



Press Release

Luxembourg, 23 January 2023

Auditors probe rule-of-law safeguards in EU funding

The European Court of Auditors is starting to assess whether the European Commission has been effective in protecting the EU's financial interests against breaches of the rule of law in member states. The auditors will examine the steps the EU executive has taken to ensure that countries receive funding from EU coffers only when they respect the rule of law. The audit will focus on the EU's cohesion policy and COVID-19 recovery funding.

"Violations of the rule of law, such as failures to properly investigate corruption or a lack of judicial independence, can have major financial implications within the EU, and may lead to EU money being misused in the member states." said Annemie Turtelboom, the ECA member who will lead the audit. *"Our audit will determine whether the Commission's use of the tools at its disposal to protect the EU budget against breaches of the rule of law has been effective, in particular in cohesion and recovery funding."*

The rule of law is one of the EU's fundamental values. It means that all members of society are equally subject to the law, that courts operate independently and impartially, and that there is a separation of powers. The EU has developed a mix of legal, financial, and monitoring tools, as well as other mechanisms to enforce the rule of law in EU member states. These include the cooperation and verification mechanism, infringement procedures, and yearly rule-of-law reports. In addition, in 2020, it agreed on conditionality rules to protect the sound financial management of the EU budget as a whole. Under certain conditions these rules require countries' access to EU funding to be suspended, reduced or restricted when there have been serious breaches of the rule of law. These protective measures have so far been used only for Hungary (in December 2022), which will see a suspension of 55 % of the funds it was due to receive under three EU cohesion programmes. The financial rules for the cohesion policy funds and for the Recovery and Resilience Facility (RRF), which represents the lion's share of the EU recovery package, allow for additional safeguards of the rule of law.

The audit will focus on three different areas for protecting the EU's financial interests against breaches of the rule of law: the Commission's application of the EU Conditionality Regulation, the rules applicable under the 2021-2027 cohesion policy funds, and those applicable under the RRF. The audit will cover the Commission's action for a sample of six countries: Bulgaria, Greece, Italy, Hungary, Poland, and Romania.

The purpose of this press release is to convey the main messages of the European Court of Auditors' audit preview, which is available at eca.europa.eu.

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Background information

The European Commission is responsible for identifying and addressing possible breaches of the rule of law in Member States. The Council of the EU, which brings together member state governments, needs to approve protective measures proposed by the Commission under the Conditionality Regulation, as well as specific milestones and targets addressing shortcomings in this respect under the RRF. The Commission can also block the reimbursement of cohesion fund spending if these principles are not respected. In addition, the European Parliament can address rule-of-law-related matters during the yearly process of clearing the Commission's management of the EU budget ("discharge").

The EU's long-term budget will provide €1 211 billion in funding from 2021 to 2027, of which €361 billion from the cohesion policy funds. In addition, the Next Generation EU financial package will make €807 billion available to EU countries from 2021 to 2026, of which €724 billion through the RRF.

Audit preview 01/2023, "*The rule of law and the Commission's action to protect the EU's financial interests in the cohesion policy and the RRF*", is available in English on the [ECA website](#). Audit previews are based on preparatory work undertaken before the start of an audit. They should not be regarded as audit observations, conclusions or recommendations. The audit report is expected in about a year's time.

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