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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

on the follow-up to the discharge for the 2020 financial year

REPORT ON THE FOLLOW-UP TO THE REQUESTS MADE BY THE EUROPEAN PARLIAMENT IN ITS DISCHARGE RESOLUTIONS AND THE COUNCIL IN ITS DISCHARGE RECOMMENDATION FOR THE FINANCIAL YEAR 2020

1. INTRODUCTION

2020 was a crucial year for the EU budget. Thanks to the budgetary **flexibilities and instruments** put in place at the beginning of the COVID-19 pandemic, EU funds were used to provide medical equipment, to support research for treatments and vaccines, and to save jobs and businesses. The EU budget also continued to fund its horizontal priorities and especially the **green and digital transitions**. 2020 also saw the adoption of the largest stimulus package ever financed by the EU, **NextGenerationEU (NGEU)**.

On 4 May 2022, **the European Parliament decided, taking account of a recommendation from the Council, to close the chapter on this unprecedented year by granting the Commission discharge on the way it implemented the EU budget in 2020.**

Within the framework of the 2020 discharge procedure, **the European Parliament and the Council also made a number of requests to the Commission.** The Commission shares the main objectives reflected by these requests:

- **Putting performance at the heart of budget implementation.** Money should be spent in line with the EU's priorities and should deliver the expected results on the ground, thus bringing about tangible results and positive changes for the general public and other beneficiaries.
- **Protecting the EU budget.** The Commission is following up on allegations or suspicions of misuse or mismanagement of EU funds. It takes all necessary measures to protect the EU budget, including, where appropriate, the suspension of payments, financial corrections, and regulatory measures to strengthen its control system, such as an adjusted Financial Regulation and the Regulation on the general regime of conditionality for the protection of the EU budget (the 'Conditionality Regulation')
- Overall, the Commission **strikes the right balance** between a range of different objectives such as minimising errors, strong protection against misuse of funds, swift payments, keeping the costs and burden of controls for public authorities and beneficiaries to a reasonable level and adding value through EU expenditure.

This report on the follow-up to the 2020 discharge procedure provides, as part of the Integrated Financial and Accountability Reporting (IFAR), a summary of the actions taken by the Commission in response to some of these requests, as expressed in the section on political priorities of the discharge resolution. The Commission will provide more detailed and updated information in response to specific recommendations when the 2021 discharge procedure begins later this year.

2. IMPACT OF COVID-19 ON THE MANAGEMENT OF EU FUNDS

The Commission brought in new instruments and provided flexibility to address the crisis brought by the COVID-19 pandemic, but the pandemic also created new challenges and risks for the EU budget.

Firstly, the **flexibility provided did not involve any relaxation of controls**. For example, the extension of deadlines for implementing projects and submitting proposals and offers did not compromise controls. The amended rules introduced in the Member States' control procedures were limited in time and scope.

Secondly, the COVID-19 pandemic made it impossible to conduct audits and controls on the spot. The Commission therefore applied **robust mitigating measures**, such as the performance of desk reviews, remote audits and the use of IT solutions (geo-tagged photos, satellite images, video meetings, etc.).

Both the Commission and the Member States managed to maintain a **high level of audit coverage and assurance**. The Commission therefore considers that its estimates of risk at payment and risk at closure are reliable and reflect the level of error in the financial transactions. The Commission has indeed set up **multiannual control systems** to protect the EU budget against irregularities and frauds. This reflects the fact that programmes are implemented over several years. For the 2021 financial year, the Commission estimated the risk of error at closure, which takes estimated future corrections for all programmes into account, to be 0.8% overall - in line with previous years and with the objective to keep it well below 2%.

3. A REINFORCED CONTROL SYSTEM FOR A NEW AND LARGER BUDGET

The 2021-2027 MFF and the largest share of the basic acts setting up spending programmes were approved in 2020. 2020 also saw agreement on the largest stimulus package ever financed in the EU - NGEU. This new expanded budget prompted the Commission to **adjust and strengthen its control and audit system**.

The Commission will continue to keep the European Parliament informed about the audits and controls it performs - including in relation to NGEU.

- **3.1. The control and reporting system for the Recovery and Resilience Facility (RRF)**

The RRF is based on **performance**. RRF funds are disbursed when Member States have fulfilled key steps (known as milestones and targets) in implementing the reforms and investments included in the national recovery and resilience plans. In 2021, **dedicated governance structures, internal processes and control strategies** were set up to take this into account. The Commission relies on the Member States' controls and supplements them with its own controls when necessary.

Specifically, the release of funds under the RRF is contingent on the satisfactory fulfilment by the Member States of the relevant milestones and targets set out in the national recovery and resilience plans. The Commission ensures that it has reasonable assurance that the underlying milestones and targets of a payment are satisfactorily fulfilled. The Member

States ensure that the funds received from the RRF are **spent in compliance with relevant EU and national law**. National control systems are therefore the main instrument for safeguarding the EU's financial interests.

When assessing the national recovery and resilience plans, the Commission checks that Member States put in place internal control systems that adequately address all relevant risks and particularly those related to conflict of interests, fraud, corruption and double funding. Where weaknesses are identified in the control systems, specific milestones can be defined to remedy those weaknesses, the fulfilment of which is a pre-condition for any payment under the RRF (except for pre-financing). **The Commission can intervene** if Member States fail to fulfil their own control duties. The Commission **has the right to recover funding** if:

- it notices a case of fraud, corruption or conflicts of interest that affects the EU's financial interests, and which has not been addressed by the relevant Member State;
- it notices a serious breach of obligations under a financing or loan agreement (including double funding); or
- it finds that milestones and targets have not been satisfactorily fulfilled.

In addition, the Commission will carry out audits on milestones and targets. It will also **audit the Member States' control systems** to determine whether they can adequately prevent, detect or correct fraud, corruption, conflict of interest and double funding, and whether serious breaches of obligations have happened or are happening. The Commission may also carry out risk-based audits and controls in cases of doubt. It will not audit the compliance of the Member States' RRF-related expenditure incurred by the Member States with EU and national law (e.g. public procurement or state aid rules). When relevant, the European Anti-Fraud Office ('OLAF'), the European Court of Auditors (ECA) and the European Public Prosecutor's Office (EPPO) will exert their respective powers.

Furthermore, in the framework of the support training activities delivered by the Commission to national authorities, OLAF presented an **RRF fraud risk framework concept** to national authorities. Member States are also encouraged to launch targeted risk management exercises linked to the RRF implementation.

The Commission is also aware that its new borrowing and lending operations related to NGEU have increased the need to provide sufficient **transparency, for the general public and investors, on the RRF's achievements and on the EU's financial exposure**.

Regarding achievements, the Commission has set up a **recovery and resilience scoreboard** that shows how the implementation of the RRF is progressing. This displays information about the status of milestones and targets and contains results aggregated at EU level thanks to regular reporting by the Member States on common indicators. The Commission has also created an **NGEU green bond dashboard** to provide the general public with a real-time overview of the climate-relevant measures that are financed by the funds raised through NGEU green bonds - many of which are allocated to the RRF. The dashboard enables investors to analyse investment opportunities and to monitor the implementation of ongoing measures financed by NGEU green bonds.

Regarding financial exposure, Article 250 of the Financial Regulation already requires the Commission to provide a yearly **overview report on financial instruments, budgetary guarantees and financial assistance**. With NGEU, the Commission has now additionally undertaken to provide annual, semi-annual and quarterly reports specifically dedicated to the

assets and liabilities arising from the borrowing and lending operations of the new recovery instrument.

- **3.2. Close cooperation with national implementing bodies under shared management**

Once it has ensured that **national implementing bodies** (i.e. managing and audit authorities for cohesion policy, paying agencies and certification bodies for the common agricultural policy - the CAP) function properly, the Commission relies on their work **to implement funds under shared management**. Thanks to its granular and detailed knowledge of how systems function, the Commission can detect **weaknesses in national management and control**, and can apply all the tools at its disposal to protect EU funds.

Overall, the work of national implementing bodies is considered reliable and robust. Only in a limited number of cases, which are transparently disclosed in the Annual Activity Reports (AARs) of the Commission's Directorates-General and in the Commission's Annual Management and Performance Report (AMPR), are issues identified that require the Commission to take firm action.

In the **field of cohesion policy**, the Commission undertakes **actions each year to improve the effectiveness of management and control systems in reducing the error rate**. It supports programme authorities through meetings, guidance and training and by coordinating transnational networks aimed at sharing good practices and encouraging authorities to simplify procedures and to avoid unnecessary administrative burden.

When the Commission detects cases where managing authorities have missed errors or individual audit authorities do not appropriately, exhaustively or swiftly detect errors, the Commission requires them to **take targeted remedial actions** to improve their control system. the Commission can ask Member States to correct errors where they have failed to correct them in the first instance. Lastly, the Commission can in certain circumstances **suspend or interrupt payments** until it has evidence that the necessary system improvements have been made and/or appropriate financial corrections applied.

In the **field of the CAP**, the Commission has helped Member States keep the error rate low by introducing several **rule simplifications** in the last 6 years.

In addition, the Commission organises **meetings with paying agencies** to share good practices in the implementation of the CAP and to inform them about strategic issues as regards assurance, audit and implementation, including on the implementation of the area monitoring system and on anti-fraud and conflict of interests matters. Similarly, regular expert group meetings are organised with the certification bodies, in order to share best practices and provide guidance on different topics.

In view of the new CAP legislative framework, the Commission has also initiated a **structured dialogue with Member States**. This includes letters, meetings and recommendations to help them prepare their CAP strategic plans.

When necessary, the Commission can use both **preventive measures** (such as interruption, suspensions and reductions of payments) and **corrective measures** (in the form of net financial corrections). If serious deficiencies are identified in the framework of conformity

procedures, the Commission can request Member States to draw up and implement **action plans** with corrective actions and a clear timetable.

Furthermore, the Commission continues to **develop and refine its tools to tackle fraud**. The **Commission's anti-fraud strategy** provides the Commission with a stronger analytical capacity to prevent and detect fraud, and to improve anti-fraud cooperation.

- **3.3. Providing sufficient funding for audits and controls in the Commission**

The increased amount of funds to be disbursed in the coming years requires additional control and audit capacity within the Commission. In this context, some **190 full time equivalents (FTEs) are being recruited for NGEU-related tasks**, including control and audit, and an additional **94 FTEs have already been redeployed** to these tasks from elsewhere within the Commission.

The Commission is not only increasing its capacity in terms of number of staff but is also improving **audit quality**. In the field of research and innovation policy, for example, the Commission has set up information campaigns and intensive training for auditors; improved the terms of reference in the new framework contract with external audit firms; and undertaken joint audit missions involving both the Commission's audit services and external audit firms.

- **3.4. Reinforcement of the ECA, the OLAF and the EPPO**

In view of the increase in workload linked to the new spending programmes for the ECA, the budgetary authority has approved an **extra 20 posts for the ECA** on a temporary basis until 2027.

Provision has similarly been made for seven **extra external staff for OLAF in 2022** to help it address the increase in its workload. The proposal for the draft 2023 budget provides for a reallocation of six additional posts to OLAF from other parts of the Commission for additional workload including NGEU.

Lastly, **the EPPO will almost double its staff** during the 2022 budget year - with 118 additional posts. The Commission proposes to consolidate this significant reinforcement of the EPPO's resources by maintaining this new staffing level in the 2023 Draft Budget.

- **3.5 Beyond safeguarding the budget: protecting the rightful beneficiaries of funds, and deterring and pursuing misuse of EU funds**

The EU has developed a multilevel (EU, national, regional) management and control system that ensures its budget is safeguarded. The EU must not only protect its budget, but also ensure that the **rightful beneficiaries of funds are protected** and do not get the impression that fraud or corruption can go unpunished.

The EU has therefore **strengthened its judicial capacity**. The newly operational EPPO can directly prosecute crimes against the EU's financial interest. The EPPO's arrival on the EU's anti-fraud landscape greatly helps deter misuse of EU funds, and ultimately reassures the general public that fraudsters and corrupt politicians are not beyond the law.

For Member States that do not participate in the EPPO, the current framework for fighting fraud against the EU's financial interests remains in place. OLAF - strengthened by its

recently revised regulation - will continue its administrative investigations in all Member States and will cooperate with national authorities just as it does already.

To **make certain that EU companies do not suffer from unfair competition**, the EU has also developed **rules on public procurement** to ensure that public contracts are awarded through transparent, non-discriminatory, and competitive tender procedures. In addition, the **International Procurement Instrument** should, once it has been adopted by the European Parliament and the Council (the co-legislators), allow the Commission to issue a decision that would make it harder for bidders from non-EU countries that do not play by the same rules to obtain EU procurement contracts.

In 2021, the Commission also proposed a Regulation to address distortion of competition in the internal market caused by **foreign subsidies**.

The new general regime of conditionality complements these new instruments.

4. RULE OF LAW AND FUNDAMENTAL VALUES

The Regulation on a general regime of conditionality for the protection of the EU budget¹ (the 'Conditionality Regulation') has been in force and applicable since 1 January 2021. It covers all relevant **breaches of the principles of the rule of law** in a Member State that affect or seriously risk affecting the sound financial management of the EU budget or the protection of the EU's financial interests in a sufficiently direct way.

The Conditionality Regulation allows the EU to take measures (e.g. suspension of payments or financial corrections) to **protect the EU budget**, while at the same time ensuring that **the final beneficiaries of EU funds continue to receive their payments** directly from the Member States concerned.

In March 2021, Hungary and Poland challenged the Conditionality Regulation before the Court of Justice of the European Union (CJEU). On 16 February 2022, the CJEU dismissed their actions and confirmed the validity of the Conditionality Regulation². On 2 March 2022, the Commission published guidelines on applying the Regulation that take the CJEU's judgment into account.

On 27 April 2022, the Commission sent a **written notification to Hungary**. This is the first step in the procedure set by the Conditionality Regulation to protect the EU budget, either by prompting effective remedial measures by the Member State concerned or by the adoption of measures by the Council.

The Conditionality Regulation complements other tools and procedures established by EU legislation to protect the budget. These include investigations by OLAF, checks and audits, and financial corrections.

Amongst these other tools and procedures, the Financial Regulation contains obligations and mechanisms to ensure that EU funds in the field of external actions do not reach entities or persons that are in breach of the rule of law and democratic principles.

¹ Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433 I, 22.12.2020, p. 1).

² Cases C-156/21 Hungary v Parliament and Council and C-157/21 Poland v Parliament and Council

The rule of law and the respect for human rights in recipient countries, together with the EU's fundamental values, are further **embedded in basic acts related to external funding**, including the **Neighbourhood, Development and International Cooperation Instrument – Global Europe** (NDICI-GE) and the **Instrument for Pre-Accession Assistance** (IPA III). NDICI-GE excludes from EU funding any actions or measures that may lead to breaches of human rights in partner countries. Under IPA III, the Commission examines the current guarantees for fundamental rights in a beneficiary country to decide on the assistance to provide.

Both instruments foresee the possibility to modulate assistance to ensure compliance with democratic principles, human rights or the rule of law.

Lastly, the Commission awards funds in conformity with, and in application of, **EU restrictive measures** (sanctions).

5. THE COMMISSION'S PROPOSALS TO STRENGTHEN THE DIGITALISATION OF MONITORING, CONTROL AND AUDIT OF EU FUNDS THROUGH THE TARGETED ADJUSTMENT OF THE FINANCIAL REGULATION

For the 2021-2027 MFF and NGEU, the Commission has put forward proposals to **improve the quality and interoperability of data on recipients of EU funding** where the budget is implemented under shared management and under the RRF.

The co-legislators accepted the Commission's proposal to require the Member States to record and store data on the recipients of EU funding and on those recipients' beneficial owners. For the CAP, Member States will, where applicable, collect data on groups to which the beneficiaries belong.

The Commission wants to use the targeted adjustment of the Financial Regulation to further improve the **monitoring and transparency of the use of funds**. The Commission has proposed to require Member States (and other entities) implementing the EU budget to send to the Commission information on recipients of EU funding in their Member States (or, for other entities, in their areas of responsibility) at least once a year. The Commission would supplement that information with the data it has on direct management and would be responsible for consolidating, centralising, and publishing the information in a **database on a single website that would cover all management modes**. The resulting single website would be an **improved version of the Financial Transparency System** currently in use for direct management.

The targeted adjustment of the Financial Regulation also provides an opportunity to further **protect the EU budget against irregularities, fraud, corruption, and conflicts of interest**.

- First, the Commission has proposed to **make the use of a single integrated IT system for data-mining and risk-scoring compulsory**. This IT system allows identifying measures, contracts and recipients that are vulnerable to irregularities, fraud, corruption, and conflicts of interest. The Commission has developed and supplied this IT tool, known as Arachne, to Member States implementing the EU budget under shared management and under the RRF. The use of Arachne is currently voluntary. It is already widely used in the field of cohesion policy and is being introduced for agricultural spending but making its use compulsory would be an important step forward.

- Second, the Commission also proposes to extend the scope and effectiveness of the **Early Detection and Exclusion System (EDES)**. This system provides a set of measures to protect against fraudulent or unreliable economic operators. In particular, EDES enables authorising officers to detect and possibly blacklist (exclude) fraudulent or unreliable economic operators at an early stage. The Commission has proposed to **better target the application of the EDES** to funds under both shared management, and direct management where funds are disbursed as financial contributions to Member States, for instance under the RRF (i.e. the Commission would be able to act on the most serious grounds for exclusion). The objective is also to make sure that exclusion decisions taken at the EU level are enforced at national level in the context of shared management. The Commission has also proposed to allow affiliated entities and/or beneficial owners of a primary excluded entity to be excluded from bidding for public contracts and ultimately from obtaining EU funds.
- Third, the proposed adjustment to the Financial Regulation will, if endorsed by the co-legislators, increase the efficiency and quality of controls and audits with the help of **digitalisation and emerging technologies** such as machine learning, robotic process automation and artificial intelligence. This should in turn help to further ensure the proper use of EU funds, while reducing the cost of audits and controls.

6. PERFORMANCE OF THE EU BUDGET

As underlined in its Communication of 8 June 2021 ([COM/2021/366](#)), the Commission attaches the greatest importance to **maximising the effectiveness of EU spending** and is committed to continuing to ensure that EU spending delivers results - and that these results help the EU to achieve its objectives.

For the 2021-2027 MFF, much progress has already been made in terms of performance monitoring. The Commission has streamlined the **key performance indicators** for the various EU spending programmes, with their inclusion in the respective basic acts. It has also **made performance information more available**, for example through dedicated performance websites. Furthermore, **methodologies to better evaluate the contribution of the EU's various spending programmes to horizontal priorities** are being updated or developed. The 2021 AMPR reports on the extent to which both the 2014-2020 and the 2021-2027 MFF contribute to **climate-relevant actions**. For the 2021-2027 MFF, the methodology to track climate-relevant expenditures has been updated to be consistently applied throughout the various spending programmes, including the RRF, and is strengthened by a general requirement that the funded interventions do not lead to any significant harm to the EU's environmental objectives. This methodology is described in detail in a Commission Staff Working Document³ titled "Climate Mainstreaming Architecture in the 2021-2027 MFF" ([SWD\(2022\)225](#) final).

In line with its commitment under the Interinstitutional agreement (IIA) adopted in parallel to the MFF Regulation, the Commission has also made progress in establishing a methodology to track **biodiversity-relevant expenditures**, which the Commission will use to monitor compliance with its spending commitments in this area for the 2024, 2026 and 2027 budgets.

³ Commission Staff Working Document [SWD\(2022\) 225](#) final, [Climate Mainstreaming Architecture in the 2021-2027 Multiannual Financial Framework](#)

Great progress has also been made in **integrating gender equality in the EU's policies and budget**. The Commission has developed a range of tools to ensure that equality (including gender equality) is always taken into account when designing, implementing, monitoring and evaluating EU policies, legislation and funding programmes. In addition, and in line with the **gender equality strategy**, all Commission departments have appointed an equality coordinator.

Likewise, and in line with its undertaking in its gender equality strategy 2020-2025 and with the IIA on the MFF 2021-2027, the Commission has been developing a **methodology to track relevant expenditure related to gender equality across the EU budget**. With its draft budget for 2023, the Commission proposes to apply this methodology for the first time in a test phase across all programmes. On this basis, the 2021 AMPR reports on the extent to which the 2021-2027 MFF contributes to the promotion of gender equality.

The Commission also organised in 2021 **training courses** for staff on why and how to take due account of gender equality at every stage of EU actions, including in the EU budget. The Commission will continue to provide such specialised training courses in 2022.

Separately, the Commission has also begun to work, on a pilot basis, on methodologies to gauge the overall **impact of EU spending programmes** on the EU goals in terms of climate and digital transition.

7. SIMPLIFICATION OF RULES AND PROCEDURE FOR APPLICANTS TO EU FUNDS

Simple funding rules and procedures are key to enable applicants to receive EU funds, especially those with limited experience and administrative capacities such as small and medium-sized enterprises (SMEs). The Commission's simplification of rules should also have a positive impact in reducing the level of errors. The **2018 revision of the Financial Regulation introduced further simplifications** such as the reduction of information required from applicants, the non-duplication of checks and audits, and the increased use of simplified forms of grants).

The Commission has undertaken several other simplification initiatives in recent years. By 2022 almost all programmes directly managed by the Commission will have **moved to the e-Grants system** - so that all applicants to EU grants will have an electronic 'one-stop-shop'. Applicants will also use the same electronic documentation and the same seamless electronic procedures throughout the grant process. In addition, the Commission is updating the **Annotated Grant Agreement**, which will be made available to applicants for, and beneficiaries of, grant funding so that they all receive consistent and practical guidance.

The Commission is also increasing the use of **simplified cost options (SCOs)** when providing grants. This is because simplified forms of funding such as unit costs and lump sums can greatly reduce administrative burden and are more closely linked to the actual achievement of the funded actions.

Lump sum funding is being phased in gradually for the Horizon Europe funding programme, starting slowly in 2022 and a first significant wave planned for 2023. The Commission is also developing a **unit cost system for personnel costs**. This measure has **enormous potential** because personnel costs are more than 60% of the budget of an average grant and are by far the biggest source of errors. In parallel with these simplifications, the Commission provides **support to Horizon Europe applicants through communication campaigns, including workshops**, and by targeting more 'error-prone' beneficiaries such as SMEs and first-time applicants.

The Commission is also promoting the use of **SCOs** by the Member States in cohesion and agricultural policies, by helping national authorities prepare and assess SCO schemes for the 2021-2027 programmes. This will eventually reduce the administrative burden for many applicants under shared management.

Lastly, the **CAP's new delivery model** offers flexibilities to the Member States to design their agricultural interventions in accordance with their agricultural reality and needs, whilst still respecting the general Union rules. The new model should help reduce complexity and errors.

8. OUTSTANDING BUDGETARY COMMITMENTS – ‘*RESTE À LIQUIDER*’ (RAL)

The level of outstanding commitments (known as ‘the RAL’ - from the French ‘*reste à liquider*’) resulting from the MFF 2021-2027 and its predecessors decreased during 2021. This was largely due to the **accelerated payments** made for ongoing cohesion policy programmes, while the new generation of cohesion funds is expected to be launched in 2022 only. Cohesion funding accounts for the biggest share in the RAL and therefore has a particular influence on the ongoing development of the RAL as a whole.

By contrast, there was a **nominal increase in the value of the RAL during 2021 when taking NGEU into account**. NGEU temporarily increases the overall level of the RAL, which will peak by the end of 2023 (the last year for making NGEU commitments). The RAL linked to NGEU will start to be settled in 2024 and this will continue until the end of 2026, which is the deadline for completing payments for NGEU.

For the 2021-2027 period, the Commission proposed a series of **simplification** measures to facilitate and accelerate the implementation of cohesion policy. While many proposals were adopted, the Commission regrets that the **return to the n+2 decommitment rule was not approved**, except for the CAP's Rural Development Fund, for which the de-commitment rule will change from n+3 to n+2.

At this early stage of the new budgetary cycle, the Commission considers that three factors will cause the **trend of the nominally growing RAL** to continue during the 2021-2027 MFF period: (1) the decision to keep the n+3 decommitment rule for the biggest share of spending; (2) the fact that the legislation governing most of the funds in shared management was only agreed at a late stage; and (3) the focus of national authorities on NGEU in the coming years.

In particular, the preparation of the 2021-2027 national and regional programmes in the field of cohesion policy was affected not only by the late adoption of the 2021-2027 MFF, but also by the fact that preparations in the Member States took place in parallel with the preparation of the national recovery and resilience plans. This was an operational challenge for some Member States. The Commission nevertheless expects that all programmes will be agreed by the end of 2022.

A relevant additional metric when assessing the RAL is its comparison with the size of the EU economy (measured, e.g. by the Gross National Income or GNI). The RAL (excluding the RAL linked to NGEU) is projected to decrease between the end of 2021 and the end of 2027 from 1.7% to 1.6% of the EU's GNI. This shows that **the nominal growth of the RAL is outweighed by the nominal growth of the EU economy**. The RAL's existence does not in itself indicate that the budget has not been implemented but is strictly related to the time lag between commitments and payments.

Finally, the Commission recalls, on the one hand, that the adoption of the budget lies ultimately within the remit of the budgetary authority, which involves the granting of sufficient level of payment appropriations, and on the other hand, that implementation is managed by national authorities for most of the funds and largely depends on the rules set by the co-legislators in the relevant basic acts. The Commission will continue to **cooperate closely** with the European Parliament and the Council, as well as with the national implementing bodies.

9. SHORTENING THE DISCHARGE PROCEDURE

The Commission supports the idea of a shorter discharge procedure. It delivered the 2020 and 2021 consolidated EU accounts one month earlier than the regulatory deadline of 31 July in 2021 and 2022. The Commission also advanced the publication of the AMPR by a few weeks in these two years. Publishing the AMPR even earlier is challenging because some AARs, which are the basis for the AMPR, must include information from the Member States. The Commission receives this information at the earliest in February and needs time to assess and evaluate it.

In addition, a significant shortening of the discharge procedure would also require both the ECA to publish its annual report earlier, and the Council to adopt its discharge recommendation earlier.

10. LOOKING AHEAD

The Commission is committed to delivering results on the priorities highlighted by the European Parliament and the Council as a result of the 2020 discharge procedure. It is also ready to face new challenges, which cannot always be anticipated and usually require the Commission to respond swiftly and with great flexibility. The most recent one is **Russia's invasion of Ukraine**. On 18 May 2022, the Commission presented a package to respond to the challenges created by this war, including energy security of supply, the EU's defence investment gap and Ukraine's longer-term reconstruction. All of them have **implications for the EU budget**.

There is every reason to expect that **the coming months will continue to be marked by tremendous uncertainty and challenges**.

In any event, **the Commission will make sure that taxpayers' money continues to be spent in line with the rules and with maximum impact on the ground**.

The Commission counts on the **support of the European Parliament and of the Council**. Its proposals can only be carried out with their help. Upcoming discussions, especially on the revision of the Financial Regulation, will be key to improving mechanisms to safeguard the EU budget, and to making the monitoring, control and audit of EU funds more efficient and effective.

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