



Press Release

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Auditors call for further simplification of the complex EU financial landscape

- *Over the last 15 years, the number of financing instruments outside the EU's budget has multiplied which has increased the complexity of the EU's financial landscape*
- *For some of those instruments, there is a gap in the audit of their performance and no European Parliament oversight*

Over decades, the piecemeal approach taken to set up the EU's financial landscape has resulted in a patchwork construction that is overly complex and not fully publicly accountable, according to a new report by the European Court of Auditors (ECA). Its centrepiece is the EU budget, but it includes a growing number of off-budget and hybrid instruments. The number of these newly created instruments has multiplied over the last 15 years, and the auditors recommend that further efforts be made to consolidate them.

"The EU's current financial landscape has been described by the European Parliament as a galaxy of funds and instruments surrounding the EU budget," said François-Roger Cazala, the ECA member who led the audit. *"While there have been reasons for their creation, we believe that further simplification and accountability are necessary to improve efficiency and transparency".*

The auditors assessed why the number of diversified instruments not fully integrated into the EU budget had risen. They found that, in most cases, the legal, political or economic circumstances at the time each instrument was created had provided reasons for the instrument being kept separate from the EU budget. For example, the instruments based on borrowing and lending to provide financial assistance had to be developed outside the EU budget, because loans cannot be raised within it. These instruments were mostly created to respond as quickly as possible to crises (i.e. the immediate need to provide financing to Greece and to respond to the sovereign debt crisis in 2010).

Even though there was a justification for their creation, many instruments lacked appropriate prior evaluations: the selected design (including their off-budget nature) was not supported by impact assessments or similar pre-evaluations in most cases. According to the auditors, this also makes it impossible to demonstrate that the creation of an off-budget instrument was better than using the EU budget, and that the proposed instrument was the most efficient one.

Other elements of the instruments vary substantially, increasing the complexity level: governance arrangements, for example, even where there was little reason to do so, such as for similar borrowing and

The purpose of this press release is to convey the main messages of the European Court of Auditors' special report. The full report is available at eca.europa.eu.

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lending instruments. In addition, sources of funding and the way potential liabilities are backed are diverse.

Public scrutiny ensures that financing instruments are legitimate, justified and accountable, but the EU's financial landscape is not fully scrutinised. A consolidated and complete set of information on all instruments should be compiled and published, the auditors recommend. Although the European Commission's recently introduced Budgetary Transparency Report is seen as a positive step, it does not cover all instruments. Moreover, there is a gap in the audit of performance of instruments not covered by the ECA audit rights, and the European Parliament's oversight is also incomplete. This creates a gap, since the nature or degree of public scrutiny – and hence accountability – may vary according to the type of financing instrument used.

The auditors note that the EU budget flexibility arrangements have increased under the financial framework 2021-2027, which should allow the EU budget to better deal with particular and unpredictable needs and decrease the need to create dedicated instruments. Progress was also made on consolidating several instruments into the EU budget. However, the response to the COVID-19 crisis led to the creation of two new instruments (SURE and NextGenerationEU) and the potential for simplification has not yet been fully exploited, in particular for those instruments providing financial assistance to Member States or to some non-EU countries. The auditors recommend the European Commission to propose integrating the Modernisation Fund into the EU budget and the integration and consolidation of existing financial assistance instruments.

Background information

The vast majority of the EU budget is used to finance spending programmes that are funded or provisioned under the EU's budget planning (the so-called multiannual financial framework or MFF). The ECA has full rights to audit everything under the EU budget. This report covers instruments lying mainly outside the EU budget that may conduct new operations in the 2021-2027 period, or which continue to generate significant assets or potential liabilities for the EU or member states. The ECA also has audit rights for many of the instruments analysed by this report, not for all of them. The ESM, EFSF and EIB use a private external auditor, as much as the European Peace Facility and the Modernisation Fund, which have not yet had an audit report since they were created recently. In the case of the Greek Loan Facility, it is the lending EU member states' Supreme Audit Institutions that have audit rights. The ECA suggested in previous publications, and reiterates in this report, that public audit mandates should be established for all types of financing for EU policies and that the ECA should be invited to audit all bodies created through agreements outside the EU legal order to implement EU policies. Similarly, the European Parliament has called for greater explicit ECA involvement in auditing these instruments and the ECA called for greater oversight by the European Parliament.

Special report 05/2023, *"The EU's financial landscape – A patchwork construction requiring further simplification and accountability"*, is available on the [ECA website](#).

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