approaches.

In the area of '**single market, innovation and digital**', the Commission acknowledges that **ineligible personnel costs** have remained the main source of errors, which is expected since these costs still account for the largest share of the total cost declared by beneficiaries under Horizon Europe. The Commission remains fully committed to further simplifying rules and procedures with the increased use of lump sums and unit costs to reduce both the administrative burden on beneficiaries and the risk of error. For other direct costs, as in the case of errors in personnel costs, the Commission continues to mitigate the risk of error by reaching out to beneficiaries through communication events and webinars, by providing guidance in the Horizon 2020 Annotated Model Grant Agreement and the Annotated Grant Agreement for Horizon Europe, and by encouraging the use of the Research Enquiry Service (see also [replies to Chapter 5](#)).

Furthermore, the Commission welcomes the ECA's more **differentiated** and **proportionate approach to quantifying public procurement errors** (§1.36), which is aligned with the one used by the Commission and Member States in shared management, particularly for cohesion where it has led to a significant decrease in the related errors reported by the ECA.

The Commission takes note that the ECA has also applied this methodology, since 2025, **to other MFF headings and all procurement and grant award procedures**. For some MFF headings, in particular in the European public administration ([Figure 1.14](#)), the new approach resulted in an increase in the error rate because of errors in transactions that were not considered quantifiable in the past (like procedural issues in building procurement procedures, see [replies to Chapter 10](#)). Hence, the ECA's general application of the new method leads to the quantification of procurement procedural errors that did not cause any loss to the EU budget.

The Commission's regularity information

The Commission's assessment of the level of risk in expenditure

The Commission bases its **assurance** on a bottom-up and tailored approach, i.e. by programme or other relevant segment of expenditure, since implementation is not uniform across programmes and Member States. The thousands of checks carried out every year by the Commission, and the Member States in shared management are used to determine the **risks at payment** and **risks at closure**, as well as the **share of expenditure considered low, medium and high risk**, which represent the Commission departments' best estimate of the risk of error.

The reliable, verified and evidence-based information thus obtained also allow the Commission to show that not all reimbursement-based payments are high risk and that the level of risks is not uniform and might differ within the same policy area and even within the same spending programme.

This enables the Commission to categorise relevant expenditure into three categories of risk:

- **lower risk:** expenditure with a risk at payment below 2%, or in the ‘low-risk’ category based on a qualitative assessment (expenditure under the 2023-2027 CAP and the facilities in external action), representing **58.6%** of the total EU budget expenditure in 2025 (54.7% in 2024);
- **medium risk:** expenditure with a risk at payment between 2% and 2.5%, or in the ‘medium-risk’ category, representing **25.2%** of the total expenditure (24.5% in 2024); and
- **higher risk:** expenditure with a risk at payment above 2.5%, or in the ‘high-risk’ category, representing **16.2%** of the total expenditure (20.8% in 2024).

The decrease in the share of higher-risk expenditure compared with 2024 is explained mostly: (i) by a decrease in the programmes with high risk expenditure for cohesion; be it for the 2014-2020 period where final accounts were submitted with many corrections done upfront by the Member States, or for the 2021-2027 period for which, at this stage, the level of errors remains lower compared with the previous programming period, and (ii) by a decrease in high-risk expenditure in agriculture.

The Commission’s performance-based assessments

The **Annual Management and Performance Report** presents the control results per heading and with no quantitative indicator for the Commission as a whole (§1.40). There is **no quantitative estimation of the risk at payment and at closure** for the heading ‘**natural resources and environment**’ since 2024 and, since 2025, for the heading ‘**neighbourhood and the world**’ due to the introduction of performance-based instruments (see AMPR 2025 Vol I p 22, Vol II, Annex 2, p 23&24).

The Commission's assessment for ‘cohesion, resilience and values’

In relation to the **cohesion policy**, the Commission takes note of the ECA’s assessment about the Commission’s error rate (§1.40 and Figure 1.15) and that **Member States’ management and control systems** are not always effective in preventing or detecting all irregularities (§1.47-§1.48). Based on all available audit results, including its own audits, the Commission has assessed and reported in its AARs that management and control systems function well for 85% of the 2014-2020 programmes and for 92% of the 2021-2027 programmes and, thanks to its targeted audit approach for each programme, has requested the necessary improvements for all programmes or part of programmes found to be affected by serious deficiencies. The Commission is confident that the cohesion policy’s multiannual corrective capacity will allow the risk at closure to be brought below the materiality threshold. After implementing all corrective measures, the Commission estimated in its AARs that the risk at closure at this stage is below 2% for all accounting years up to 2024, while further corrective actions continue to be applied as part of the legality and regularity assessment at closure, where deemed necessary.

Building on the ECA’s and its own findings and recommendations over the past years, at the end of 2024 the Commission agreed with the national audit and managing authorities on an action plan to further strengthen their detection capacity and address outstanding issues before the closure of the 2014-2020 programming period. Positive developments stemming from the action plan’s

implementation are regularly monitored and were reported in the AARs (for more details see the [replies to Chapter 6, Section II.2](#)).

The Commission has also reviewed its audit strategy to: (i) carry out more compliance audits to re-perform the work of the audit authorities earlier in the programming period, covering all main audit authorities at least once by the end of 2026; and (ii) preventively review the audit checklists used by audit authorities for 2021-2027. At the audit authorities' level, results are starting to materialise, since, for the first time, the error rate reported by audit authorities stands at 3.9% and 3.7% for DGs EMPL and REGIO funds respectively, demonstrating improved effectiveness.

The Commission nevertheless considers that further efforts are needed for the reliability and traceability of risk-based management verifications. It recently launched a call for tenders on administrative capacity building for the future cohesion policy to analyse the root causes of most common errors and implementation challenges and to translate them into capacity-building priorities.

The Commission has integrated all lessons learnt into the design of the post-2027 programming period, proposing an objective-based payment model and a simpler, more robust assurance model, ensuring that the Commission continues to have a strong supervisory role and that declared expenditure complies with applicable law.

The Commission continues to take actions to improve the effectiveness of *ex post* checks. It recalls however that, in order to remain cost-effective, controls need to be targeted, and risk-based, and the audit-approach needs to remain proportionate in line with the calls from programme authorities and beneficiaries for simplification and less audit-burden.

3. Report on suspected fraud

The Commission recalls that only a minority of irregularities or instances of non-compliance with the rules constitute fraud.

The Commission welcomes the ECA's assessment in Chapter 6 ([§1.55](#)), that recommendation 5.2 from the 2020 annual report (on tracking the risk of fraud in audit authorities' audits of operations), and recommendation 6.6 from the 2022 annual report (on enhancing fraud risk awareness on the part of managing authorities) have been fully implemented.

Regarding the special report on **EU bodies fighting fraud** ([§1.56](#)), the Commission welcomes the ECA's finding that the mandates of the respective EU anti-fraud actors are clearly established and do not overlap ([§3.25](#)) and acknowledges that the exchange of information and the Commission's oversight can be strengthened to ensure a more coherent anti-fraud architecture. The Commission has accepted the ECA's recommendations to this end, as detailed in the [replies to Chapter 3 \(Part 1, Results of the ECA's performance audits: key messages\)](#) and will continue to reflect on the corresponding follow-up actions.

The ECA Special Report 06/2026 acknowledges that the Commission has taken steps to improve the **RRF anti-fraud framework** ([§1.57](#)), and that the Commission's audits contributed to improvements in national anti-fraud systems. As regards the ECA's observations on fraud detection, reporting and correction, the Commission recalls that, under Article 22 of the RRF Regulation, Member States bear primary responsibility for preventing, detecting and correcting fraud, and that the RRF Regulation allows Member States to use their regular national budget management systems, which may naturally lead to a diversity of approaches. The Commission has already implemented the

accepted recommendations related to the RRF, updated its guidance¹, and published detailed instructions on the Member States' obligations after the end of the RRF, including reporting obligations for suspected fraud cases².

Therefore, the diversity of approaches in fraud reporting is a logical consequence of the RRF legal framework. Member States are best placed to determine the most effective and appropriate actions to prevent and detect fraud within their specific contexts and in line with the applicable national legal framework. However, if a Member State detects any specific irregularities, it must take action to correct them and inform the Commission accordingly, notably in the management declaration.

The Commission, for its part, verifies that the national systems function effectively and comply with the key requirements of the legal framework, monitors implementation, and takes corrective or recovery measures where necessary to safeguard the Union's budget.

As regards the **special report on the Commission's anti-fraud strategy (CAFS)**, the Commission maintains that the CAFS reflects an appropriate level of ambition and includes forward-looking anti-fraud actions. Nevertheless, the Commission will use the report to further strengthen the CAFS and the anti-fraud strategies adopted by the Commission services and executive agencies. The Commission underlines that its corporate fraud risk assessment is based on a comprehensive process involving robust and relevant information, supporting effective corporate oversight of fraud risks. This is ensured by combining different sources of information for the identification of corporate fraud risks. Finally, the Commission acknowledges the importance of common outcome indicators for results monitoring and will identify a relevant set of such indicators in the next Commission anti-fraud strategy.

III. THE COMMISSION'S REPLIES TO THE RECOMMENDATIONS

Recommendation 1.1 – Close functional gaps and strengthen SUMMA controls

Based on our IT audit work on SUMMA we recommend that the Commission:

- (a) identify remaining functional gaps, prioritise these based on their potential impact on the reliability of financial transactions, and close the high-priority ones;**
- (b) ensure that the temporary workarounds are effective, provide the controls necessary to prevent financial errors, are closely monitored and are accompanied by a plan for the timely completion of permanent solutions;**
- (c) prioritise and address the internal control deficiencies relating to the deployment and operation of SUMMA.**

¹ Guidance to Member States for the preparation of the summary of audits under the Recovery and Resilience Facility; Guidance on the assessment of the internal control systems set in place by Member States under the Recovery and Resilience

² Guidelines for Member States on operational aspects related to the final phase and closure of the Recovery and Resilience Facility

Target implementation date: end of 2026.

The Commission **accepts** recommendations 1.1(a), (b) and (c).

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, CHAPTER 2: Budgetary and financial management

I. THE COMMISSION'S REPLIES IN BRIEF

In 2025 the EU budget continued to play a vital role in helping the EU **deliver on its policy priorities**. Along with contributing to the strengthening of economic, social and territorial cohesion and supporting farmers and improving agricultural productivity, it also helped strengthening the EU's external borders and defence capabilities, addressed migration pressures and provided unwavering support to Ukraine, to name but a few priorities.

As the ECA has also pointed out (§2.25-§2.29), the **level of outstanding commitment** (RAL, 'reste à liquider') continued to decrease in 2025. More than half of the remaining RAL (excluding NextGenerationEU (NGEU) funds) is linked to cohesion policy, whereby the Commission supports Member States in boosting administrative capacity and clearing bottlenecks in investments. The Commission will **continue to monitor the implementation** of EU programmes and instruments, publishing information on annual budget implementation forecasts and a progress report on outstanding commitments.

Regarding the **NGEU RAL**, many Member States have revised their recovery and resilience plans (RRPs), reallocated funds to more advanced projects, adjusted milestones and targets and tackled implementation delays, while maintaining the plans' original ambitions. The **revisions** were **aimed at adapting to new circumstances** and at ensuring timely completion of RRF payments by the end of 2026.

In July 2025, the Commission presented its proposal for an ambitious, agile and forward-looking **2028-2034 multiannual financial framework (MFF)**. It builds on the strengths, fundamental principles and lessons learned from the current MFF, while making it simpler, more flexible and more impactful. The Commission is working closely with the Parliament and Council to reach an ambitious, balanced and timely agreement on the next MFF and sectoral programmes.

II. THE COMMISSION'S REPLIES TO THE ECA'S MAIN OBSERVATIONS

1. Budgetary management in 2025

EU budget implementation

The Commission emphasises that **NGEU appropriations** should be distinguished from the voted budget. Owing to the nature of NGEU credits (external assigned revenue that can be carried over), any comparison between commitment and payment appropriations consumption should be interpreted with caution.

Concerning **cohesion policy funds, consumption** of net amounts is published regularly on the Open Data Platform for the purposes of transparency and accurate financial monitoring.

The Commission notes that the ECA included all types of appropriations in the analysis (§2.2-§2.9). When analysing the final rates of the **implementation of the EU budget**, the Commission recalls that the Financial Regulation and some of the legal bases **provide for the possibility of carrying over** to the following year commitment and payment appropriations which were not implemented at year-end. This is especially common for the assigned revenue.

As the ECA also points out (§2.6), an amount of approximately EUR 1.9 billion of **commitment appropriations** was carried over. Taking these carryovers into account, **the implementation of the voted commitment budget reached 99.4%**. Around EUR 100 million of the non-implemented commitment appropriations lapsed at year-end, and only EUR 50 million of this stemmed from the Commission's section of the budget (EUR 13.8 million from the European globalisation adjustment fund, which was not mobilised; the remaining amount was due to the limited amounts left unused after finalisation of procurement or grant procedures).

Regarding **payment appropriations** (§2.7 and §2.8), the Commission would like to add that, owing to the carry-over of appropriations from 2025 to 2026, the rate of implementation reached 99.9% of the total available payments. EUR 111 million of the voted payment appropriations therefore remained unused at year-end, and only EUR 55.4 million stems from the Commission's section of the budget.

Budgetary implementation of shared management funds under the CPR 2021-2027

As regards the absorption rate (§2.13-§2.17, Figures 2.7-2.9), the Commission recalls that the 2021-2027 **programmes were adopted 7 months later** than those of the 2014-2020 programming period due to external factors. In addition, the RRF also had an impact on the start of the 2021-2027 cohesion policy because it diverted part of the cohesion investment pipeline and placed additional administrative pressure on implementing bodies, and because RRF investments were often prioritised due to the earlier implementation deadline.

As regards the **high level of payment claims** submitted at year-end, and which remained outstanding, it is a positive signal that, due to the increasing pace of project selection, programme implementation has clearly accelerated. The payment backlog at the end of 2025 was indeed the result of the **higher-than-expected level of implementation** and the massive concentration of payment applications submitted at the very end of the year. A record-high 32% of the total payment applications for all **cohesion policy** funds under the CPR (**around** EUR 14 billion) were submitted in the last two weeks of December 2025. These are typically claims that would be expected to be paid in the following year's budget.

One factor leading to such **late submission of payment claims** may be the provision under Article 91(1) of the Common Provisions Regulation (CPR) which limits the number of payment applications that may be submitted per programme on an annual basis. This may lead to the **deferral of payment applications** towards the end of each submission period, with an increasing concentration of payment claim submissions occurring in the final quarter of the year.

RRF grant and NGEU implementation

The Commission notes the ECA's observations about the **absorption of RRF grant payments (§2.19-§2.24)**. Following last year's Commission Communication¹ all Member States have revised their RRFs to facilitate their successful implementation by the end of 2026. The Commission is **working closely with the Member States** to achieve this objective and is taking all necessary measures to process the remaining RRF payments in 2026.

2. Financial management in 2025

The Commission notes the ECA's observation about the **increase in outstanding EU borrowing (§2.30-§2.47)**. This is consistent with the profile of **NextGenerationEU** in particular, for which **repayment will start in 2028**, and new programmes that provide loans financed via borrowing that have been adopted in recent years. As the ECA report stresses, maturities are structured over a long period of time to avoid large concentrations of maturing bonds in single years.

Concerning the remarks made by ECA in **§2.43**, including those on the absence of published information on the impact of specific events – such as the Middle Eastern conflict or the war in Ukraine – on **EU Recovery Instrument financing costs**, the Commission underlines that it continuously monitors budgetary impact of its market issuances – not only for a specific event, but also with regards to general market conditions. This is then translated into budgetary proposals and may result in amendments if any event would significantly impact the **forecast borrowing costs**. The Commission also highlights that there is a time lag between a market event and its translation into financing costs. Financing costs reflect market conditions at the time when the support was financed, and the Commission has implemented a **steady issuance strategy** that limits the idiosyncratic impact of a particular event on its average borrowing costs. The impact of the Middle Eastern conflict on the financing costs would therefore mainly be reflected in the next MFF and only partially in 2027.

The Commission underlines that the **level of expected NGEU borrowing costs** for the current MFF will depend on the actual NGEU disbursements until the end of the third quarter of 2026. As observed in past years, it is rather difficult to predict the amounts which will be disbursed by the end of the third quarter of the financial year. In addition, there is uncertainty surrounding the evolution of **interest rates**. The Commission **monitors the market closely** and adjusts its projections based on forward-looking metrics. It will **continue to provide regular updates** on disbursements and interest rate costs via its reporting on borrowing and lending operations².

The Commission furthermore notes the ECA's assessment of exposures guaranteed by the **EU budget headroom (§2.60-§2.65)** and recalls that it regularly assesses the **sustainability of contingent liabilities** covered by the headroom, and reports on this in an annual report in line with Article 256 of the Financial Regulation. When a new programme is introduced, the Commission further assesses the sustainability of the headroom including under adverse scenarios.

¹ Communication COM(2025) 310 final/2

² https://commission.europa.eu/strategy-and-policy/eu-budget/eu-borrower-investor-relations/analyses-and-reports_en#report

III. THE COMMISSION'S REPLIES TO THE RECOMMENDATIONS

Recommendation 2.1 – Reduce the risk of a payment backlog for cohesion policy funds

The Commission should take timely actions together with the member states to ensure an adequate planning and execution of payment needs, within the annual budget and in line with the MFF ceilings with a particular focus on cohesion policy funds. The aim should be to reduce any risk of backlogs due to insufficient payment appropriations in the annual budget, to limit the pressure on payment appropriations in future budgetary years.

Target implementation date: end of 2026.

The Commission **accepts** the recommendation and has already started implementing it.

While the submission of payment claims at the very end of the year is normal and expected, the surge in payment claims in the second half of December 2025 was much higher than usual. This higher-than-expected cohesion backlog at the end of 2025 put the 2026 budget under pressure. The Commission therefore already proposed a Draft Amending Budget on 9 June 2026 to reinforce the 2026 cohesion budget and ensure the timely reimbursement of payment applications submitted by the Member States. The Commission will continue to monitor the situation closely and to take action, if necessary, on the basis of the updated Member States' forecasts.

Recommendation 2.2 – Develop NGEU liability management and repayment strategy

The Commission should develop a liability management and repayment strategy for the debt associated with NGEU covering the repayment period up to 2058, taking into account macro and financial risks, including rollover, interest rate, liquidity and market risks. For the period covered by the current and upcoming MFFs, it should take into account the applicable budgetary constraints, including the annual ceiling for principal repayments and available payment appropriations. For non-repayable support, since the related financing costs will be borne by the EU budget, the Commission should set out the criteria and priorities for deciding how much of the maturing debt to roll over, with a view to containing financing costs while maintaining efficient market access and operational flexibility.

Target implementation date: end of 2027.

The Commission **accepts** the recommendation.

The Commission **agrees** with the importance of accounting for the repayment profiles of the different programmes when planning for new borrowings and confirms that this is already integrated at the level of its semi-annual funding plans. As regards debt associated with NGEU non-repayable support, the Commission's proposal for the 2028-2034 MFF includes provisions for a fixed annual amount of EUR 24 billion in current prices for the debt servicing of NGEU between 2028 and 2034 (including both the interest and the principal) within the ceilings of the MFF. This proposal reflects a steady and predictable reduction of liabilities and provides predictability for budgetary planning and for Member States contributions to the budget, taking interest rate risks into account. The Commission will continue to formulate its proposals for the repayment of debt

associated with non-repayable support taking these considerations into account. The budgetary authority shall decide on the amounts to be repaid. The terms of the repayment of debt related to loans under NGEU are set out in the respective loan agreements.

The Commission **agrees** with the importance of containing financing costs while maintaining efficient market access and operational flexibility. The legal framework currently in force provides the framework for the repayment of debt issued to finance NGEU. As regards the RRF loans, the agreed repayment schedule with the Member States concerned ensures that the loans will be repaid to the EU by 2058 at the latest. Debt corresponding to the NGEU non-repayable support is to be repaid through the EU budget in a steady and predictable manner with full repayment by the end of 2058, in line with the decisions of the budgetary authority. The amounts to be allocated to NGEU financing costs in the next MFF are currently under negotiation in the context of the above-mentioned Commission proposal for the next EU long-term budget for 2028-2034. The Commission stresses that the proposed approach would provide a natural hedge: if interest rates are higher in a given year than forecasted at the time of adoption of the MFF, the actual repayment in that year will be somewhat lower, thus requiring higher rollover, whereas if borrowing costs are lower than expected the actual repayment will increase.

The Commission will continue its half-yearly communication about its funding plans in a structured and transparent manner. Such communication ensures predictability for investors, thereby containing financing costs while maintaining efficient market access and operational flexibility, in line with the ECA's recommendation.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, CHAPTER 3: Getting results from the EU budget

PART 1 – RESULTS OF THE ECA'S PERFORMANCE AUDITS: KEY MESSAGES

The conclusions presented in Part 1 of Chapter 3 are derived from the European Court of Auditor's (ECA) special reports published in 2025. These special reports were subject to extensive clearing and adversarial procedures, in line with the requirements of the Financial Regulation. The detailed Commission replies reflecting the Commission's position on the special reports and the recommendations made therein have been published alongside the reports and are available to the public.

The Commission takes note of the ECA's summaries of the European Parliament and Council statements issued after the publication of the special reports in 2025, listed in Part 1 of Chapter 3.

The Commission underlines that the acceptance rate of the ECA's recommendations issued in 2025 as reflected in Part 1 ([§3.4](#)) is generally very high (94% either fully or partially accepted), illustrating the Commission's constructive approach towards addressing the issues identified by the ECA. Only 6% of the ECA's recommendations were not accepted by the Commission.

More specifically, the Commission would like to recall its position on certain special reports referred to by the ECA in Part 1 of Chapter 3.

Special report 11/2025: Transparency of EU funding granted to NGOs¹

Concerning recommendation 1, the Commission² agreed to explore whether this recent definition of non-governmental organisations (NGO) could be further clarified. At the same time, it highlighted the need not to increase the administrative burden on NGOs, or to limit their access to EU funds, since there is no indication that being an NGO presents a higher risk to the EU budget than to other types of entities. Also, having NGO status is generally not a prerequisite for receiving EU funding. In 2025, the Commission explored whether the current definition of an NGO – particularly the notion of 'independence from government' and whether an NGO may pursue its members' commercial interests – could be further clarified. It concluded that additional clarifications could be provided. Guidelines are now being finalised and will be released shortly.

Concerning recommendation 2, the Commission will explore the feasibility of incrementally increasing the frequency of updates in the Financial Transparency System. Moreover, in accordance with Articles 38 and 277(6) of the FR, the Commission will make information on recipients of EU funds under all management modes available in FTS for programmes adopted and financed from post-2027 multiannual frameworks.

In respect to recommendation 3, the Commission would like to highlight that no breaches of EU values have been demonstrated by the audit report. However, the Commission expressed openness

¹ See Commission replies to ECA [special report 11/2025: Transparency of EU funding granted to NGOs](#), COM-Replies-SR-2025-11_EN.pdf.

to exploring the feasibility of introducing further risk indicators to enhance checks on compliance with EU values, provided that this is technically possible and in line with the applicable rules.

Special report 12/2025: The EU's strategy for microchips³

The Commission acknowledges the ECA's assessment regarding the challenges of achieving the Digital Decade target of a 20% EU share of the global semiconductor market (§3.17). At the same time, the Chips Act has already delivered significant results by mobilising more than EUR 80 billion in announced investments and accelerating implementation across its three pillars. These investments are strengthening Europe's semiconductor ecosystem, increasing resilience and reinforcing the EU's competitive position in a highly dynamic global market.

In line with the ECA's second recommendation, building on the experience gained in implementing the Chips Act, and following extensive stakeholder consultations, supporting studies, evaluation work and impact assessment, on 3 June 2026 the Commission adopted a revised semiconductor strategy ('Chips Act 2.0'). That proposal responds to the evolving market and geopolitical context, takes stock of lessons learned, and aims to further strengthen the long-term competitiveness, resilience and technological leadership of the European semiconductor ecosystem.

Special report 9/2025: RRF control systems⁴

The ECA found that the Commission had not been able to provide sufficient assurance as to whether Member States had effective control systems to ensure that Recovery and Resilience Facility (RRF) spending complied with public procurement and state aid rules (§3.8). The Commission does not share the ECA's views about the existence of an assurance gap at EU level with respect to the Member States compliance with EU and national rules. The Commission considers that it has had since the start of the implementation of the Facility reasonable assurance on the respect of the obligation by Member States to regularly check compliance with public procurement and State aid rules.

The RRF Regulation clearly prescribes that the primary responsibility to ensure compliance with EU and national law, in particular with public procurement and State aid rules, lies with the Member States. The Commission performs audits to ensure that Member States meet their obligations. The Commission also recalls that the legality and regularity of RRF payments to the Member States is solely based on the satisfactory fulfilment of milestones and targets. From the very beginning, the Commission has considered whether Member States' control systems ensure compliance with national and EU law.

Following previous recommendations from the ECA, the Commission implemented all the accepted recommendations related to public procurement and State aid. The Commission has stepped up its audit work. In 2023 it updated its audit strategy to systematically verify, in all types of audits, whether Member States regularly check compliance with public procurement and State aid rules, including the effectiveness of such checks. On the basis of this extended audit work, the Commission has reasonable assurance that Member States are complying with their legal obligations to regularly check compliance with public procurement and State aid rules, including the effectiveness of such checks.

³ See Commission replies to ECA special report 12/2025: The EU's strategy for microchips | European Court of Auditors, COM-Replies-SR-2025-12_EN.pdf

⁴ See Commission's replies to ECA special report 09/2025: Systems for ensuring compliance of RRF spending with public procurement and state aid rules | European Court of Auditors, COM-Replies-SR-2025-09_EN.pdf

Special report 18/2025: EU budget flexibility⁵

Regarding recommendation 1, which asked the Commission to provide additional information to support the design of the flexibility framework for the future MFF, the Commission has already addressed this in the staff working document (SWD) accompanying the 2025 multiannual financial framework (MFF) proposal. Recommendation 2, proposing simplification of the flexibility framework for the next MFF, was fully implemented through the 2028-2034 MFF proposal in July 2025, ahead of the 2026 target date. Finally, as regards recommendation 3, the Commission has revised its internal procedure to show clearly and in a more structured way that, before using special instruments, it always examines the possibilities for reallocation and reprioritisation when new needs arise. At the same time, the Commission notes that reallocations often reflect changes in political priorities and therefore it may not always be possible to document redeployments, as they may involve policy choices and trade-offs decided at political level (for example, by the European Council).

Special report SR 26/2025: Cooperation of EU bodies fighting fraud⁶

The Commission welcomes the ECA's conclusion that the mandates of the respective EU anti-fraud actors are clearly established and do not overlap (§3.25). The Commission also acknowledges that several areas in the anti-fraud cycle can be strengthened to ensure a more coherent anti-fraud architecture. The Commission recognises that the procedures to support the consultation and exchange of information on fraud allegations between OLAF and EPPO are complex. It therefore welcomes recommendation 1 to establish an interoperable anti-fraud IT system for the efficient exchange of information on fraud allegations. Following recommendation 2, the Commission will analyse the variations in fraud reporting by Member States and EU institutions, bodies, offices and agencies (IBOAs), taking into account the intrinsic reasons that might explain the differing levels of reporting. The Commission accepted recommendation 3 with a view to developing a coherent methodology to measure all the amounts of fraud or irregularities established, prevented and actually recovered based on both administrative and criminal procedures, at EU and national level, building on the systems in place.

Special report 22/2025: Financial corrections in cohesion policy⁷

The special report is very important as it concerns the Commission's corrective capacity under cohesion policy. The ECA report considers that only net financial corrections have a deterrent effect for protecting the EU budget, and that every financial correction should have resulted in a loss of the EU contribution to 'penalise' the Member State concerned (§3.36). Nevertheless, the Commission considers that all types of financial corrections, not only net financial corrections, aim to protect the EU budget. The EU budget is protected regardless of whether the financial corrections are implemented by the Commission or the Member States, or whether or not they result in a reduction of the EU contribution, as the irregular expenditure is excluded from the EU budget.

Moreover, despite the strict conditions of the legal framework of net financial corrections in 2014-2020, the Commission adopted its first net financial correction decision in September 2025, with three other procedures ongoing.

While the report recognises that the Commission's own checks led to a significant volume of financial corrections (over EUR 1.578 billion up to April 2026), it does not mention the

⁵ See Commission replies to ECA special report 18/2025: EU budget flexibility | European Court of Auditors, COM-Replies-SR-2025-18_EN.pdf

⁶ See Commission replies to ECA special report 26/2025: EU bodies fighting fraud | European Court of Auditors, COM-Replies-SR-2025-26_EN.pdf

⁷ See Commission replies to ECA special report 22/2025: Financial corrections in Cohesion policy | European Court of Auditors, COM-Replies-SR-2025-22_EN.pdf

unprecedented corrective capacity of Member States that themselves withdrew EUR 22.9 billion from the annual accounts (including EUR 3.4 billion in definitive corrections). Therefore, the legal provisions for financial corrections that protect the EU budget have a preventive effect and the possibility of net financial corrections has a deterrent effect and strengthens detection and correction capacity.

Finally, the 2021–2027 legal framework simplifies and streamlines the immediate application of net financial corrections, regardless of whether or not a serious deficiency is demonstrated in the system, increasing the incentives for robust national control procedures in the first instance. In addition, the Commission has already designed internal guidance and updated its approach on how to carefully apply these 2021–2027 provisions.

In its report the ECA issued four recommendations out of which three were accepted and one partially accepted by the Commission which are currently being implemented.

Special report 16/2025: EU funding to tackle forest fires⁸

The Commission welcomes the special report of the ECA on EU funding for forest fires (§3.29). As concerns the lack of a complete overview of EU spending on forest fire measures, the Commission notes that for funds implemented in shared management, the European Parliament and the Council of the European Union agreed on a limited number of indicators. The ECA's statement on how the Recovery and Resilience Facility (RRF) funding was allocated⁹ is based on a limited number of cases which cannot be considered as representative of all relevant RRF measures. The Commission proposal for a Regulation establishing a budget expenditure tracking and performance framework contain the intervention field 276 Prevention measures to mitigate risk of forest fire, with specific output and result indicators associated.

The Commission accepted all the ECA's recommendations and will promote good practices to target projects with the greatest potential impact. In practice, that translates to using clear and up-to-date risk maps, taking into account long-term sustainability, and using both geographical coverage and risk-based criteria complementary.

The Commission published a new [communication on integrated wildfire risk management](#) (2026), outlining a holistic EU approach to prevention, preparedness, response and recovery with actions to be carried out by the Commission and by the Member States.

⁸ See Commission replies to ECA [special report 16/2025: EU funding to tackle forest fires](#) | European Court of Auditors, [COM-Replies-SR-2025-16_EN.pdf](#)

⁹ See ECA sub-title preceding paragraph 29, paragraphs 10 and 32, box 2, and box 3.

PART 2 – PERFORMANCE OF PROGRAMMES UNDER MULTIANNUAL FINANCIAL FRAMEWORK HEADING 2

Performance reporting framework

The Commission welcomes the ECA's assessment that the Commission's performance reporting for MFF heading 2 in the 2024 annual management and performance report (AMPR) followed the corporate instructions and that no material errors were identified in reported commitments or payments (§3.45–§3.46).

Performance indicators

The Commission welcomes the ECA's assessment that the performance indicators reported for the 2014-2020 and 2021-2027 periods were largely defined according to the SMART principle (§3.50).

The core performance indicators reported in the programme performance statements (Annex 4 to the AMPR) are those set out in the respective programme legislative frameworks adopted by the European Parliament and the Council, such as the cohesion policy performance framework.

The Commission considers that, in the context of annual monitoring and reporting on the performance of the EU budget programmes, outputs and results are the most appropriate and useful indicators for performance assessment. These indicators allow timely monitoring of implementation progress and are directly attributable to EU-funded interventions (§3.52–§3.54).

The Commission agrees on the importance of assessing impacts of EU funding in the context of the evaluations. However, as recognised in the better regulation toolbox, the use of impact indicators in annual monitoring is subject to significant methodological limitations, in particular the difficulty of establishing links between funded activities and observed changes, as well as the time lag inherent in obtaining measurable effects. This limitation is particularly relevant in the areas of employment, education and training, and social inclusion. For interventions targeting individuals, reliable impact measurement generally requires counterfactual impact evaluations, and the use of control group data and advanced analytical methodologies.

The 2021-2027 performance framework reflected the lessons learned from the previous programming period and addressed identified limitations, including the limited availability of result indicators under the 2014–2020 cohesion policy framework.

Selection of performance indicators in the programme performance statements

The programme performance statements include a selection of up to nine performance indicators from the core performance indicators set out in the respective programme regulations. The selection is based primarily on the relevance of the indicators and their ability to provide meaningful coverage of the programme objectives. In addition, the complete set of core performance indicators remains publicly available in a dedicated PDF file published on the programme performance statements website.

For the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), the indicators were selected on the basis of their frequency of use across Member States and their contribution to the relevant EU policy objectives. As a result, the reported values provide a representative overview of the progress made towards achieving the EU programmes objectives.

‘Concrete examples of achievements’ section

The programme performance statements contain several complementary sections presenting information on programme performance (§3.49). One of these sections is ‘Concrete examples of achievements’, which provides illustrative examples of programme implementation and results. Depending on the nature of the programme and its stage of implementation, these examples may refer either to results already achieved on the ground or to other relevant implementation milestones, including outputs and results expected from selected operations. This is particularly relevant for programmes with longer implementation cycles, such as the ERDF and Cohesion Fund (CF). The descriptions included in this section transparently indicate the nature and stage of the achievements being reported.

Assessment of progress towards indicator targets

The Commission welcomes the ECA’s assessment that the fact that the methodology for assessing indicators’ progress towards their targets remained unchanged provided in the stability in overall performance framework (§3.78).

The Commission acknowledges that, in some cases, differences exist between the ECA’s and the Commission’s assessments of whether performance indicators are on track to reach their targets. These differences stem from the application of different methodological approaches, which may lead to different conclusions. The Commission’s assessment takes into account not only past reported results, but also additional relevant information, including the state of play of selected and implemented operations, financial execution, as well as lessons learned from previous programming periods.

With regard to the limited number of milestones for the ERDF and the CF, the Commission notes that the current set-up of the performance monitoring system is fully aligned with the applicable framework established by the European Parliament and the Council.

In relation to Erasmus+ indicators, the early achievement of certain targets reflects the context in which they were set. Some targets were set at the beginning of the programme on the basis of prudent assumptions, in a period marked by the recovery of learning mobility following the COVID-19 pandemic, which progressed faster than initially expected. The Commission will review the target values for the remaining implementation period where appropriate.

The Commission also underlines that a comprehensive assessment of programme performance requires the combined analysis of indicator data together with other quantitative and qualitative evidence.

Traceability of the reported data

The Commission welcomes the ECA’s assessment that most quantitative references to the programmes were based on relevant supporting evidence, and that the traceability of the reported performance data was good (§3.47, §3.55-§3.57).

In relation to Erasmus+ indicators, the Commission welcomes the ECA’s assessment that the programme is an example of good practice in performance monitoring and evaluation (§3.76). In this context, the Commission welcomes the ECA’s positive assessment regarding the monitoring of performance indicators and expresses its commitment to continue following up closely on their progress, including ensuring full alignment with the AMPR instructions, in future reporting cycles (§3.55, §3.76).

The Commission considers that ensuring the reliability, consistency and quality of performance data is key for sound monitoring, and reporting of programme implementation. It pays particular attention to this aspect throughout the performance reporting cycle.

Recommendation 3.1 – Improve the performance reporting

The Commission should:

- a) identify impact indicators to facilitate the assessment of the programmes' long-term performance which would feed into the ex-post evaluations of the 2021-2027 MFF,**
- b) update the target values for Erasmus+ based on current achievements and the remaining implementation period.**

Target implementation date: 2026 AMPR.

The Commission **does not accept** recommendation 3.1(a).

The Commission considers that performance monitoring should rely mainly on output and result indicators, which are directly linked to the interventions being funded and can be measured in a timely manner. On the other hand, in most domains, impacts can only be meaningfully assessed through evaluations, carried out under Better Regulation framework, often requiring dedicated analytical work based on advanced methodologies, including counterfactual impact analysis. This analytical work is often based on multiple data sources and supported by additional information including qualitative data as well as dedicated studies. In addition, publishing such indicators in the context of an annual budget reporting exercise could be perceived as implying a close link between changes on these indicators and the associated funding. Identifying impact indicators in this context risks introducing metrics that do not meaningfully reflect causal effects, and may lead to the oversimplification of assessments.

The Commission **accepts** recommendation 3.1(b).

Recommendation 3.2 – Improve the summary presenting the programme's main achievements

The Commission should disclose in the opening heading "Concrete examples of achievements" of the PPSs only actual achievements.

Target implementation date: 2026 AMPR.

The Commission **partially accepts** this recommendation.

The Commission agrees that information presented in the opening heading showing concrete examples should include actual achievements. For certain shared management programmes, reporting on selected projects that are under implementation remains relevant, as many investments are multiannual in nature and require significant time to be implemented. The Commission will continue to ensure transparent reporting in Annex 4 to the annual management and performance report by clearly indicating where reported figures relate to selected or ongoing projects, which are not fully implemented yet. As implementation progresses, reporting will increasingly rely on actual implementation values and results.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, CHAPTER 4: REVENUE

I. THE COMMISSION'S REPLIES IN BRIEF

The Commission welcomes the European Court of Auditors' (ECA) observation that revenue transactions continue to be free of material error and that the revenue-related systems it examined were generally effective. The Commission will follow up on the issues identified by the ECA, also through its own control and audit work.

Regarding **own resources based on gross national income (GNI)**, the Commission attaches great importance to the close monitoring of the timeliness of the submission of the work on GNI reservations by the Member States. The Commission has put in place a system to monitor Member States' compliance with the legal requirements and informs the stakeholders of the state of play on reservations in a transparent manner.

As regards the **VAT-based own resource**, the Commission welcomes the ECA's observation that there has been a significant reduction in the number of VAT reservations, as well as the progress in lifting reservations outstanding for more than five years. The Commission continues its efforts to reduce the number of open reservations. The Commission remains fully committed to addressing and resolving the outstanding issues.

As regards **traditional own resources** (TOR), the Commission will continue to monitor TOR open points and has included the examination of the normal and separate accounts as a secondary topic in the 2026 inspection programme for 19 Member States.

Concerning the **non-recycled plastic packaging waste EU revenue**, in the first quarter of 2026, the Commission concluded the first inspection cycle of this new own resource. The Commission placed reservations on Member States which do not use the two compilation methods and on other cases where weaknesses were identified.

II. THE COMMISSION'S REPLIES TO THE ECA'S MAIN OBSERVATIONS

Regularity of transactions

The Commission welcomes the ECA's assessment (**\$4.8**) of a sample of 65 recovery orders which found that none of them was affected by a quantifiable error.

1. Examination of elements of management and control systems

Delays by some Member States in addressing GNI reservations

The Commission attaches great importance to closely monitoring the timeliness of the submission of the work on GNI reservations by the Member States (§4.10-§4.11). The Commission has put in place a system to monitor Member States' compliance with the legal requirements in this regard (including sending reminders and charging late-payment interest, as appropriate) and informs the stakeholders of the state of play on reservations in a transparent manner.

Limitations in applying interest for GNI reservations

In relation to the ECA's observations on charging late-payment interest, (§4.12-§4.13 and §4.15), the Commission disagrees with the statement that it is making limited use of this legislative tool.

As already mentioned in its reply to the 2023 ECA report¹, the Commission would like to underline that it has assessed, for all lifted reservations, whether the legal provisions relating to the late-payment interest were applicable. In 2025, the Commission lifted 19 reservations in 10 Member States and has charged interest for those 2 reservations for which late-payment interest was due.

The Commission supports the ECA's observation (§4.16) that late-payment interest incentivises Member States to address reservations in due time. The Commission clarifies that all Member States are treated in the same manner. In cases where it is possible to quantify the impact of the reservations that are subject to interest, late-payment interest is always applied equally and without any discrimination to all Member States.

Simplification of the VAT-based own resources system

The Commission welcomes the ECA's assessment (§4.17) that the simplification of the VAT-based own resource for the 2021-2027 MFF significantly reduced the number of VAT reservations.

Member States' management and accounting for TOR

Regarding the follow-up of TOR open points (§4.18), the Commission stresses that the increase (14%) in the outstanding number of TOR open points at the end of 2025 is mainly due to the issuing of twice the number of inspection reports in 2025 vs 2024 as a result of the newly deployed TORMIS application, which enabled the Commission to finalise more reports in the actual year of the inspection. The increased number of reports resulted in over twice as many new points in 2025 vs 2024.

Regarding the decrease in the number of points closed in 2025 vs 2024 and the long-outstanding TOR open points (§4.19), the Commission would like to highlight that the complexity and variety of the TOR open points require a case-by-case assessment. In most cases, those points concern very complex situations or are pending the outcome of ongoing judicial procedures in the Member States or amendments of Member States' internal procedures, IT systems or legislation.

¹ [2023 Annual Reports on the implementation of the EU budget for the 2023 financial year and on the activities funded by the 9th, 10th and 11th European Development Funds \(EDFs\) for the 2023 financial year.](#)

Member States' plastics data and related reservations

As also stated in its reply to special report 16/2024 ([COM-Replies-SR-2024-16_EN.pdf](#)), during its inspections, the Commission performs checks on the source data for calculating non-recycled plastic packaging waste (§4.25-§4.27) with a view to ensuring that the data is appropriate, of sufficient quality and with enough coverage, that it is collected in an appropriate way, that the methods for calculating non-recycled plastic packaging waste are sound and traceable and that the results are consistent. For weaknesses identified, the Commission has placed reservations whenever necessary and has included deadlines by which the reservations should be addressed. By June 2026, the Commission had placed 52 reservations on the basis of the inspections performed so far, covering, among other topics, the calculation of the plastic packaging waste generated, and the two methods used to estimate it. In the first quarter of 2026, the Commission concluded the first inspection cycle of this new own resource by visiting the remaining five Member States. The Commission reiterates the importance of the reservations mechanism in the process of data improvement and is confident that the data will reach the required levels of quality, accuracy and compliance before the reservations are lifted.

EU Customs Authority and EU Customs Data Hub

ECA reports that the Commission has taken steps in the procurement process for the selection of the developer of the EU Customs Data Hub's e-commerce phase (§4.28-§4.30). A first prototype was developed from Q2 2025 – Q4 2025 in order to model the key foundational elements of EU Customs Data Hub and confirm their feasibility. In parallel the transitional solution for the abolition of the de minimis threshold for e-commerce low value consignments and the enforcement of EUR 3 duties and handling fee was developed and is being deployed ready for operations (as of 1 July 2026 for the EUR 3 duties and as of 1 November 2026 for the handling fee).

A full tender for the procurement of the e-commerce Data Hub through a competitive dialogue process was published on the 8 June 2026.

In parallel, in various meetings since fourth quarter of 2025, the ad hoc working group with the Member States has been peer reviewing the work of the Commission and integrating comments. Similar parallel discussions have also been taking place with the major e-commerce providers. The tender process is expected to conclude by first quarter of 2027. This would leave a year and one quarter to develop, test and implement the EU e-commerce Customs Data Hub before it becomes operational on 1 July 2028. Given the inherent complexity of such a project, there is always a risk of small delays, but it should be noted that the EUR 3 customs fee for low-value consignments (due as of 1 July 2026) and the EU e-commerce handling fee (due as of 1 November 2026) are handled outside this contract and will be operational by the expected due dates.

Building on the experience of the e-commerce Data Hub, the full EU Customs Data Hub will be developed under the governance of the EU Customs Authority, which will be formally set up. The full EU Data Hub is expected to be operational by 2030, ahead of 2031 when the relevant provisions will come into effect (combination of Articles 39 and 208 of the final agreement²).

Transition towards a digital and interoperable EU customs environment

The Commission agrees that the full benefits of the current Union Customs Code (UCC) digitalisation can only be fully achieved once all Member States have completed the deployment of the relevant

² The European Parliament and the Council political agreement of 26 March 2026 on the Commission 2023 proposal for a comprehensive reform of the EU Customs Union https://taxation-customs.ec.europa.eu/customs/eu-customs-reform_en

systems and are transmitting complete datasets to the Commission (§4.31-§4.34). Such implantation will facilitate the fast integration of all EU Customs IT systems and provide a harmonious IT environment to private companies and stakeholders.

The Commission notes that the overall implementation of the UCC electronic environment has advanced substantially and that most of the systems provided for under the UCC work programme are operational, with Member States working in a fully integrated UCC digital environment and bringing the real benefits offered by the UCC. The remaining delays concern a limited number of Member States and, in several cases, they concern only the final stages of migration to the new systems. Today, 100% of all the central systems and 97% of all the national systems have been deployed. For the decentralised trans-European systems, the degree of completion stands at 93%; with five Member States still facing delays with one or more non-core functionalities of AES (Automated Export System), eleven Member States having not yet implemented the full scope of the Centralised Clearance at Import project and three Member States facing delays with the national component of the Guarantee Management system. The other trans-European systems requiring national developments have meanwhile been deployed, with Import Control System 2 (ICS2) Release 1-2-3, New Computerised Transit System (NCTS) phase 5 and 6, Automated Export System (AES) Step 1 or Core functions, Proof of Union (PoU) phase 1 and 2 (although the latter does not yet contain the interface with the European Maritime Single Window, for which a derogation has been granted till 1 March 2027).

In 2025, infringement procedures were initiated against Member States that had not yet complied with their obligations regarding the deployment of National Import Systems (NIS), the Temporary Storage for Air system (TS Air) and the transmission of Surveillance III data. Regarding the NIS and the TS Air system, infringement procedures have been initiated against eight Member States for each of the electronic system respectively due to delays in implementation. Several Member States have already achieved compliance following the Commission's intervention and the Commission expects the infringements to be ended in the very near future. Several other Member States are currently finalising implementation and have committed to completing compliance during 2026, under close monitoring by the Commission. For NIS and TS Air, only a very limited number of cases still require escalation under the infringement procedure.

Regarding the Automated Export System (AES), an infringement procedure is ongoing and the Commission services are checking compliance for a few additional Member States, to whom administrative letters are being addressed. Depending on the replies, the Commission may decide to open additional infringement procedures in the near future.

Similarly, concerning Surveillance III, infringement procedures were launched against thirteen Member States that were not transmitting the complete Annex 21-03 dataset. Following the opening of those procedures, several Member States achieved compliance and the respective infringements have now been proposed for closure. Among the remaining cases, the other Member States have committed to completing the transition to the full dataset during the first half of 2026 and significant technical progress has already been made. The Commission is closely monitoring those commitments and stands ready to pursue further enforcement action where necessary.

The Commission therefore considers that the infringement procedures have proven to be an effective instrument for accelerating compliance. Concerning ongoing infringement procedures, current implementation plans indicate that full compliance could be achieved in most cases before the next procedural stage of the infringement process becomes necessary.

The Commission continues to monitor the implementation of all UCC electronic systems closely and to support Member States where necessary.

By the end of 2026, the projection of the UCC overall digital completion rate should reach ~99%. The deployment of trans-European systems should reach 99.3% and the operational readiness of national systems should reach 98.5%. Some delays will most probably extend beyond 2026; these are known, have been identified and are being managed. Member States with completion dates beyond 2026 are encouraged to bring those forward wherever possible.

The Commission will continue to pursue full implementation of the UCC work programme and, where necessary, will make use of all available enforcement instruments, including referrals to the Court of Justice, to ensure the uniform implementation of Union customs legislation.

2. Annual activity reports

The Commission welcomes the ECA's assessment (§4.35-§4.36) that the information on the regularity of own resources provided in the 2025 annual activity reports published by DG BUDG and Eurostat generally corroborated its findings and conclusions.

3. Conclusion and recommendations

Please see the Commission's reply in Section III as regards §4.41, recommendation 4.1.

III. THE COMMISSION'S REPLIES TO THE RECOMMENDATIONS

Recommendation 4.1 – Propose clearer rules for charging late payment interest

In its proposal for a Making Available Regulation for GNI, clarify unambiguous and complete rules for late payment interest, so that interest is charged when member states do not provide the necessary information within the prescribed deadline.

Target implementation date: by end of 2027.

The Commission **partially accepts** recommendation 4.1.

The Commission systematically assesses the application of interest when Member States do not provide the necessary information within the prescribed deadline, and it applies interest in all cases where the conditions for calculating interest are met.

In its forthcoming proposal for the Making Available Regulation, which is currently under internal discussion, the Commission intends to simplify and harmonise the application of late-payment interest on GNI in cases where Member States fail to provide the required information. However, the Commission points out that it is not in a position at this stage to make any specific commitments in relation to possible legislative proposals and the outcome of the legislative negotiations with the Parliament and the Council.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, CHAPTER 5: Single market, innovation and digital

I. THE COMMISSION'S REPLIES IN BRIEF

Payments in 2025 under the Multiannual Financial Framework heading 1 'Single Market, Innovation and Digital' (MFF1) cover several programmes such as Horizon Europe (HE), which is the current flagship framework programme for research and innovation in the Europe Union, its predecessor Horizon 2020 (H2020) and the Connecting Europe Facility (CEF). Due to the usually multiannual nature of research projects, two thirds of the audited research payments related still to H2020 in 2024.

The Commission takes note of the level of error estimated by the European Court of Auditors (ECA) (§5.11), which is within the range detected during last years, but slightly lower than in 2024.

The way funds are disbursed has a direct impact on the risk of error and simplifying rules has the potential to reduce this risk. The Commission also recalls that Horizon Europe already uses the corporate Model Grant Agreement (MGA) as annexed to the Internal Rules of the Commission for all EU funding programmes, and foresees an extensive use of the simplified costs options (unit cost, flat rate and lump sums), employs simpler cost reimbursement schemes in appropriate areas. Further guidance on the MGA is provided in the Annotated Grant Agreement. The Commission remains fully committed to further simplify rules and procedures to reduce both the risk of error and the burden on beneficiaries.

In this context, the Commission's target is to provide by 2027 around 50% of the call budget in published work programmes in the form of lump sums. The Commission is committed to continuously monitoring and evaluating the use of lump sums to uphold quality and integrity and is regularly update its guidance on that area.

The Commission's analysis of a sample of grants (120 lump sums grants selected from Horizon Europe Pillar II) shows there is no significant difference in the total personnel costs as a share of the total costs when comparing lump sum grants with actual costs grants. There is also no evidence from our analysis that personnel cost rates are systematically higher when using lump sums.

II. THE COMMISSION'S REPLIES TO THE ECA'S MAIN OBSERVATIONS

1. Regularity of transactions

The Commission takes note of the level of error of 2.9% estimated by the ECA (§5.11) and will follow up on the issues identified by the ECA (§5.11-§5.27) as presented in the section below.

The Commission takes note of the cases of quantifiable errors reported by the ECA for further action.

Personnel costs are most affected by errors

The Commission acknowledges that personnel costs have remained the main source of errors (§5.16), which is a logical consequence of the fact that personnel costs account for the largest share of the total cost declared by beneficiaries under Horizon Europe. The Commission also takes note that two non-quantifiable errors resulted from the incorrect application of the rules on personnel cost calculation in Horizon Europe projects.

Costs claimed for time not spent on the project

Concerning observation §5.17, the Commission takes note of the findings wherein some projects, the time spent on the action was incorrectly claimed. Indeed, under actual costs grants, personnel costs necessary for the action implementation must be directly measured. This requires recording the actual number of hours (in H2020) or days (in Horizon Europe) spent on the action implementation via reliable time-recording systems.

Continuous emphasis on this key aspect has been done throughout past and current outreach events. This is especially so during the recently launched 2026 Horizon Europe implementation national events ('tour de capitales') happening in the different EU countries, where a specific focus on avoiding errors in costs claims is undertaken, including on personnel costs errors.

The Commission is continuously monitoring the implementation of EU funding programmes and drawing lessons with a view to identify the most appropriate funding models considering policy objectives and political priorities, within the boundaries of the applicable legal framework. Concerning specific observations in Box 5.1, the Commission acknowledges the importance of ensuring that the funding model remains fit for purpose and will assess its practical implications as regards the beneficiary concerned.

Incorrect calculation of hourly and daily rates

Concerning observations §5.19 and §5.20, the Commission takes note of the findings wherein some projects, the hourly rate (for H2020) and the daily rate (for Horizon Europe) were incorrectly calculated. Indeed, beneficiaries must calculate their personnel costs by following the applicable formulas stemming from the applicable H2020 and Horizon Europe grant agreements and which are further detailed and explained in the H2020 Annotated Model Grant Agreement (H2020 AGA) and in the corporate Annotated Grant Agreement serving also the Horizon Europe programme (AGA).

In H2020, there were indeed several options to determine the productive hours to be used to calculate correctly the hourly rate. By contrast, Horizon Europe follows a common calculation across most of the EU programmes for this Multiannual Financial Framework (MFF) with a streamlined daily rate calculation using a pro rata basis of 215 days over the reporting period duration.

Concerning the specific observations in **Box 5.2** on *ineligible costs included in the claimed personnel costs*, the Commission takes note that some costs were not definitely borne by beneficiaries as reimbursed by national security schemes. As rightly mentioned, in compliance with general costs eligibility conditions for actual costs, they must be genuinely and definitely incurred by the beneficiaries.

The Commission has put continuous emphasis on the correct calculation and formulas to be used in this regard throughout past and current outreach events, including, during the recently launched 2026 Horizon Europe implementation national events ('tour des capitales').

Other direct costs not necessary for the action

Regarding the observations in §5.21, the Commission takes note that there have been cases where some costs were not deemed necessary for the action implementation. This is one of the general cost eligibility conditions that apply across the board to all cost categories and that must be observed by beneficiaries (Article 6.1 of the applicable Model Grant Agreement).

In this regard, the Commission has underlined the importance of complying with both general and specific cost eligibility conditions throughout past and current outreach events and in replies to questions received from beneficiaries, for instance via the Research Enquiry Service helpdesk.

Shortcomings in the use of lump sum grants

Reply to Box 5.3

Examples of shortcomings in lump sum grant payments

Lack of evidence of a robust ex ante assessment of the budget

The Commission recalls that the aim of consensus meetings, which result in the Evaluation Summary Report, is to reach a common view and assessment between evaluating experts. During these, experts' individual views are tested and may change. It is therefore not unusual that concerns expressed in an expert's Individual Evaluation Report are not retained in the final Evaluation Summary Report. In cases where there is no consensus among evaluators, experts may record minority/dissenting views in the consensus report. In none of the three audited cases was such a minority view recorded, indicating that the initial concerns of some experts were dropped unanimously during the consensus meetings.

On the question of benchmarking the proposed personnel costs, the Commission highlights that organisations that participate in multiple Horizon Europe projects frequently budget for substantially different personnel cost rates and total personnel costs in different projects. This can be due, for example, to the different nature of these projects or because different departments in the organisation are involved.

The dashboard for Horizon Europe lump sum evaluations is built on average personnel cost rates in past actual cost grants. It is therefore normal that rates budgeted for senior staff are above these averages, including above the 80th percentile. Experts are explicitly briefed to accept this as a reason for higher personnel costs, provided that they consider that the senior staff qualification level is appropriate and needed. Likewise, personnel costs budgeted for the years to come are expected to be higher than historical values, considering pay rises and inflation.

For the three audited grants, the Commission considers it was justified to accept the amounts budgeted at the time of evaluation.

Unclear definition of deliverables and insufficient implementation of work packages

On the acceptance of work packages, lump sum grants are paid out if the project is implemented as set out in the description of the action in Annex 1 of the Annotated Grant Agreement¹. In Horizon Europe, work packages are assessed on the basis of the activities carried out, irrespective of the results obtained or objectives achieved. There should be no deviation from the principle that Horizon Europe lump sum grants are activity-based and not based on outcomes or success.

Nevertheless, beneficiaries must not only carry out the activities but also ensure a minimum quality standard for activities to be accepted as completed. There is the obligation of 'proper implementation', requiring that the work must be done properly (i.e. is of good quality and meets the standards of the field concerned) and on time².

The minimum quality standard applied must be the same for all Horizon Europe projects, whether using actual costs or simplified cost options.

The Commission considers that in one of the three audited grants the description of the action could have been further defined in the work package description. Nevertheless, in the Commission's view, the consortium delivered an acceptable level of activities under each work package and reported on activities based on which the work package can be considered as complete.

Moreover, the proposals underlying the grants audited by ECA were evaluated in 2022. Since then, the Commission has provided implementing services and expert evaluators with more extensive guidance both on how to evaluate the lump sum budget and document this in the evaluation reports, and on how to assess work package completion to trigger payments. In addition, the Horizon Europe proposal templates were also updated in April 2024 with respect to the level of detail with which work packages and tasks are described.

Overall, the Commission considers that its lump sum funding under HE is based on a robust approach which ensures sound financial management, while offering substantial simplification to grant beneficiaries. However, the Commission remains fully committed to monitoring lump sum funding closely and will adjust the guidance and methodology if and as needed. This continuous improvement process takes account of recommendations from the ECA as well as lessons learned from user feedback, implementation data, and review findings.

Concerning observation [§5.25](#), the Commission acknowledges that guidance on assessing the partial implementation of work packages and the related financial implication can be further clarified, notably for final payments, to reflect the approach already set out in the guidance for ex-post technical reviews and grant reductions. At the same time, the Commission considers that the degree of completion of a work package is assessed by the experts carrying out the review, and in case of partial completion the resulting rate of grant reduction must always be assessed on a case-by-case basis, taking account of the specificities of each research and innovation grant.

¹ See corporate lump sum guidance [EU grants: How to manage your lump sum grants](#) (external guidance) and [Lump sum guide A-Z](#) (internal guidance)

² [Annotated grant agreement](#) (AGA), Article 11

Beneficiaries outside the EU and small and medium-sized enterprises are more prone to errors

The Commission shares the assessment of the ECA that newcomers and SMEs are the most error-prone beneficiaries. However, their participation is considered to be vital to the success of the programme and it is encouraged at all levels.

To mitigate the risk of errors, the Commission provides support to applicants and beneficiaries through online information and communication campaigns and workshops on avoiding errors when declaring costs. These actions target the more ‘error-prone’ entities.

The Commission takes note of the ECA’s findings on beneficiaries outside the EU. The Commission is still collecting and processing evidence and thus cannot, at this stage, confirm that beneficiaries outside the EU are more prone to errors. The Commission will continue to actively monitor the compliance of the activities and transactions with third countries’ beneficiaries in order to identify any potential additional risk.

Reply to Box 5.4

Examples of beneficiaries in non-EU countries claiming ineligible costs

The Commission acknowledges the ineligibility of the costs referred to in Box 5.4. There is clear Commission guidance to beneficiaries setting out the ineligibility of this kind of expenditure, which will be reiterated to beneficiaries. The Commission informed the beneficiaries of the findings of the ECA and will recover the ineligible amounts.

2. The Commission’s control systems to prevent plagiarism and double funding in Horizon Europe

The Commission acknowledges the weaknesses identified in the control systems for preventing plagiarism and double funding in Horizon Europe (§5.32) and plans to strengthen procedures by formalising the validation and approval process for setting a similarity index threshold and by removing rejected proposals from the database. As regards the final weakness identified, the Commission notes that it arises only where the proposals compared differ significantly in length—particularly when the source document is substantially longer than the document against which it is assessed. However, in practice very few proposals exhibit such large disparities in length. Additionally, SIMBA’s (the ‘SIMilarity-Based Analysis’ system) behaviour is consistent with that of other commercial plagiarism-checking systems.

3. Annual activity reports and other governance arrangements

The Commission welcomes ECA's assessment that HaDEA's and REA's AARs gave a fair assessment of the financial management as regards the regularity of the transactions under their remit.

As regards the lump sums, the Commission will take into account the expected increase in the share of such grants within Horizon Europe and, based on the results of the *ex-post* reviews on these transactions will update its multiannual audit plan to continue to provide reasonable assurance on the regularity of Horizon Europe payments at programme level.

III. THE COMMISSION'S REPLIES TO THE RECOMMENDATIONS

Recommendation 5.1 – Improve the control framework for lump sum funding in the research area

The Commission should improve the control framework for lump sum funding in the research area, and in particular:

- (a) ensure that the experts carrying out the ex ante assessment of the budget proposals perform and document the required checks consistently;**

Target implementation date: end 2027.

The Commission **accepts** sub-recommendation 5.1(a).

- (b) establish clear criteria as well as the ranges of rates to be applied for possible grant reductions where work packages are only partially completed;**

Target implementation date: end 2027.

The Commission **accepts** sub-recommendation 5.1(b).

The Commission notes that its guidance and templates for ex-post technical reviews already outline some general principles and set out how to calculate the financial impact of any negative findings resulting from such a review. Moreover, the Commission's internal corporate guidance on grant reductions includes instructions on how to calculate the financial impact in cases of non-compliance with non-financial obligations.

The Commission will further update this internal guidance with respect to assessing the partial implementation of work packages and the related financial implication at the time of final payment for lump sum grants, to set clear criteria and ranges of rates to be applied for the grant reduction. The guidance update will also include illustrative examples for the application of criteria and rates to work packages that are common to several projects.

Nevertheless, the Commission considers that the degree of completion of a work package must always be assessed on a case-by-case basis.

In this context, the Commission recalls that the performance of lump sum grants is not judged more or less strictly than the performance of actual cost grants. The same standards apply.

According to the Commission's own data around 4% of lump sum projects are found to be not fully completed and therefore not fully paid. This is much more than for actual cost grants, suggesting that for lump sum grants there is a stronger focus on research activities and their quality.

- (c) set the number of its ex- post technical reviews to ensure an adequate representation of the lump sum payments within the statistically representative sample at programme level. The multiannual audit plan should be updated accordingly.**

Target implementation date: end 2027.

The Commission **accepts** sub-recommendation 5.1(c).

Recommendation 5.2 – Formalise procedures concerning plagiarism and double funding checks (in SIMBA)

The Commission should:

- (a) Document and formally approve the selected level if the similarity-index threshold, including its justification;**
- (b) Define the procedure for how to approve and implement future changes to the index threshold, including minimum control arrangements and the audit trail.**

Target implementation date: mid-2027.

The Commission **accepts** sub-recommendation 5.2(a) to document and formally approve the selected level of the similarity-index threshold and its justification.

The Commission **accepts** sub-recommendation 5.2(b) to establish a documented procedure for approving and implementing any future changes to the index threshold, including minimum control arrangements and the audit trail.

Follow-up of previous years recommendations

(§5.43, Annex 5.1)

2022 recommendation 1(a): The Commission welcomes the assessment that the recommendation has been fully implemented.

Moving forward, with more data available and growing experience with lump sum funding, the Commission will further analyse the suitability of lump sum grants for different types of projects and beneficiaries.

2023 recommendation 2:

The Commission considers that this recommendation has been **fully implemented**.

The corporate MGA rules on actual personnel costs need further practical details to cover specific parameters and individual situations, such as the actual length of the reporting period, the employee's period of employment, and the working pattern during that time. Accordingly, the AGA

gives additional guidance on how to factor in these elements when calculating the eligible actual personnel costs.

In this context, the AGA clarifies both the standard recommended method for calculating the daily rate over the reporting period and an alternative method per calendar year (based on the months of a calendar year that are falling within a reporting period). The possibility of using this alternative calculation method was formally introduced through a dedicated footnote in version 1.0 of 1 April 2023.

The latest Annotated Grant Agreement version (version 2.0 of 1 April 2025) now includes over 20 pages dedicated to outlining the rules governing personnel costs. It offers the necessary and detailed guidance on how to compute these costs and determine daily rates, supported by practical examples. In addition, explanations on the legal rules have been continuously provided through webinars, trainings, helpdesks, National Contact Points, outreach events (including the 2026 Horizon Implementation national events) and exchanges with stakeholders, enabling beneficiaries to better understand and apply the corporate daily-rate provisions consistently across projects and organisations.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, CHAPTER 6: Cohesion, resilience and values

I. THE COMMISSION'S REPLIES IN BRIEF

In 2025, cohesion policy continued to play a key role in **promoting economic, social and territorial cohesion**, to the benefit of all regions, as confirmed by the *ex post* evaluation for the 2014-2020 period and the mid-term evaluation for the 2021-2027 period¹. The **mid-term review regulation** adopted in September 2025, enabled to modernise cohesion policy and refocus 2021-2027 programmes implementation with the help of Member States on **European strategic priorities**: EU competitiveness, defence and civil preparedness, affordable and sustainable housing, water resilience and the energy transition. In the employment and social affairs policy field, the Commission continued to deliver on its ambitious agenda to strengthen Europe's competitiveness and social cohesion, equipping people and businesses with the skills and conditions to allow them to thrive in the changing world of work, strengthening the European social model and contributing to an outward-looking Europe that promotes social and labour rights globally.

The funds dedicated to economic, social and territorial cohesion in the EU are disbursed through a system of **shared management between the European Commission and national authorities**. Member States are responsible for implementing management and control systems that are fit to deliver on agreed objectives and to prevent, detect and correct irregularities in declared expenditure. For 2021-2027 programmes, the assurance building process is similar to 2014-2020, however with several changes introduced, aiming at increasing simplification while maintaining a robust control system. Implementation remains subject to close supervision and audits by the Commission in cooperation with programme authorities, learning from the cumulated experience and audit results in 2014-2020. In line with its audit strategy, the **Commission supervises and assesses the effective functioning** of these systems based on all audit results available and makes recommendations for improvements. The Commission is also seeking reasonable assurance annually that the error rate for each programme is below the materiality threshold of 2%, where necessary after initiating financial corrections procedures that can be additional to those already applied by Member States.

Under shared responsibility, **Member States' audit authorities are primarily responsible** for carrying out audits of cohesion expenditure and reporting to the Commission. To reduce the audit burden on beneficiaries and administrations and to use efficiently its resources, the Commission applies the **single audit approach**, which aims to obtain reasonable assurance through thorough reviews of national audit results and opinions reported each year for all programmes, complemented with its own risk-based audits. The latter include re-performing the control work of programme authorities to assess the reliability of their reporting. By continuously assessing the quality of each programme's management and control system, and reperforming the verifications or audits carried out by programme authorities, the Commission can identify the programmes or parts of programmes that present deficiencies and thus request application of targeted corrective measures to correct past expenditure where deemed necessary, and improve systems for the future. It can also assess whether such deficiencies or irregularities have occurred in other parts of the programme, in other

¹ [SWD_2025_299_F1_SWD_EVALUATION_EN_V3_P1_4373705.pdf](#)

programmes of the same Member State or in other Member States, to focus its audit work and corrective actions.

This audit approach is also complemented by **capacity-building actions**, including the sharing of common methodologies, recommended corrective actions, promotion of peer-to-peer exchanges and feedback on detected errors to improve the error detection capacity at all levels, where needed. Following the recommendations issued in the European Court of Auditors (ECA)'s and Commission's audits, the Commission agreed with Member States in December 2024 on an **action plan to improve the detection capacity of programme authorities**. This action plan aims to remedy the weaknesses in error detection identified, to reduce the risk of remaining material errors at closure and improve the legality and regularity of expenditure in 2021-2027. The Commission monitored the action plan implementation throughout 2025, and achievements were reported in the 2025 annual activity reports (AARs). First impact could be seen in the higher level of error reported in the assurance packages received in 2026.

In 2025, the **population of cohesion policy expenditure was atypical** and substantially smaller than previous years, containing an unusually low number of accounts submitted to the Commission. While closure for 2014-2020 programmes officially started in the reporting year, over 80% of programmes benefited from the possibility under the STEP regulation² to postpone it to February 2026. At the same time, implementation for 2021-2027 started to materialise in payments, but not for all programmes.

In 2025, based on the available national and Commission audit results, the Commission concluded in its AARs and annual management and performance report (AMPR) that the **risk at payment** for cohesion policy, as a whole, **remained material** (above the 2% threshold), **though to a lower level** than reported by the ECA. The assessment of the legality and regularity of expenditure in assurance packages received in February 2026 for closure is ongoing and will be taken into account in future assurance conclusions. The audit results reported in these assurance packages reflect, inter alia, the continued implementation of measures aimed at strengthening the detection and reporting of errors by programme authorities³.

The Commission recalls that the error rate it reports **cannot be directly compared** to the one calculated by the ECA, for the reasons explained in section II below and by the ECA in its annual report (§1.41-§1.44 and §6.47). This year in particular, the **atypical population** of accounts and expenditure accepted by the Commission is automatically reflected in the ECA audit sample, smaller than previous years and presenting specific features, in particular **concentration in three Member States**: Czechia, Germany and the United Kingdom (§6.15). It also notes the **modification in the ECA audit approach**. The ECA reverted to its pre-2017 audit approach that involves a direct selection of transactions from the full audit population (accounts submitted by Member States and accepted by the Commission) rather than exclusively auditing transactions previously audited by audit authorities. As a result, managing authorities (instead of audit authorities) became the main provider of information on the audited transactions, but were not always well prepared for this exercise, namely to provide in a timely manner all requested audit evidence as per the ECA's expectations to obtain robust evidence for each transaction selected, sometimes many years after the activity took place (§6.29). The Commission considers **this may have impacted the error rate** calculated by the ECA.

² Regulation (EU) 2024/795.

³ Audit authorities reported a 3.7% total error rate for REGIO programmes and 3.9% for EMPL programmes, compared to lower rates in previous years. See AARs pages 34 and 33 for REGIO and EMPL respectively.

The Commission welcomes that the ECA quantified for the first year the **public procurement errors** it detected **using the Commission's own grid of quantification** applied in shared management, resulting in a better alignment with the Commission and Member States' approach, and a lesser impact of public procurement errors found.

The results of the Commission's programme-by-programme analysis show that the situation differs per Member State and programme: the Commission concluded that **management and control systems function well for 85%** of the 441 cohesion policy programmes for 2014-2020 and 92% of the 380 programmes for 2021-2027. The Commission also found that errors remained undetected or not appropriately reported by some audit authorities⁴. The Commission requested the necessary improvements for all programmes or part of programmes found to be affected by deficiencies, including under the above-mentioned action plan; it interrupted payments and will request additional (net) financial corrections, where deemed necessary.

The Commission is confident that **cohesion's multi-annual corrective capacity** allows to bring the risk at closure below the materiality threshold, including by replacing irregular or withdrawn expenditure by other expenditure deemed eligible, as allowed by the Common Provisions Regulation (CPR). Indeed, each year programme authorities withdraw from the certified accounts significant amounts previously declared and that are later found to be irregular or at risk. At closure, in the accounts received by 15 February 2026 Member States corrected an unprecedented total amount of EUR 6.5 billion of EU funds, showing the serious work done at closure to clear programmes from remaining errors. Cumulatively since the beginning of the 2014-2020 programming period, these Member State withdrawals totalled EUR 22.9 billion for cohesion policy funds. Over the same period, as a result of its audit activity and supervisory role, and follow-up to ECA and OLAF findings, the **Commission requested over EUR 1.58 billion of additional financial corrections** for the funds, which the programme authorities could re-use under the CPR. The Commission can also apply net financial corrections, resulting in direct loss of funding for the Member State, if legal conditions and related strict criteria are met. It launched five net financial corrections procedures so far for multi-funds and ERDF/CF programmes: one decision was adopted in 2025, three procedures are at an advanced stage, and one procedure was closed due to the conclusion of a lack of legal basis. After implementing all corrective measures, the **Commission reported in its AARs that the risk at closure is** at this stage **below 2%** for all accounting years up to 2024, while further corrective actions continue to be applied during the legality and regularity assessment of programmes at closure, where deemed necessary.

The Commission therefore concluded in its AARs that **it has reasonable assurance** that management and control systems function in general well to ensure that underlying transactions are legal and regular, **except for the programmes where it issued a reservation**, and that proportionate and effective corrective measures are taken in line with the legal framework when system deficiencies or breaches of applicable rules are identified that threaten the legality and regularity of underlying transactions.

Against this landscape and based on the ECA's and Commission's audit results over the years, the Commission concluded that the **current delivery model** for cohesion policy still mainly based on the reimbursement of costs combined with the complexity of detailed eligibility rules, **makes the approach error prone and complex** to handle for national administrations and beneficiaries. For 2021-2027, the Commission continues to work with Member States to encourage the implementation of **alternative, less-error prone simplified reimbursement schemes** (simplified cost options or financing not linked to costs), actively chasing gold plating and providing tools to reinforce administrative capacity, where necessary. For the next multiannual financial

⁴ 21 audit authorities for 2014-2020 and 6 audit authorities for 2021-2027.

framework, the Commission proposed to the co-legislators a **new, objective-based model** for EU payments associated to a simpler and robust assurance system ensuring continued compliance with applicable law and a strong protection of the EU financial interests.

II. THE COMMISSION'S REPLIES TO THE ECA'S MAIN OBSERVATIONS

1. Regularity of transactions

Results of the ECA's transaction testing

The Commission notes the error rate reported by the ECA for MFF heading 2 (§6.18-§6.19) is based on an audit sample that reflects the specificities of this year's atypical population of accepted accounts (see above and **Figures 6.4 and 6.5** of the ECA's annual report). This makes **direct comparison** with the results reported in previous years **difficult**; consequently, any such comparisons should be interpreted with caution.

Additionally, unlike in previous years, a large share of the transactions audited by the ECA had been verified solely by managing authorities, and **only** for **27%** of them **also by audit authorities**. As indicated above, managing authorities, who are now directly audited and addressed with the ECA's preliminary findings (instead of audit authorities in previous years) **were not always well prepared** in this transitory first year to provide, in a timely manner, all requested audit evidence against the ECA's expectations to obtain robust evidence for each transaction selected, **sometimes many years after** the activity took place (§6.29). This may have impacted the error rate. The **Commission will** work together with the ECA to **raise awareness of managing authorities** to this approach as well as lessons learnt from this year so that they are better equipped to answer ECA auditors' requests in future years. Moreover, some errors found in the ECA audit sample for the accounting year at stake, despite the annual controls performed (§6.13), may still be picked up in subsequent management verifications or audits in the following accounting years or at closure during the Commission legality and regularity assessment that is still to intervene, as part of the **full** set of **assurance mechanisms** normally embedded in cohesion management and control systems and **multiannual corrective capacity** of the policy.

In 2025, the Commission estimated the **risk at payment** for the 2014-2020 period to remain material up to a maximum of 3.2% for all cohesion policy funds, a slight increase compared to the rates reported in previous years, however at a lower level than calculated by the ECA. As per the Commission methodology, and in line with the obligation of Directors-General who are authorising officers by delegation to provide assurance at the level of each programme for which payments were made in the year, this estimate is based on a **comprehensive review of all audit opinions and error rates** reported by programme audit authorities, adjusted by the Commission where relevant following its own assessment and also taking account of the ECA's findings on individual transactions. The Commission's approach allows it to conclude on risks at Member State and even at individual programme level, thus showing a differentiated situation for each programme.

Several factors explain that the Commission and ECA **error rates cannot be directly compared**, and even more so this year with the atypical population subject to the ECA sampling. The Commission refers to Chapter 1 of the report (§1.42-§1.44) and its replies therein to explain the difference

between the levels of error rates reported by the two institutions and why the Commission cannot, in all cases of errors reported by the ECA, apply financial corrections.

The ECA clarified that the population of transactions in the accounts accepted by the Commission was **relatively small and atypical** for MFF heading 2 this year (§6.15). The ECA sample, as a consequence also smaller than usual, was composed of a mix of 2014-2020 and 2021-2027 transactions, the overall error rate covering both periods. The Commission reported two error rates in its AARs, one for the 2014-2020 period based on error rates reported by audit authorities, and another one for the 2021-2027 period based on a prudent flat-rate estimate, due to the different risk profile for first payments often including advance payments (see § 6.53).

Another specific feature this year, also as a consequence of the abnormally small population audited by the ECA, was the **concentration of sampled transactions in a few countries**, as reported by the ECA (§6.15). In particular, the ECA audited a relatively high number of UK programmes since, **following Brexit**, all **UK programmes submitted early closure accounts** in 2025. Due to the dismantling of cohesion programme authorities and reallocation of experienced staff and tasks to national administrations following Brexit, it proved difficult to obtain audit evidence for audited UK programmes within the requested timeline in some cases where the ECA raised issues (in particular in a number of public tendering procedures or during the incertitude of the Brexit discussions, with high impact on the error rate, in particular public procurement errors). Specific issues linked to the situation in the UK are not necessarily representative of the situation in the Member States.

Finally, the Commission sees the scope for a **continued dialogue with ECA** services in particular in the legal interpretation of certain requirements (such as the possibility offered under Article 13(5) of the ESF Regulation) that led the Commission to come to **different conclusions** in the assessment of some cases audited by the ECA this year. For example, when it comes to the definition of simplified cost options, the Commission notes the **ECA's expectation** to obtain **robust underlying evidence** to be able to verify the methodology set at Member State level, as required in the regulation, sometimes more than 15 years after the methodology was set (§6.29). In the **Commission's view**, and taking account of the **proportionality principle**, lighter requirements could be applied for methodologies defined and used in previous programming periods and re-used under successive programming periods as authorised in the CPR, as such **simplified costs** were subject to various verifications through the applied management and control system over time. The Commission agrees that updating such methodologies is a good practice that would also allow to reduce the period required to keep the underlying documentation supporting the setup of such methodologies (and archive old data). When it comes to the eligibility of certain categories of participants such as the ones pertaining to vulnerable groups (found this year in Sweden and Germany), the Commission **issued a guidance** shared with the Member States on the proportionate audit approach to adopt for such social cohesion operations, taking into account the specific characteristics and sensitivity of the concerned social groups.

While not all cases raised by the ECA constitute irregularities under the CPR, as clarified during the contradictory process on individual cases with the ECA, the **Commission will duly follow up all errors reported by the ECA** and will **request corrective measures or financial corrections**, as deemed necessary and legally feasible. The Commission will also recommend the concerned programme authorities to further improve management and control systems as necessary, in view of the implementation of the 2021-2027 period.

Cohesion – shared management

The Commission **takes due consideration** of the weaknesses reported by the ECA in managing and audit authorities' work (§6.20-§6.38), in addition to the cases it already reported in the AARs.

However, the Commission considers that **some** of the **findings** also **reflect differences in audit expectations** regarding the nature, level of detail and availability of supporting evidence, **rather than shortcomings** that would necessarily have been identifiable by programme authorities during the implementation of operations. The expectations regarding what should be considered as essential audit documentation may differ between the Member States and the ECA (see section below on 'Availability of essential supporting documents'). The Commission stresses in that respect that expectation to find audit documentation, sometimes more than ten years after a programme closed, is not necessarily compatible with the daily administrative constraints programme authorities encounter and **may lead to disproportionate burden** on both managing authorities and beneficiaries, with deterrent effect on the attractiveness of EU funds.

The Commission nevertheless acknowledges certain system issues detected by the ECA. It will continue to work on **further improving the programme authorities' error detection capacity** in the framework of the action plan agreed at the end of 2024 with all programme authorities. In 2025, the Commission surveyed managing and audit authorities to evaluate the overall uptake of the actions proposed, and progress on implementation of the **action plan** was discussed in relevant meetings between the authorities of each Member State and the Commission. The findings from the survey indicated positive developments already in place, even though continuous efforts remain essential in areas such as **support to beneficiaries, risk-based management verifications, knowledge management, use of artificial intelligence** / available databases in control work, and **collaboration** between managing and audit authorities. More details on the outcome of those surveys are available in the respective AARs of directorates general EMPL and REGIO (section 'Effectiveness of controls').

As regards **error types**, based on their common typology, the contribution to the Commission's and audit authorities' error rates are generally from the same categories of irregularities as those of the ECA, namely: **ineligible expenditure, audit trail, public procurement**, and, to a lesser extent (in line with previous years), State aid. This **convergence** confirms that the key sources of error are well identified across all levels of the assurance framework and continue to be the focus of preventive and corrective actions. The Commission will continue to work with the relevant programme authorities to **strengthen their capacities to better prevent and detect such irregularities**. It will also continue to promote simplification and the use of less error-prone schemes, in particular **simplified cost options** (SCOs) and **financing not linked to costs** (FNLCs), through its dedicated transnational networks which allow representatives from all Member States' coordinating bodies, managing authorities and audit authorities and the Commission services to work on the definition of such schemes, exchange good practices and experience.

Finally, the Commission takes the view that errors reported by the ECA, sometimes due to the managing authorities or the beneficiaries not fully understanding the **complex rules** involved, making mistakes, or due to missing or insufficient supporting documentation, do not call into question the **output or impact of the co-funded projects** for the intended policy objectives (see the examples described in boxes in chapter 6 or in the Commission replies in the following sections).

Ineligible costs and projects

Ineligible expenditure (§6.23-§6.25) remains **the most frequent error type** found by audit authorities and the Commission. This still points to the **need for a continuous improvement** in the work of managing authorities in this area under a model that is still for the majority based on reimbursement of real costs declared by beneficiaries. It will be considered in the context of the **action plan** currently ongoing with programme authorities and in the Commission's refined capacity building offer towards programme authorities, based on implementation experience and audit results. Given the crucial role of managing authorities in error prevention and detection and the need to

strengthen detection capacity at the level of management verifications, the **Commission encourages them to use SCOs or FNLCs** to declare expenditure and avoid the complexity of justifying real costs. In addition, there is a continuous **analysis of the root causes of errors** that remained undetected by programme authorities. Such analysis feeds into the Commission's annual risk assessment for its risk-based audits and is shared with programme authorities so that they can adjust their own risk assessments and audit approaches. The Commission also encourages audit authorities to **report** back and discuss with managing authorities their **detailed audit results**. This notably includes errors that went undetected at the first level in order to improve the first level preventive and detective capacity, e.g. by putting in place further guidance and/or trainings for both managing authorities' staff and beneficiaries and to correspondingly **update the risk assessments** underlying the risk-based management verifications.

The Commission acknowledges some of the errors quantified by the ECA on this ground, but not all of them. For instance, for the ESF German operation presented in **Box 6.1** (which was about the transformation of training centres into digital training centres as a result of the COVID pandemic), the Commission does not share the ECA's rejection (as ineligible) of the IT equipment provided by the beneficiary to training centres in excess of the quantities they initially indicated in response to the beneficiary's preliminary survey, based on the ECA's reasoning that it did not demonstrate that these increased quantities had indeed been necessary. The objective of the operation was not only to provide IT equipment to the training centres but also to help them establish their needs to fully equip them for the new digital approach to training. Therefore, for some centres the final orders of equipment were higher than initially estimated by the centres themselves, while for others (both outside and in the ECA sub-sample) they were lower than initially estimated. In addition, the Commission finds that **regular reviews of the estimated needs** at the global and individual levels carried out throughout the implementation of the operation by the beneficiary under the supervision of the managing authority (through four expert meetings and individual customer-tailored guidance of each training centre), also ensured equal treatment between all training centres and adjustment of their expressed needs. Therefore, the Commission considers that the ordered quantities **were in line with programme rules**, because they covered the needs identified by the beneficiary, based on the surveys, individual guidance and their professional judgement and the use of the algorithm they designed and validated with a university expert.

Availability of essential supporting documents

In relation to **§6.26-§6.29**, the Commission agrees that essential documents are required to ensure an appropriate audit trail of the expenditure declared for each operation, in line with Article 72(g) of the 2014-2020 CPR and until the end of the **document retention period**, otherwise the eligibility of the supported operation cannot be proven. The Commission notes that missing supporting information or documentation remains the **third highest source of errors** reported by **both audit authorities and Commission's auditors** under the 2014-2020 programming period.

However, the information requested from beneficiaries and programme authorities **should remain proportionate** in each case, taking into account the impact and administrative cost of documentary requests, stakeholders' calls and efforts under the Commission's own agenda for further simplification in the implementation of EU funds. In 2019 the Commission established with audit authorities a **reflection paper to improve audit documentation**, providing minimum recommendations while respecting proportionality in the administrative costs. The ECA reported this as a positive step in its 2019 Annual Report (**Box 5.8**). The Commission also refers to its replies above in relation to **§6.26**.

The Commission is making similar efforts for the documentation of the audit trail in other areas as well. For example, as regards **ESF+** expenditure, given the vital importance of operations allocated

to support disadvantaged and/or vulnerable groups under the objective for social inclusion, the Commission issued and shared with Member States a **methodological note on** what it considers a **proportionate and balanced audit approach** for this target population under social inclusion. Audit requirements cannot be the same as for other types of operations and must consider the specific context in which such operations are implemented, with specialised and professional staff in charge, and with the need to respect both proportionality and the dignity of the vulnerable groups or individuals concerned by such actions. Self-declarations confirmed by dedicated social workers may be a sufficient supporting document at the level of management verifications (as long as audit authorities carry out additional checks for the purpose of their audits of representative samples of operations). The Commission considers that in some of the errors reported by the ECA for lack of essential supporting documents, such **specific situation** and the reliability of the work of specialised social workers formally in charge of such groups in the concerned Member States were not sufficiently taken into account (see ESF+ example in Sweden quoted in **Box 6.3**).

This said, the Commission will continue **to raise further awareness** of managing authorities on **how to keep adequate audit trail** of all the management verifications they perform, in particular when it comes to the eligibility of participants at a given time.

Compliance with internal market rules regarding public procurement and State aid

The Commission notes that public procurement rules (**§6.30-§6.36**) remain a source of errors as reported by the ECA. It appreciates that the **ECA aligned its approach** towards the quantification of public procurement errors with the Commission guidelines. This development contributes to **greater consistency and proportionality** in the assessment (**§1.36** and **§1.37** and **Figure 1.14**). However, the Commission notes that this year the UK programmes are a significant contributor to this type of errors due to Brexit (as explained above in the section “*Results of the ECA’s transaction testing*”). The Commission does not necessarily share the assessment of the ECA in all errors it quantified for lack of compliance with EU or national public procurement rules (for example in a Dynamic Purchasing System used in the UK), or considers that **particular circumstances** need be taken into account in the appreciation of the breach, for instance in the example described in **Box 6.4** the extension of the contract occurred in 2018 for genuinely unforeseeable circumstances arising after the contracts were awarded in the context of the uncertainty caused by the Brexit. This extension allowed the usage of the remaining ESF allocations before the end of the UK programme.

Regarding the cases reported under direct management, at least in two cases (**§6.32**-Czechia and **§6.39**-CINEA) the Commission also does not agree that there was a non-compliance with EU or national public procurement rules in terms of substantial modifications to the original contract. For both cases, the Commission has no sufficient legal basis to quantify the modifications as an error, and the associated costs were never declared for EU co-financing.

The Commission notes that non-compliance with State aid rules was not a source of quantified errors this year.

Simplified cost options

The CPR provides the possibility for the **increased use of simplified, non-real-cost related financing schemes**, such as simplified cost options and financing not linked to costs schemes (**§6.37-§6.38**). Based on experience and as reported by the ECA in past reports, such schemes are less error prone, and the Commission is strongly encouraging their use (which is even mandatory for smaller operations under the CPR), mobilising managing and audit authorities to design such schemes under their programmes.

The Commission acknowledges that errors linked to the use of these schemes may still occur, as reported from its own audits or audit authorities' ones (see 2025 EMPL AAR – Annex 7L). This demonstrates that the implementation of simplified schemes needs to be **continuously monitored**.

However, the Commission does not agree on all findings that the ECA quantified in relation with the calculation methods of simplified cost options. Regarding the two cases of flat rates for indirect costs mentioned in **Box 6.6**, the Commission stresses that it had approved the carrying over of these flat rates from the 2007-2013 programming period to the subsequent programming periods. Such possibility is explicitly foreseen in the CPR and reflected in the Commission guidance on simplified cost options. There is no legal obligation for the programme authorities to update previously approved methodologies, where the conditions for their application remain unchanged, even though the Commission shares the view that periodic adjustments are indeed a good practice (as recommended in its guidance for such SCOs). In one case, following the ECA audit, the managing authority provided supporting documentation to justify the 2007-2013 method and the use of a 20% flat rate for indirect costs. Furthermore, the managing authority launched in parallel a new study based on the approved financial statements for the years 2023 and 2024 of 21 accredited training centres, which indicate that the 20% remains a satisfactory flat rate to estimate indirect costs for the accredited training centres. The Commission considers that the **elements** provided for this case **do not support a quantified irregularity**. In the other case, the Commission agrees with the ECA that the standard scale of unit cost used in the project and calculated 12 years ago on the basis of over 500 operations implemented in 2007-2013 contained inaccuracies undetected at the time, calculated to be around 4%.

Resilience and values – managed by the Commission

Concerning the findings referred to under **§6.39**, the Commission refers to its replies under the section '[Compliance with internal market rules regarding public procurement and State aid](#)' above (**§6.30-§6.36**) for the errors reported under projects supported through the *European Climate, Infrastructure and Environment Executive Agency (CINEA)*.

The Commission does not share the view with the finding reported in **Box 6.7** and draws attention to its **guidelines “How to manage your lump sum grants”**, which clearly state that “*The consortium is free to spend the lump sum as they see fit, provided the project is carried out as described in the grant agreement.*” Whilst the Commission can agree an amendment may be a good practice, it does not consider it a breach of any eligibility conditions of the grant agreement.

2. Annual activity reports and other governance arrangements

Commission's 2025 assessment

[Member States' management and control systems](#)

The Commission reported in the respective **DGs EMPL and REGIO 2025 Annual Activity Reports (AARs)** that the Member States' **management and control systems (§6.40-§6.41)** **did not function well for nearly 15% of the programmes**, for both 2014-2020 and 2021-2027 programming periods.

For all these programmes, the Commission exercises **enhanced** vigilance and **monitoring and works closely with the programme authorities to mitigate the identified risks**. Where the

criteria for a reservation were met, the **Commission qualified its 2025 declarations of assurance** accordingly in the respective AARs.

Reservations are only lifted once programme authorities have implemented sufficient corrective measures. The fact that between 25 % (for REGIO) and 33% (for EMPL) of last year's reservations are lifted shows that corrective measures were effectively already taken by the concerned Member States, thus improving the effectiveness of systems in place and therefore reducing the risk of declaring irregular expenditure for the concerned programmes.

Level of irregular expenditure in the cohesion accounts

As regards ECA's observation raised in §6.42-§6.49, it is stressed that the assessment for the 2014-2020 programming period reflects the specific circumstances of programme closure, characterised by a **high volume and value of expenditure declared in the final accounts (§6.16)**. Based on the most recent set of **assurance packages** submitted for 2014-2020, the Directors-General concluded in their respective AARs that material irregularities remain in the expenditure certified to the Commission in the accounts accepted in 2025, as was also the case last year. For determining the **risk at payment (Key Performance Indicator - KPI)**, the Commission used error rates reported by the Member States on which it carried only desk reviews so far, rather than 'confirmed' error rates based on its full audit cycle, as done in previous years. This reflects the situation that approximately 80% of the assurance packages for the last accounting year of 2014-2020 were received in 2026. It also allowed to provide a representative assessment of associated risks, including for the 20% of closures submitted in 2025. Moving forward, **the Commission's comprehensive 2026 audit plan** - including on-the-spot verification work where deemed necessary - **will allow to assess the KPI**, ensuring any deviations are identified and addressed. This **two-step validation process** strengthens confidence in the integrity of reported expenditure, while allowing for timely adjustments based on detailed audit findings.

In addition, the **Commission also reports** an estimated prudent **maximum level of the risk at payment** to take account of potential additional risks, using flat rates for some individual programmes depending on their specific situation. In line with the ECA's recommendation⁵, this maximum value also includes a conservative approach to take account of potential errors in the expenditure not audited, for example when only a desk review was carried out or when additional audit work is still required under ongoing contradictory procedures, and/or also taking account of previous years' audit results pointing to possible remaining risks in the expenditure under analysis.

Following such programme-by-programme assessment, the Commission was able to identify which (parts of) programmes present **serious deficiencies** (see annexes 7.F of the respective AARs) and **for which corrective actions were requested and reported** on the financial corrections taken to follow up on previous years' detected irregularities.

For the 2021-2027 programming period, given the low level of reported transactions, the Commission adopted a prudent estimate of 2% for the risk at payment.

Risk assessment for Interreg programmes

In the 2021-2027 period, Interreg programmes (§6.50-§6.51) are audited by the concerned programme audit authorities under a **single audit sample**, drawn by the Commission for all grouped **ETC programmes**. This represents an **important simplification** and reduction of the audit burden for Interreg programmes which traditionally present lower risks than mainstream programmes, based

⁵ See SR 26/2021, recommendation 3a, and Review 03 /2024, conclusion p. 23.

on reported error rates by individual Interreg programme throughout the 2014-2020 period. For the 2024-2025 accounts, the **total error rate** for the Interreg sample covering 48 programmes is **under 1%** (similar for the previous year as well), confirming a low risk profile of these programmes and the effectiveness of the common audit approach.

The Commission takes note of the errors identified by the ECA in the three Interreg programmes it audited this year and will follow-up, as deemed necessary and legally feasible. The Commission will continue to monitor and assess the possible impact of the issues identified in the ECA and Commission audits on its audit approach for the concerned programmes during the 2021-2027 implementation.

3. Closure of 2014-2020 programmes

The administrative **deadlines for closure** were **extended until February 2026⁶** by the co-legislators to allow programme authorities to carry out all due diligence and checks before declaring final expenditure.

The closure of the 2014-2020 programmes **comprises two steps** at Commission level: the **acceptance of the programme accounts and related final implementation report**, with the corresponding financial transaction (payment of the balance of the last accounting year or recovery), followed by a **confirmation in writing to the Member State whether all legality and regularity issues are considered appropriately processed**. Only then is closure considered as completed.

As set out in the 2014-2020 CPR (EU) No. 1303/2013, the Commission's acceptance of accounts has to be distinct from the legality and regularity assessment. As such, the Commission will continue to **conduct thorough legality and regularity checks for all programmes**, even after payment of the balance (or recovery) at closure. This ensures that no outstanding audit issue remains unresolved before finalising the closure process. The Commission can only definitely close a programme when it has assurance that the **estimated residual total error rate does not exceed 2%** for each accounting year of the concerned programming period, and that all identified irregularities and risks were appropriately addressed by programme authorities. The Commission started to report on progress about the 2014-2020 closure in its 2025 AARs. By the end of May 2025, 73 REGIO and 56 EMPL programmes were closed, out of which 21 and 13 programmes respectively were 'fully' closed, meaning from the legality and regularity point of view as well.

To verify the state of preparedness for closure of programme authorities, the Commission carried out in 2024 and 2025 **preventive audits** for a sample of programmes considered at risk, to ensure that the concerned authorities were timely carrying out all required verifications in line with the Commission closure guidelines, including to prevent and correct remaining irregularities and to appropriately follow-up all reported audit results by closure. More details on these audits are available in Annexes 7I of DGs REGIO and EMPL 2024 AARs.

Closure constitutes a key safeguard within the assurance framework for cohesion policy for protecting the EU budget. At closure, Member States reported in February 2026 a record-high EUR 6.5 billion in financial corrections—significantly above previous years. Where reported residual error rates still exceed 2% (or when the Commission recalculated such rates above 2% following its assessment of the closure package or as a result of its audits), the Commission applies financial corrections to ensure that risks for all programmes remain below materiality before definitely closing

⁶ Regulation (EU) 2024/795 - adopted by the co-legislators on 29 February 2024 - establishing the *Strategic Technologies for Europe Platform (STEP)*.

a programme. This ensures that residual risks are reduced below materiality before the programme is definitively closed and that irregular expenditure is duly excluded from the EU budget.

4. 2021-2027 programming period

The Commission is providing support to Member States **to strengthen their administrative capacity, improve and accelerate implementation and address bottlenecks** in investments in multiple ways. It has tabled several proposals in the last few years, including the recently adopted **mid-term review of cohesion policy**, helping them to address the emerging priorities while also increasing the flexibilities available, and introducing further simplification measures. With the **level of project selection** on the ground being **around 65%** of the available envelopes for 2021-2027 cohesion programmes, the financial implementation significantly accelerated in 2025 and with many Member States submitting payment applications going well beyond their n+3 decommitment target. The Commission believes that the changes introduced to the design and set-up of management and control system in 2021-2027 allow to **increase the effectiveness of controls (§6.12)**. Managing authorities are now required to focus efforts and resources on the most error-prone areas through **risk-based management verifications**, following a prudent risk-assessment that must continuously take account of results from all verifications and audits carried out. In 2025, a majority of programmes in Member States were effectively applying such risk-based verifications, while in other programmes were still applying a 100% approach for verifications for the sake of prudence. **Audits** (from audit authorities and the Commission) continuously verify whether managing authorities effectively assess risks in their programmes and implement those risk-based management verifications where it is pertinent, **to ensure increased efficiency and enhanced capacity to detect errors**. Moreover, to reduce the audit burden when track-records prove that systems are well-functioning, the regulation allows programmes to use ‘**enhanced proportionate arrangements**’, which provide a menu of flexibilities and simplifications in verifications and audits. The Commission can, in case evidence demonstrates a deterioration of the situation, require the Member State to re-instate fully-fledged controls for the concerned programme(s).

Despite the low level of implementation so far, the **multi-annual corrective capacity** is already working for the 2021-2027 programmes: Member States already withdrew EUR 1 billion from the annual accounts for the period 2021-2027. In addition, the application of net financial corrections, acting as an incentive for robust control procedures, has been streamlined. Based on ECA recommendations and the CPR provisions, the Commission now immediately launches procedures in the cases where expenditure in accepted accounts is found to be irregular and was not detected and reported by the Member States.

5. Conclusions of the ECA report

The Commission is confident that its **risk at payment** calculations, including the maximum risk, which takes account of the ECA’s results without extrapolation but after carefully assessing if other programmes could be affected, **presents a fair representation** of the reality on the ground, taking into account the specific risks identified for each programme.

However, the fact that the risk at payment calculated by the Commission was **still above the materiality threshold** for the 2014-2020 period, even though not at the level reported by the ECA for the reasons mentioned in the section II.1 above, indicates **persistent issues of legality and regularity for some programmes that require close monitoring**.

Over the past years, also taking account of ECA conclusions and recommendations, the Commission has significantly **reinforced its supervision system**, notably through an enhanced oversight of

programme authorities through a targeted action plan mutually agreed at the end of 2024 to address detection capacity weaknesses identified by both the ECA and the Commission. The **Commission has also reviewed its audit strategy** to carry out more compliance audits to re-perform the work of audit authorities earlier in the programming period, covering all main audit authorities at least once by end 2026, and to preventively review the audit checklists used by audit authorities for 2021-2027.

At audit authorities' level, results start to materialise since for the first time, the **error rate reported by audit authorities** being 3.9% and 3.7% for DGs EMPL and REGIO funds respectively, **demonstrating improved effectiveness**. Additionally, the bilaterally agreed action plans to enhance the programme authorities' detection capacity are reviewed annually with all Member States, ensuring issues are promptly addressed to streamline implementation. The Commission considers that further efforts are needed for the reliability and traceability of risk-based management verifications. In that respect, it has also recently launched a call for tenders on **administrative capacity building for the future cohesion Policy**: tackling errors, implementation challenges and emerging capacity needs. To ensure that capacity building efforts deliver tangible improvements, it is essential to link support services with lessons emerging from implementation experience and audit results. By analysing the root causes of most common errors, implementation challenges and translating them into capacity building priorities, the Commission can adapt and refine its capacity building offer. This **evidence-based approach** helps ensuring that tools, trainings and guidance offered by the Commission respond directly to the practical challenges faced by programme authorities.

The Commission has integrated all these **experiences** and their outcome into the **design of the post-2027 programming period**, proposing an output-based payment system, using lessons learnt to develop a simpler, more robust assurance model ensuring a continued strong supervisory role for the Commission and compliance of declared expenditure with applicable law. The goal is to **further reduce error risks** while maintaining sound financial management at all levels.

III. THE COMMISSION'S REPLIES TO THE RECOMMENDATIONS

Recommendation 6.1 – Improve choice and justification of simplified cost options

The Commission should:

- (a) **promote the use by managing authorities of the 'off-the-shelf' (standard) simplified cost options provided for in the Common Provisions Regulation and the related fund specific regulations;**
- (b) **remind managing authorities of the requirement to retain the documentation justifying simplified cost options that remain in effect from previous programming periods, and to update it appropriately; and**
- (c) **further support member states to enhance their knowledge of simplified cost options by encouraging the sharing of good practice between managing authorities as regards setting-up and applying simplified cost options, with a particular focus on minimising complexity for beneficiaries and final recipients.**

Target implementation date: end of 2027.

The Commission **accepts** recommendation 6.1(a), 6.1(b) and 6.1(c).

The Commission continuously supports Member States in the adoption and use of simplified cost options through a wide range of initiatives, including through the ESF+ and REGIO Transnational Networks on simplification, multi-country workshops and national events. The Commission will continue to promote knowledge-sharing and exchange of information to the concerned programme authorities of the Member States through these fora and events.

In particular, the **Commission will further promote simplification by facilitating sharing of good practices among Member States**. The simplification can be reached through different methods, depending on the specific needs of the Member State. For the programmes that are having specific needs and extended knowledge, simplification can be reached by designing and implementing specific simplified cost options methodologies, whereas for others it is simpler to use the off-the-shelf simplified cost options provided for in the CPR and relevant funds specific regulations and those adopted by the Commission in the delegated regulations. The **Commission will encourage Member States to adapt their use of SCOs depending on the programmes' needs**.

Regarding the use of simplified cost options from previous programming periods, the Commission published interpretation questions on this topic and clarified the conditions under which this can be done in the Guidance note on the use of simplified cost options C/2024/7467, section 3.2.6. The Commission also continues to promote the good practice to update data used for older methodologies. The information was further shared with the Member States in the context of a SCO webinar organised on 26 March 2026 by DG EMPL, DG REGIO and DAC and the CPR Expert Group meeting held on 17 June 2026.

For the 2021-2027 programming period, **the Commission will continue to dedicate specific sessions to the use of simplified cost options**, including the use from previous programming periods, with a focus on simplification for beneficiaries in the next meetings of both transnational networks on simplification, multi-country workshops and national events.

Recommendation 6.2 – Update the risk assessment for Interreg programmes

The Commission should assess, and update as necessary, its risk assessment for the Interreg programmes taking account of the errors we detected this year as well as the outcome of its audit work, and act upon it audit accordingly.

Target implementation date: end of 2027.

The Commission **accepts** recommendation 6.2.

The **Commission will continuously assess and update, if necessary, its risk assessment for the 2021-2027 Interreg programmes**, taking account of the errors detected. The results from the audits carried out on the annual sample of Interreg programmes will be monitored to ensure that the risks identified are appropriately mitigated. The decided audit approach for 2021-2027, based on the legal basis agreed by the co-legislator, allows to take account of specific risks that can be identified during implementation and take mitigating measures (like increasing the number of hits under specific programmes considered as more at risk).

The **Commission will further reperform the work done under the Interreg sample**. After receiving the results of the next (and third) exercise, **the Commission will take stock thereof and decide if supplementary audit** work is required.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, CHAPTER 7: Natural resources and environment

I. THE COMMISSION'S REPLIES IN BRIEF

Heading 3 of the Multiannual Financial Framework (MFF), 'Natural resources and environment', covers EU spending on: (i) the common agricultural policy (CAP); (ii) the Just Transition Fund; (iii) the maritime and fisheries policy; and (iv) the LIFE programme for environment and climate action.

The CAP objectives, as set out in the Treaty on the functioning of the European Union and the CAP regulations, are: (i) to increase agricultural productivity; (ii) to ensure a fair standard of living for the agricultural community; (iii) to stabilise markets; (iv) to assure the availability of supplies; and (v) to ensure that supplies reach consumers at reasonable prices. Furthermore, the CAP supports investments to modernise agriculture, increase environmental and climate sustainability and develop rural areas.

The 2023-2027 CAP marked a shift from a compliance-based approach to a performance-driven model, granting Member States greater flexibility to design CAP strategic plans with tailored interventions addressing their specific needs. A 2025 Commission report¹ on the implementation of these plans confirmed that, on average, most environmental and climate-related milestones set out in those strategic plans had been exceeded in 2024.

The CAP operates under shared management, supported by a comprehensive management and control system. This robust and multi-layered assurance framework includes controls at national level, independent audits, and Commission oversight, as well as performance reviews every two years. It has successfully ensured the protection of the EU's financial interests.

The Commission focuses on the performance results and the proper functioning of Member States' governance systems, ensuring both the quality of performance results and the legality and regularity of underlying transactions. Accordingly, and in contrast with the previous 2014-2022 CAP programming period, Member States are now no longer obliged to report on detailed control statistics at beneficiary level. Instead, they must report on policy performance based on output and result indicators. Therefore, the Commission no longer calculates an error rate or risk at payment for expenditure under the CAP strategic plans².

The Commission welcomes the comparatively lower estimated level of errors in direct payments (excluding eco-schemes), which reaffirms the important role played by the Integrated Administration and Control System, including its Identification System for Agricultural Parcels (ISAP), in preventing and reducing the risk of error.

¹ COM(2026)37 [EUR-Lex - 52026DC0037 - EN - EUR-Lex](#)

² Instead of determining an error rate and risk at payment, the Commission groups expenditure under the 2023-2027 CAP into three risk categories (low, medium, and high) based on the final, adjusted grading of the governance systems put in place by Member States. The certification bodies determine this grading annually through assessments of the proper functioning of the governance systems in place per intervention per paying agency, which may be adjusted by the Commission on a case-by-case basis, taking into account its own audit findings and those of the Court of Auditors.

II. THE COMMISSION'S REPLIES TO THE ECA'S MAIN OBSERVATIONS

1. Regularity of transactions

Results of transaction testing

The CAP operates a planning, auditing and correction system spanning several years. We welcome that the ECA acknowledges in §7.18 and Boxes 7.2 and 7.3 that in six cases (covering land at disposal in Croatia (Box 7.3) and France, and non-compliance with the requirement for agricultural activity in Greece (Box 7.2), the Commission has identified similar findings during its own audits, independently of – and before – the ECA's audits, in these Member States. The conformity procedures for these audits are currently ongoing and the risk to the Funds will be covered by the proposed financial correction, where the potential serious deficiencies will be confirmed as the outcome of the procedure.

These six cases represent a 1.1% error rate (the category “ineligible land declared” in Figure 7.4), meaning that, if excluded, the ECA's estimated error rate would have been 1.1 percentage point lower.

A key element of the control framework for area- and animal-related interventions under the CAP is the Integrated Administration and Control System, which covered 66% of shared management CAP expenditure in 2025 and thus continued to play a very important role in ensuring financial oversight.

As noted in §7.20 of the ECA's report, Member State authorities had the necessary information to prevent or correct errors in 19 cases of quantifiable errors, which could have reduced the estimated error rate by 2.4 percentage points. The Commission actively supports Member States in reducing errors by simplifying rules, promoting tools like simplified cost options (SCOs), and leveraging technologies such as Copernicus Sentinel data and the Area Monitoring System (AMS). Additional guidance, capacity building, and sharing of best practices further strengthen error prevention and detection.

The Commission considers that, according to its own assessment, around half of the error rate estimated by the ECA is attributable to errors linked to ineligible land declared, including land at disposal, and non-respect of agri-environmental and eco-scheme commitments.

The Commission does not agree with the ECA's assessment in 2 transactions, one of which concerns absence of essential supporting documents, because in its opinion the presence of supporting documents is not an element of eligibility for that particular transaction.

Direct payments

The Commission welcomes the ECA's conclusion indicating that the level of error was lower in direct payments (excluding eco-schemes), (§7.17).

Land at disposal

Farmers must comply with the legal condition of having the land at their disposal for receiving direct payment. Verifying this condition is important to prevent irregularities and protect the financial interests of the EU.

As early as 2021, DG AGRI issued a note³ to Member States, based on Regulation (EU) 1307/2013 and the ruling in [Court Case C-216/19](#)⁴. The current Regulation (EU) 2021/2115 has not changed this requirement and the caselaw was further developed by the ruling in [Court Case C-434/24](#)⁵. The guidance from the Commission to Member States clarifies the four main points set out below.

- The farmer must have the lawful and actual use of the land, established on a legal basis under applicable national law.
- Member States should accept any type of agreement or legal title which makes the use of the land 'lawful' under their national law. For example, Member States can base the fulfilment of the 'land at disposal' condition on a factual relationship agreed by the user and the owner of the land, such as an oral agreement, or they can request a formal lease contract.
- The possibility to presume that the land is at the disposal of the farmer, when certain conditions are met, is also within the remit of the Member State.
- Member States have a general obligation to carry out systematic controls, not limited to double claims. Member States may decide on the extent of those controls in the light of their national specificities and in line with the principle of proportionality. Member States may also decide at which moment the farmers must prove that they have the land at their disposal: at the moment of the application, during the on-the-spot checks, during administrative controls, etc.

The Commission and certification bodies systematically address the verification of land at disposal as part of their audits. This includes targeted testing of the control systems implemented by paying agencies to ensure compliance with this eligibility condition. Land at disposal is explicitly identified in the Commission's working document on serious deficiencies⁶, given its potential to compromise the EU's financial interests and CAP objectives. For this reason, it is subject to a lower tolerance for margin of misstatements in controls testing, reflecting its critical importance.

Where deficiencies are identified, the Commission acts through the conformity procedure, applying financial corrections where necessary to safeguard the budget. Certification bodies are further guided by Guideline 2 (FY2025)⁷ to prioritise the testing of controls related to land at disposal, alongside other high-risk areas like conflicts of interest and double funding. This ensures robust oversight and corrective action to mitigate systemic risks.

Specific Member States

The Commission is aware of the longstanding situation in Greece and has been following the situation there for several years now. Substantial amounts of financial corrections were applied in the past and new conformity procedures are currently ongoing. One of these procedures covers the weaknesses in the check for compliance with the requirement for agricultural activity, which is cited by the ECA in [Box 7.2](#).

Eco-schemes and agri-environment-climate commitments

Eco-schemes and agri-environment-climate measures (AECMs) are central instruments of the 2023–2027 CAP, designed to align agricultural practices with the EU's environmental and climate objectives. Introduced as a voluntary tool under direct payments, eco-schemes reward farmers for adopting

³ Note on the requirement of 'eligible hectares at the farmer's disposal'.

⁴ Land Berlin - ECLI:EU:C:2020:1046.

⁵ APIA - Centrul Județean Bistrița-Năsăud - ECLI:EU:C:2026:247.

⁶ Working document on Identifying potential serious deficiencies for the purpose of DG AGRI Assurance and audit Directorate's mission to provide assurance.

⁷ Guideline on the annual certification audit EAGF/EAFRD expenditure, financial year (FY) 2025.

sustainable practices (such as crop diversification, soil health improvements, or reduced chemical inputs) that increase biodiversity, improve resource efficiency, and boost carbon sequestration. Meanwhile, AECMs (under rural development) support longer-term agro-ecological commitments, targeting challenges like water protection, habitat preservation, and climate resilience. Both instruments embody the CAP's dual commitment to sustainability and productivity, ensuring that EU agriculture remains competitive on global markets while delivering public goods. The schemes' ambition and adaptability give rise to inherent complexity. To ensure effectiveness, their design must accommodate diverse regional conditions, farm structures, and environmental priorities, combined with clear eligibility rules.

The Commission acknowledges the errors identified by the ECA in eco-schemes (§7.22) and in agri-environment-climate commitments (§7.24). The errors may be attributed to the inherent complexity of these schemes, as mentioned above. This is because the voluntary and innovative nature of these schemes mean that they must be adapted to diverse regional conditions, detailed eligibility criteria, and varying farm structures. In addition, because the eco-schemes are a new instrument under the CAP strategic plans, some schemes have faced implementation challenges, especially where Member States introduced novel or highly tailored measures. To address these issues, the Commission has provided substantial support to Member States, including guidance on best practices for agri-environmental and climate commitments, and recommendations on how to improve control systems. The recent simplification of procedures to amend national CAP strategic plans also enables quicker adjustments to make the schemes more attractive and increase compliance. Any risk to the Fund continues to be followed up through conformity procedures, while ongoing collaboration with Member States aims to ensure consistent and effective implementation.

2. Annual activity reports and other governance arrangements

DG AGRI and DG MARE reporting on the regularity of spending

Every year, Member States are obliged to send to the Commission their 'assurance packages', including the new annual performance reports and the certification body's opinion and reports. The Commission uses this information, the results of its own audit findings and the results of ECA audit findings to conclude on the assurance for the CAP expenditure.

For the CAP expenditure (including both performance and compliance-based expenditure), 64% is estimated to be in the low-risk segment by the Commission, while 20% and 16% of the expenditure are estimated to be in the medium and high-risk segments, respectively.

These results are not directly comparable to the ECA's error-rate estimates, as the Commission's risk classification is based on assessments of the functioning of Member States' governance systems rather than statistical error measurements. Nonetheless, the outcomes continue to indicate a high level of assurance, reflecting the effectiveness of Member States' control systems due to improved assessments and resulting gradings of the systems by the certification bodies on one hand and, Commission actions to continuously protect the EU budget, on the other.

The 2025 decrease in estimated expenditure in the low-risk segment to 64% (from 77% in 2024), primarily reflects greater scrutiny by certification bodies, particularly in expenditure areas like basic income support, coupled income support, and eco-schemes, rather than an actual increase in underlying risks. This adjustment reflects improved detection capabilities and the closure effects of the 2014-2022 rural development programmes, where Member States accelerated expenditure to maximise fund absorption and avoid decommitment. Together, these factors confirm that control systems are functioning as intended.

DG AGRI continuously works with the Member States to address the main challenges in implementing the CAP through different capacity-building actions and the promotion of best practices. Where necessary, conformity procedures are launched to exclude expenditure from EU financing not incurred in conformity with EU rules, thereby protecting the EU budget from expenditure that should not have been charged to it.

Review of the performance reporting under the 2023-2027 CAP

The Commission takes note of the ECA's observations, which confirm the effectiveness of the Commission's own procedures for ensuring the accuracy of CAP performance reporting. We welcome the ECA's acknowledgement that the Commission's checks and expenditure adjustments were applied correctly.

As the ECA observes, the performance clearance has been discontinued from 2025, given the disproportionate relationship between efforts and results during this exercise, while also aiming to simplify procedures. The Commission remains fully committed to maintaining robust assurance mechanisms under the CAP.

III. THE COMMISSION'S REPLIES TO THE RECOMMENDATIONS

Recommendation 7.1 - Work with member states to improve controls on land at disposal

In the context of planning the implementation of the 2028-2034 CAP, the Commission should work with member states to improve their control systems for ensuring that land declared is legally at the beneficiaries' disposal.

Target implementation date: 2027.

The Commission **accepts** this recommendation.

While Member States' control systems must go beyond obvious cases, the Commission recalls that the Court of Justice has affirmed Member States' discretion in designing proportionate and efficient controls, tailored to their national specificities.

To support Member States, the Commission is working on sharing best practices and examples on how to deal with difficult situations (e.g. if there is no written agreement to use the land), emphasising that controls must extend beyond double-claim verification to ensure effectiveness without imposing undue burdens on farmers or administrations.

Follow-up of previous years' recommendations

The Commission welcomes the ECA's assessment (§7.45, Annex 7.2) that recommendation 7.1 from the 2023 annual report (on examining the effectiveness of national arrangements for capping and due for implementation by the end of 2025) has been implemented.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, CHAPTER 8: MIGRATION AND BORDER MANAGEMENT, SECURITY AND DEFENCE

I. THE COMMISSION'S REPLIES IN BRIEF

The Commission will continue its efforts in the areas where shortcomings have been identified in order to reduce the risk of errors in the future.

The Commission welcomes the European Court of Auditors' conclusions that (1) the visited audit authorities had developed and implemented detailed procedures to allow them to report on their work in the annual control report; and (2), overall, the visited audit authorities had detailed audit programmes in place and used checklists to support their conclusions.

The Commission estimates the overall risk at payment to be below 2% (§8.20). This estimation is based on the controls and audits carried out by the Commission and the Member States. Numerous transactions were tested.

II. THE COMMISSION'S REPLIES TO THE ECA'S MAIN OBSERVATIONS

1. Regularity of transactions

Regarding the examined transactions which were affected by errors (§8.11), the Commission will address the issues identified, by reinforcing guidance, where required, to reduce the number of errors in the future.

Reply to Box 8.1

Examples of shortcomings in grant award procedures

The Commission acknowledges the ECA's observations and will further investigate the observations along with France.

The Commission would like to mention that following recommendations issued by the ECA in 2023 and 2024, further guidance to Member State national authorities on grant award procedures was provided in a session held on 27 October 2025. Particular emphasis was given to the principles of transparency and equal treatment during all stages of the process and the most common errors identified by the ECA were shared. The Commission expects that this will have an impact on future calls organised by the national authorities.

Example of contract modifications without competitive procedure

The Commission acknowledges the ECA's observations and will further investigate the observations along with the United Kingdom.

Example of substantial modification of military mobility contract affecting contract award conditions

As regards the military mobility transportation project under direct management in Latvia, the Commission acknowledges the ECA's observations on the contract modifications. However, the Commission considers that these contract modifications did not constitute infringements of the principles of transparency and equal treatment.

Reply to Box 8.2

Example of insufficient audit trail

The Commission considers that the audit trail maintained by the Dutch authorities is in line with the audit trail for FAST CARE guidance and therefore appears sufficient to conclude on the calculation method. In addition, the Commission considers that there was no risk posed to the EU budget. This approach advocates for proportionality in reporting, evaluation, management and control.

Examples of no documentation of conflict of interest measures

In relation to the two asylum migration and integration fund (AMIF) projects under shared management with France, the Commission underlines the importance of robust procedural safeguards (including a risk-based verification mechanism) to ensure the integrity of evaluations of calls for proposals. In this context, the Commission has provided guidance on conflicts of interest in the methodological note for the assessment of management and control systems. This guidance clarifies the obligation to declare any potential conflicts. This obligation is subject to verification by audit authorities as part of their system audits as well as during the Commission's audits (when relevant).

The Commission acknowledges the ECA's observations and will further investigate the observations along with France.

Example of weakness in design of lump-sum grants by the Commission

The act to support ammunition production (ASAP) is a short-term instrument that was established in response to the emergency triggered by Russia's full-scale invasion of Ukraine. ASAP aims at ramping-up ammunition production capacity across the EU by supporting producers of defence products. The purpose is to enable an urgent adaptation of the European defence technological and industrial base (EDTIB). The fast implementation of the programme is explicitly required by the co-legislators as mentioned in the regulation's recitals. This urgency has led to significant pressure to reduce the time granted to prepare and submit proposals and to prepare and sign grant agreements.

The Commission considers that the estimated budget was sufficiently precise. The provided budgetary details were reflecting the type of information available when the proposal was

submitted, considering the complexity and the early development phase of the project. The Commission carried out an assessment during the preparation of the grant agreement to obtain further details on the proposed budget and the underlying assumptions, in order to get a reasonable assurance on the level of expenses needed to perform the tasks.

The Commission will further examine the ECA's detailed comments regarding the definition of deliverables and will draw lessons for future projects. However, the Commission did obtain, during the implementation of the project, sufficient information and access to relevant documents in secured environment allowing it to verify that work was progressing to achieve the main increase of production objectives set in the grant agreement.

2. Examination of elements of internal control systems

Review of audit authorities' work

Reply to Box 8.3

Example of shortcoming in the work of an audit authority

The Commission notes the potential impact¹ of the shortcoming identified in Czechia. This did not materialise because the audit authority subsequently carried out a verification, obtaining from the beneficiary the full documentation.

The audit authority accepted the finding and will strengthen its audit control processes by adjusting internal check lists. It will verify the completeness of accounting documents.

Review of Commission closure actions

Regarding the reference to the shortcoming in the closure of the 2014-2020 programming period for United Kingdom (§8.16), as explained in the Commission's reply to Box 8.1 of the Annual Report for 2023, the Member State and the Commission consider that (1) sufficient evidence was provided in relation to the concerned amounts and (2) the amount was therefore not excluded from the final clearing decision. The Commission considers that there was no shortcoming in the closure.

3. Annual activity reports and other governance arrangements

The Commission recalls that the Directors'-General declarations of assurance is based on the examination of several pieces of information from multiple sources (such as self-assessment, ex post controls, Internal Audit Service or ECA reports) – which ensure the reliability of these declarations, in line with Commission instructions (§8.19).

¹ Risk of failure to detect ineligible expenditure.

III. THE COMMISSION'S REPLIES TO THE RECOMMENDATIONS

Recommendation 8.1 – Increase Member State managing authorities' awareness of their obligations

The Commission should take steps to increase Member State managing authorities' awareness of their obligations in relation to the award of grants and public contracts, especially with regard to:

- (a) the measures required to ensure the absence of conflict of interest and proper documentation of those measures;
- (b) the potential consequences of breaching the national or EU rules on the modification of public contracts;
- (c) beneficiaries' obligation to retain sufficient documentation to support the costs claimed.

Target implementation date: end of 2027.

The Commission **accepts** recommendations 8.1(a), (b) and (c).

Recommendation 8.2 – Review verification checks

For directly managed projects, the Commission should review and, where necessary, enhance checks to verify that:

- (a) beneficiaries have taken measures to establish the absence of conflict of interest and adequately documented those measures;
- (b) beneficiaries have respected the national and EU rules on the modification of public contracts;
- (c) the documentation retained by beneficiaries is sufficient to support the costs claimed.

Target implementation date: end of 2027.

The Commission **accepts** sub-recommendation 8.2 (a) with the understanding that these verification checks can also be implemented *ex post*.

The Commission **does not accept** sub-recommendation 8.2 (b), because the Commission disagrees with the finding which concerns substantial modifications of a contract.

The Commission **accepts** sub-recommendation 8.2 (c) with the understanding that these verification checks can also be implemented *ex post*.

Follow-up of previous years recommendations

(§8.21 and Annex 8.1)

The Commission welcomes the analysis of the ECA and the acknowledgment of the full implementation of (1) one of the two recommendations issued in the 2023 annual report; and (2) one out of the three recommendations issued in the 2024 annual report that was targeted for implementation by the end of 2025.

The Commission notices the factually correct remark on **recommendation 2 of year 2023**, which was implemented in some respects, even though the Commission had not accepted this recommendation.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, CHAPTER 9: NEIGHBOURHOOD AND THE WORLD

I. THE COMMISSION'S REPLIES IN BRIEF

Heading 6 'Neighbourhood and the world' of the EU budget covers several funding instruments, most notably the neighbourhood, development and international cooperation instrument – global Europe (NDICI – Global Europe), the instrument for pre-accession assistance (IPA III), which accompanies candidate countries on their way to accession, and the humanitarian aid budget (HUMA), as well as other targeted programmes (for example, the European instrument for international nuclear safety cooperation). Through NDICI-Global Europe, the EU aims to cooperate with partner countries to overcome medium and long-term development challenges and to pursue EU values and interests, while addressing urgent and immediate needs. NDICI-Global Europe is implemented through direct management (by the Commission and the EU Delegations to third countries) and indirect management (by entities such as EU Member State agencies, international organisations or partner countries). To maximise the impact of EU funding, assistance can be provided through grants, procurement contracts, budget support, budgetary guarantees, blending operations and financial assistance. The mandate of the humanitarian aid budget is to save and preserve life, prevent and alleviate human suffering and safeguard the integrity and dignity of populations affected by natural disasters and human-induced crises, even in the most difficult contexts.

The Commission highlights that the implementation of NDICI, IPA III and the humanitarian aid budget often takes place in risky, complex and increasingly fast-evolving environments. It is characterised by diversity:

- geographical dispersion and remoteness, covering many EU Delegations (EUD) around the world in the case of NDICI and IPA III;
- implementing entities and partner countries with their distinct management and control capacities, ranging from small local non-governmental organisations (NGOs) to international organisations and state agencies;
- EU support to beneficiaries is delivered through different implementation methods, ranging from traditional project approach to innovative forms of blending operations, contributions to global instruments and multi-sectoral humanitarian assistance.

The Commission welcomes the positive results reported by the European Court of Auditors (ECA), notably evidenced by the fact that the estimated level of error for heading 6 has fallen significantly compared to last year, from 4.9% to 2.5% ([§9.11](#)). This substantial decrease in the error rate builds on the improvement in the regularity of the underlying transactions and the Commission's continued efforts to strengthen its management and control systems (as shown by the ECA in [box 9.3](#), pointing to Commission's effective grant implementation), and to follow up on the ECA recommendations. The Commission also notes with satisfaction the improvement reported by the ECA in access to documents when auditing transactions with international organisations. In the last few years, the Commission has been careful to closely follow up on cases of limited access to documents and has

improved communication with the beneficiaries of EU funds to mitigate the limitations observed by the ECA in previous years.

The Commission also takes due note of the findings raised by the ECA and is committed to implementing the appropriate remedial actions, including recovery of ineligible expenditure when necessary.

II. THE COMMISSION'S REPLIES TO THE ECA'S MAIN OBSERVATIONS

1. Regularity of transactions

The Commission takes note of the level of error of 2.5% estimated by the ECA (§9.11). The Commission will address the errors identified by the ECA through appropriate follow-up with the beneficiaries of EU funds.

In response to the observations on the regularity of the audited transactions, the Commission provides clarifications on the errors reported in this chapter of the ECA's annual report.

In 2025, the residual error rates calculated by DG INTPA, DG ENEST, DG MENA, DG ECHO and FPI remain below the materiality threshold of 2%. The assessment of the levels of risk is done according to the Commission's methodology and is disclosed in the Commission's 2025 Annual Management and Performance Report (AMPR).

The ECA's annual error rate includes measurement of errors in contracts which can still be subject to controls and corrections by the Commission in subsequent accounting years. Through the Residual Error Rate (RER) study, the Commission estimates the level of error based on a representative sample of closed contracts, for which all controls have already taken place, thus identifying errors that may have escaped previous controls. For this methodological difference, the error rate reported by the ECA and the residual error rates reported by DG INTPA, DG ENEST, DG MENA, DG ECHO and FPI in 2025, which represent the vast majority of the expenditure for heading 6, are not comparable.

Reply to Box 9.1

Example of indirect costs included in payroll

The Commission acknowledges that the ECA may regard certain staff-related costs as linked to the general functioning of the organisation rather than to the specific action. The Commission shares the view that staff costs and other costs that are clearly and exclusively attributable to a given action, actually incurred and properly recorded in the beneficiary's accounts (including appropriately apportioned costs), and not already covered by the flat rate for indirect costs/remuneration, should be treated as direct eligible costs.

Reply to Box 9.2

Example of staff costs incorrectly calculated

The Commission will continue to take awareness actions for NGOs to ensure that the two cost methods established in the relevant agreement to calculated staff costs based on unit costs are strictly applied.

Example of exchange-rate differences charged to the project

In its guidance documents, the Commission will clarify the interpretation of the applicable rules for losses due to fluctuation of exchange rates, to avoid the recurrence of this type of error.

III. THE COMMISSION'S REPLIES TO THE RECOMMENDATIONS

Recommendation 9.1 – Improve the selection procedure for experts

The Commission should ensure that its approval procedure for experts in service contracts includes the verification that their professional experience complies with the terms of reference as regards duration and specific field.

Target implementation date: end of 2027

The Commission **accepts** this recommendation.

The procedure for verifying the profiles of key experts is established in the Practical guide to contract award procedures for European Union external action (PRAG). To avoid the recurrence of errors in this area, the Commission will raise awareness of the application of this procedure. The Commission will also verify that the approval procedure for non-key experts adequately covers the verification of their profiles.

Recommendation 9.2 – Strengthen controls to prevent remuneration costs from being accepted as direct

To reduce the risk of costs which may be covered by the remuneration being incorrectly accepted as direct costs in payroll expenditure under contribution agreements, the Commission should provide further guidance clarifying:

- (a) the distinction between direct costs and remuneration; and
- (b) the need for payroll-related claims to exclude expenditure that is not direct eligible costs but which may be already covered by the remuneration.

Target implementation date: end of 2027.

The Commission **accepts** recommendations 9.2(a) and 9.2(b).

Follow-up on previous recommendations

As regards the follow-up of past recommendations addressed to the Commission in this chapter (**§9.32, Annex 9.2**), three recommendations from the 2022 Annual Report have been assessed as fully implemented; one of them (recommendation 3) was not accepted by the Commission, hence no action to address it was implemented.



Европейски парламент Parlamento Europeo Evropský parlament Europa-Parlamentet Europäisches Parlament
Euroopa Parlament Ευρωπαϊκό Κοινοβούλιο European Parliament Parlement européen Parlaimint na hEorpa
Europski parlament Parlamento europeo Eiropas Parlaments Europos Parlamentas Európai Parlament
Parlament Ewropew Europees Parlement Parlament Europejski Parlamento Europeu Parlamentul European
Európsky parlament Evropski parlament Euroopan parlamentti Europaparlamentet

REPLIES OF THE EUROPEAN PARLIAMENT TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT

CHAPTER 10: EUROPEAN PUBLIC ADMINISTRATION

PARLIAMENT'S REPLIES TO THE OBSERVATIONS

Regularity of transactions

10.6. Parliament takes note of the observations of the Court of Auditors (ECA).

Although Parliament has no formal agreement or memorandum of understanding with the Association Transport Scolaire de l'École Européenne (ATSEE), a clear procedure exists to ensure that any costs defrayed are adequately verified.

ATSEE submits a list of pupils using school transport they organise whose parents have indicated that they work for Parliament. Parliament's service dealing with reimbursement of education costs, on the basis of Article 3 of Annex VII of the Staff Regulations, checks that the parent is a staff member of the institution and is entitled to have education costs reimbursed for the child indicated in the list. Any discrepancies are communicated to ATSEE before their invoice is issued. This procedure is repeated each quarter of the school year.

If a change to a staff member's file requires a correction of an invoice already issued, ATSEE issues a credit note that is offset against the next invoice. No disputes have arisen to date.

Given the number of pupils attending the Type I European School, direct payment of the transport costs generates significant administrative and budgetary savings.

To address the concerns raised by the Court of Auditors, Parliament will take action to formalise the procedure in a written memorandum of understanding with ATSEE.

10.7. Parliament takes note of the observations of the ECA.

According to Article 1.4 of the 400 Rules, the political groups shall be responsible to the institution for the management of appropriations, within the limits of the powers conferred upon them by the Bureau for application of these rules. They shall ensure that the appropriations are managed in accordance with those provisions and they shall take appropriate action to prevent any expenditure which is not in accordance with these rules.

Parliament's administration has nevertheless continued to assist the political groups in improving their internal financial management, by delivering in November 2025 a new session of the training on procurement, expanded to include sound financial management and conflicts of interest. Customised advice on general questions and in individual cases is always provided by Parliament's competent services on request of the political groups. Parliament's administration will continue to provide guidance and specific training to political groups.

10.8. Parliament takes note of the observations of the ECA.

In order for the contractor to be able to execute the contracted services to the required level, the technical and organisational complexity of this service framework contract demands a long phase-in period for the contractor to acquire the necessary knowledge of the Parliament's ICT infrastructure. In practice, this indispensable learning process takes the form of a takeover period running simultaneously with a closing handout period, where the incoming and outgoing contractor are performing the contract in parallel.

Therefore, it is appropriate to be able to establish a "long-term services" contract, where the contracting authority is able to benefit from the contractor's services for a longer period than 4 years.

Consequently the maximum 6 years duration of the framework contract can be justified with the long period and difficulty for the contractor to gain the essential understanding of the Parliament's ICT infrastructure, which imposes the need to have an initial phase-in period and closing phase-out period.

With regard to the foregoing, Parliament considers that the framework contract duration of maximum 6 years is legitimate.

Nevertheless, Parliament can agree that the justifications provided for the extended duration of this framework contract are perfectible. Thus, the explanations for possible future framework contracts with a longer duration than 4 years will be more detailed.

10.9. Parliament takes note of the Court's observations concerning the lease contract for the European Commission Representation premises in Madrid.

Parliament has, since the procedure under review which took place in 2011, further strengthened its internal framework governing building contracts negotiated after local market prospection.

Dedicated written guidance has been adopted and documentation requirements have been reinforced in order to ensure a more systematic recording of the different stages of negotiated procedures relating to building contracts.

Parliament remains fully committed to ensuring both compliance with the Financial Regulation and the sound financial management of Union funds.

10.26. Parliament takes note of the observations of the ECA.

Parliament's administration takes the view that the existing regulatory framework already places clear responsibility on political groups to ensure the effective application of the internal rules and compliance with procurement procedures. The Parliament's administration reconfirms its availability to support the consistent implementation of the applicable framework, including through guidance, trainings, and ad-hoc clarification where appropriate.

REPLY OF THE COUNCIL OF THE EUROPEAN UNION
TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT
CHAPTER 10: EUROPEAN PUBLIC ADMINISTRATION, POINT 10.10

Following three unsuccessful attempts to recruit a candidate with a specific IT profile under a cascade framework contract, it was decided to depart from one of the predefined criteria used for the calculation of years of experience in order to secure a fourth candidate using the senior profile foreseen. This decision was economically advantageous for the institution, as the alternative means of securing the candidate would have entailed a different profile with higher costs. The decision also ensured that urgent and complex work could be undertaken, thereby prioritising the wider principle of sound financial management and performance.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, CHAPTER 10: EUROPEAN PUBLIC ADMINISTRATION

I. THE COMMISSION'S REPLIES IN BRIEF

The Commission takes note of the ECA's conclusion that the estimated level of error for expenditure under Heading 7 'European public administration' remains below the materiality threshold. The Commission considers that its control and supervisory systems provided reasonable assurance on the legality and regularity of the underlying transactions.

Several observations relate to public procurement procedural issues that do not result in actual financial loss to the EU budget. The Commission provides further context and explanations in the detailed replies below.

The Commission remains committed to sound financial management and has been implementing measures to reinforce procurement governance, strengthen monitoring of pension-related processes and further enhance its internal control arrangements.

II. THE COMMISSION'S REPLIES TO THE ECA'S MAIN OBSERVATIONS

1. Regularity of transactions

Regarding the observation on the absence of a written contractual framework for the payment of transport costs in Luxembourg ([§10.6](#)), the Commission would like to recall that it applies Decision C(2013)8971 laying down the general implementing provisions (GIPs) for the granting of the education allowance. Article 4(2) of the Decision sets out the conditions for calculating the cost per pupil.

The Commission would like to underline two points in particular. Firstly, the parents' associations invoice each EU institution or agency separately. Secondly, the Commission's Paymaster's Office (PMO) only manages parents' associations' invoices that relate to Commission staff. The Commission checks listings provided by parents' associations to its internal data sources (Sysper) in order to identify eligibility for the education allowance. These *a posteriori* controls lead to financial corrections in subsequent invoices presented by parents' associations (both in Luxembourg and Brussels). This system has so far functioned well and without any disputes. The risk raised by the ECA has therefore so far not materialised as far as the Commission is concerned. Nevertheless, the Commission considers it useful to formalise the procedure in a written memorandum of understanding with Association Transports de l'École Européenne (ATSEE); discussions are ongoing with the European Union Institutions, Bodies, and Agencies (EUIBA) based in Luxembourg to ensure a coordinated approach.

Regarding the observation on the undue payment of a resettlement allowance to a pensioner ([§10.13](#)), the Commission acknowledges the error detected by the ECA regarding one transaction. Preventive controls have since been reinforced through awareness-raising and an improved checklist.

The Commission views the findings on presence of essential documentation (§10.14) and on selection and award criteria (§10.17) as procedural issues. It would like to point out that the necessary measures are being taken to further improve the building procurement procedure. Standard handling of real-estate files now ensures documented prospection, governance and validation steps. It is important to highlight the point that these procedural issues do not result in actual financial loss and do not lead to any measurable damage to EU budget.

Regarding the observation on the transaction linked to a building public procurement procedure under the responsibility of the European Parliament (§10.9 and §10.19), the Commission considers it important to distinguish between historical procedural deficiencies and the assessment of the legality and regularity of this particular payment. The 2025 payment transaction was executed in full compliance with the applicable lease agreement, the contractual obligations in force and prevailing market conditions.

The Commission was never in a position to remedy or revisit the shortcomings linked to the procurement procedure, which fell outside its responsibility and control.

The Commission's internal control systems identified and addressed the finding on usage of negotiated procedure (§10.15). The Commission identified and reported this independently from the ECA and included it in the 2025 Annual Activity Report of the Commission's Infrastructure Office for Brussels (OIB). The fact that the issue was identified and addressed internally demonstrates that the Commission's internal control systems operated effectively. Regarding the finding on price revision (§10.16), the Commission finds that the price revision clause of the framework contract was objective, transparent and verifiable – as required by the Financial Regulation. The Commission therefore does not share the ECA's assessment.

The finding in §10.18 stems from the examination of a transaction made by the ECA. It concerns the length of extended duration of the related framework contract managed by the Commission. This framework contract was already subject to the same observation in the ECA's 2024 Annual Report (in §10.16). The Commission reiterates the point that the legal standard (set by the Financial Regulation) for exceeding the 4-year limit was duly justified and fully and demonstrably met. The justification provided in the procurement documents for extending the framework contract duration beyond four years is comprehensive, deliberate and proportionate. The extended contract duration aimed at creating conditions conducive to effective competition – as demonstrated by the provisions of the tender documents and the outcome of the procedure – and at ensuring continuity of critical infrastructures. The Financial Regulation requires justification for framework contracts exceeding four years, but it does not require a justification for each additional year beyond the four-year threshold. The quantified percentage of the error does not reflect actual financial loss and does not measure real damage.

2. Examination of elements of internal control systems

Regarding the observation on the identification of sensitive functions within the PMO (§10.22(a)), sensitive functions have been identified in all units within the PMO. The assessment nevertheless needs to be reviewed, particularly in the light of technological developments and embedded controls. This review has already been completed for one unit and a second unit is close to finalising this exercise. This is an ongoing process which will cover all units in the PMO.

Regarding the observation on the anti-fraud strategy and related action plan (§10.22(b)), the draft anti-fraud strategy has integrated comments and recommendations received from OLAF and is now undergoing a peer review.

Regarding the observations on automated checks for pensioners' eligibility for continued pension payments, including the monitoring of proof-of-life records and the processing of life declarations (§10.23), the Commission reiterates its commitment to reinforce the compliance and monitoring procedures within the PMO. A large-scale exercise (covering almost 600 pensioners) is underway for the verification and monitoring of missing proof-of-life records. A formal procedure is being drawn up for processing life declarations and pensioners' identities. For information, the Review exercise of the Access Rights has been finalised and will be carried out on an annual basis by the responsible services.

III. THE COMMISSION'S REPLIES TO THE RECOMMENDATIONS

Recommendation 10.1 – Enhance checks to verify pensioners' eligibility for continued pension payments

The PMO should:

- (a) strengthen its monitoring processes to identify and follow up pensioners' missing proof-of-life records; and**
- (b) establish formal procedures for processing life declarations in its IT system and verifying pensioners' identities.**

Target implementation date: mid-2027.

The Commission **accepts** recommendation 10.1(a). The Commission is reinforcing compliance and monitoring procedures within the PMO. A large-scale exercise (covering almost 600 pensioners) is underway to verify and monitor missing proof-of-life records.

The Commission **accepts** recommendation 10.1(b). A formal procedure is being drawn up for the processing of life declarations and the verification of pensioners' identities.

These actions form part of the Commission's broader efforts to reinforce compliance and monitoring procedures within the PMO.

**REPLIES OF THE COURT OF JUSTICE OF THE EUROPEAN UNION TO
THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT
CHAPTER 10: EUROPEAN PUBLIC ADMINISTRATION**

10.6.

Regarding the observation on the absence of a written contractual framework for the payment of transport costs in Luxembourg (paragraph 10.6.), the CJEU would like to recall that the existing overall framework for the CJEU, which has been unchanged over the last 20 years, relies on the CJEU's Administrative Committee decision of 12 May 2004, laying down General Implementing provisions pertaining to article 3 of Annex VII to the Staff Regulations (the 'Decision').

Article 4(2) of the Decision regulates the specific case of the school transport organized by a parents' association (ATSEE), and has always been considered by the CJEU's administration as the legal basis for the payments. The situation is identical, as far as we know, for the other EU institutions, which have adopted similar implementing decisions.

The existing workflow relies on a pragmatic mechanism where the administrations of the EU institutions act as intermediaries between their respective agents on one side and the ATSEE association on the other side. In the system currently in place, payments to ATSEE by each institution are made on behalf of their agents, on the basis of education declarations they introduced. In other words, the payments to ATSEE by the CJEU are simply, in our view, payments made (indirectly) to parents on the basis of Article 3 of Annex VII of the Staff Regulations.

The CJEU compares the listings provided by ATSEE with its internal data sources (Sysper) in order to identify eligibility for the education allowance. These a posteriori controls lead to financial corrections in subsequent invoices presented by ATSEE. Despite the absence of a formal agreement with ATSEE, the CJEU has not so far had any dispute or any difficulty to resolve errors in invoicing.

Nevertheless, the CJEU considers it useful to formalise the procedure in a written memorandum of understanding with ATSEE to better define the responsibilities of all stakeholders; discussions are ongoing with the other EU institutions based in Luxembourg to ensure a coordinated approach.

REPLIES OF THE EUROPEAN COURT OF AUDITORS TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT

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Paragraphs 10.5, 10.18 and 10.20

The ECA's administration did not manage the procurement procedure for this framework contract.

The contract covers equipment and professional services supporting the organisation's critical ICT infrastructure, where continuity, stability and long-term support are essential. The technologies concerned are not standard commodity products but key components of operationally critical systems, whose replacement or migration entails significant technical, operational and financial risks.

In this context, replacing such technologies every four years could be disproportionate. The ECA has limited budgetary or human resources to undertake recurrent large-scale technology refreshes of this nature. Such an approach would generate substantial transition costs, increase operational risks and potentially compromise the continuity of essential services.

The same considerations apply to the professional services covered by the contract. Given the limited number of internal support staff, maintaining continuity of expertise and knowledge of the technical environment is critical. Frequent changes of contractors would result in knowledge loss, additional onboarding, and training efforts, and increased operational risk.

The market structure for the solutions concerned must also be taken into account. The extended duration can ensure sufficient market interest and adequate participation, without which the availability of technical solutions and specialised support services necessary to sustain critical infrastructure could be reduced.

Furthermore, the framework contract did not guarantee any business to contractors, as most acquisitions remained subject to reopening of competition. The extended duration therefore did not confer an exclusive market position on any supplier, but rather ensured continuity of competitive procurement arrangements.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, CHAPTER 11: Recovery and Resilience Facility

I. THE COMMISSION'S REPLIES IN BRIEF

The European Commission acknowledges the European Court of Auditors' (ECA's) Chapter 11 on the Recovery and Resilience Facility (RRF).

In 2025, the Commission assessed 37 payment requests covering 1 174 milestones and targets, 11 of which were found not to have been satisfactorily fulfilled. It disbursed EUR 87.3 billion in grants and loans based on 1 163 satisfactorily fulfilled milestones and targets, including three related to the lifting of suspensions issued in 2025. The ECA examined 420 milestones and targets, covering all grant payments. Out of those, the ECA identified findings 'with a financial impact' for only 16 milestones and targets related to nine RRF payments to nine Member States. For the other 404 milestones and targets audited, representing 96 % of the audited population, the ECA identified no financial issues.

On compliance with the payment and eligibility conditions, the Commission notes that the 16 findings of the ECA with financial impact ([§11.11](#)) represent 1.5% of the total milestones and targets related to grants assessed by the Commission in 2025.

The 10 ECA findings where the ECA disagrees with the Commission's assessment of 'satisfactory fulfilment of milestones and targets' are due to case-specific differences in the ECA's interpretation either of the legal requirements set by the Council or of the evidence provided by the Member State concerned to demonstrate that these requirements were met. The Commission closely assessed the ECA's analyses and conclusions for each case and maintained its view that the milestones and targets were satisfactorily fulfilled for nearly all cases it assessed positively in 2025. Concerning one milestone, the Commission has, based on the facts identified by ECA, sent a draft review report to the Member State concerned requesting additional information and evidence for the satisfactory fulfilment of that milestone, pursuant to Article 12 of the RRF Financing Agreement. The Commission considers based on additional evidence provided by the Member State that the milestone was satisfactorily fulfilled. In this respect, the Commission thanks the ECA for its diligent analysis. The Commission further notes that, had it agreed with ECA's findings, it would have applied its published methodology for suspensions¹ differently in some cases, to fully take into account the progress in the implementation and/or the importance of the measure.

The remaining four ECA findings related to the RRF eligibility period and the two ECA findings on 'double funding' are based on differences in the interpretation of legal provisions of the RRF Regulation. These interpretational differences have led to similar ECA findings in previous years, and this pattern is expected to continue throughout the lifetime of the RRF. Following the ECA's recommendations, the Commission published guidance on double funding and eligibility². Nonetheless, the ECA interprets both issues (double funding and eligibility) differently to the Commission and the Member States. The Commission maintains that its interpretation of the legal

¹ 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

² COM(2024) 474, Annex II *Eligibility of measures under the Recovery and Resilience Facility – start date for eligible measures* and Annex IV *The concept of double funding under the Recovery and Resilience Facility*.

provisions is fully in line with the applicable legal framework and notes that it cannot resolve the differences at this stage of implementation given the RRF's sunset in December 2026. Moreover, the Commission recalls that, in its view, findings on eligibility issues have no bearing on the legality and regularity of RRF payments. As expressed in the Commission's reply to the ECA's 2022, 2023 and 2024 annual reports, after the Commission assesses the eligibility of measures during the assessment of the Recovery and Resilience Plans (RRPs), the Council decides by means of a Council Implementing Decision (CID) whether a measure is eligible or not. The Commission cannot overrule the Council at the payment stage as to whether or not a measure is eligible. The Commission recalls that it checks that evidence complies with the concept of the eligibility start date applied by both itself and the Member States, but confirms that it does not check compliance with the ECA's interpretation.

As in previous years, the ECA reports findings of 'weaknesses' in relation to the Commission's preliminary assessment (§11.22), the Member States' documentation when submitting payment requests (§11.38) and the design of measures in the CID (§11.51). The Commission notes that in many cases the ECA reports multiple findings based on a single case. This concerns, for example, a finding that a target was not satisfactorily fulfilled and, as the Commission has reached a different conclusion, the ECA also reports a 'weakness in the Commission assessment'. The Commission further notes that for more than half of the milestones or targets where ECA identifies issues, it reports two or more findings. The Commission thus considers that the number of milestones and targets for which the ECA identifies findings provides a more accurate indicator of the number of distinct issues than the total number of findings, as several findings may relate to the same milestone or target.

The Commission welcomes the ECA's recognition of the progress made in implementing the audit recommendations. This result has been achieved through a well-defined methodology, continued and close cooperation with the Member States, as well as a rigorous follow-up by the Commission. The final phase and closure of the RRF does not mark the end of the follow-up on audit recommendations; rather, the Commission will maintain a rigorous oversight of their implementation during this period, where the Commission has announced that its audit work on the RRF will continue in 2027 and beyond.

Regarding the Member States' control systems for ensuring compliance with public procurement and State aid rules, the Commission notes that the ECA detected some individual irregularities in public procurement procedures and State aid procedures. The Commission will determine the appropriate follow-up on these findings as regards the Member States concerned. However, these irregularities do not call into question the legality and regularity of the payments, as the disbursement of EU-level payments to the Member States is solely based on the satisfactory fulfilment of the relevant milestones and targets. In particular, as regards State aid, the Commission does not share the ECA's interpretation that the *de minimis* Regulation was breached in Denmark. As regards another Member State (France), the Commission understands that the ECA's findings are procedural in nature (e.g. lack of audit trail) (§11.37). More generally, the Commission recalls that, as regards State aid, Member States remain responsible for ensuring compliance with the applicable rules, where Member States should notify to the Commission any State aid measures that do not fall under State aid exemption regulations.

The ECA also reports on a new workstream to analyse the amendment of the CIDs. The RRF Regulation provides for the possibility for Member States to request that the CIDs be amended where *"the recovery and resilience plan including relevant milestones and targets is no longer achievable, either partially or totally"*³, i.e. to address implementation challenges. The Commission assesses each

³ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility ("RRF Regulation"), Article 21(1)

request on the basis of a detailed analysis in line with the criteria set out in the RRF Regulation⁴. In the case of a positive assessment, the Commission publishes a proposal for a new implementing decision for consideration by the Council, which takes the final decision. In line with the legislative intention that milestones and targets should be achievable, Member States may, for instance, ask to reduce the scope of a measure and to reduce its cost estimate proportionally (as long as the overall estimated costs still correspond to the allocation), or to eliminate unnecessary interim milestones to reduce the administrative burden. While taking note of the ECA's concerns on internal record keeping, the Commission considers that all the amendments took place in line with the legal base.

The Commission notes that the ECA is not issuing further recommendations on the RRF given its sunset in December 2026 (§11.62) and welcomes this pragmatic approach. With regard to the recommendations contained in the ECA's Annual Reports for 2022, 2023 and 2024, the Commission considers that all recommendations have been implemented to the extent that they were accepted in its initial replies.

II. THE COMMISSION'S REPLIES TO THE ECA'S MAIN OBSERVATIONS

1. Assessment of compliance with payment and eligibility conditions

Fulfilment of milestones and targets

To receive an RRF payment, the Member State must achieve a set of pre-defined milestones (qualitative indicators) and targets (quantitative indicators) measuring the progress of implementing the reforms and investments in the RRP. The RRF Regulation requires the Commission to assess whether each milestone and target has been 'satisfactorily fulfilled'. In February 2023, the Commission published a framework delineating how it carries out its assessment of whether a milestone or target has been satisfactorily fulfilled in line with the legal base⁵. For each milestone or target, the Commission examines all the evidence provided by the Member State and sets out its analysis in a public 'preliminary assessment'⁶. Before adopting a Commission decision and making the payment, the Commission receives the opinion of the Economic and Financial Committee and of a dedicated committee of Member State experts on the preliminary assessment⁷. With reference to §11.13 to §11.14, the Commission therefore considers that every payment decision is both transparently made and subject to strong scrutiny.

Out of the 420 milestones and targets it audited, in 10 cases, the ECA reached a different view to the Commission. In all these cases, this view was due, as in previous years, either to a different

⁴ RRF Regulation, Article 22 and Annex V.

⁵ COM(2023)99, Annex I "Framework for assessing milestones and targets under the RRF Regulation"

⁶ All documentation is available through the country-specific Recovery and Resilience Facility websites; https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/country-pages_en

⁷ Recovery and Resilience Facility Committee; all meeting documents available at <https://ec.europa.eu/transparency/comitology-register/screen/committees/C102400/consult?lang=en>

interpretation of the requirements or to a different interpretation of whether the evidence provided demonstrates that those requirements were met.

In relation to the fulfilment of Polish milestone B5G ‘Entry into force of the regulation setting quality standards for biomass solid fuels’ (**Box 11.1**), the Commission considered that milestone B5G required the entry into force of a regulation to set quality standards for wood pellets and wood briquettes (and not for all biomass intended for household use; excluding, in particular, anti-smog regulations as well). Such an interpretation is supported, among other factors, by the description of the measure in the CID, evidence preceding the adoption of the original RRP, as well as by the fact that, at the time the RRP was drafted, the Polish legal framework lacked appropriate quality standards for wood pellets. By contrast, appropriate quality standards for other types of solid biomass fuels already existed, including in particular, regional anti-smog regulations. On this basis, the Commission does not share the ECA’s view that the milestone was not satisfactorily fulfilled. In addition, the Commission notes that if the ECA’s interpretation of the milestone requirements (according to which the fulfilment of the milestone should have covered other types of solid biomass, like firewood) is accepted, the measure would have been considered ineligible for RRF support, rather than non-satisfactorily fulfilled. This is because such quality standards were adopted and implemented in Poland before 1 February 2020.

As regards the two Polish judicial milestones (**§11.14**), the Commission maintains its replies to the ECA Annual Report 2024⁸. The Commission notes that it disbursed funds for these milestones already in 2024. The ECA provides an update on this case from 2024 in the Annual Report 2025 but still does not draw a conclusion with the information that it has at its disposal. The Commission notes that the ECA awaits the future European Court of Justice rulings before concluding. The Commission notes that it had to ascertain the independence and impartiality of Poland’s Professional Liability Chamber in 2024 on the basis of the existing case law at the time of the assessment, and could not use judgments that occur years later when determining whether the milestones were satisfactorily fulfilled. The Commission maintains its assessment of the milestones, as explained in the relevant preliminary assessment⁹.

RRF eligibility period

Regarding the four findings on the RRF eligibility period, as also noted by the ECA (**§11.15** to **§11.17**), differing interpretations persist between the Commission and the Member States on the one hand, and the ECA on the other hand, concerning the ‘start’ of a measure. In this regard, the Commission refers to its replies to the ECA’s 2023 and 2024 annual reports¹⁰.

In response to a previous ECA recommendation¹¹, in October 2024, the Commission published additional guidance¹² setting out the two tests it applied to ensure a consistent approach: (1) “*Has implementation of the proposed measure started only on or after 1 February 2020?*”; and (2) “*Have the costs incurred for that implementation started only on or after 1 February 2020? Specifically, are the entirety of the costs recorded (in European System of Accounts, ESA2010, terms) after 1 February 2020?*”. The Commission notes that the measures for which the ECA reports this type of finding, pass the two tests.

⁸ Commission replies to chapter 11 of ECA’s Annual Reports 2024, pages 485-486

⁹ See the Positive preliminary assessment of the satisfactory fulfilment of milestones and targets related to the first payment request submitted by Poland on 15 December 2023, transmitted to the Economic and Financial Committee by the European Commission ([52bd45c7-da37-4ba0-b623-95da8cdad7f9_en](#))

¹⁰ Commission replies to Chapter 11 of the ECA’s 2023 annual reports, page 485.

¹¹ Commission replies to chapter 11 of ECA’s Annual Reports 2023, page 491

¹² COM(2024)474, Annex II: “*Eligibility of measures under the Recovery and Resilience Facility – start date for eligible measures*”

Double funding

As noted in the reply to the ECA's 2022 and 2024 annual reports¹³, and in the reply to a dedicated ECA special report on this topic, the ECA applies a different concept of 'double funding' than the Commission and the Member States. The ECA considers that *"double funding occurs when the same underlying cost of a milestone or target is financed twice and/or when the same deliverables are declared and thus funded, twice"* (§11.19). In contrast, the Commission follows the concept of double funding set out in the RRF Regulation, whereby *"support under the Facility shall be additional to the support provided under other Union programmes and instruments. Reforms and investment projects may receive support from other Union programmes and instruments provided that such support does not cover the same cost"*. This means that EU support for a single measure can come from multiple instruments provided that they *"do not cover the same costs"*. In this respect, both in the Financial Regulation and the RRF Regulation, the concept of double funding is linked to costs. The Commission has provided guidance¹⁴, explaining how to apply the cost-based concept of double funding to the performance-based implementation logic of the RRF.

The Commission also recalls that the inclusion in RRFs of reforms, which mostly entail no cost, is an essential condition for a positive assessment of the RRFs and is hence explicitly provided for and even required by the RRF Regulation. Various recitals of the RRF Regulation list possible reform measures which are unlikely to have any direct costs, such as reforms to strengthen social dialogue or minimise administrative burden, thereby making it clear that the Parliament and the Council expected and even required zero-cost measures to be included in RRFs. In many cases, since there are no costs related to implementing these reforms, the Member State declares 'zero costs' in the cost estimate it submits when preparing its RRF. Under its concept, the ECA considers such actions, which the Member States committed to undertake with resources other than the RRF funds, as 'funded' or 'double funded' if there is a contribution from other EU funds.

The finding on 'double funding', which the ECA reports in relation to Latvian milestone 144 "Adoption of Human Resources Mapping in Healthcare" (Box 11.2), demonstrates this issue. While ECA states that *"the mapping of human resources in healthcare had already been fully financed under the EU Technical Support Instrument"*, the Commission considers that, by definition, there cannot be double funding in this case, since no cost has been put forward by the Member State in relation to this milestone. Furthermore, the Technical Support Instrument (TSI) does not provide funds to the Member State, but rather requires the Member State to make staff and resources available to support the project's implementation. The RRF could therefore not possibly have covered the same cost as the TSI. Moreover, the Commission notes that irrespective of any support provided, the TSI cannot itself assure an 'adoption' of such a strategy, which depends on the actions and support by the national authorities.

2. Examination of selected monitoring and control systems

Weaknesses related to the payment request assessment

The ECA notes 40 cases of 'weaknesses in the Commission's assessment' (§11.22). These concern a broad range of findings which cover, for instance, a lack of specific documentation, or the fact that the Commission has not specifically reviewed an element which the ECA considers should have been checked. The Commission acknowledges some of these findings but disagrees with most of them.

¹³ Commission replies to Chapter 11 of ECA's 2022 annual reports, page 453; Commission replies to Chapter 11 of ECA's Annual Report 2024, page 486.

¹⁴ COM(2024)474, Annex IV "The Concept of double funding under the Recovery and Resilience Facility"

The Commission notes the ECA's identification of 12 reported 'weaknesses in the Commission's assessment' (§11.22) related to findings with a financial impact. In cases where the ECA considers that a milestone or target was not fulfilled and where the Commission has reached a different conclusion, the ECA also reports this conclusion as a 'weakness'. The Commission also notes that in some cases the ECA reports for a single milestone or target several weaknesses without a financial impact (e.g. a 'vaguely defined milestone or target' (§11.53) alongside a 'weakness in the Commission's assessment'). The Commission thus considers the number of milestones and targets for which ECA identifies findings provides a more accurate indicator of the number of distinct issues than the number of total findings.

Concerning the example of Cyprus' target 193 'Reduction of backlog of cases for issuance of title deed either by issuing title deeds or by rejecting the case' (Box 11.3), the ECA considers that the Commission should have undertaken further verifications. However, the Commission observes that its assessment was appropriate, and notes that the ECA requested and reviewed primary evidence on a sample basis and did not find any deviations, confirming the assessment of satisfactory fulfilment.

The ECA also reports four 'weaknesses in payment requests' as it considers the management declarations contained partially inaccurate information (§11.38). The Commission acknowledges the findings but does not agree with all the cases and recalls that national authorities submit the management declaration based on their own judgment and the information at disposal at the time of submission. The Commission recalls that the management declaration is accompanied by extensive documentation and thus does not need to contain each piece of information, and that the assessment process provides ample possibility for the management authorities to provide and the Commission to request any additional information or clarification. The Commission considers that, in all the cases identified by the ECA, where the relevant information was not found in the management declaration as a reservation, it was made available in the complete payment request documentation.

Commission audit recommendations

The ECA acknowledges the Commission's progress in implementing audit recommendations (§11.26) but notes that some 'critical' and 'very important' recommendations remain open during the last year of the RRF implementation.

Since the start of the Facility, the Commission has issued more than 2 700 audit recommendations across all 27 Member States. By 28 May 2026, the vast majority of these (91%) had already been closed or preliminarily assessed as closed by the Commission. This result has been achieved through a well-defined methodology. The Commission applies a conservative approach and closes audit recommendations only in case sufficient, reliable and adequate evidence of implementation is submitted by the Member State. This result also reflects a continued and close cooperation with the Member States as well as rigorous monitoring by the Commission. This demonstrates the tangible progress made in the Member States' internal control systems.

The Commission will continue to closely monitor the implementation of its recommendations issued after 31 December 2026 and of those issued before that date that remain open¹⁵. It will also continue to exert its rights to engage in the recovery of funds in the cases set out in the in the framework for 'Reductions and Recoveries of funds under the RRF'¹⁶. The ECA presents data on the number of open 'critical' and 'very important' recommendations for 37 selected final audit reports issued between the start of the Facility and the cut-off date of 11 May 2026 (Figure 11.4). In this respect, the

¹⁵ C(2026) 2647, "Guidelines for Member States on operational aspects related to the final phase and closure of the Recovery and Resilience Facility" (Section 6.3).

¹⁶ C/2024/4990 Commission Notice - Guidance on recovery and resilience plans, Annex IV.

Commission highlights that, out of the total of 448 recommendations related to ‘critical’ and ‘very important’ findings issued in these sampled final audit reports, only 25 remain ‘open’, representing 5.6% of that total. Of these, for nine recommendations, the deadline for the Member State to respond had not yet passed. For the remaining cases, the Member States’ replies were submitted. For 12 recommendations, the cases are assessed as closed and the follow-up letters are being prepared. For the remaining four recommendations, the Commission is closely following up on the corresponding cases to ensure that corrective action is implemented.

Regarding the two audit recommendations which the ECA considers having been closed without sufficient evidence (§11.28), the ECA’s conclusion does not reflect the full scope of the Commission’s evidentiary basis used to close those two audit recommendations. The Commission recalls that the closure of a recommendation is based not solely on evidence submitted by the Member State in the formal follow-up process; in line with standard audit practice, the Commission also considers information from other audits, audit summaries and data available through IT tools such as Arachne.

Effectiveness of Member state control systems

The Commission welcomes the ECA’s recognition of audit and control milestones as a positive step towards strengthening Member States’ control systems. However, the Commission disagrees with the statement that *“Weaknesses in the control systems of member states whose second or subsequent payments were conditional upon achieving control milestones pose a risk to PFIU until they are fulfilled, with a potential impact on the regularity of expenditure”* (§11.31). The Commission has systematically reassessed the adequacy of the Member States’ proposed control systems against criterion 2.10 of Annex V of the RRF Regulation each time Member States submit requests to revise their RRFs. In a logic of dynamic monitoring, this is done based on the information provided by the Member States, supplemented by additional evidence obtained by the Commission, including audit findings. The Commission considers that its increasing audit work has revealed specific weaknesses that can be remedied by an audit and control milestone without calling into question the adequacy of the Member States’ control systems. In this context, the focus of the audit and control milestones is on the arrangements to be put in place by the Member State to address the relevant audit findings. Consequently, the Member States’ subsequent improvements of national control systems have further strengthened the level of assurance. Therefore, the introduction of audit and control milestones should not be interpreted as meaning that Member States’ control systems were not suitable for implementing the RRF until that point. In addition, the Commission recalls that the regularity of expenditure under the RRF is determined solely by the satisfactory fulfilment of milestones and targets, which is subject to both ex ante and ex post controls.

The ECA reports ‘persistent weaknesses’ in the control systems of four Member States during the period when specific Commission audit recommendations issued to those Member States remained open (§11.32). The Commission notes that the reported audit findings and recommendations relate to shortcomings in the implementation of controls, rather than to the design of the Member State’s internal control system. These findings were duly accepted by the Member States, and all recommendations have since been assessed by the Commission as adequately implemented as part of the audit follow-up. The Commission considers that none of these audit findings called into question the overall safeguards provided by those Member States’ control systems and thus did not justify introducing an audit and control milestone. Consequently, the Commission maintains that payments to those Member States were made with adequate control arrangements in place.

The Commission takes note that the ECA identified, through its audit work, a number of possible irregularities in public procurement procedures in two Member States and possible irregularities as regards State aid procedures in three Member States. The Commission will determine the appropriate follow-up on these findings as regards the Member States concerned. However, these cases do not affect the legality or regularity of the related payments, as the disbursement of funds is solely based

on the satisfactory fulfilment of the relevant milestones and targets. For its part, the Commission expanded its audit scope following the ECA's 2023 Annual Report and updated its audit strategy to systematically verify, across all types of audits, Member States' compliance with their obligation under Article 22(2)(a) of the RRF Regulation. This includes verifying, where applicable, that Member States regularly check 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. These verifications were carried out using the Commission's enhanced toolbox, including comprehensive checklists.

3. CID amendments

As a specific workstream of this year's statement of assurance process, the ECA analysed CID amendments and reviewed 32 changes to milestones and targets in eight Member States (§11.9). The Commission recalls that the RRF Regulation allows each Member State to request that the CID approving the national recovery and resilience plan be amended or replaced *'where the recovery and resilience plan including relevant milestones and targets is no longer achievable, either partially or totally'*¹⁷. Recognising that it is for the ECA alone to decide the audit scope, the Commission notes that the audit scope covers only amendments of milestones and targets for which a payment took place. The audit scope thus does not cover cases where the Commission has not proposed that the Council amend the CID, although such cases are equally relevant for any conclusions on the interaction between CID amendments and payment requests. The resulting conclusions, and particularly the statement that this *'reduces the effectiveness of the EU's financial leverage and sends the message that the unsatisfactory fulfilment can be avoided by amending a CID to unlock the payment'* (§11.42), result from this audit scope. The Commission does not share this view, and highlights the explicit legal provision that justifies a revision when a milestone or target is *'no longer achievable'*. The Commission thus notes that the co-legislators have explicitly chosen to allow milestones and targets to be revised when objective circumstances prevent their completion, provided the RRP continues to comply overall with all other criteria.

Regarding the ECA's findings on justification and evidence for objective circumstances (§11.43, §11.44), the ECA notes that the Commission provided guidance on amendments in 2023, 2024 (§11.43) and 2025 (§11.39). While such guidance provides a framework, the assessment still needs to be done on a case-by-case basis due to the diversity of possible objective circumstances that may warrant a revision. As its assessments involve qualitative judgements, the Commission acknowledges that the ECA may hold a different view on the justifications and evidence provided by the Member States. However, the Commission maintains that its assessments were sound and based on documentation as well as on in-depth discussions with Member States. The Commission has transparently identified the reasons for its views in the proposals to amend CIDs.

The Commission acknowledges the ECA's observation that some amendments removed parts of specific phases of a measure from the RRP (§11.45) but notes that such changes are allowed by the RRF Regulation, as explained above. The Commission notes that it assesses whether the revised RRP complies with the assessment criteria provided for in the Regulation and codifies this assessment in its proposals for a revised CID. This transparent approach demonstrates how the Commission ensures that all amendments are made in a manner that ensures the RRF Regulation is respected. Where changes to the scope of a measure reduce the RRP's overall estimated cost below the Member State's financial allocation, the Commission requires the Member State to either upscale another measure proportionally or reduce its requested financial allocation. In line with the Commission's guidance

¹⁷ RRF Regulation, Article 21(1).

that ‘if the change only relates to the scale of the measure, the revision of the estimated costs should be done on a proportional basis’, such a change requires no new justification of the estimated costs¹⁸.

If Member States include a reform with a cost estimate of zero euro in their RRP, this neither increases nor decreases the financial allocation. Thus, the Commission confirms the ECA’s finding (§11.48) that changing such a measure does not have direct financial implications, which stems from the RRF’s legal basis. However, the Commission considers the impact of such a change on the RRP overall, in particular on the compliance with all legally set assessment criteria. In this respect, the Commission firmly rejects ECA’s statement that amendments to zero-cost measures ‘*may weaken incentives to maintain the initial scope and ambition of the reforms*’, where the RRF Regulation has put in place firm safeguards – which are applied in a transparent and publicly available manner by the Commission and the Council – to ensure that all RRFs, including their reforms, respect the RRF legal framework at all times.

The example of Ireland’s reform 2.7 ‘Addressing the digital divide and enhancing digital skills’ (Box 11.5) fully illustrates this point. As one of four elements of the reform, which was fully financed and implemented with national funds, Ireland committed to take actions that would increase the number of ICT graduates and initially put forward a target to measure the *impact* of this measure. Given that this target was part of a non-critical zero-cost reform, Ireland asked if it could amend the target to implement a better alternative that would allow the administrative burden to be reduced, while still achieving the objectives of the respective measure. The Commission proposed amending the CID in line with Ireland’s request and the Council agreed. While this amendment lowered the target measuring the reform’s impact (by 12%), it does not alter the policy objective or its implementation by the Member State, i.e. the implementation of digital skills reforms. Both before and after the revision, all learners remain fully nationally funded and, accordingly, the RRF financial allocation was not affected by this change.

4. The design of measures, milestones and targets

As in previous years¹⁹, the ECA states that milestones and targets should ‘*cover all the main elements of the underlying reform or investment, in particular its completion*’ (§11.50). The Commission acknowledges that ensuring good coverage of reforms and investments through milestones and targets is key to measuring their progress and considers this to be the case for all RRFs. However, it recalls that the RRF Regulation explicitly defines milestones and targets as ‘*measures of progress*’²⁰.

In relation to the example of Swedish audit and control milestone 41 “M 1: Government decisions ensuring an effective and efficient implementation of the Recovery and Resilience Plan including the audit and control set-up” (Box 11.6), the Commission recalls that audit and control milestones are intended to address weaknesses in the design of the control arrangements set out in the RRFs, to ensure compliance with Article 22 of the RRF Regulation. The Commission introduced this milestone focused on the design and implementation of the necessary control system at the national level in Sweden, as well as requiring that a clear framework was in place imposing legal obligations on all implementing bodies in the Swedish national control system. Issues related to the implementation of such arrangements at the level of individual implementing bodies, which in no way challenge the overall control system in the country are then followed up on and examined through in-depth audit

¹⁸ C/2024/4618, Section II.IV.

¹⁹ ECA Annual Report 2024, paragraph 11.51, ECA Annual Report 2023, §11.45

²⁰ RRF Regulation, Article 2(4): ‘milestones and targets’ means measures of progress towards the achievement of a reform or an investment, with milestones being qualitative achievements and targets being quantitative achievements’. See also, Commission replies to Chapter 11 of the ECA’s 2024 annual reports, page 493.

work of the Commission, including through on-the-ground checks. This approach of ensuring protection of the financial interest top-down via audit and control milestones and bottom-up by granular checking of individual implementing bodies ensures an efficient and comprehensive approach to protect the financial interests of the Union, rather than a time-bound and document-based payment request process.

5. Annual activity reports and the annual management and performance report

DG ECFIN's Annual Activity Report (§11.54 to §11.59) outlines how the Commission has achieved assurance on (i) legality and regularity of payments; (ii) Member States systems related to public procurement and State aid and (iii) corrections in accordance with Article 22(5) of the RRF Regulation, whilst transparently outlining the level of risk that is foreseen in relation to each of these issues per Member State. Throughout 2025, the Commission has undertaken a greater number of ex-ante and ex-post controls related to RRF payments than in any previous year. The results of these controls are taken together with the work of the ECA and OLAF when determining the appropriate level of risk.

Implementing previous ECA recommendations, the Commission has updated its risk assessment methodology on materiality throughout the lifetime of the RRF²¹. This has included taking into account flash reports from audits before work is finalised, where the Commission welcomes ECA's acknowledgement that this approach enables the Commission to consider all available information (§11.56). The Commission considers that the advantages that taking into account the latest information that is available brings to its transparency surrounding risks outweighs the disadvantages that may come with this.

The Commission considers that the results stemming from the revised risk assessment methodology provide reasonable assurance as regards the level of risk assigned to each Member State. In this respect, like in previous years, the Commission does not agree with the ECA's statement that this approach is likely to underestimate the level of risk.

6. Recommendations

Throughout the implementation of the RRF, the Commission has maintained a constructive and proactive approach in its cooperation with the ECA. It has accepted most of the ECA's recommendations in RRF-related audits and will continue to strengthen its control framework by drawing on the ECA's findings and recommendations until the conclusion of the RRF. The Commission notes that the ECA is not issuing further recommendations given that the RRF implementation will end by December 2026 (§11.62) and welcomes this pragmatic approach. The Commission's proposals for the 2028-2034 multiannual financial framework (MFF) build on the lessons learned from the programmes implemented under the current MFF, as well as on the recommendations issued by the ECA. The Commission has taken due note of the ECA's opinions on its proposals.

Of the nine recommendations in the ECA's 2022, 2023 and 2024 annual reports, the Commission accepted or partially accepted seven. The Commission considers that it has fully implemented the accepted elements of all seven recommendations in accordance with its initial replies.

The Commission notes that ECA assesses the level of implementation against the recommendation it formulated, independently of whether or not that recommendation was fully accepted by the Commission. The Commission, on the other hand, assesses the level of implementation against the commitment it undertook in the replies to the special reports. Therefore, in some instances, the ECA

²¹ See Annex 5 of DG ECFIN's Annual Activity Report 2024 and 2025

considers the recommendations to be only partially implemented, while the Commission deems them fully implemented.

The Commission takes note of the ECA's assessment of Recommendation 3 in the ECA Annual Report 2023. However, the Commission considers that a comprehensive set of actions has been taken to ensure that Member States take prompt remedial action to address remaining weaknesses in control systems, including in the areas of public procurement and State aid. These actions include comprehensive checks across all types of audits, the introduction of audit and control milestones where systemic weaknesses are identified, and rigorous monitoring of the follow-up to audit recommendations.



Европейски парламент Parlamento Europeo Evropský parlament Europa-Parlamentet Europäisches Parlament
Euroopa Parlament Ευρωπαϊκό Κοινοβούλιο European Parliament Parlement européen Parlaimint na hEorpa
Europski parlament Parlamento europeo Eiropas Parlaments Europos Parlamentas Európai Parlament
Parlament Ewropew Europees Parlement Parlament Europejski Parlamento Europeu Parlamentul European
Európsky parlament Evropski parlament Euroopan parlamentti Europaparlamentet

REPLIES OF THE EUROPEAN PARLIAMENT TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT

CHAPTER 12: FOLLOW-UP OF THE RECOMMENDATIONS MADE IN OUR SPECIAL REPORTS FROM 2022

PARLIAMENT'S REPLIES TO THE FOLLOW-UP OF SR 18/2022:
“EU institutions and COVID-19 – Responded rapidly, challenges still ahead to make the best of the crisis-led innovation and flexibility”

Annex 12.2 – Follow-up of 2022 special report recommendations – Other auditees

Parliament takes note of the analysis of progress made in implementing recommendations of the Court of Auditors (ECA).

Following the COVID-19 pandemic, Parliament has not introduced a comprehensive new way of working that affects its building policy. Rather, it has strengthened its existing strategy while maintaining its current building stock. This model prioritises the overall optimisation of existing assets and therefore does not generate any particular budgetary impact for building policy.

It is essential for Parliament to provide direct, personal, and continuous support to Members of the European Parliament (MEPs) in executing their daily duties. This requires sustained on-site assistance, proximity services, secure meeting facilities, and constant operational continuity—factors that influence Parliament's approach to managing the office buildings necessary for its staff and which determine its infrastructure needs. Budgetary gains are thus limited, whilst environmental effects of teleworking are considerable.

Consequently, Parliament considers that Recommendation 3c is not applicable.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, CHAPTER 12: Follow-up of the recommendations made in ECA special reports from 2022

Regarding the European Court of Auditors' (ECA) recommendations addressed to the Commission ([§12.6-§12.10](#)), **the Commission attaches the utmost importance to implementing all accepted recommendations.** The Commission follows up on the actions that it committed to implement and that fall within its mandate. The ECA assesses the level of implementation against the recommendation it formulated, independently of whether or not that recommendation was fully accepted by the Commission. The Commission, on the other hand, assesses the level of implementation against the commitment it undertook in the replies to the special reports. Therefore, in some instances, the ECA considers the recommendations to be only partially implemented, while the Commission deems them fully implemented.

In this context, the Commission takes note of ECA's assessment that the **level of implementation of recommendations addressed to the Commission reached** 74% of recommendations implemented in full or in most respects (a slight decrease vs 77% in the follow up of 2021 ECA recommendations) ([§12.6](#)). The Commission confirms that there can be differences in the assessment of the extent to which recommendations have been implemented ([§12.8](#)). While the Commission determines when a recommendation has been fully addressed, it remains committed to ensuring that the underlying objectives of all recommendations are effectively met.

In general terms, in relation to the level of acceptance of recommendations, the proportion of recommendations not accepted in 2022 increased slightly compared with 2021 (around four per cent of the recommendations issued in 2022 vs two per cent in 2021). In 2022, the Commission has partially accepted nine per cent of the ECA recommendations. **The non-acceptance or partial acceptance of recommendations** can have several reasons, for example: (i) the limits imposed by the existing regulatory framework and/or the difficulty to pre-empt future EU legislation; (ii) the remit of roles and competencies (including responsibility and accountability arrangements) between different EU institutions, bodies, Member States and stakeholders; (iii) the complementarity with policies, legislation and programmes; (iv) the Commission's assessment of the feasibility of the recommendations and/or the resources and timing implications.

On the **timely implementation of recommendations** ([§12.18](#)), the Commission welcomes the ECA's conclusion that the proportion of recommendations implemented on time by the Commission continued to increase this year. The Commission notes in this context that the timeliness of the follow-up actions is also to be seen in conjunction with the level of acceptance of the recommendations. The Commission remains fully committed to implementing all accepted recommendations within the timeframes set out in the ECA's special reports. This does not, however, apply to recommendations which the Commission did not accept in the first place, for the reasons set out in the published replies to the special report concerned.

In some cases, the follow-up actions may require more time than initially expected due to the complexity of the measures, legislative or policy-related developments, resource constraints, external factors, or to the need to involve other institutions or entities. The fact that a recommendation has not been fully implemented by the initial expected completion date does not mean that that recommendation will not be implemented subsequently. Evolving circumstances, or changes in the policy or political context may typically lead to actions being reprioritised.

The annex presents the Commission's responses to 53 recommendations which, according to the ECA's assessment, are implemented in some respects or have not yet been implemented. Out of these, the Commission did not accept 7 recommendations, considers implemented 33 recommendations and continues to follow up on 13 recommendations that were still ongoing at the end of May 2026.

Annex – Follow-up of 2022 special report recommendations – European Commission

Special Report 01/2022: EU support for the rule of law in the Western Balkans: despite efforts, fundamental problems persist.

Reply to recommendation 2(b), paragraph 75. The Commission and the European External Action Service (EEAS) partially accepted recommendation 2b and consider that it has been implemented with respect to the elements that were accepted.

The Commission considers project funding the most appropriate form of financing for civil society organisations (CSOs), given that organisational or core support is inherently risky, as it creates dependency. In rule of law actions, due consideration is given to funding CSOs. The Instrument for Pre-Accession Assistance (IPA) III programming framework considers support for civil society and the media to be one of the priorities for improving democracy and the rule of law. The Commission considers that a key factor to making progress in the field of the rule of law in the targeted IPA beneficiaries is to support the active role of CSOs in policy and decision-making, in promoting good governance, anti-corruption efforts, gender mainstreaming, human rights protection, and in their role of watchdogs. For example, the Commission grants financial support to projects implemented by CSOs active in the fight against corruption. This support currently includes projects to build regional benchmarking tools to detect corruption. In line with the recommendations issued by the ECA, the multi-country civil society programme offered substantial support for developing civil society in the region (EUR 218.5 million in 2021-2023). Under the IPA III programme, a regional call for proposals for civil society was launched in April 2022, with a specific lot on good governance, the rule of law and the fight against corruption. Another call was launched in 2024, also targeting relevant topics, such as media freedom and freedom of expression, CSO-enabling environments and civic participation, as well as good governance and economic development. Following broad consultation with civil society in the Western Balkans, in June 2022, the Commission revised its 'Guidelines for EU Support to Civil Society in the Enlargement Region'. The guidelines are anchored in a solid set of standards, in particular the EU rule of law *acquis* (Chapter 23 'Judiciary and fundamental rights' and Chapter 24 'Justice, freedom and security'). They are furthermore aligned with recommendations, opinions and guidelines adopted by international organisations and inter-governmental fora.

Financing for CSOs and media organisations has increased significantly under the IPA III programme. The Commission has taken steps towards providing 'core funding' where this was identified as being relevant and possible. Further progress in this direction is expected. Through strategic partnerships, the Commission is exploring ways to ensure continuity and a longer-term perspective for the activities of independent CSOs, media networks and organisations in the region, especially in the countries where the civic space is deteriorating. In addition, the Commission is currently aligning its support for CSOs with the [EU Strategy for Civil Society](#). Finally, the Commission continues to step up its role as donor coordinator with a view to targeting the assistance at CSOs and the media in order to reverse the threat of shrinking civic space.

While the EEAS does not take part in the programming-implementation or results-monitoring process for the IPA financial support addressed by the ECA report, the EEAS provides: a) support through political messaging on the importance of civil society and the media in tackling rule of law issues; b) support for CSOs and the media in fighting disinformation (in line with the *EU action plan against disinformation and the European democracy action plan*); and c) information to Western Balkans CSOs and media on the EU's engagement, including the EU integration process.

Special Report 02/2022: Energy efficiency in enterprises - Some energy savings but weaknesses in planning and project selection

Reply to recommendation 1(a), paragraph 125. The Commission did not accept the recommendation.

The Commission has considered in its assessment of the 2021-2027 programmes whether the planned funding for energy efficiency can deliver the best possible added value, in line with EU objectives and priorities as well as national, regional and local needs and constraints. It has also assessed the fulfilment of the 'enabling condition' related to the National Energy and Climate Plans.

Special Report 03/2022: 5G roll-out in the EU: delays in deployment of networks with security issues remaining unresolved

Reply to recommendation 1(a), paragraph 83. Following the public consultation on the second draft of the Methodology for Mapping Quality of Service in 5G Networks, the Commission has substantially advanced the development of a common EU methodology to support the future implementation of, and reporting on, new 5G quality of service (QoS) key performance indicators under the Digital Decade framework. Building on the results of the public consultation process and exchanges with the Body of European Electronic Communications Regulators and Member States, the focus of the work has, since the beginning of 2026, shifted towards technical consultations with relevant vendors of radio equipment and network planning tools, to ensure that the methodology can be implemented in practice through operators' existing tools, while preserving comparability, proportionality and auditability across Member States. The objective of this work is to move beyond the existing signal-coverage-only approach by enabling harmonised 5G QoS indicators to be reported under a common methodology in future. In particular, the emerging framework is being structured around threshold-based indicators derived from harmonised outputs produced under a common reference busy-hour scenario and reference user equipment profile, so that results can be aggregated, reported and verified consistently at national and EU level, while avoiding a disproportionate reporting burden, artificial modelling assumptions and the unnecessary publication of commercially sensitive data.

Reply to recommendation 2(c), paragraph 91. The Network and Information Systems Cooperation Group discussed the need for specifying enforceable requirements. The findings were integrated into the second report on Member States' progress in implementing the EU on Toolbox on 5G Cybersecurity under Section 4 'Implementation of the recommendations of the European Court of Auditors' (pp. 21-22). In addition, in its Communication of 15 June 2023 on Toolbox implementation (C(2023) 4049 final), the Commission announced that, as part of its corporate cybersecurity policy and in line with the EU Toolbox, it will take measures to avoid exposing its corporate communications to mobile networks using high-risk vendors as suppliers. Those measures include not procuring new connectivity services that rely on equipment from those suppliers, in line with the relevant security conditions. The Commission also implements this decision, according to its competencies under the respective governance rules, in all relevant EU funding programmes and instruments.

The Commission has also proposed a legislative framework for the security of information and communications technology (ICT) supply chains, including for 5G networks, as per the ECA recommendation to initiate legislation on 5G cybersecurity. The proposed Cybersecurity Act 2 (CSA2), published on 20 January 2026, sets out a trusted ICT supply chain framework to address strategic, non-technical risks in ICT supply chains. In particular for 5G networks, the proposed CSA2 provides for a prohibition on the use of ICT components provided by high-risk suppliers in key ICT assets. Once the Cybersecurity Act and the relevant implementing act designating third countries posing cybersecurity concern and providing the list of high-risk suppliers enter into force, mobile network operators would have 36 months to phase out equipment from high-risk suppliers in key ICT assets.

The Commission proposal would turn the 5G Toolbox recommendation on high-risk suppliers into a binding requirement. The implementing acts would be adopted once the CSA2 enters into force.

Reply to recommendation 3(a), paragraph 93. The recommendation has been addressed in the second progress report on the implementation of the 5G Toolbox, published on 15 June 2023. The toolbox contains information on how Member States treat mobile network operators' (MNOs) costs for replacing 5G equipment purchased from high-risk suppliers, under Section 2.1.3. on restrictions on high-risk suppliers. It specifies that in 12 Member States, the legal frameworks that have been adopted or proposed specify transition periods, either with specific dates (e.g. 2025) or a number of years after the entry into force of the measures, thus giving MNOs time to replace equipment from high-risk suppliers.

The impact assessment of the revised Cybersecurity Act provides information on the economic costs for MNOs of replacing 5G equipment from high-risk suppliers. The impact assessment also addresses the strategic risks stemming from the presence of high-risk suppliers, which entail costs for the EU's security.

Special report 04/2022: Investment funds EU actions have not yet created a true single market benefiting investors

Reply to recommendation 1(a), paragraph 129. The Commission did not accept recommendation 1a.

The Commission considers that the overall EU legal framework for asset management is suitable and effective in achieving the pursued objectives for an effective internal market. It is regularly revised in order to identify and address shortcomings. A review of the Directive on Alternative Investment Fund Managers (AIFMD) and the European Long-Term Investment Funds Regulation took place between 2022 and 2023 to align them with market developments and industry practices as agreed by Parliament and the Council. They entered into force and are now accompanied by the necessary implementing measures. The effects of the proposed legislative changes need to be observed and evaluated according to the Better Regulation principles. The Commission believes that the next evaluation of these amendments to the EU asset management framework will be possible and appropriate only in five years from the finalisation of the transposition at the earliest.

Furthermore, on 4 December 2025, the Commission adopted a proposal to improve the functioning and EU-wide market integration of the asset management sector (the SIU MISP proposal) by removing barriers stemming from both EU and national law through amendments to the Undertakings for Collective Investment in Transferable Securities Directive, the AIFMD and the Cross-Border Distribution of Funds Regulation. The proposal streamlines the cross-border provision of funds, eases operations for asset managers, creates a depository passport and provides the European Securities and Markets Authority (ESMA) with strengthened convergence powers. The Commission considers, in view of the broad and ambitious removal of barriers, that the proposal tackles structural drivers of domicile concentration and increases the ESMA's supervisory convergence powers. It is currently in negotiations with Parliament and the Council.

Finally, the Commission is currently working on the adoption of the EU venture and growth capital funds initiative. This initiative seeks to improve operating conditions for EU venture and growth capital fund managers, as well as to increase their competitiveness in order to further support the EU economy and innovative companies. The initiative could bring about a simplified, more proportionate and cost-effective set of rules to help EU venture and growth capital fund managers operate and scale up, thereby boosting the financing available in the EU. Depending on the outcome of the ongoing policy work, the impact assessment and other factors, the reform may result in technical amendments to the AIFMD, particularly with respect to the operation of sub-threshold

alternative investment fund managers and small and mid-size AIFMD-licensed AIFMs, as well as technical improvements to the Regulation on European venture capital funds.

Reply to recommendation 1(b), paragraph 129. The Commission partially accepted recommendation 1b and has taken several relevant actions to address the ECA's recommendation.

As emphasised in the reply to recommendation 1a, on 4 December 2025, the Commission adopted the SIU MISP proposal. The performance-measurement and monitoring activities go beyond the necessarily limited set of indicators in DG FISMA's management plan. The Commission publishes annually a list of indicators to track the development of capital markets and monitor progress towards the objectives of the Capital Markets Union, which includes among other things indicators on investment funds. Moreover, revisions of the AIFMD and the supervisory reporting rules for collective investment in transferable securities under Directive (EU) 2024/927 will improve, as from 2027, the availability and quality of data on investment funds and their managers, thereby making it easier to monitor the performance of those market participants.

Moreover, the ESMA performs continuous risk assessments and risk monitoring for the investment fund sector, which are published in a series of reports, such as the Trends, Risks and Vulnerabilities (TRV) reports, the Risk Dashboard and the Market Reports series. In that context, the ESMA is developing the TRV Structural Market Indicators, which provides structural indicators for investment funds for the European Economic Area, the EU and by Member State, and provides data from registers maintained by the ESMA. After reviewing the framework, the Commission therefore considers that the current set of indicators and publication channels constitute a suitable framework.

Reply to recommendation 3(a), paragraph 134. The Commission partially accepted recommendation 3a and considers that it has been implemented with respect to the aspects that were accepted. On 24 May 2023, the Commission published its proposal for a retail investment strategy with the aim to empower retail investors, and ensure that they are adequately protected and encouraged to invest in capital markets. The strategy covers a wide range of topics, including addressing financial intermediaries' potential conflicts of interest based on inducements. Parliament and the Council reached a provisional political agreement on 18 December 2025.

The agreement introduces measures to increase retail investors' confidence and improve the way they interact with financial markets, especially by:

- strengthening the rules around product design to ensure that products that do not offer value for money are not offered or sold to retail investors;
- helping to mitigate potential conflicts of interest in the distribution of investment products by introducing stricter safeguards and transparency in cases where inducements are allowed, among other things, by means of an inducements test;
- facilitating retail investors to access non-complex, broadly diversified and cost-efficient products;
- providing retail investors with clear, standardised information about investment products and updating disclosure rules for the digital age;
- promoting the use of standard terminology and presentation of costs to make them transparent and comparable, thereby helping investors assess product value;
- ensuring that all retail clients receive a yearly summary of their portfolio's investment performance;
- protecting retail investors from misleading marketing by ensuring that firms are fully responsible for marketing communications, including those disseminated via social media, celebrities or other third parties whom the firms remunerate or incentivise;
- reducing administrative burdens and improving the accessibility of products and services for sophisticated retail investors, by making the eligibility criteria to become a professional investor more proportionate;

- increasing supervisory cooperation among EU and national authorities to allow proper and effective application of the rules across the EU and to address fraud and malpractice.

Following formal adoption of the provisional agreement by Parliament and the Council, the retail investment strategy is expected to strengthen retail investor protection and improve retail investors' access to capital markets.

Special report 06/2022: EU intellectual property rights - Protection not fully waterproof

Reply to recommendation 1(b), paragraph 96. The Commission has taken several actions to address the ECA's recommendation. Recast Directive (EU) 2024/2823 of 23 October 2024 on the legal protection of designs and Regulation (EU) 2024/2822 of 23 October 2024 amending Community Designs Regulation (EC) No 6/2002 and repealing Commission Regulation (EC) No 2246/2002 on fees payable to the European Union Intellectual Property Office entered into force on 9 December 2024.

As regards EU trade mark legislation, both Article 16(3) of the recast Directive and the new Article 19(3) of EU Design Regulation (EC) No 6/2002 as amended by Regulation (EU) 2024/2822 now extend the scope of rights conferred by registered designs to combat counterfeit goods in transit through the EU or being placed in another customs situation. While the recast Directive still needs to be transposed by Member States by 9 December 2027, the provision in the new Article 19(3) of the EU Design Regulation, as amended, is already in application since 1 May 2025. As regards the intervention threshold and definition of small consignments, in September 2022, following a thorough analysis, the Commission submitted a proposal to review the definition of small consignments (via a delegated act as provided for by Regulation EU (No) 608/2013) to Member States' customs authorities, to right-holders and representatives for their opinion. In view of the concerns and doubts raised regarding the raising of thresholds by both Member States' customs authorities and right-holders, the Commission decided to withdraw this proposal. Some Member States were in favour of a more radical change of the small consignments procedure than only increasing the thresholds of the quantities. The small consignments procedure is part of the ongoing evaluation of Regulation EU (No) 608/2013. Intervention thresholds are not provided for in the current Regulation but are part of the aforementioned evaluation.

Reply to recommendation 2, paragraph 97. The Commission has taken several actions to address the ECA's recommendation and considers that the implementation of this recommendation is ongoing. The Commission initiated the process for the evaluation based on Article 210 of the Regulation on the European Union trade mark (EUTMR) in 2022. An external contractor provided a study to support the evaluation, which was accepted by the Commission on 17 November 2024, pending the decision to publish the study. The study focuses on evaluating the changes introduced by EUTMR since 2017, as well as on the overall effectiveness and cost-efficiency of the EU trade mark granting process. The analytical work underpinning the assessment of governance arrangements and features related to the fee framework is also being carried out within that process. The Commission staff working document (SWD) on the evaluation of the Regulation on the EUTMR, as required by Article 210 EUTMR, is currently being drafted by the Commission with the support study providing the basis for the assessment. Additionally, due to the feedback from the users of the trade mark system and the Member States, the Commission will probably consider including certain substantive provisions of the EUTMR in the evaluation. This is in the spirit of simplification so that the evaluation outcome captures all possible angles for an eventual review of the EUTMR.

Reply to recommendation 5(a), paragraph 101. The Commission considers that this recommendation has been fully implemented.

The Commission, together with nine volunteering Member States, set up a subgroup of the Customs Expert Group on Customs Controls and Risk Management to develop common risk criteria (CRC) for intellectual property rights (IPR), and to check whether they could be implemented efficiently and effectively. The subgroup prepared a draft legal text (Commission Implementing Decision and the relevant Annexes), and tested them in two pilot projects, one using historical data and the other using real-time data, with controls based on the hits created by the proposed risk indicators of the draft CRC. The results of those two pilot projects, in particular the one with customs controls performed on real-time import declarations, were however disappointing and have not led to many detentions. One of the reasons mentioned by the Member States was that the validity of the risk indicators identified for IPR could not be confirmed, which meant that those risk indicators were not mature enough to be incorporated in a binding CRC.

Based on the results of the work performed so far, the subgroup came to the conclusion that, it would be premature to proceed with the introduction of binding CRCs for the time being. Nevertheless, Member States recognised the need to improve the risk management at European level. It was therefore proposed to test the use of consolidated lists of data linked to IPR risk by allowing Member States to collect and integrate those lists in their risk management system (e.g. adversely known operators), without creating any obligation for Member States to use the lists for controls. Those lists should be integrated into the Common Risk Management System (CRMS 2). Each Member State will contribute to populating the list, while the Commission will be responsible for consolidating the inputs into a common list for all Member States. This solution will be a temporary measure pending the implementation of the enhanced common risk management approach under the ongoing Customs Reform package, notably through the Customs DataHub.

Reply to recommendation 5(c), paragraph 101. The Commission considers that this recommendation has been fully implemented.

Through the Customs Expert Group, the Commission reminds Member States that they need to register their IPR detention data in the Counterfeit and anti-Piracy Information System (COPIS database) within a specific deadline, while also underlining the required quality of the data reporting.

The Commission contracted an external study supporting the evaluation of Regulation No 608/2013 at the end of 2024 which has recently been completed. The study mentions the issue of the timing for reporting. That topic will also be addressed as part of the Commission evaluation on the implementation of Regulation (EU) No 608/2013, to assess whether a mandatory deadline for reporting would improve the quality and timing of reporting.

Special report 07/2022: SME internationalisation instruments - A large number of support actions but not fully coherent or coordinated

Reply to recommendation 3(a), paragraph 90. For the Startup Europe Initiative projects that are managed by the European Innovation Council and that also have a direct link to Connect digital policy, indicators have been developed for the:

- number of start-ups supported by the ecosystem put in place by the project;
- number of job openings created by the start-ups supported by the Startup Europe ecosystem;
- activities set up during the project lifetime with the aim of continuing after the project end.

Moreover, the Commission is cooperating with the EIC to support its work in monitoring the Startup Europe projects. This includes reporting on the projects, deliverables, key performance indicators tracking, as well as the interim and final reviews that the EIC organises.

Reply to recommendation 3(c), paragraph 90. Horizon Europe's evaluation and selection criteria prioritise projects which best fulfil three relevant award criteria: excellence, impact and quality and efficiency of the implementation (as per Article 28 (1) of the Horizon Europe Regulation). These three award criteria ensure that the projects contribute to and have the highest impact on: (i) increasing the market footprint of European start-ups in strategic digital technologies and deep tech innovation; (ii) connecting start-ups with local and European ecosystems, communities and potential new markets; and (iii) scaling up capabilities for matching technology solutions and deep tech start-ups with investment and growth opportunities. This will ensure that the funded projects bring together those start-ups that make the biggest contribution to growth and jobs. In calls for proposals relating to Startup Europe Initiative, the Commission highlights that it is important for a project proposal to outline how it will help start-ups to fully unleash and develop their potential and competitiveness.

Special report 08/2022: ERDF support for SME competitiveness - Design weaknesses decrease effectiveness of funding

Reply to recommendation 2(a), paragraph 80. The Commission did not accept recommendation 2a.

The Commission agrees that selection criteria should be appropriately ambitious, but does not agree that competitive calls are always the appropriate default option for support for small and medium-sized enterprises. The legal basis leaves Management Authorities free to choose whatever selection procedure they consider most appropriate to maximise the contribution of EU funding in relation to each situation, programme or their customary administrative practices. Managing Authorities can choose between competitive and non-competitive calls (cf. recital 60 of Regulation (EU) 2021/1060) on a case-by-case basis, taking into account the advantages and disadvantages of each method.

Special report 09/2022: Climate spending in the 2014-2020 EU budget – Not as high as reported

Reply to recommendation 1, paragraph 58. The Commission consistently aims to measure the common agricultural policy (CAP) contributions in the most reliable, science-based manner possible, while also taking into account that the methodology needs to be simple to implement and that undue administrative burdens should be avoided. In January 2026, the Commission published a [study](#) on budget tracking of the common agricultural policy's contribution to climate change. The current tracking methodology estimates a positive contribution to climate that is broadly in line with the weightings set out in Article 100 of Regulation (EU) 2021/2115, particularly for direct payments and areas with natural or other area-specific constraints.

For the next programming period, the 40% and 100% coefficient weightings that are currently planned to be used for intervention fields related to agriculture are the coefficients that are most closely aligned with the positive contributions of CAP expenditures determined using the study's new methodology. The findings of the study broadly support the new methodology outlined in the proposed performance regulation.

Reply to recommendation 2(a), paragraph 60. The Commission did not accept this recommendation.

All basic acts of EU budget programmes impose compliance with a suitable and tailored version of the 'do no significant harm' principle, and the EU Climate Law requires the Commission to assess the consistency of any draft measure or legislative proposal (including budgetary proposals), with the EU's 2050 climate-neutrality objective and the EU 2030 and 2040 climate targets before adoption. Therefore, the Commission considers that it would not be relevant to expand the climate

mainstreaming methodology to cover negative impact, as proposed by the ECA, including in light of the additional burden that this would impose on all relevant actors.

Reply to recommendation 3, paragraph 63. The Commission considers that this recommendation has been fully implemented.

The Commission has taken several steps to report on the impact of the EU budget on climate objectives in the 2023 and 2024 annual management and performance reports (AMPRs). For those years, the AMPRs report on energy-efficiency savings per year from private and public buildings, CO₂ emissions avoided per year and renewable energy capacity installed, and aggregate the results from various EU budget programmes. However, the absence of harmonised, aggregable indicators across budget programmes prevents the Commission from broadening the scope of this impact monitoring.

The performance regulation proposal for the 2028-2034 multiannual financial framework sets out the performance framework for monitoring expenditure and performance across all EU budget programmes and activities. This framework includes a common list of intervention fields, coefficients indicators to enable the monitoring of expenditure and performance related to both climate mitigation and climate adaptation. With regard to climate mitigation, one key indicator is greenhouse gas emissions avoided, which has been included in the relevant intervention fields and which will allow this important result to be aggregated across the entire EU budget.

Special Report 10/2022: LEADER and community-led local development facilitates local engagement but additional benefits still not sufficiently demonstrated

Reply to recommendation 1(e), paragraph 84. The Commission partially accepted the recommendation, subject to its feasibility in terms of data collection and of existence of a common definition of statutory tasks”.

The Commission explored with its contractor the possibility of assessing the use of LEADER funds to fund statutory tasks of EU, national, regional or local bodies, as part of the evaluation support study on the costs and benefits of implementing LEADER, published on 9 November 2023. The exploration revealed that an analysis of statutory tasks was not feasible due to a lack of a common definition and understanding of what falls under statutory tasks, as well as the unavailability of data for such an analysis. The Commission therefore considers that it has followed up appropriately on the recommendation for the part it has accepted, as it explored the feasibility of carrying out such an analysis before concluding that it is not feasible.

Reply to recommendation 2, paragraph 84. The Commission has taken several actions to address the ECA’s recommendation.

[The ex-post evaluation of the European Regional Development Fund \(ERDF\)](#) and the Cohesion Fund for the 2014-2020 programming period (Commission SWD and the executive summary) found evidence that Managing Authorities tailored measures to local contexts and that support was largely relevant to addressing beneficiaries’ continued and emerging needs throughout the programming period. Integrated territorial instruments, such as integrated territorial investments and community-led local development (CLLD), were found to be broadly effective in applying a territorial lens to target ERDF resources, and promoting multilevel governance and an integrated, multi-sectoral approach to developing territorial strategies.

The study of territorial instruments contributing to the ex-post evaluation of 2014-2020 cohesion policy programmes financed by the ERDF was to be published in 2025. CLLD built on the LEADER approach to rural development, in which local action groups (LAGs) provide bottom-up leadership for

local development. While the use of LEADER, funded by the European Agricultural Fund for Rural Development, is compulsory for all Member States, the use of other funds, including cohesion policy funds, is voluntary. The vast majority of CLLD LAGs (574) were rural and all of them had already operated as LEADER LAGs for at least one previous programming period.

One of the most important factors motivating CLLDs to adopt CLLD was previous positive experience with LEADER in 2007-2013, which included both the existence of effective implementation structures and experienced teams that had a desire to continue their work. Coherence was facilitated in the case of CLLD in rural areas as LAGs were able to draw on their experience with designing strategic frameworks for LEADER in earlier programme periods ([Info regio - Evaluations of the 2014-2020 programming period](#)).

The ex-post evaluation of the European Maritime and Fisheries Fund (EMFF) for the 2014-2020 programming period SWD found that the EMFF-funded CLLD has effectively engaged local stakeholders through fisheries local action groups, thereby fostering inclusive development and building local capacity. Despite relatively modest budgets, it supported over 14 000 projects, creating jobs, businesses and partnerships, while promoting sustainability and innovation. CLLD has strengthened the role of fisheries in local economies and helped bring EU policies closer to coastal communities. The evaluation SWD will be published in Q2 2026, therefore the expected completion date has been revised accordingly.

Special report 11/2022: Protecting the EU budget - Better use of blacklisting needed

Reply to recommendation 2(2), paragraph 93. The Commission, under the umbrella of the Commission's corporate management board, initiated corporate oversight of the effective operation of the EU Early Detection and Exclusion System (EDES). This included, in particular, the follow-up of the reports and recommendations of the European Anti-Fraud Office (OLAF) concerning early detection or exclusion and the follow-up of the panel's recommendations.

The Commission also provides for corporate oversight in relation to ongoing investigations by the European Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office (EPPO)¹, while fully respecting possible confidentiality requirements. The roles of the Responsible Authorising Officer (RAO) and the EDES panel in harmonising the response to exclusion situations must remain unaffected.

On the use of available data sources to identify exclusion cases, the Commission will explore the possibility of overseeing the RAO's work when information on potential exclusion cases is recorded in the relevant databases. For the Irregularity Management System (IMS) data, the records are made available when the RAO finds a hit in the system and requests further information.

The Commission also notes that unlike OLAF reports or EPPO notifications, which frequently recommend imposing an EDES measure, the other data sources referred to (IMS, final audit results, competition decisions and implementing partner notifications) do not, by their nature, recommend adopting such a measure and therefore do not inherently require corporate-level monitoring. In line with the decentralised nature of the EU budget, the RAO must verify whether the relevant entity

¹ Reference to "ongoing OLAF investigations" should be understood as referring to precautionary administrative measures to protect the financial interests of the Union as described by Article 7 (6) of Regulation 883/2013 (OLAF Regulation).

poses a risk to the EU budget and if that risk warrants an EDES measure. The Commission continuously oversees the implementation of the EDES panel's recommendations.

Reply to recommendation 2(3), paragraph 93. The Commission partially accepted recommendation 2(3) and considers that it has been implemented with respect to the parts that were accepted.

The Commission does not rely solely on declarations on honour. In addition to the verification of such declarations, the Commission provides for some ex-post safeguards. In particular, the Commission requires the RAO to verify the EDES database at all stages of the procedures before contract signature. Ex-post checks are also ensured by means of blocking warnings in ABAC linked to excluded entities before payments are made. The system will also warn RAOs if an early detection has been entered in EDES. Thus, authorising officers can be made aware in the course of contract implementation of issues related to EU counterparties with whom they have an ongoing contractual relationship.

However, the Commission will explore the possibility of setting up a one-stop shop for Member States' authorities with the goal of drawing on relevant available data from EDES, Arachne and linked to SUMMA (the application replacing ABAC as central financial information system) to ensure maximum protection of the EU budget through interconnection, cross-feeding and AI-based tools and techniques. In this regard, the Commission has developed a web service to help external organisations' systems, such as those of implementing partners and Member States, access the EDES database. This shows that interconnections with other systems are being developed and will gradually be extended to more tools and platforms. Furthermore, the Commission is planning the future interconnection with Arachne+, which will further improve the system's capabilities.

Reply to recommendation 2(4), paragraph 93. The Commission continues to update its corporate guidance on EDES and has developed ad hoc guidelines addressing specific situations (i.e. use of the OLAF report, impact of the exclusion decisions on ongoing legal commitments) to maximise the effectiveness of EDES procedures and will develop further guidance on the use of EDES.

Reply to recommendation 2(5), paragraph 93. The Commission will continue to promote awareness of EDES, including within other EU institutions and bodies, Member States' authorities and implementing partners. The Commission endeavours to raise awareness of EDES through different actions, including the organisation of a one-day workshop for all Commission departments, communications with other institutions' offices, bodies and agencies, articles on the Commission intranet and ad hoc training for different audiences. In due time, Member States authorities' will be given training on applying the system to shared management intended for funds and programmes financed as of January 2028. On the cooperation with implementing partners, the Commission would like to highlight that the existing arrangements already provide a high level of protection of the EU budget without entailing a compulsory use of EDES. Pursuant to Article 157 of the Financial Regulation, implementing partners are required to ensure an equivalent level of protection.

Therefore, the Commission considers that this recommendation has been implemented.

Reply to recommendation 3, paragraph 95. The Commission considers that this recommendation has been implemented and does not rely solely on partners' administrative autonomy.

While indirect management is based on reliance on the systems, rules and procedures of implementing partners, those partners are entrusted with funds only after an ex ante assessment confirms that their systems can detect and address exclusion situations (as per Article 138 of the Financial Regulation), irregularities and fraud. Where systems are partially compliant, the Commission applies targeted supervisory measures to safeguard the EU's financial interests. Furthermore, the Contribution Agreement template further embeds enforceable clauses on exclusion from access to funding (Article 20 General Conditions Contribution Agreement), and general reporting

obligations. Those obligations include notifying the Commission without delay of cases of established fraud and irregularities and their follow-up as well as any information on suspected cases of fraud, corruption or any other illegal activity affecting the EU's financial interests (Article 2.6 General Conditions Contribution Agreement). This information may be used by the European Commission for EDES. Additionally, under Articles 11 and 12 of the General Conditions of the Contribution Agreement, the Commission reserves the right to suspend the time limit for payment/Contribution Agreement or terminate the Contribution Agreement where there are breaches of substantial obligations (such as the obligations in Articles 2 and 20), thereby ensuring accountability and monitoring. Therefore, the framework is built on two key elements: firstly, reliance on pre-assessed systems evaluated through the pillar assessment and secondly, strict contractual obligations and enforcement mechanisms. For humanitarian aid actions, the references to specific Contribution Agreement articles correspond to the equivalent provisions contained in the Humanitarian Aid Contribution Agreement.

Reply to recommendation 5(3), paragraph 97. The Commission will continue to develop the integrated IT system for data mining and risk scoring tool (Arachne) that it has made available to the Member State authorities implementing the EU budget. Those developments will include new features and functions, such as an ex ante module, developments from the CAP and new risk indicators to take into account beneficial ownership data.

The Commission will also aim to improve the system's user-friendliness and, to the extent that national data is made available by Member States, its interoperability with other sources of EU and national data relevant for implementing the EU budget. Regulation (EU, Euratom) 2024/2509 of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast) creates a legal basis and introduces comprehensive measures for a modernised data-mining and risk-scoring tool ('Arachne+') to better protect the EU's financial interests as of 2028 (building on the experience of the pre-existing 'Arachne' tool). The new tool will apply to all management modes and be based on modern IT architecture, benefiting in particular from interoperability and artificial intelligence (AI). While the use of the future tool is currently voluntary, the EU institutions and bodies, Member States, and entities implementing the EU budget will be obliged to feed the tool with relevant data as from 2028. In a Joint Declaration of 7 December 2023, the Commission, the Council and the Parliament committed to examine and re-discuss the mandatory use of the tool for the post-2027 multiannual financial frameworks, based on a Commission assessment of the tool's readiness by the end of 2027.

Reply to recommendation 5(4), paragraph 97. The Commission is responsible for making available EU exclusion decisions in the EDES database and strives to promote the tool as much as possible. The Commission continues to promote the use of the Arachne+ integrated IT system for data mining and risk scoring by means of dedicated training courses, presence at conferences, through the Commission Working Group and the Member States' Expert Group. The Commission Expert Group was set up by Commission Decision C(2024) 7889 of 20 November 2024 to establish close and continuous cooperation between the Commission and the Member States, focusing on the four main criteria of the assessment of readiness, i.e. risk indicators, interoperability, data protection and AI. The group comprises Member State representatives from finance, audit, data governance or IT development. Representatives of the ECA act as observers.

Reply to recommendation 5(5), paragraph 97. In the context of the Financial Regulation recast, the Commission put forward a proposal in line with this specific sub-recommendation. Therefore, concerning the EU data, the sub-recommendation can be considered to have been implemented as of the date on which the Financial Regulation recast entered into force (30 September 2024).

Special report 12/2022: Durability in rural development – Most projects remain operational for the period required, but there are opportunities to achieve longer lasting results

Reply to recommendation 3(a), paragraph 70. The Commission considers that this recommendation has been implemented.

On 14 December 2023, the Commission organised the EU CAP Network workshop on durability of investments | [EU CAP Network](#) for Member States, beneficiaries and evaluators. Among other things, the workshop aimed to identify relevant approaches to, and sources of information on, assessing the continued operation of EU-funded projects.

The highlight reports are available on the dedicated website: [Highlights report - Durability of Investments Workshop](#). The Commission presented the outcome of the workshop, including Member States' best practices, at the meeting of the Expert Group on the Implementation of the CAP Strategic Plan Regulation on 28 June 2024. As a follow-up to the expert group meeting, on 4 December 2024, the Commission shared with Member States a note summarising the outcome of the EU CAP Network workshop on durability of investments held on 14 December 2023 and Member States' contributions in writing to the questions for discussion.

Reply to recommendation 3(b), paragraph 70. The Commission considers this recommendation implemented.

Based on the outcomes of the EU's CAP Network workshop on durability of investments, which took place on 14 December 2023 ([Highlights report - Durability of Investments Workshop | EU CAP Network](#)), the Commission identified challenges and risk factors with regard to durability of investments and shared the workshop's outcome with Member States during the meeting of the Expert Group on the Implementation of the CAP Strategic Plan Regulation on 28 June 2024. As a follow-up to the expert group meeting, on 4 December 2024, the Commission shared with Member States a note summarising the outcome of the EU CAP network workshop on durability of investments held on 14 December 2023, including risk factors, and Member States' contributions in writing to the questions for discussion.

Special report 13/2022: Free movement in the EU during the COVID-19 pandemic - Limited scrutiny of internal border controls, and uncoordinated actions by Member States

Reply to recommendation 1(e), paragraph 80. The Commission did not accept recommendation 1e.

The Commission has taken steps to improve the current legislation, more specifically by proposing wide-ranging amendments to the Schengen Borders Code, which entered into force in July 2024. The revised Schengen Borders Code includes, among other things, a threshold for Member States to prove the proportionality and necessity of internal border controls that increases the longer those controls last, as well as templates for the notifications and *ex post* report, which has already improved their quality. The necessary implementing acts that set a uniform format for the notifications and *ex post* report, have been adopted.

Recommendation 1e was not accepted, as it recommends that the Commission should launch enforcement actions. This interferes with the Commission's discretion as regards its enforcement policy and whether or not, and when, to start infringement procedures or to refer a case to the Court of Justice. This is also explained in more detail in the Communication '[EU law: Better results through better application](#)'.

Special report 14/2022: The Commission's response to fraud in the Common Agricultural Policy – Time to dig deeper

Reply to recommendation 2(c), paragraph 112. The Commission considers that this recommendation has been implemented.

The Commission gathered information from 25 Member States on the new technologies, including AI, and their use in anti-fraud operations. This was done via a questionnaire that formed part of a study carried out by an external contractor to adapt the CAP horizontal fraud risk assessment. The anonymised analysis of the responses highlighted the widespread use of Arachne, the Land Parcel Identification System, and the Area Monitoring System as core anti-fraud tools. The responses also mentioned AI-based software used for geotagged photo recognition and analysis, and an AI software pilot project used to assess early applications screening.

The summary of the Member States' replies was presented at the 18th Conference of the Paying Agencies in Brussels on 7 October 2025. The presentation allowed discussion and fostered the sharing of best practices on the use of AI tools in fraud prevention.

In the context of action 12 of the Commission anti-fraud strategy, the EU anti-fraud programme managed by OLAF helps Member States' authorities to create and improve AI-based or AI-related tools. For example, in the Technical Assistance call for 2024, several grants were awarded to Member States' authorities for the purchase of intelligence development software and for data analysis systems based on AI. In addition, OLAF has engaged with the Member States in a technical initiative that covers both the preventive and investigative aspects of the fight against fraud with the strategic objective of creating a 'digital anti-fraud toolbox'. The initiative focused on three main working strands:

- the use of AI for investigative purposes;
- analytical methods for data-driven, proactive fraud detection; and
- linking up different data sources.

In May 2025, at the end of a three-day workshop, the participants from Member States and anti-fraud actors within the European Commission came up with three mandates with deliverables (solutions like AI tools and prompts that will go into the toolbox). In June 2026, Member States and the EU anti-fraud actors convene at the occasion of the 2nd Workshop on Digital Anti-Fraud Tools to review progress with implementing the mandates adopted in May 2025, and to discuss new projects.

Special Report 15/2022: Measures to widen participation in Horizon 2020 were well designed but sustainable change will mostly depend on efforts by national authorities

Reply to recommendation 3, paragraph 94. The Commission considers that this recommendation has been implemented. The Notice on synergies between the ERDF programmes and Horizon Europe was adopted by the Commission and published in the Official Journal on 4 November 2022 ([EUR-Lex - 52022XC1104\(02\) - EN - EUR-Lex](#)).

Reply to recommendation 4(c), paragraph 96. The Commission considers that this recommendation has been implemented.

All project beneficiaries are obliged to report on their achievements, project results, and this information is then easily and openly available on the publicly accessible European Commission's Community Research and Development Information Service platform (CORDIS). Besides that, a special new call particularly targeting widening actions, the Dissemination and Exploitation Support Facility (HORIZON-WIDERA-2023-ACCESS-05) was launched under the 2023-2024 [Horizon Europe](#)

[work programme](#) (p. 37)). The call closed on 28 September 2023. The selected winner out of nine eligible proposals, will help beneficiaries of widening actions to disseminate their results more broadly. Another activity, which is under preparation in cooperation with the Research Executive Agency, will develop a more diversified, deeper, targeted approach to the success stories. Ongoing projects will be analysed specifically in order to choose some particular success stories that will be then communicated in various, less usual ways (i.e. testimonials of stakeholders, presentations not only from project beneficiaries but also from the society or the administration) to demonstrate their achievements and impact on the society to broad audiences.

Reply to recommendation 5(a), paragraph 99. The Commission considers that recommendation 5a to improve the monitoring of the widening measures has been addressed.

For Teaming – the key action that supports capacity building with complementary funding from other sources – coordinators are requested to document progress along a number of KPIs that are summarised in the Research Executive Agency’s Teaming implementation report. For the other widening instruments, KPIs are established at the level of the Grant Agreements to take into account the features of the different actions.

Reply to recommendation 5(b), paragraph 99. The Commission and the Research Executive Agency follow up on statistics (e.g. how many widening projects benefited from other widening actions), continue with annual surveys (which also include projects that have ended) and publish success stories which highlight finished projects. In addition, the Widening (WIDERA) part of the Horizon Europe 2026-2027 work programme introduces a new call – Teaming for Synergies – as a synergy action for existing Teaming Centres of Excellence financed under previous Teaming calls. Finally, in the case of Teaming, the coordinators of all finished and ongoing Teaming projects participate in the Teaming Club to share best practices and experience.

Special report 19/2022: EU COVID-19 vaccine procurement – Sufficient doses secured after initial challenges, but performance of the process not sufficiently assessed

Reply to recommendation 2(a), paragraph 81. The Emergency Framework Regulation (EFR) adopted in 2022 provides the legal framework for the procurement of medical countermeasures at European level in the event of a public health emergency. A review of the Regulation, which is provided for in Article 16 EFR, has not yet taken place since the Regulation has not been activated so far. However, over time, the Commission has assessed the risks related to the procurement approach and is in the process of producing a dedicated document summarising the steps taken for the risk assessment of the procurement approach. The Commission has finalised this document on 27 May 2026 and thus considers the recommendation implemented.

Reply to recommendation 2(b), paragraph 81. The expected completion date for this recommendation has been revised to 31 December 2026, as the stress-testing of crisis procurement guidelines requires that these guidelines be developed and approved first, which is currently planned for the end of the first half of 2026.

The Commission will be able to prepare the stress test efficiently only once the final guidelines are in place. It should also be noted that, in line with the guidelines and contractual obligations, it typically takes at least six months to design, plan and implement such exercises. At the moment, the Commission has conducted all the necessary preliminary work to ensure the timely organisation of the stress test. The exercise has been included in the Commission’s exercise planning. A contract is in place to ensure the necessary external support for the development and logistics of the exercise has been signed.

Special report 20/2022: EU action to combat illegal fishing – Control systems in place but weakened by uneven checks and sanctions by Member States

Reply to recommendation 1(b), paragraph 98. The amendments to Commission Regulation (EC) No 1010/2009 on illegal, unreported and unregulated fishing, adopted on 22 November 2023, included the compulsory use of risk criteria determined at EU level.

The Commission, in cooperation with the Member States and the European Fisheries Control Agency is continuing its work on the identification of automated risk alerts and IT developments relating to those alerts, and on the automation of certain checks in the context of CATCH (Catch Certificate IT System). The revised risk criteria were reflected in [Commission Implementing Regulation \(EU\) 2025/1522](#), making them mandatory for Member States. The Commission is currently working on the development of new guidelines for checks and verifications to be shared with Member States in 2026.

With regard to the Member States' biennial reports on the implementation of Commission Regulation (EC) No 1010/2009 (Article 55 of Council Regulation (EC) 1005/2008), the Commission has analysed how the risk criteria were applied by almost all 27 Member States in 2018-2021 and has issued recommendations (through follow-up letters) to the Member States. The analysis for 2022-2023 is currently ongoing and will be finalised in 2026. [Commission Implementing Regulation \(EU\) 2025/1522](#) also amends Article 32 of Commission Regulation (EC) No 1010/2009 containing the reporting obligations and evaluation, which include, among others, risks identified through applying the Union criteria and the outcomes of the verification activities carried out to address those risks. This must be reported every two years in the Member States' biennial reports. Therefore, self-reporting by Member States in the biennial reports to be provided in 2028 (covering the period 2026-2027) will allow the Commission to monitor whether the checks and verifications focused on the revised risk criteria. However, targeted checks on the use of verification in the case of alerts based on risk indicators could be performed before 2028 in CATCH if necessary.

Reply to recommendation 1(c), paragraph 98. The Commission partially accepted recommendation 1c.

With regard to the Member States' biennial reports on the implementation of Commission Regulation (EC) No 1010/2009 (Article 55 of Council Regulation (EC) 1005/2008), the Commission has analysed how the checks and verifications were applied by almost all 27 Member States in 2018-2021 and has sent follow-up letters. The analysis for 2022-2023 is currently ongoing and will be finalised in 2026. One infringement procedure was launched in 2025 against one Member State for failure to carry out mandatory verifications of consignments of fishery products from third countries. The Commission is currently analysing the additional input provided by the Member State concerned and will decide on the next steps.

Special report 21/2022: The Commission's assessment of national recovery and resilience plans – Overall appropriate but implementation risks remain

Reply to recommendation 1(a), paragraph 113. Since accepting the recommendation to improve the assessment procedures for national recovery and resilience plans (RRPs), the Commission has updated its guidance to Member States and its internal documentation. These ensure a consistent set of assessment criteria for plans and their revisions. The Commission acknowledges that given the differences between plans in substance, size and specificities, the assessment necessarily has a strong qualitative dimension, depending on the specific context and timeline of each revision, and cannot be fully standardised. Consistency and a sound process are assured through internal guidance

on the process and considerations for each assessment criterion, horizontal legal and policy reviews, and a thorough consultation process within the Commission.

The Commission also recalls that the final decision on the adoption of a revised plan lies with the Council. The Commission thus considers that it has implemented the recommendation as intended, ensuring a standardised and equitable process to the highest degree possible.

Reply to recommendation 1(b), paragraph 113. The Commission keeps thorough records of its assessments of national plans, and has improved its internal record-keeping, guidance and training continuously over the past years. To ensure that the process is transparent, the Commission publishes its analysis in staff working documents and in the recitals to its proposals for Council Implementing Decisions approving the assessment of RRP's whenever it makes such a proposal.

The Commission recalls that the 27 RRP's are all unique and each revision is highly specific, ranging from minor technical corrections to large substantial changes. As such, the record-keeping and precise process necessarily has some variation. The Commission maintains nonetheless that its process is structured, thorough and well documented and considers that it has so far always been able to demonstrate the reasons for its assessments. The Commission therefore considers that it has duly implemented the recommendation to the degree feasible.

Reply to recommendation 3(b), paragraph 116. The Commission welcomes the ECA's confirmation that the Member States report in their annual progress reports on the contribution of Recovery and Resilience Facility measures to the implementation of country-specific recommendations, and that the Commission also includes such information in the country reports published for the European Semester. The Commission recalls that the European Semester is not a tool for RRF monitoring or implementation but rather an independent policy instrument with a precise legal purpose. In particular, the European Semester country reports are tailored to provide an analysis of each Member State's particular economic circumstances and how country-specific recommendations have been addressed. The Commission has worked to align the two processes through standardised reporting and alignments in reporting timelines, and ensures that Semester documents also reference the contribution of RRF measures to the degree relevant and feasible. Nonetheless, the Commission recalls that the specific objectives of the Semester and, thus, the country-specific recommendations – not the RRF measures – form the reference point for European Semester reporting. The level of detail with which RRF measures are referenced thus depends on the broader policy and investment contexts in the respective Member States.

Reply to recommendation 5(b), paragraph 119. While recalling that it is the Member States that submit national RRP's and the Council that adopts them, the Commission welcomes the ECA's acknowledgement of the Commission's efforts to improve and clarify milestones and targets.

The Commission confirms that it systematically reviews the clarity and drafting of milestones and targets that are under revision, but notes that this depends on whether a specific milestone or target has been revised. The Commission moreover notes that 26 Member States thoroughly revised their RRP's in the course of late 2025 and early 2026 to ensure timely implementation of milestones and targets in 2026, which is the last year of RRF implementation. In this context, the Commission has applied an even more rigorous approach, reviewing all milestones and targets yet to be assessed, and has worked with the Member States to further increase clarity in drafting and consistency across RRP's, to the degree possible and relevant given the diversity of national RRP's, specific reforms and investments, and of national administrative customs and practices.

Special report 22/2022: EU support to coal regions – Limited focus on socio-economic and energy transition

Reply to recommendation 2, paragraph 63. The Commission considers that this recommendation has been implemented.

Regulation (EU) 2024/1787 on the reduction of methane emissions in the energy sector (the EU Methane Regulation) was published on 15 July 2024 and it entered into force on 4 August 2024. Section III of Chapter 4 covers methane emissions from closed underground coal mines and abandoned underground coal mines.

In terms of reporting and measurement, Article 25 tasks Member States with setting up and making publicly available, by 5 August 2025, an inventory of all closed underground coal mines and abandoned underground coal mines in their territory or under their jurisdiction where operations ceased after 3 August 1954. It also requires that mine operators or Member States submit annual reports from 5 May 2026, containing source-level methane emissions from the previous calendar year for all closed underground coal mines and abandoned underground coal mines included in the inventory. The competent authorities must make these reports available to the public and to the European Commission.

In terms of mitigation, Article 26 tasks Member States with developing and implementing a mitigation plan to address methane emissions from closed underground coal mines and abandoned underground coal mines where operations ceased after 3 August 1954. The mitigation plan has to be submitted to the competent authorities by 5 February 2027. Article 26 also contains provisions prohibiting venting and flaring from 2030, with exceptions allowed in cases where the utilisation or mitigation of methane is not technically feasible or risks endangering environmental/human safety or health. In such cases, the responsible parties have an obligation to notify and provide evidence to the competent authorities of the necessity to vent or flare. Article 26 also contains provisions on the alternative use of closed underground coal mines and abandoned underground coal mines, involving a specific permitting procedure that requires methane emissions to be monitored and avoided.

In terms of the gathering and sharing of good practices, the Commission has an obligation under Article 5(3) to set up a network of competent authorities with the necessary arrangements for exchanging information, in particular, on monitoring, regulating and compliance, and best practices, to foster cooperation and allow for consultations.

The Commission has set up a dedicated expert group. Five plenary and several working group meetings with Member States and competent authorities took place from April 2025 to April 2026. The gathering and sharing of good practices – including those related to measuring and managing methane emissions from closed or abandoned coal mines – will be collected and operationalised through the work of the expert group. The Commission presented the European Court of Auditors (ECA) Special Report 22/2022, focusing on “Recommendation 2” and the associated Commission reply, both of which have relevance to the methane regulation and the work of the expert group. The Commission also described the follow-up review process, presenting the Commission’s response (25/06/2025) and ECA’s preliminary findings. The expert group then agreed to the Commission’s proposal to introduce an agenda item in a future meeting of the network of competent authorities on the sharing of good practices related to measuring and managing methane emissions from closed or abandoned coal mines. The date for such a meeting will be set in alignment with requirements in the EU Methane Regulation, Article 26.

Special report 23/2022: Synergies between Horizon 2020 and European Structural and Investment Funds – Not yet used to full potential

Reply to recommendation 2(b), paragraph 83. The Commission considers that the recommendation has been fully implemented. The implementation is supported by the Seal of Excellence (SoE) Community of Practice, which brings together national/regional authorities and funding bodies to exchange experience, receive guidance from Commission departments and strengthen peer learning. It operates via Commission-chaired meetings, a website and a platform for clarifying applicable rules and sharing good practice; meeting agendas also cover wider synergy-related policy topics.

Two major advances in SoE project data exchange occurred in 2023-2024. The first was a European Innovation Council (EIC) SoE dashboard for authorised external users, which was launched in December 2023. A second dashboard module, launched on 25 November 2024, enables users to feedback information on national/regional financial support granted to EIC SoE projects, allowing Member State implementation to be monitored. Uptake needs to increase for meaningful monitoring; there are currently 100 registered users from 22 countries.

The Horizon Europe dashboard was improved with aggregated data for other SoE- like types (e.g. MSCA-PF², ERC-PoC³) searchable by Member State and region, to help funders design support schemes. A European Research Area (ERA) Forum subgroup on 'Access to Excellence' (ERA Action 16), which was supported by a survey and an expert report published in early 2025, facilitated synergies between R&I and Cohesion authorities, and between Horizon Europe and the ERDF. CORTEX⁴ now covers 37 eGrants programmes, enabling thematic synergies to be identified through cross-topic text mining. The Commission also used Horizon Results Booster to analyse applicant-reported synergy actions, producing a report and datasets.

Reply to recommendation 3(c), paragraph 89. The Commission considers that the recommendation has been fully and promptly implemented.

In order to improve downstream synergies, the Commission has developed a set of different complementary initiatives.

First, the Commission has been expanding the scope of the Horizon Results Platform (EU Funding &Tenders Portal/SEDIA: Single Electronic Data Interchange Area) to include key exploitable results stemming from R&I framework programme projects from not only FP 7, but also Horizon 2020, and the current Horizon Europe (including the EIT Knowledge and Innovation Communities), the European Maritime and Fisheries Fund, the European Maritime, Fisheries and Aquaculture Fund, the Research Fund for Coal and Steel, and quite recently from the Innovation Fund. These exploitable result 'profiles' offer a wealth of information on the underlying result and the needs of those who own it. They can be searched by region (NUTS2 code) on the Horizon Results Platform. ERDF beneficiaries can therefore quickly identify project results in their region and contact the result contributors directly to explore collaboration opportunities.

Second, a Dissemination and Exploitation (D&E) Support Facility (HORIZON-WIDERA-2023-ACCESS-05-01) call of the Widening (2023-2024 WIDERA) part of the Horizon Europe work programme 2023-

² <https://marie-sklodowska-curie-actions.ec.europa.eu/actions/postdoctoral-fellowships>

³ <https://erc.europa.eu/apply-grant/proof-concept>

⁴The CORTEX text-mining tool is an in-house data analysis platform developed by the European Commission's Joint Research Centre (JRC). Designed to support policymaking, it uses natural language processing to extract data from EU grants and research proposals to help analysts track policy impacts.

2024, with an indicative budget of EUR 5 million was launched. It closed on 28 September 2023 and it is currently under evaluation. The main objectives of this D&E Support Facility are to ensure:

- strengthened dissemination and exploitation of capacities, also through better understanding of the Commission's D&E strategy and the opportunities it can offer to beneficiaries requiring widening actions;
- support for beneficiaries in disseminating and exploiting results through a market-oriented approach;
- improved skills and knowledge of D&E, knowledge transfer and IP management to enable researchers and management personnel of beneficiaries of widening actions to fulfil their Horizon Europe Grant Agreement obligations, also after the end of their project.

This action should help beneficiaries to better understand how to fulfil D&E commitments under Horizon Europe and Horizon 2020 and to seek opportunities from other EU funding programmes, especially under the cohesion policy (e.g. ERDF, ESF+) as well as the RRF. The action should also not only increase beneficiaries' knowledge of tools for developing their D&E activities (including the tools offered by the Commission for D&E support, e.g. Horizon Results Platform, Horizon Results Booster), but also help beneficiaries to make effective use of social media and innovative communication channels, IPR (e.g. IP Helpdesk, IP scan, IP voucher, Health Research Board, etc.) and open data.

Special Report 24/2022: e-Government actions targeting businesses – Commission's actions implemented, but availability of e-services still varies across the EU

Reply to recommendation 2, paragraph 97. The Interoperable Europe Act entered into force on 11 April 2024, laying the foundation for seamless cross-border digital public services. The legislation also aims to improve the coordination of experimentation and innovation in the public sector, and encourages the sharing and reuse of interoperability solutions.

The digitalisation of public services is covered in the 2023 and 2024 State of the Digital Decade reports, benefiting from various data sources, including the e-Government benchmark, which monitored Europe's digitalisation of public services in 2023. The 2024 report recommends 'to foster the dissemination of digital technologies across society and regions, particularly by developing cooperation and collaboration between European actors at the local level'. To that end, the work of the European Digital Innovation Hubs (EDIHs) has been instrumental. The dedicated EDIH AI4PA working group has delivered over 12 webinars and 2 face-to-face meetings to date, to share best practices on the use of AI in the public sector. The Commission has also been supporting the GovTech4All incubator, bringing together 29 organisations from 20 countries to innovate and improve digital public services through pilot projects. In addition, in December 2024, the Commission received the official application to set up the 'Innovative Massive Public Administration interConnected Transformation Services' European Digital Infrastructure Consortium (EDIC), which will develop, promote and deploy digital government solutions. This EDIC is led by Greece and was originally accompanied by Croatia, Hungary and Poland. It will engage further Member States through a 12-month-long coordination and support action and will receive further support as an MCP in the 2025-27 DIGITAL WP (IOP budget line, EUR 6 million).

Finally, the Commission has been actively promoting digital government examples and solutions through its various webinars and the annual signature event SEMIC, as well as through observatories and related communities such as the Open Source Observatory and the Public Sector Tech Watch.

The Interoperable Europe Portal has been launched. It hosts the Interoperable Europe Academy, which already offers 33 free e-learning courses to improve the digital government knowledge of public sector staff. The Portal also hosts interoperability solutions and will in future expand this catalogue further. The Commission is currently working on setting up the Interoperable Europe Community. The

webinars and meetings of the EDIH Working Group (AI4PA) have featured information about EU legislation and digital government solutions, and have promoted relevant training.

Special report 25/2022: Verification of Gross National Income for financing the EU budget. Risks in data compilation well covered overall, but scope for increased prioritisation of actions

Reply to recommendation 1(a), paragraph 106. For the 2025-2029 gross national income (GNI) verification cycle, Eurostat has identified the following transversal issues to be verified through cross-country comparisons (CCCs) in all Member States:

- employment method - comparisons made between employment data according to demographic sources and employment underlying gross domestic product (GDP)/GNI estimates;
- the balancing of GDP in the supply and use tables;
- non-collected value added tax (VAT) and theoretical VAT calculations.

Eurostat considers those transversal issues by default as being of high risk in all countries. Eurostat has analysed whether the work needs to be prioritised. Due to the complexity and the significance of all three areas identified for CCCs, Eurostat does not consider that any of those issues should be given priority (in terms of the planned order of checks) over the other two. This means that the three CCCs are to be carried out in parallel (as concluded in the document 'Outline of the verification model for GNI for own resource purposes'). The transversal issues identified for the 2025-2029 GNI verification cycle (as well as the conclusions on their prioritisation) are part of the following framework documents for that cycle:

- the outline of the verification model for GNI for own resource purposes;
- the risk assessment model for verification of GNI for own resource purposes.

Those documents were presented and approved by the GNI Expert Group in April 2025. It should be noted that Eurostat carried out 16 CCCs in the 2016-2019 cycle and 2 CCCs in the 2020-2024 cycle.

Reply to recommendation 2(b), 107. Eurostat has continued to provide appropriate explanations for the periods covered by the reservations, where appropriate. Reservations stemming from the 2020-2024 GNI verification cycle generally apply to the years 2018 onwards. In the limited cases that the reservations apply for a shorter period, this is explained by the circumstances set out in the annex on the respective reservations attached to the letter putting the reservations in place. Eurostat will continue to apply this approach during the 2025-2029 cycle.

Special report 26/2022: European statistics – Potential to further improve quality

Reply to recommendation 1, paragraph 92. The Commission considers that the recommendation has been partially implemented, in line with the Commission's reply to the special report. In its reply, the Commission agreed to look, in cooperation with the European Statistical Advisory Committee (ESAC), into ESAC's activities and ways of working, with a view to increasing ESAC's inclusiveness. After doing so, the Commission discussed with ESAC ways to make it more inclusive to better meet user needs. As a result, the approach adopted in common with ESAC is to organise regular workshops that bring together European Statistical System (ESS) members, ESAC, national user councils and other stakeholders. This approach, which started in November 2023, is supported by ESAC and strengthens user inclusion.

On the other hand, the Commission did not accept the part of the recommendation which states that the representation of all users in ESAC is not sufficiently balanced or effective, and the Commission considers that the current selection procedure for ESAC members is appropriate. The composition of ESAC and the procedure for appointing ESAC members are regulated by Decision 234/2008/EC of the European Parliament and of the Council. Firstly, under Article 4(1)b of the Decision, 11 members out of 24 are appointed directly by the institutions and bodies to which they belong as listed in that Article, including the European Parliament, and represent those institutions and bodies. This already ensures a wide representation of users. Secondly, in line with the procedure laid down in Article 4(1)a, the Commission endeavours to select 12 highly qualified persons who are able, on the basis of their qualifications, to grasp, summarise and convey the statistical information needs of different categories of users, respondents and other stakeholders (including the scientific community, social partners and civil society) during the discussions in ESAC and the elaboration of ESAC opinions. Given that those categories of stakeholders are less structured than, for instance, the institutions and bodies listed in Article 4(1)b, the 12 members can only convey those statistical information needs in their personal capacity and not on the basis of some form of mandate.

Reply to recommendation 4(a), paragraph 100. The Commission did not accept recommendation 4a, because Eurostat's practice of pre-release access is in line with the Code of Practice and will be pursued.

Reply to recommendation 5, paragraph 103. The Commission did not accept recommendation 5.

In accordance with Decision 235/2008 establishing the European Statistical Governance Advisory Board (ESGAB), the purpose of ESGAB is to provide an independent overview of the European Statistical System as regards the implementation of the European Statistics Code of Practice. The peer reviews use a transparent methodology to assess Eurostat's and the European Statistical System's adherence to the Code of Practice. The Commission takes the view that ESGAB has extensive powers to act and express its views on peer reviews.

REPLIES OF THE EUROPEAN SECURITIES AND MARKETS AUTHORITY TO THE EUROPEAN COURT OF AUDITORS’ 2025 ANNUAL REPORT CHAPTER 12: FOLLOW-UP OF THE RECOMMENDATIONS MADE IN OUR SPECIAL REPORTS FROM 2022’

Replies to report SR 04/2022: “Investment funds – EU actions have not yet created a true single market benefiting investors”

Reply to recommendation 2(c):

ESMA welcomes the recognition of its important efforts to revamp its KPIs focusing on outcomes reached in mitigating risks across the EU, and to map supervisory practices and findings on some of its most important convergence tools, thereby supporting ESMA in forming in-depth views on the effectiveness and consistency of NCAs supervisory activities on key investment funds topics.

These efforts align to ESMA’s commitment to address ECA recommendations through a risk-based approach to ensure an efficient use of resources, considering ESMA’s organisational mandates and legislative and operational remit and what can be realistically achieved within those boundaries.

By prioritising convergence activities and follow ups on supervisory risks with the highest potential impact on investor protection, orderly markets, and financial stability – rather than on any element of potential divergence - ESMA aims to promote effective supervision with consistently high-quality outcomes (which can be achieved through diverse approaches suited to each authority’s context).

Building on the systems developed so far, ESMA will continue looking for new ways to further monitor divergent practices and remediation on a broader set of topics and tools. In this respect, ESMA welcomes that the European Commission’s legislative proposals under the Savings and Investment Union is indeed expected to foster structural changes to the setup of convergence in the investment funds area and the related tools available to ESMA which will allow to develop more informed insights into

NCA's supervisory practices and decisions on the ground and better map, monitor and reduce actual divergence following a risk-based approach, e.g. with higher scrutiny on the largest cross-border firms.

Reply to recommendation 3(c):

The mandate for the development of the cost comparison tool is in the hands of the legislators.

Reply to recommendation 4:

ESMA welcomes the recognition of its measurable progress towards building a coherent stress testing architecture across the investment fund sector as well the efforts on other financial stability activities such as AIFMD Art. 25 leverage limits and leverage in UCITS.

As recognised by ECA, further development of a system-wide stress testing framework is part of the Commission's consultation on a macroprudential framework for non-bank financial institutions. In the meantime, ESMA is contributing to the system-wide stress testing work of the ESRB. ESMA is also addressing data fragmentation issues by working on the integrated reporting under the AIFMD/UCITS review. The work is progressing according to the timelines set by the European Commission.

**Annual report on the activities funded
by the 9th, 10th and 11th European
Development Funds for the
2025 financial year**

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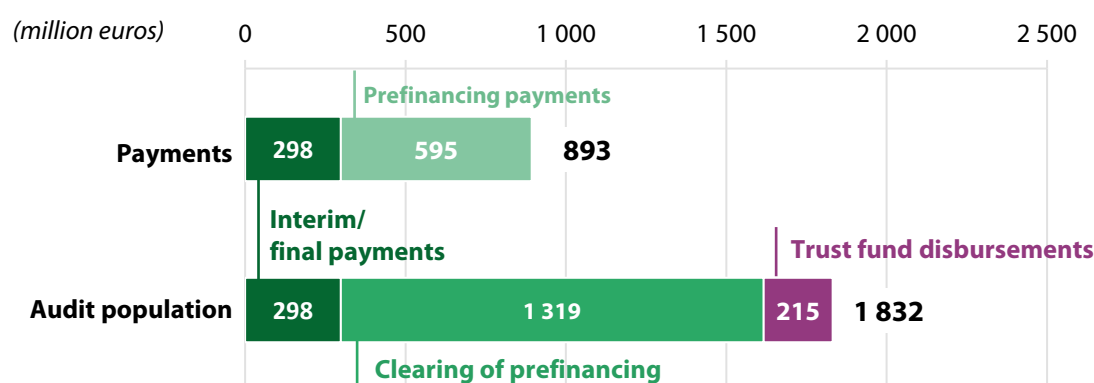
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Introduction

01 This annual report presents our findings on the 9th, 10th and [11th European Development Funds \(EDFs\)](#). [Figure 1](#) gives an overview of activities and spending in this area in 2025. Our audit population for 2025 (€1 832 million) represented more than twice the amount of payments made during the year (€893 million), mainly as a result of cleared pre-financing amounts.

Figure 1 – European Development Funds: 2025 financial overview

EDF payments and audited population



Source: ECA, based on the 2025 annual accounts of the 9th, 10th and 11th EDFs.

Brief description

02 Launched in 1959, the EDFs were the main instruments by which the European Union financed development cooperation with the African, Caribbean and Pacific (ACP) countries and *overseas countries and territories (OCTs)* until the end of 2020. The primary objective of the EDFs is to reduce and ultimately eradicate poverty, in accordance with the primary objective of development cooperation as laid down in Article 208 of the [Treaty on the Functioning of the European Union \(TFEU\)](#).

03 For the 2021-2027 MFF, development cooperation with ACP countries has been incorporated into the Neighbourhood, Development and International Cooperation Instrument – Global Europe, as part of the EU general budget, and cooperation with the OCTs has been incorporated into the Decision on the Overseas Association, including Greenland. However, the 9th, 10th and 11th EDFs have not been incorporated into the EU general budget and continue to be implemented and reported on separately until their *closure*. This is why we audit and report on it separately.

04 The EDFs are implemented in challenging geopolitical and organisational environments. Their activities span diverse regions with varying legal and institutional frameworks, requiring the ability to adapt to different regulatory and operational conditions. They are particular in the following respects.

- (a) They are directly financed by contributions from the member states and the United Kingdom. These contributions are based on quotas, or ‘contribution keys’.
- (b) They are managed by the Commission, outside the framework of the EU general budget, and the European Investment Bank.
- (c) Because of the intergovernmental nature of the EDFs, the European Parliament plays a more limited role in their functioning than it does for the development cooperation instruments financed by the EU general budget. The European Parliament is nevertheless the *discharge* authority, except for the Investment Facility, which is managed by the European Investment Bank.
- (d) The principle of *annuality* does not apply to the EDFs. EDF agreements were usually concluded for a *commitment* period of 5 to 7 years, and payments can be made over a much longer time frame as the internal agreements establishing the EDFs¹ will remain in force for as long as is necessary for all operations to be fully implemented.

05 The EDFs are managed almost entirely by the Commission’s Directorate-General for International Partnerships (DG INTPA). A small proportion (1% in 2025) of EDF payments was managed by the Directorate-General for the Middle East, North Africa and the Gulf (DG MENA).

06 The expenditure covered in this report relates to support delivered in 76 countries (see [Annex I](#) for the main beneficiary countries) using a wide range of methods such as works, supply and service contracts, *grants*, *programme estimates*, *delegation/contribution agreements* concluded with *pillar-assessed* entities (such as international organisations and EU member state agencies) and *budget support*.

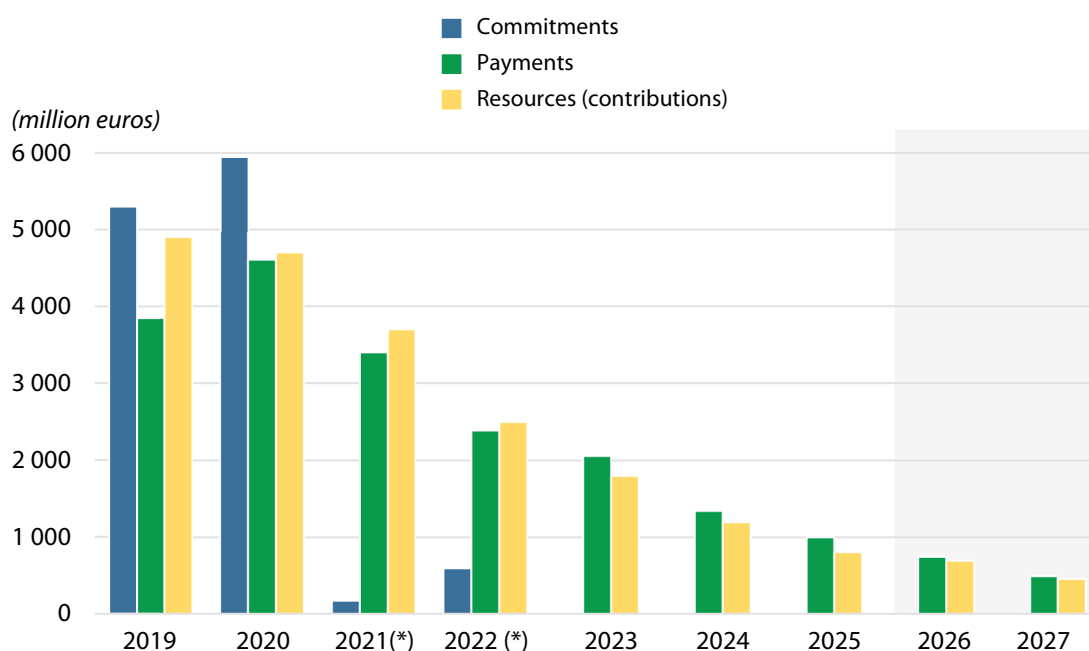
¹ Article 14(3) of the [internal agreement](#) establishing the 11th EDF, article 13(3) of the [internal agreement](#) establishing the 10th EDF and article 35(3) of the [internal agreement](#) establishing the 9th EDF.

Financial implementation of the 9th, 10th and 11th EDFs

07 The budget of the 9th EDF (2000-2007) was €13.8 billion, and that of the 10th EDF (2008-2013) €22.7 billion. The 11th EDF provides €30.5 billion, of which €29.1 billion has been allocated to the ACP countries and €0.4 billion to the OCTs, with €1 billion for administrative costs.

08 EDF resources (contributions from the EU member states and the United Kingdom) and payments have been decreasing gradually since 2019 and 2020 respectively, and no new commitments have been made since 2023. Payments are expected to continue decreasing, to as low as €0.5 billion in 2027 ([Figure 2](#)).

Figure 2 – Trend in EDF commitments, payments and resources (contributions), including 2026 and 2027 forecasts



(*) Since the sunset clause of the 11th EDF elapsed on 31.12.2020, there are no new commitments, with some exceptions in 2021 and 2022. The exceptional commitments are:

- (1) reflows under the ACP Investment Facility from operations under the 9th 10th and 11th EDFs
- (2) reuse of the 10th & 11th EDF reserve under the Council Decision 2022/1223

Source: based on 2020-2024 ECA annual reports, [Council Decision \(EU\) 2022/1223](#) and [COM\(2025\) 563 final](#).

09 [Figure 3](#) shows the use of EDF resources both in 2025 and cumulatively for the 9th, 10th and 11th EDFs.

Figure 3 – Use of EDF resources by 31 December 2025

(million euros)

	Situation at end of 2024		Budgetary implementation during the 2025 financial year (net commitments after decommitments / net payments after recoveries)				Situation at end of 2025				
	Total amount (rounded)	Implementation rate (% of resources)	9th EDF ³	10th EDF	11th EDF	Total amount (rounded)	9th EDF	10th EDF	11th EDF	Total amount (rounded)	Implementation rate (% of resources)
A - RESOURCES^{1,2}	65 943		0	-95	75	-20	15 238	20 959	29 726	65 923	
B – USE											
1. Global commitments (financing decisions)	65 053	98.7 %	-1	-69	-285	-354	15 237	20 937	28 525	64 699	98.1 %
2. Individual commitments (individual contracts)	64 646	98.0 %	0	-62	-160	-223	15 237	20 902	28 284	64 423	97.7 %
3. Payments	60 834	92.3 %	0	65	828	893	15 221	20 705	25 800	61 726	93.6 %
C – Outstanding commitments (B1-B3)	4 219	6.4 %					16	231	2 724	2 972	4.5 %
D - Available balance (A-B1)³	890	1.3 %					1	22	1 201	1 224	1.9 %

¹ Include initial allocations to the 9th, 10th and 11th EDFs, co-financing, interest, sundry resources and transfers from previous EDFs.

² Negative amounts correspond to decommitments.

³ Balance available includes "non-mobilisable" reserve (unusable credits unless unanimous decision from the Council).

Source: ECA, based on 2025 annual accounts of the 9th, 10th and 11th EDFs and additional information provided by the Commission. The figures presented do not cover the part of the EDFs managed by the European Investment Bank.

The ECA's statement of assurance to the European Parliament and the Council on the 9th, 10th and 11th EDFs — Independent auditor's report

Opinion

I. We have audited:

- (a) the annual accounts of the 9th, 10th and 11th EDFs, which comprise the balance sheet, the statement of financial performance, the cash flow statement, the statement of changes in net assets, notes to the financial statements and the report on financial implementation for the financial year ended 31 December 2025, approved on 22 June 2026;
- (b) the legality and regularity of the underlying transactions of which financial management falls to the Commission².

Reliability of the accounts

Opinion on the reliability of the accounts

II. In our opinion, the annual accounts of the 9th, 10th and 11th EDFs for the year ended 31 December 2025 present fairly, in all material respects, their financial position as at 31 December 2025, the results of their operations, their cash flows and the changes in their net assets for the year then ended, in accordance with the EDF Financial Regulation and with accounting rules based on internationally accepted accounting standards for the public sector.

Legality and regularity of the transactions underlying the accounts

Revenue

Opinion on the legality and regularity of revenue

III. In our opinion, the revenue underlying the accounts for the year ended 31 December 2025 is legal and regular in all material respects.

² Pursuant to Articles 43, 48-50 and 58 of the Financial Regulation applicable to the 11th EDF, this statement of assurance does not extend to the EDF resources managed by the EIB.

Expenditure

Adverse opinion on the legality and regularity of expenditure

IV. In our opinion, owing to the significance of the matter described under ‘Basis for adverse opinion on the legality and regularity of expenditure’, the expenditure accepted in the accounts for the year ended 31 December 2025 is materially affected by error.

Basis for Opinion

V. We have conducted our audit in accordance with the IFAC International Standards on Auditing (ISAs) and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under these standards and codes are described in more detail in the ‘Auditor’s responsibilities’ section of our report. We have also met independence requirements and fulfilled our ethical obligations under the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for adverse opinion on the legality and regularity of expenditure

VI. Our overall estimated level of error for expenditure accepted in the accounts of the 9th, 10th and 11th EDFs for the year ended 31 December 2025 is 10.5 %. The effects of the errors we found are therefore both material and pervasive to the year's accepted expenditure.

Key audit matters

VII. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

Accrued charges

VIII. We assessed the accrued charges presented in the accounts which are subject to a high degree of estimation. At year-end 2025, the Commission estimated that eligible expenses incurred but not yet reported by beneficiaries amounted to €3 195 million (year-end 2024: €3 885 million).

IX. We examined the calculation of these accrual estimates and reviewed a sample of 20 individual pre-financing payments and 19 invoices recorded but not yet checked to address the risk that the accrual was misstated. The work performed led us to conclude that the accrued charges recognised in the final accounts were appropriate.

Other matters

Change in methodology for quantification of public procurement errors

X. From the current year we have modified our methodology for quantifying the impact of errors related to public procurement. The updated approach is aligned with the methodology applied by the Commission in the context of shared management spending programmes under the general budget. We present the estimated impact of this change in the paragraph 33 of our annual report.

Responsibilities of management (the Commission)

XI. In accordance with Articles 310 to 325 of the TFEU and with the 11th EDF Financial Regulation, management is responsible for preparing and presenting the EDF annual accounts on the basis of internationally accepted accounting standards for the public sector and for the legality and regularity of the underlying transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. The management is ultimately responsible for the legality and regularity of the transactions underlying the EDF accounts.

XII. When preparing the EDF accounts, the management is responsible for assessing the EDFs' ability to continue as a going concern, disclosing any relevant matters and using the going concern basis of accounting unless it either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

XIII. The management is responsible for overseeing the EDFs' financial reporting process.

Auditor's responsibilities for the audit of the EDF accounts and underlying transactions

XIV. Our objectives are to obtain reasonable assurance as to whether the EDF accounts are free from material misstatement and the underlying transactions are legal and regular, and to provide, on the basis of our audit, the European Parliament and the Council with a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions. Reasonable assurance is a high level of assurance, but it is not a guarantee that the audit has necessarily detected all instances of a material misstatement or non-compliance that may exist. These can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence any economic decisions taken on the basis of these EDF accounts.

XV. For revenue, we examine all contributions from member states and a sample of other types of revenue transactions.

XVI. For expenditure, we examine payment transactions once expenditure has been incurred, recorded and accepted. This examination covers all categories of payments (other than advances) at the point they are made. Advance payments are examined once the recipient of funds has provided evidence of their proper use and the institution or body has accepted that evidence by clearing the advance payment, which might not happen until a subsequent year.

XVII. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the EDF accounts and of material non-compliance of the underlying transactions with the requirements of the EDF legal framework, whether due to fraud or error. We design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Instances of material misstatement or non-compliance resulting from fraud are more difficult to detect than those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Consequently, there is a greater risk of such instances not being detected.
- Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of the accounting policies used by management and the reasonableness of management's accounting estimates and related disclosures.
- Conclude as to the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, as to whether material uncertainty exists owing to events or conditions that may cast significant doubt on the EDFs' ability to continue as a going concern. If we conclude that such material uncertainty exists, we are required to draw attention in our report to the related disclosures in the EDF accounts or, if these disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the EDFs to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including all disclosures, and assess whether the annual accounts fairly represent the underlying transactions and events.

XVIII. We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including findings of any significant deficiencies in internal control.

XIX. Of the matters discussed with the Commission, we determine which were of most significance in the audit of the EDF accounts and are therefore the key audit matters for the current period. We describe these matters in our report unless law or regulation precludes public disclosure or, as happens extremely rarely, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh any public interest benefits.

2 July 2026

Tony Murphy
President

European Court of Auditors
12, rue Alcide De Gasperi – L-1615 Luxembourg

Information in support of the statement of assurance

Audit scope and approach

10 *Annex 1.1* to our 2025 annual report on the implementation of the budget sets out our audit approach and methods, which we also apply to the audit of the EDFs.

11 Our observations on the reliability of the EDF accounts relate to the financial statements³ of the 9th, 10th and 11th EDFs, as approved by the Commission⁴, together with the accounting officer's letter of representation received on 18 June 2026. We tested amounts and disclosures and assessed the accounting principles applied, as well as any significant estimates made by the Commission and the overall presentation of the accounts.

12 To audit the regularity of *transactions*, we examined a sample of 85 transactions that were representative of the full range of spending from the EDFs. All 85 transactions were from DG INTPA. The sample comprised 14 transactions related to

³ Article 39 of [Regulation \(EU\) 2018/1877](#).

⁴ Article 38 of [Regulation \(EU\) 2018/1877](#).

the *Emergency Trust Fund for Africa*, 56 transactions authorised by 15 EU delegations⁵ and 15 transactions approved by Commission headquarters. Where we detected *errors* in the transactions, we analysed the underlying causes to identify potential weaknesses. Moreover, for the transactions audited on the spot, we carried out *performance* assessments where feasible and relevant.

13 We also examined the following for 2025:

- (a) all member state contributions;
- (b) the systems used by DG INTPA and the EU delegations for: (i) *ex ante* checks by Commission staff and external auditors (contracted by the Commission or *beneficiaries*) before payments were made, (ii) monitoring and supervision, notably the follow-up of external audits and the *residual error rate (RER)* study;
- (c) the regularity information in the *annual activity report (AAR)* of DG INTPA, the consistency of the methodology for estimating amounts at risk, future corrections and recoveries and their inclusion in the Commission's *annual management and performance report*; and
- (d) the follow-up of our previous recommendations.

14 DG INTPA implements most of the external aid instruments financed from both the EU general budget and the EDFs. Our observations on the AAR refer to DG INTPA's entire area of responsibility, not just the EDFs.

Reliability of accounts

15 We found that the accounts were free from material misstatements.

16 By 31 December 2025, the accounts of the 9th EDF (2000-2007) had not yet been closed – 18 years after the 2007 sunset clause which prevents the Commission from signing new commitments. This highlights the complexity and long duration of EDF *programmes*. Four contracts remain ongoing under the 9th EDF.

17 As in previous years, we found that some pre-financing payments had remained uncleared for a long time. An amount of €448 million had remained uncleared for

⁵ African Union, Cameroon, Chad, Democratic Republic of the Congo, Ethiopia, Madagascar, Mali, Mauritius, Mozambique, Nigeria, Rwanda, Sierra Leone, Togo, Uganda, Zambia.

more than 10 years. These pre-financing payments related mainly to two long-term contracts under the EU-Africa Infrastructure Trust Fund (EU-AITF) which will remain active until 2030 and only a fraction of old EU-AITF pre-financing is cleared each year.

Regularity of transactions

Revenue

18 Revenue transactions did not contain a material level of error.

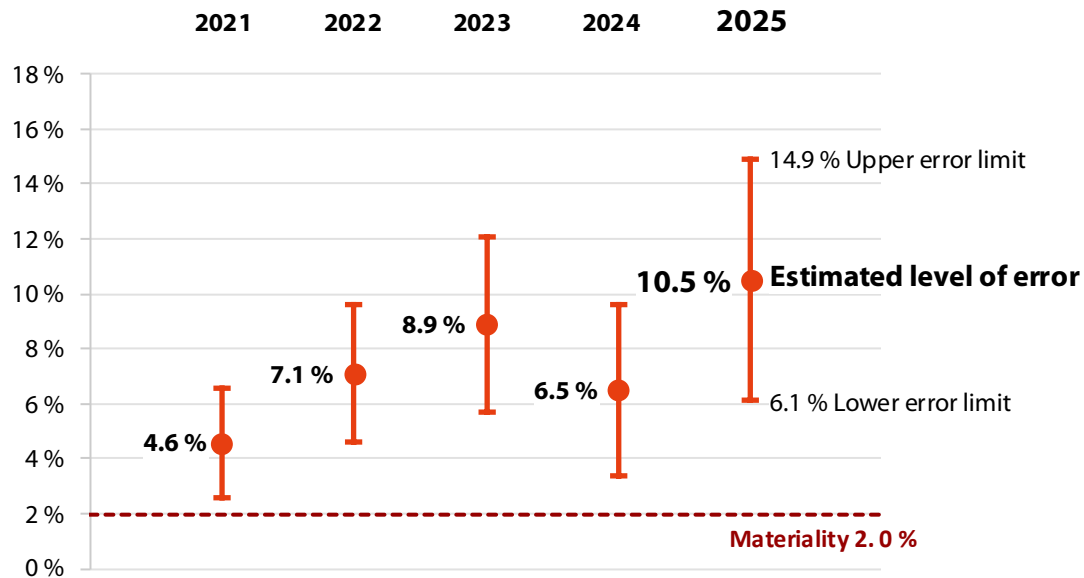
Expenditure

19 Of the 85 transactions we examined, 47 (55.3 %) contained errors. On the basis of the 39 errors we have quantified, we estimate the level of error to be 10.5 % (*Figure 4*). Last year, with the same sample size of 85 transactions, 34 (40.0 %) transactions contained errors and we quantified 27 errors.

20 This year, we found a significant increase in errors related to the absence of supporting documents, which represented the largest contribution to the *estimated level of error*, accounting for 3.4 percentage points. They arise when supporting documentations for declared expenditure cannot be provided at the time of the audit. The long implementation periods of EDF programmes and delays to the closure of contracts increase the likelihood that supporting documentation will no longer be readily available over time.

21 In addition, as EDF implementation nears completion, the remaining expenditure is increasingly concentrated in cases that have not yet been cleared by the Commission, which are more likely to be affected by delays, complexity or unresolved issues and which are therefore more likely to contain error.

Figure 4 – Results of transaction testing

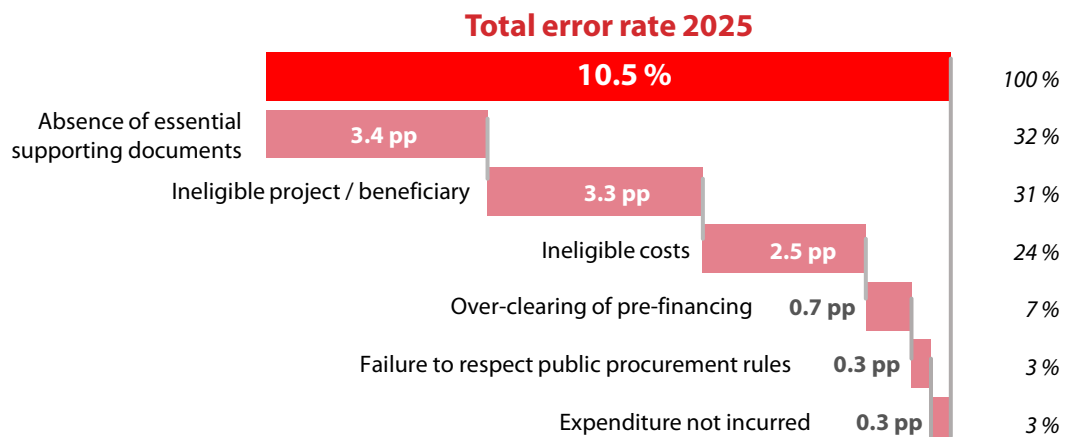
Estimated level of error (ELE)**Sample size (transactions)**

2021	2022	2023	2024	2025
140	140	140	85	85

Source: ECA.

22 Figure 5 gives a breakdown of our estimated level of error for 2025 by error type.

Figure 5 – Breakdown of estimated level of error, by error type



pp: percentage points

Source: ECA.

23 Among the ineligible projects and beneficiaries, we also identified errors linked to the phasing-out of the EDFs. In two cases, the Commission had used financing agreements to fund activities not provided for in those agreements. This took place in a context where the EDF sunset clause did not allow either amendments or new commitments under the relevant financing agreements.

24 One of the main types of ineligible costs identified is the ‘cascading’ of indirect costs charged to the EU (sub-implementing organisations’ indirect costs being reported as part of the beneficiary’s *direct costs*, on top of the indirect costs already charged by the beneficiary). We identified three such cases this year, contributing 0.2 percentage point to the estimated level of error. We made a recommendation on the cascading structure of implementation in chapter 9 of our [2024 annual report on the implementation of the EU budget](#).

25 [Box 1](#) presents examples of errors we have quantified.

Box 1

Example of absence of essential supporting documents

The Commission signed a grant agreement with the Ministry of Health in a north African country to support the development and administration of licensing examinations for health professionals. The action had total eligible costs of €0.7 million, with an EU contribution of €0.6 million.

We audited payments made to experts engaged in the standard setting, development and supervision of licensing examinations. These experts were contracted through service contracts which set out their overall engagement period, their duties and their remuneration.

We did not receive supporting evidence demonstrating that the experts had fulfilled their contractual duties during the periods for which they were remunerated. In particular, we did not obtain key documents such as the deliverables required under the contracts.

As we were unable to obtain assurance that these costs had been adequately supported and justified, we considered them ineligible.

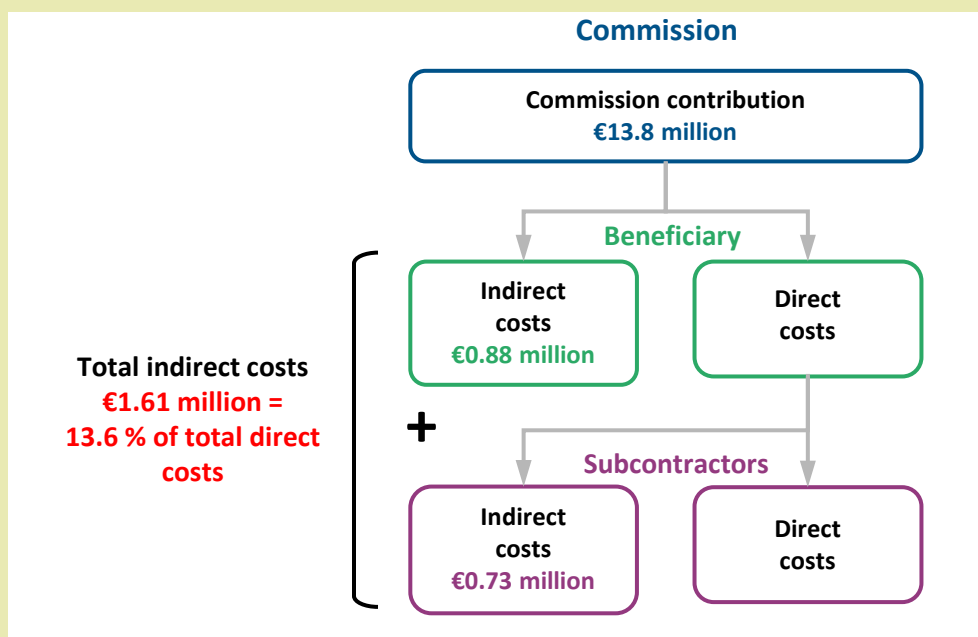
Example of ineligible indirect costs claimed as direct – cost cascading

We audited a payment under a contribution agreement signed with an EU member state's development agency, implemented under *indirect management*. Total expenditure for the action was €13.8 million, fully financed by the EU.

The audited transaction was based on the final financial report covering the full implementation period, from September 2019 to June 2023.

The agency had declared €0.88 million in indirect costs, calculated at the contractually agreed maximum flat rate of 7 % of direct costs. However, our audit found also a 'cascading' of indirect costs. The development agency had subcontracted parts of the action to other organisations and included those organisations' indirect costs in its reported direct costs.

In its financial report submitted to the Commission, the agency had consolidated the organisations' financial reports and reported all their expenditure as direct costs. However, these organisations' own reports included €0.73 million in indirect costs. Adding this amount to the €0.88 million gives total indirect costs of €1.61 million (13.6 % of direct costs), which is significantly more than the contractually agreed limit of 7 %. We deemed the excess costs to be ineligible.



Example of serious failure to respect *public procurement* rules: unjustified direct award of consulting services

The Commission had signed a contribution agreement with a pillar-assessed organisation to support the implementation of a programme aimed at consolidating democracy in an African country. The action had total eligible costs of €1.5 million, fully financed by the EU.

As part of our audit, we examined a contract for consulting services for the production of audiovisual content and the use of the consultant's image in communication activities related to the 2023 regional elections. The value of the contract was €0.01 million; it was awarded through a direct award instead of a competitive procedure involving at least three quotations as required by the applicable procurement rules.

The justification provided for using a direct award procedure did not satisfactorily demonstrate that the services could only be provided by a single supplier. In addition, the pillar-assessed organisation had approved the use of a direct award procedure after the contract had already been awarded.

As the procurement did not comply with the applicable rules, we consider the related expenditure to be ineligible.

Example of ineligible staff costs charged to the project

The Commission had signed a contribution agreement with an international organisation to implement an action to develop the use of digital financial services (such as electronic payment systems). The action was implemented under indirect management, with an EU contribution of up to €14.4 million.

As part of our audit, we examined expenditure declared as direct staff costs under the interim financial report. In addition to basic salary and eligible allowances, the audited costs included several payroll components such as training, IT services, security charges and payroll administration fees.

These components relate to the general functioning of the organisation rather than to the implementation of the action. Such costs are considered indirect costs or *provisions* and are not eligible as direct costs.

As a result, we considered these costs to be ineligible.

26 Of the 31 transactions relating to contracts under indirect management with pillar-assessed entities (international organisations and state agencies), 17 were affected by *quantifiable errors*, contributing 3.0 percentage points to the estimated level of error. For such contracts, the Commission accepts expenditure based on a financial report and a management declaration. A management declaration is a self-declaration from the pillar-assessed entity certifying that the financial information submitted is properly presented, complete and accurate, and in compliance with the obligations laid down in the contract.

27 This year, international organisations gave us full access to the documents they had to support the audited transactions. This is an improvement on previous years, when access was limited to temporary electronic consultation in a view-only environment without document transfer, which hindered audit planning, implementation, and quality control. Last year we recommended that the Commission take further steps to ensure that international organisations provide the ECA with complete, unrestricted and timely access to documents necessary to carry out its task in accordance with the TFEU and in particular, ensure that contractual arrangements with international organisations are clear and fully respect the ECA's right to receive, at our request, any document or information necessary to perform our audit functions⁶. We will continue to monitor and report on this issue.

⁶ Paragraph 8.13 and recommendation 8.1 from the [2024 annual report on the implementation of the EU budget](#).

28 We found that the financial reports produced by international organisations and state agencies varied in terms of detail and quality. They did not always provide sufficient information to enable the Commission to detect ineligible expenditure or errors at the time of clearing. One reason for this is that the budgets set out in the underlying contribution and *delegation agreements* were insufficiently detailed to allow expenditure to be monitored effectively.

29 We found that one transaction was affected by over-clearing of prefinancing paid to a pillar-assessed entity. This transaction contributed 0.7 percentage points to the estimated level of error. In this case, the Commission accepted a financial report that included advance payments, which did not constitute costs incurred and were therefore ineligible. In our [2023 annual report](#), we recommended that the Commission should implement sufficient controls to mitigate the risk of clearing ineligible amounts paid to pillar-assessed entities. The Commission agreed to implement the recommendation by the end of 2025. We consider this recommendation to have been implemented in most respects ([Annex II](#)).

30 In 15 of the 39 errors we have quantified, the Commission had sufficient information to prevent, or to detect and correct, the error before accepting the expenditure. Had the Commission made proper use of all the information at its disposal, the estimated level of error would have been 6.1 percentage points lower.

31 We also found 13 cases of non-compliance with legal and financial *provisions* which had no direct financial *impact* on the EU budget. These errors, which were not quantifiable, related to issues such as non-compliance with contractual requirements for expenditure verification ([Box 2](#)).

Box 2

Example of expenditure verification report not complying with quality requirements

We audited a payment made under a services contract that the Commission had concluded for a total amount of €0.2 million. To claim payment, the contract required the contractor to submit to the Commission an expenditure verification report prepared by an external audit firm. The report concluded that expenditure claimed was legal and regular.

However, our audit identified that the expenditure verification report did not comply with the quality requirements set by the Commission in the terms of reference. In particular, we found several weaknesses affecting the reliability of the report: we found inconsistencies in the verification work performed, incorrect totals and numerical inaccuracies, and references to pre-financing even though no pre-financing had been granted. It also included incorrect data in its annexes and several errors relating to the reporting period.

These significant shortcomings raise concerns about the accuracy of the procedures performed and the reliability of the conclusions reached by the external auditors. The Commission had accepted the verification report despite these weaknesses.

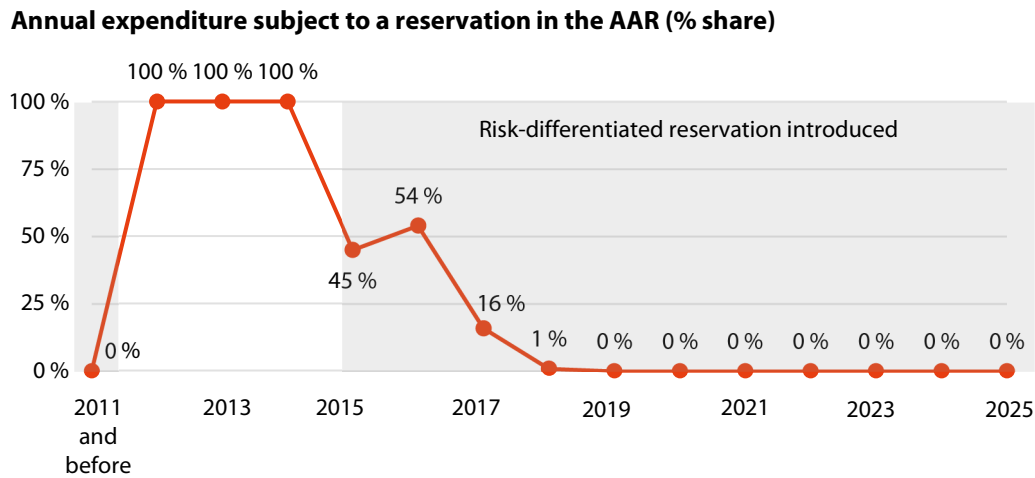
32 Over the years, we have consistently found fewer errors in two spending areas because of their specific payment conditions. These areas are: (i) budget support and (ii) projects subject to the '*notional approach*'. In 2025, we audited three '*notional approach*' transactions. Our sample did not include any budget support transactions. Paragraphs **9.20-9.21** in **chapter 9** of our 2025 annual report on the implementation of the EU budget give more details on budget support and the notional approach.

33 For 2025 onwards, we have aligned our methodology for quantifying public procurement errors with the one used by the Commission in policy areas under shared management (see paragraph **1.36** and paragraph **30** of **Annex 1.1** to our 2025 annual report on the implementation of the budget). Had we applied our previous methodology, the estimated level of error would have been 0.1 percentage points lower.

Review of DG INTPA's 2025 annual activity report

34 The Director-General's *declaration of assurance* in DG INTPA's 2025 AAR does not include any *reservations*. **Figure 6** shows the scope of reservations presented in the AARs each year from 2011 to 2025. There have been no reservations since 2019.

Figure 6 – DG INTPA annual activity report reservations 2011-2025



Source: ECA, based on data from DG INTPA annual activity reports, 2011-2025.

35 DG INTPA estimates the overall amount at *risk at payment* to be €69.2 million (1.12 % of 2025 expenditure) and the overall amount at risk at closure to be €60.2 million (0.97 % of 2025 expenditure). Of the amount at risk at payment, DG INTPA estimates, based on average historical data, that €9.0 million (13.0 %) will be corrected by its checks in subsequent years (this amount is known as the '*corrective capacity*'). The Commission reported €15.7 million as having actually been recovered in 2025. Having tested 78.3 % of this amount (€12.3 million), we found that €0.4 million should not have been reported as implemented corrective capacity.

2025 residual error rate study

36 In 2025, an external contractor carried out the 14th RER study for DG INTPA. The RER study is based on the RER methodology and manual provided by DG INTPA. The purpose of the study is to estimate the rate of those errors that have evaded all DG INTPA management checks across its entire area of responsibility, in order to conclude on the *effectiveness* of those checks. The study is an important element underlying the Director-General's *declaration of assurance*, and feeds into the regularity information on *external action* disclosed in the annual management and performance report.

37 Our previous annual reports⁷ on the EDFs have described limitations in the studies that may have contributed to the RER's underestimation, and in 2022 we recommended improving the methodology used for the RER study so that high-value

⁷ 2017, 2018, 2019 and 2020 annual reports on the EDFs.

items are extrapolated correctly. For the 2025 RER study, DG INTPA used a sample size of 190 transactions, out of which 14 were reviewed on-the-spot (5.79 %). The study estimated the overall RER at 0.56 %. For the 10th year in a row, the RER was below the Commission's 2 % *materiality threshold*.

38 In 2025, the Commission applied a new RER methodology for the first time. The new methodology introduces changes, inter alia, to clarify the way high-value items are dealt with and restricts the possibility of relying entirely on the results of management checks and other auditors' work to 10 % of the transactions tested. Our audit confirmed the implementation of these changes: in 2025, only 10 % of the transactions tested had been verified based on other auditors' work, and high-value items had been correctly extrapolated. Some shortcomings persist; these are described below.

39 The new methodology, referred to as 'optimal allocation', involves a reduction of the sample size from 480 to 190 transactions. It requires reliable data to be available on past errors in the population. Given the limitations of the RER studies that we have reported in past years, there is a risk that this precondition is not fully satisfied. If the available data are not sufficiently reliable, this would be reflected in the sample, entailing the risk that higher-risk areas may not be covered sufficiently. This would reduce the effectiveness of the audit process in detecting errors.

40 As in previous years, the RER study focuses only on closed contracts; however, most DG INTPA payments (and ECA audited transactions) are for ongoing contracts. This contributes to a different calculation of the estimated level of error compared to the ECA. In our [2024 annual report on the implementation of the EU budget](#), we noted various reasons why the Commission's error rates are generally lower than our estimated levels of error. In particular, the ECA is required to report on any cases of *irregularity*, regardless of whether a *financial correction* may be applicable. By contrast, the Commission focuses on cases of irregularity in which it sees legal grounds for the recovery of the amounts concerned.

Assessment of project achievements during our audit visits

41 As part of our audit visits, we also assessed the achievements of projects that were either completed or close to completion. Our aim was to make observations on *performance* aspects going beyond the regularity of transactions. Our assessment included a review of *output* and outcome indicators, as well as project results.

42 The results of our checks varied. We found cases where funding had been used effectively and contributed to the achievement of project objectives (**Box 3**). However, as in previous years⁸, we also identified cases in which EU projects had failed to achieve their intended results (**Box 4**). In particular, we observed delays in implementation, weaknesses in planning and design, and shortcomings in works quality, including signs of early deterioration. These issues raise concerns about the effectiveness and sustainability of EU support, as well as the quality of project oversight.

Box 3

Example of successful implementation of a project

The Commission supported a project in north-west Africa aimed at making the rural sector a key driver of the local economy, creating decent jobs and wealth, and promoting the sustainable management of natural resources. The project was completed in 2025.

Our audit included visits to primary schools, rural access roads, dams and bridges constructed or renovated under the project. The schools we visited were fully operational, with teachers and pupils engaged in classroom activities. The renovated rural roads were being used by motorcycles and vehicles transporting agricultural and commercial products. The dams and bridges we visited had improved access to villages previously prone to flooding.

Overall, the project had delivered the planned outputs, contributing to improved local infrastructure and increasing the capacity of local authorities to manage project activities effectively.

⁸ 2022, 2023 and 2024 annual report on the EDFs.

Picture 1 – On-the-spot visit to renovated rural access road



Source: ECA.

Box 4

Example of delayed rural road works with signs of early deterioration

We audited an ongoing project for the construction of rural roads in south-east Africa, initially scheduled for completion in mid-2025.

Our physical inspections of several road sections showed that some parts of the carriageway did not meet the established thickness and width specifications, while some drainage structures were already showing signs of early deterioration, and had been refilled with sand.

The project has faced significant delays, as well as weaknesses in planning and design. The project's shortcomings affect both the quality of the works and the ability of the completed infrastructure to deliver sustainable benefits to users.

Picture 2 – On-site drilling test indicating discrepancies between actual road thickness and the technical specifications



Source: ECA.

Conclusion and recommendations

Conclusion

43 The overall audit evidence indicates that the EDFs' accounts for the financial year ending 31 December 2025 present fairly, in all material respects, their financial position, the results of their operations, their cash flows and the changes in net assets for that year, in accordance with the provisions of the [EDF Financial Regulation](#) and the accounting rules based on internationally accepted accounting standards for the public sector.

44 The overall audit evidence indicates that, for the financial year ending 31 December 2025:

- (a) the revenue of the EDFs was not affected by a material level of error;
- (b) EDF payment transactions were affected by a material level of error (paragraphs [19-29](#)). We estimate the level of error to be 10.5 %, based on our transaction testing.

Recommendations

45 [Annex II](#) shows the findings of our follow-up of recommendations made in our previous annual reports. We reviewed six recommendations made in our [2022 annual report](#). The Commission had implemented three recommendations in full and three in most respects.

46 We also reviewed three recommendations from our [2023 annual report](#) which had to be completed by end 2024 or 2025. The Commission had implemented one recommendation from 2023 in full and two in most respects ([Annex II](#)). Based on this review and our findings and conclusions for 2025, we recommend the following:

Recommendation 1 – Complete the closure of the 9th EDF

The Commission should take the necessary measures to ensure the completion of the closure process for the 9th EDF, including the finalisation of remaining contracts and the clearance of associated accounting balances.

Target implementation date: end of 2026.

Recommendation 2 – Ensure the quality of contractual expenditure verification reports

The Commission should ensure that contractual expenditure verifications are of the expected quality, carried out consistently and in line with the applicable guidelines. To achieve this, it should:

- (a) improve its monitoring of the contracted external auditors and of the expenditure verification reports they produce; and
- (b) take timely appropriate corrective measures where weaknesses are identified.

Target implementation date: end of 2027.

Recommendation 3 – Strengthen financial reporting requirements for pillar-assessed entities

To strengthen the financial reporting of pillar-assessed entities, the Commission should:

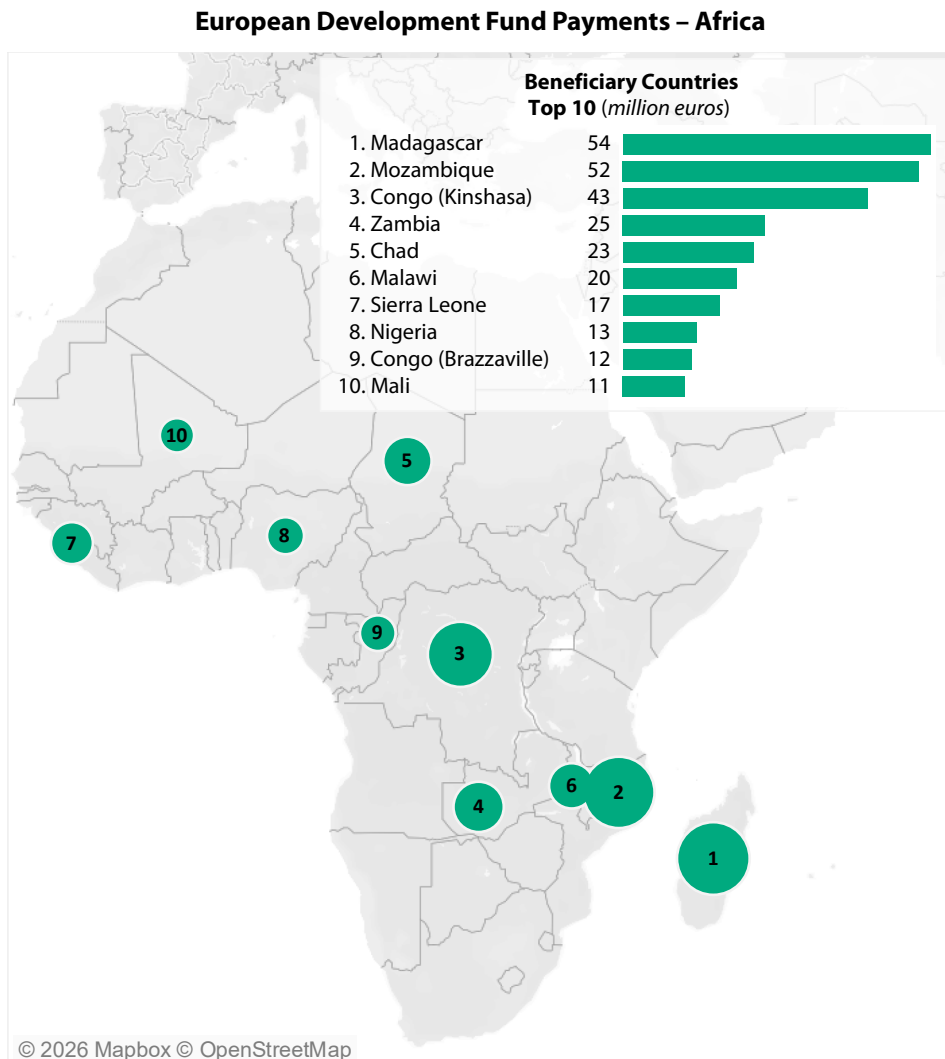
- (a) ensure that the budget breakdown of contribution and delegation agreements concluded with pillar-assessed entities includes a sufficient level of detail to allow expenditure to be monitored effectively; and
- (b) set minimum requirements for financial reporting to provide adequate information for verifying expenditure before clearing.

Target implementation date: end of 2027.

Annexes

Annex I – EDF payments to main beneficiary countries: Africa, Pacific and Caribbean

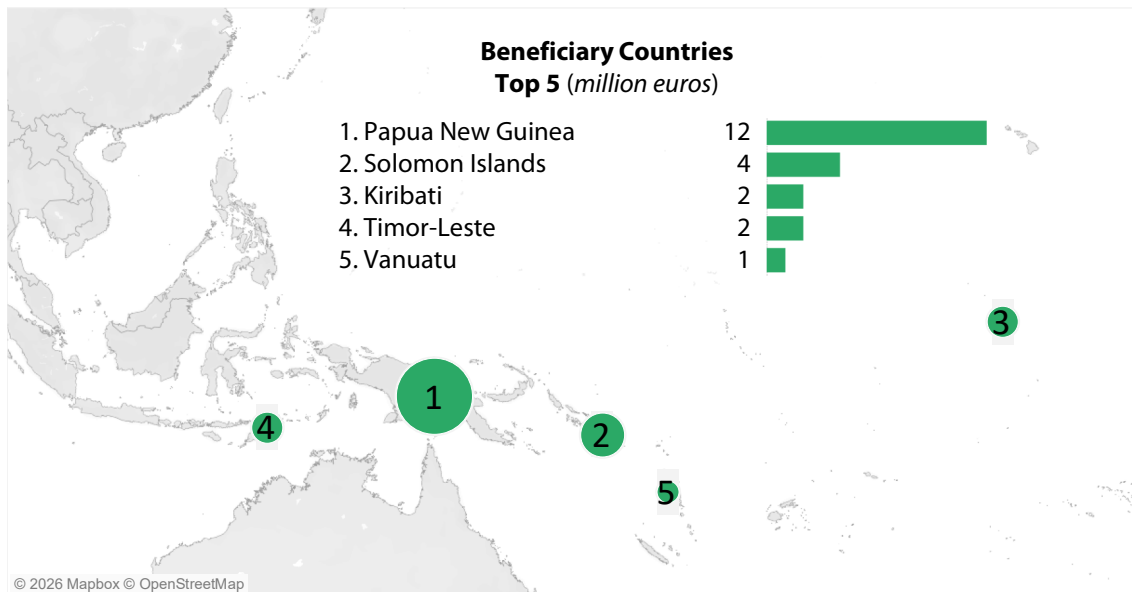
European Development Fund payments in 2025 – Africa



Source: Map background © Mapbox and © OpenStreetMap licensed under the Creative Commons Attribution-ShareAlike 2.0 licence (CC BY-SA).

2020	2021	2022	2023	2024
Senegal	141	219	104	80
Burkina Faso	141	109	100	73
Benin	116	101	60	67
Mozambique	114	84	57	57
Nigeria	104	81	56	57
Niger	104	79	51	55
Ghana	100	74	48	55
Chad	95	70	48	53
Congo (Kinshasa)	93	66	48	43
Uganda	90	65	48	40
				21

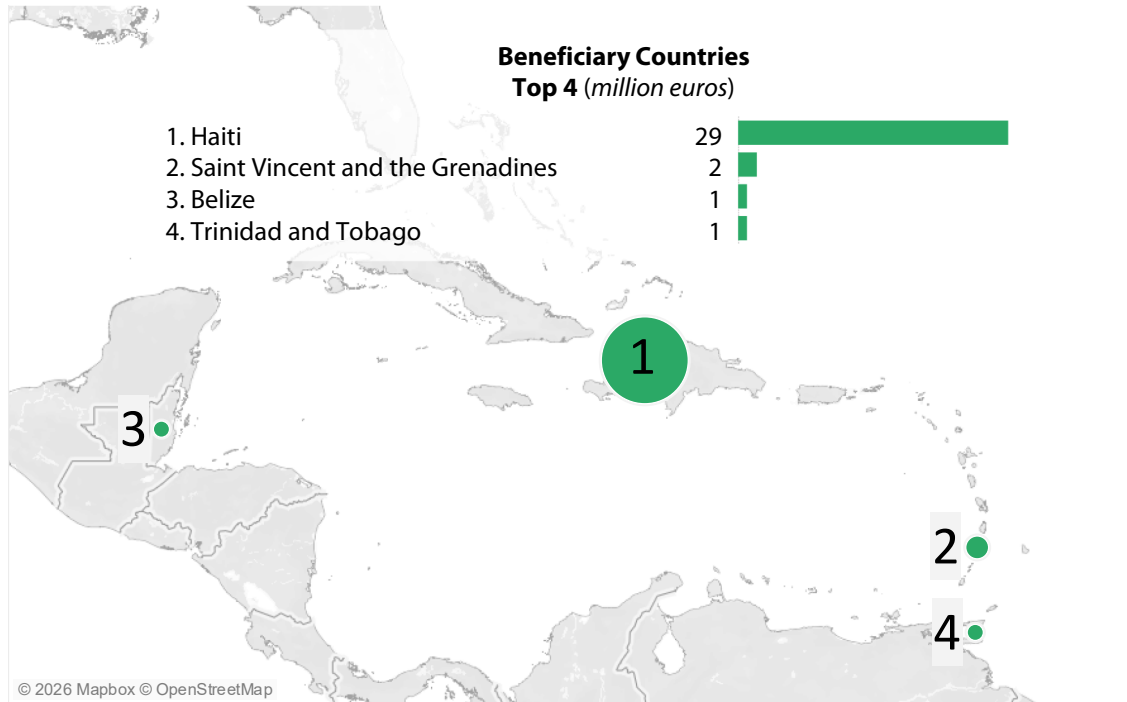
European Development Fund Payments – Pacific



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2020		2021		2022		2023		2024	
Timor-Leste	19	Papua New Guinea	29	Papua New Guinea	23	Papua New Guinea	24	Papua New Guinea	13
Vanuatu	12	Timor-Leste	9	Timor-Leste	11	Timor-Leste	7	Vanuatu	3
Fiji	11	Vanuatu	6	Fiji	5	Fiji	7	Kiribati	2
Papua New Guinea	10	Fiji	5	Vanuatu	4	Vanuatu	5	Micronesia	2
Solomon Islands	8	Marshall Islands	3	Kiribati	4	Kiribati	3	Timor-Leste	2

European Development Fund Payments – Caribbean



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2020		2021		2022		2023		2024	
Haiti	76	Haiti	47	Haiti	18	Haiti	19	Haiti	20
Jamaica	23	Jamaica	11	Jamaica	7	Suriname	6	Jamaica	4
Dominican Republic	15	Guyana	8	Dominican Republic	6	Belize	4	Trinidad and Tobago	3
Guyana	10	Belize	7	Belize	3	Dominican Republic	4	Belize	1
Suriname	3	Dominican Republic	6	Dominica	3	Jamaica	3	Dominican Republic	1

Annex II – Follow-up of recommendations

Degree of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Degree of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
2022	Recommendation 1: Check that all accounting balances for closed EDFs are cleared and that information in the annual accounts is updated in a timely manner. Timeframe: in the time for the preparation of the 2023 accounts.			
	Recommendation 2: Check that pre-financing and invoices are cleared in a timely manner. Timeframe: end of 2024.			In 2024, DG INTPA carried out a risk analysis on budgetary risks and issued instructions aimed at further reducing the amount of old prefinancing not yet cleared. While these measures demonstrate a clear intent to address the recommendation, we found that some pre-financing payments had remained uncleared for a long time. An amount of €448 million had remained uncleared for more than 10 years.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
	Recommendation 3: Take appropriate measures to improve EU delegations' control systems so that amounts not yet spent but claimed as incurred costs are identified before making payments or clearing expenditure. Timeframe: end of 2024.			The Commission is currently reviewing its control strategy. One of the expected outcomes is improved guidance on financial reporting, but also improved <i>ex ante</i> controls, in order to better prevent errors (including excess clearing). However, the action plan designed by the Commission to address vulnerabilities in the excess clearing of pre-financing, remains open with a completion deadline of December 2026.
	Recommendation 4: Reiterate to beneficiaries of EU projects that they must abide by contractual conditions relating to VAT eligibility, and carry out the necessary checks to ensure that deductible VAT is not charged to projects. Timeframe: end of 2024.			
	Recommendation 5: Take into consideration all available technical and financial information to prevent, or detect and correct, errors before accepting expenditure. Timeframe: end of 2024.			The Commission is reviewing its control strategy and, with the support of a consulting company, launched a study in 2024 to investigate the <i>efficiency</i> and effectiveness of current controls and ways to improve them. DG INTPA has moved to a structured system for identifying and following up systemic audit findings across implementing partners, but recurrent findings indicate that resolving these issues is still ongoing.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
	Recommendation 6: Improve the methodology used for the RER study so that high-value items are extrapolated correctly, and verify that the contractor applies it properly. Timeframe: end of 2024.			The Commission did not accept this recommendation. However, in May 2024, following a review of DG INTPA's control strategy, the RER methodology was re-assessed and the methodology for extrapolating high-value items has been clarified. This new RER methodology came into effect in 2025. Since then, high-value items have been extrapolated correctly.
2023	Recommendation 1: When calculating cut-off estimates during the preparation of the provisional accounts, take into account changes to contracts that have occurred after the end of the reporting period. Timeframe: from the 2024 accounts onwards.			
	Recommendation 2: Apply more thorough checks to avoid errors related to advance payments claimed as incurred costs, indirect costs claimed as direct costs and ineligible VAT. Timeframe: end of 2025.			The Commission has made significant progress in strengthening the regulatory and procedural framework to prevent errors related to ineligible VAT and the misclassification of costs. However, the Commission has not yet ensured the consistent application of the revised Interim Clearing Checklist across all departments. Nor has it ensured that project officers receive adequate training on the new 'Quick Fix' requirements regarding cost eligibility.

Year	ECA recommendation	Degree of acceptance	ECA assessment of progress made in implementing recommendation	
			Degree of implementation	Remarks
	Recommendation 3: When clearing pre-financing paid to pillar-assessed organisations, enhance controls to identify and exclude pre-financing claimed in financial reports as expenditure incurred Timeframe: end of 2025.			The Commission has made commendable efforts to make pillar-assessed entities aware of the risks of clearing pre-financing based on committed expenditure. However, recurrent findings indicate that resolving these issues is still ongoing.

Source: ECA.

**European Commission replies to the
annual report on the activities funded
by the 9th, 10th and 11th European
Development Funds for the
2025 financial year**

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2025 ANNUAL REPORT, REPORT ON THE ACTIVITIES OF THE 9TH, 10TH AND 11TH EUROPEAN DEVELOPMENT FUNDS FOR THE 2025 FINANCIAL YEAR

I. THE COMMISSION'S REPLIES IN BRIEF

The Commission welcomes the report of the European Court of Auditors (ECA), takes note of the findings and is committed to implement the appropriate remedial actions where necessary. The Commission notes the ECA's conclusion that the European Development Funds (EDFs) accounts present fairly, in all material respects, their financial position and that the revenue is free from material error. Regarding the estimated error rate, the Commission would like to underline that it does not concur with all of the ECA's findings – particularly in relation to overclearing and 'cascading' of indirect costs. The Commission is stepping up its efforts to address these issues and to further reduce the level of error in the future, including by strengthening guidance and supervision of implementing partners and by improving the timely availability of documentation. The Commission would like to emphasise that it is making every effort to close the EDFs as soon as possible.

The Commission welcomes the ECA's acknowledgement of positive developments, such as the improved access to supporting documents from international organisations and the progress made in implementing recommendations from previous annual reports. The Commission also takes note of the ECA's examples of successful projects financed under the EDFs and continues to monitor closely the implementation of EU-funded projects. The Commission is committed to undertaking remedial actions in cases where implementing partners fail to fulfil their obligations and to drawing lessons from cases where results have not fully met expectations.

The Commission wishes to underline that the implementation of EDFs takes place in risky, complex and increasingly fast-evolving environments, including escalation of global conflicts and instability. It is characterised by diversity in terms of:

- geographical distribution, covering many different EU Delegations (EUDs) around the world;
- implementing entities and partner countries with their diverse management and control capacities, ranging from small local NGOs to international organisations and state agencies; and
- assistance delivery methods, including traditional projects, budgetary support, sectoral policy support programmes, contributions to global instruments, blending, budgetary guarantees and other aid implementation methods.

Additionally, the Commission faces challenges in assigning staff to delegations located in hardship countries, as well as a shortage of specialised professionals both in the European Union Delegations (EUDs) and at the headquarters (HQ). The Commission takes all necessary measures to ensure full and efficient implementation of the EDFs in accordance with the existing legal and financial framework. The Commission continues to adapt and refine its procedures to further reduce the risk of errors, while taking into account, among other things, the results of the ECA's statement of assurance and its recommendations on preventive and corrective controls. In particular, the Commission's Directorate-General for International Partnerships (DG INTPA) has finalised its control strategy review and has started to implement key recommendations, especially the development of

a risk profiling dashboard for measuring compliance of partners with financial and operational standards, access to documents and strengthening *ex post* controls.

II. THE COMMISSION'S REPLIES TO THE ECA'S MAIN OBSERVATIONS

1. Reliability of accounts

As for the ECA's observation concerning the 9th EDF in §16, the Commission would like to clarify that it will be closed by the end of 2026, in line with recommendation 1 accepted by the Commission.

2. Regularity of transactions

Expenditure

The Commission takes note of the ECA's finding concerning the use of two financing agreements at the time of the EDF phaseout mentioned in §23 of the report, when the sunset clause precluded further amendments or new commitments. However, the Commission wishes to underline that the underlying monitoring and water supply operations have been implemented as planned. The Commission will learn lessons from this case to reinforce the management of future phaseout periods.

The Commission is aware of the issue raised by the ECA concerning the 'cascading' of indirect costs (see Box 1 and §24 of the report). However, the Commission does not consider this situation an error, as the treatment of indirect costs is in line with the provisions of the Commission's Contribution Agreement Manual. In view of the common position applied across all Commission departments, the Commission did therefore not accept the related recommendation in Chapter 9 of the ECA 2024 annual report.

As for §28, the Commission would point out that, in the context of DG INTPA's control strategy review, proposals on improved guidance and standardisation for ensuring that budgets are sufficiently detailed have been developed and discussed by the different RELEX DGs. As a follow-up, DG INTPA is running a pilot on applying a standardised budget format mutually agreed at individual entity level with additional requirements on providing further budgetary details in Annex I to the Contribution Agreement. The pilot will serve as a basis for expanding clarification and standardisation of expectations to other entities working in indirect management.

The Commission considers that the errors due to excess clearing (see §29 of the report) (a practice where expenditure not incurred is included in the accounts as incurred expenditure) are of temporary nature, since, in principle, they will no longer exist after the final clearings. Furthermore, the Commission notes that, in order to reduce these temporary errors, it has asked its partners to review their reporting templates to allow easier identification of incurred expenditure. The Commission acknowledges the errors found. It would, however, like to underline that, compared to previous years, the proportion of this type of errors has significantly decreased (from 40% in 2023, 14% in 2024 to only 6% in 2025) due to the introduction of additional controls.

The Commission would like to emphasise that most of the errors referred to in §30 occur at the level of beneficiaries of EU funds, in particular those operating under indirect management. Such errors

cannot be easily detected by the Commission. The Commission addresses these matters through regular meetings with its partners.

Reply to Box 1

Example of ineligible indirect costs claimed as direct – cost cascading

The Commission has always maintained the position that, in indirect management with pillar-assessed entities, indirect costs claimed by grant beneficiaries are to be counted as direct costs of the pillar-assessed organisation/partner. The Contribution Agreement Manual of the Commission stipulates that ‘indirect costs claimed by beneficiaries of grants awarded by the organisation and/or its partners are to be covered by the direct eligible costs of the action and not by the remuneration’. This interpretation applies to all Commission departments.

Example of ineligible costs charged to the project

The Commission acknowledges that the ECA may regard certain staff-related costs as linked to the general functioning of the organisation rather than to the specific action. The Commission shares the view that staff costs and other costs that are clearly and exclusively attributable to a given action, actually incurred, properly recorded in the beneficiary’s accounts (including appropriately apportioned costs) and not already covered by the flat rate for indirect costs/remuneration should be treated as direct eligible costs.

2025 residual error rate study

The Commission recalls that the ECA’s estimated level of error measures, among other things, errors in contracts which can still be subject to controls and corrections by the Commission in subsequent accounting years. Through the residual error rate (RER) study, based on a representative sample of closed contracts, the Commission has estimated for 2025 an overall residual error rate of 0.56%, below the 2% materiality threshold for the 10th consecutive year, and an amount at risk at closure of 0.97% of expenditure. The ECA’s estimated level of error and the Commission’s residual error rate for the expenditure of the EDFs are therefore not directly comparable, partly because of methodological differences and the fact that the RER focuses on closed contracts by the time of whose closure many issues will have been solved. The Commission will continue to use both sets of results to further strengthen its control systems and corrective capacity.

The residual error rate (RER) study is an important basis for the declaration of assurance of the Director-General of DG INTPA. However, it is not the only source of assurance. DG INTPA has a comprehensive internal control framework and a control strategy covering the full implementation cycle. All aspects of the control framework serve as building blocks for its assurance, which is reported on in its annual activity report. The latter is the basis for the information on regularity in the annual management and performance report (AMPR).

The Commission recognises the limitations in terms of controls set in the financial and administrative framework agreement (FAFA) with the United Nations and is looking for workable solutions, acceptable to both parties. As acknowledged by the ECA, the Commission has been working on improving the RER methodology in order to address some of the comments made by the ECA in the past, specifically on treating high-value items and limiting reliance on previous control work.

3. Assessment of project achievements during ECA audit visits

The Commission welcomes the example of successful implementation of a project presented in Box 3 of the report. At the same time, the Commission acknowledges the ECA's observation in Box 4 of the report regarding a local deviation in gravel thickness and width. The Commission's follow-up checks confirmed that the other parts of the overall works were compliant with the design. The Commission also recognises that the local variation identified by the ECA should have been better reflected in the interim payment certificate documentation and has taken steps to ensure that future progress certificates clearly record and justify such site-specific deviations.

III. THE COMMISSION'S REPLIES TO THE RECOMMENDATIONS

Recommendation 1 – Complete the closure of the 9th EDF

The Commission should take the necessary measures to ensure the completion of the closure process for the 9th EDF, including the finalisation of remaining contracts and the clearance of associated accounting balances.

Target implementation date: end of 2026.

The Commission **accepts** recommendation 1.

Recommendation 2 – Ensure the quality of contractual expenditure verification reports

The Commission should ensure that contractual expenditure verifications are of the expected quality, carried out consistently and in line with the applicable guidelines. To achieve this, it should:

- (a) improve its monitoring of the contracted external auditors and of the expenditure verification reports they produce; and**
- (b) take timely appropriate corrective measures where weaknesses are identified.**

Target implementation date: end of 2027.

The Commission **accepts** sub-recommendations 2(a) and 2(b).

The Commission is already taking measures to ensure the expected quality of contractual expenditure verification reports while implementing corrective measures where necessary.

Recommendation 3 – Strengthen financial reporting requirements for pillar-assessed entities

To strengthen the financial reporting of pillar-assessed entities, the Commission should:

- (a) **ensure that the budget breakdown of contribution and delegation agreements concluded with pillar-assessed entities includes a sufficient level of detail to allow expenditure to be monitored effectively; and**
- (b) **set minimum requirements for financial reporting to provide adequate information for verifying expenditure before clearing.**

Target implementation date: end of 2027.

The Commission **accepts** recommendations 3(a) and 3(b).

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Our annual report presents our opinion on whether the EU's annual accounts are reliable and whether the underlying revenue and expenditure transactions comply with the applicable rules and regulations. It also presents our analysis of the budgetary and financial management and performance aspects of the EU budget's implementation.



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