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REPORT FROM THE COMMISSION

TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS

Annual Management and Performance Report for the EU Budget - 2024 financial year

The *Annual Management and Performance Report for the EU Budget – 2024 financial year*, together with its annexes, is the European Commission's main contribution to the annual discharge procedure ([1]) by which the European Parliament and the Council of the European Union monitor the implementation of the EU budget. It fulfils the Commission's obligations under the Treaty on the Functioning of the European Union ([2]) and the Financial Regulation ([3]). Implementing the EU budget is a shared responsibility, where the Commission works hand in hand with the Member States and with other partners and organisations.

The report is composed of three volumes.

- Volume I provides the key facts and achievements in relation to budgetary management in 2024.
- Volume II presents a more comprehensive picture of the implementation of the EU budget. Annex 1 provides an overview of the performance of the EU budget in 2024 in delivering the Commission priorities and systematically integrating horizontal policy priorities ('mainstreaming') into the EU budget. Annex 2 provides a high-level overview of the internal control and financial management procedures. Annex 3 covers the performance and compliance aspects of the Recovery and Resilience Facility.
- Volume III contains technical annexes supporting the report. It includes Annex 4, with detailed programme-by-programme performance information in the 'programme performance statements'.

This report is part of the broader integrated financial and accountability reporting package ([4]), which also includes the consolidated annual accounts ([5]), a long-term forecast of future inflows and outflows covering the next five years ([6]), the report on internal audits ([7]) and the report on the follow-up to the discharge of the previous year ([8]).

([1]) The annual discharge procedure is the procedure through which the Parliament and the Council give their final approval on the budget implementation for a specific year and hold the Commission politically accountable for the implementation of the EU budget (https://ec.europa.eu/info/about-european-commission/eu-budget/how-it-works/annual-lifecycle/assessment/parliaments-approval_en).

([2]) Article 318 of the Treaty on the Functioning of the European Union.

([3]) Article 253(1)(b) and (e) 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, OJ L, 2024/2509, 26.9.2024, ELI: http://data.europa.eu/eli/reg/2024/2509/oj.

([4]) Article 253 of the Financial Regulation.

([5]) Article 252 of the Financial Regulation.

([6]) Article 253(1)(c) of the Financial Regulation.

([7]) Article 118(8) of the Financial Regulation.

([8]) Article 267(3) of the Financial Regulation.

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The EU budget continues to deliver amid transition and crises

Introduction

2024 was a year characterised by institutional transition in the European Union and a time of significant geopolitical turbulence. It marked the end of a five-year political cycle, with the beginning of a new term for the European Parliament and a new mandate for the European Commission. The Commission worked throughout the year with the Parliament and the Council of the European Union to complete work on the political priorities for the 2019-2024 mandate, and to respond decisively to many new challenges as they arose. Following the European elections in May 2024, President von der Leyen defined the Commission's priorities for 2024-2029, in line with the Strategic Agenda and the Political Guidelines presented to the European Parliament.

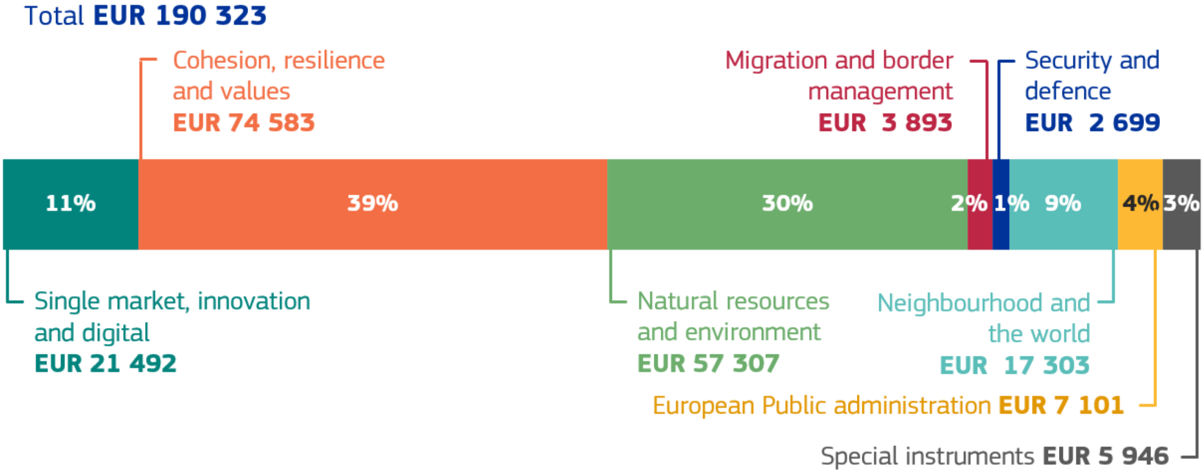
In 2024, the EU budget played a vital role in helping the EU deliver in all priority areas. It supported the green and digital transition, as well as the strengthening of EU defence capabilities, contributed to addressing migration pressures and strengthening the EU's external borders, provided unwavering support to Ukraine, and helped the EU respond to the humanitarian crisis in the Middle East. The EU budget was a key driver of intensified efforts to boost European competitiveness and bolster economic security, for example through investment in clean technologies, in cross-border infrastructure to strengthen the single market, and in human capital. The budget also continued to underpin the EU's strategic partnerships across the globe.

The current long-term budget was reinforced in February 2024 through a midterm revision. Reflecting the scale of the challenges facing the EU, this included, for the first time, a revision of the EU budget's expenditure ceilings, covering the years 2024-2027. Meanwhile, the implementation of the landmark NextGenerationEU recovery plan continued to drive the economic transformation of the EU, notably through support for investments and reforms in the Member States from the Recovery and Resilience Facility.

The Commission has made active use of the flexibility in the EU budget to respond to crises and support new priorities. This flexibility has been almost entirely depleted, due to the size of the shocks the EU budget has had to address, first and foremost the fallout of Russia's war of aggression against Ukraine, but also natural disasters in the EU and beyond. The EU also made extensive use of redeployments, for instance by redirecting funds from cohesion policy to support refugees from Ukraine (Cohesion's Action for Refugees in Europe – CARE), or to address the energy crisis (REPowerEU). The remaining flexibility for the final years of the current programming period is thus very limited. This is why the Commission has highlighted the urgent need to increase the flexibility of the EU budget under the next multiannual financial framework so that the EU is able to act and react decisively in a fast-changing world.

The total commitment appropriations for the EU budget in 2024 amounted to EUR 190 billion, complemented by commitments for NextGenerationEU that amounted to nearly EUR 79 billion.

Multiannual financial framework: 2024 EU budget commitment appropriations by budget heading (million EUR)



Source: European Commission.

Investing in people and boosting competitiveness

The EU budget is at the heart of the European Union's efforts to boost competitiveness and bolster economic security. Through EU budget programmes, and the Recovery and Resilience Facility powered by NextGenerationEU, the EU finances essential investments and reforms that will shape the future of the EU's economy and help tackle the competitiveness challenges highlighted in the Draghi report ([9]).

The EU supports research and innovation via Horizon Europe, the EU's main science programme, to which over EUR 13 billion was allocated in 2024. During the year, over 11 000 proposals were submitted to nine Horizon Europe calls for funding ([10]). Examples of funding in 2024 included more than EUR 450 million awarded to projects addressing food, the bioeconomy, natural resources, agriculture and the environment ([11]) and more than EUR 220 million awarded to support research infrastructures ([12]). By 2024, 5 330 intellectual property rights applications were filed as a result of actions funded by the programme ([13]). Via the European Innovation Council (EIC), the EU supports deep tech innovators with an integrated set of instruments. By the end of 2024, under Horizon Europe, the EIC had awarded nearly EUR 2 billion in grants, supporting over 700 startups and SMEs. Since 2020, the EIC Fund has crowded in over EUR 2.6 billion of additional investment into EIC-supported companies, with a leverage effect of over EUR 3 for every euro of equity invested by the EU ([14]).

The InvestEU programme is a powerful driver of private investment. It deploys budgetary guarantees to de-risk and catalyse investment in key economic sectors, with the aim of supporting innovation and decarbonisation along with the EU's long-term competitiveness. InvestEU is estimated to have mobilised

([9]) The future of European competitiveness.
([10]) European Research Executive Agency, 'More than 11,000 project proposals submitted to Horizon Europe', European Research Executive Agency website, 16 October 2024, https://rea.ec.europa.eu/news/more-11000-project-proposals-submitted-horizon-europe-2024-10-16_en.
([11]) Horizon Dashboard.
([12]) European Research Executive Agency, '31 new projects set to deliver state-of-the-art technology and services to the benefit of the entire research community, European Research Executive Agency website, 10 January 2025, https://rea.ec.europa.eu/news/31-new-projects-set-deliver-state-art-technology-and-services-benefit-entire-research-community-2025-01-10_en.
([13]) COM(2025) 824, Annex 4, page 8.
([14]) EISMEA (2025), Scaling Deep Tech in Europe - European Innovation Council - Impact Report 2025. Available at: https://eic.ec.europa.eu/document/download/7b947b36-66cb-4471-a2d0-158d5ae6770f_en?filename=EICImpact-Report-2025.pdf

EUR 300 billion of private and public investments by the end of 2024, helping to support investments as diverse as, for example, the development of energy-efficient household appliances, satellite-based internet connectivity, and innovation in small and medium-sized enterprises.

Moreover, with the Innovation Fund, the EU is supporting industry in the net-zero transition, providing financing to innovative projects to the tune of around EUR 12 billion through a combination of grants and auctions. Via the single market programme, and with over EUR 600 million allocated for 2024, the EU supports the digitalisation of services and business operations in areas such as consumer protection and product safety. Through REPowerEU, EUR 10 billion in prefinancing was provided to 21 Member States by the end of 2024 to help the EU reduce its reliance on Russian energy.

The European Regional Development Fund under cohesion policy contributes to regional development and to increasing research and innovation capacity across the Union. By improving their innovation performance and cohesion, Member States and regions become more attractive, allowing them to retain talents and attract new ones. Cohesion policy support to innovation is complementary to Horizon Europe investments, with the main source of innovation support targeting emerging innovators. Moreover, 85% of cohesion policy funding for research and innovation goes to less developed and transition regions. Since 2021, cohesion policy has financed over 21 400 MW of additional production capacity for renewable energy, as well as the reconstruction and modernisation of 895 km of tram and metro lines ([15]).

The EU stepped up its investment in people and skills in 2024. For instance, the European Social Fund Plus, with a budget allocation of EUR 96.6 billion for 2021-2027, including EUR 16.8 billion for 2024, contributes to the EU's employment, social, education and skills policies. Under the shared management strand of the fund, 1 million participants gained a qualification, 690 000 participants found a job (including self-employed), and 320 000 were in education or training by the end of 2024.

The EU budget also supports mobility in the fields of education, training, youth and sports via the Erasmus+ programme, which had a budget of EUR 4.6 billion for 2024. Erasmus+ international initiatives in 2024 provided support to around 1 200 international mobility projects, providing opportunities to up to 50 000 higher education students and staff.

The common agricultural policy also supports people and competitiveness. In 2024, it helped to support and stabilise farming income and helped create around 200 000 jobs, with the largest contribution coming from interventions supporting young farmers to become established.

To further develop the Trans-European Transport corridors, the Connecting Europe Facility allocated EUR 7 billion to projects to improve seamless cross-border connectivity, and launched the last calls for proposals for its remaining budget of EUR 2.5 billion. This support includes, among other things, the digitalisation of the trans-European transport network, notably railways.

The Strategic Technologies for Europe Platform

The COVID-19 pandemic crisis and Russia's war of aggression against Ukraine heightened supply chain vulnerabilities, undermining the EU's industrial competitiveness. Through the midterm revision of the multiannual financial framework, the EU budget was adjusted to enhance the EU's sovereignty and security, reduce its strategic dependencies and strengthen its competitiveness, among other objectives. This led to the establishment of the Strategic Technologies for Europe Platform (STEP), along with EUR 1.5 billion to strengthen the European Defence Fund under the new platform. The platform was designed to foster

([15]) Open Data Portal for the European Structural Investment Funds - European Commission | Cohesion Open Data.

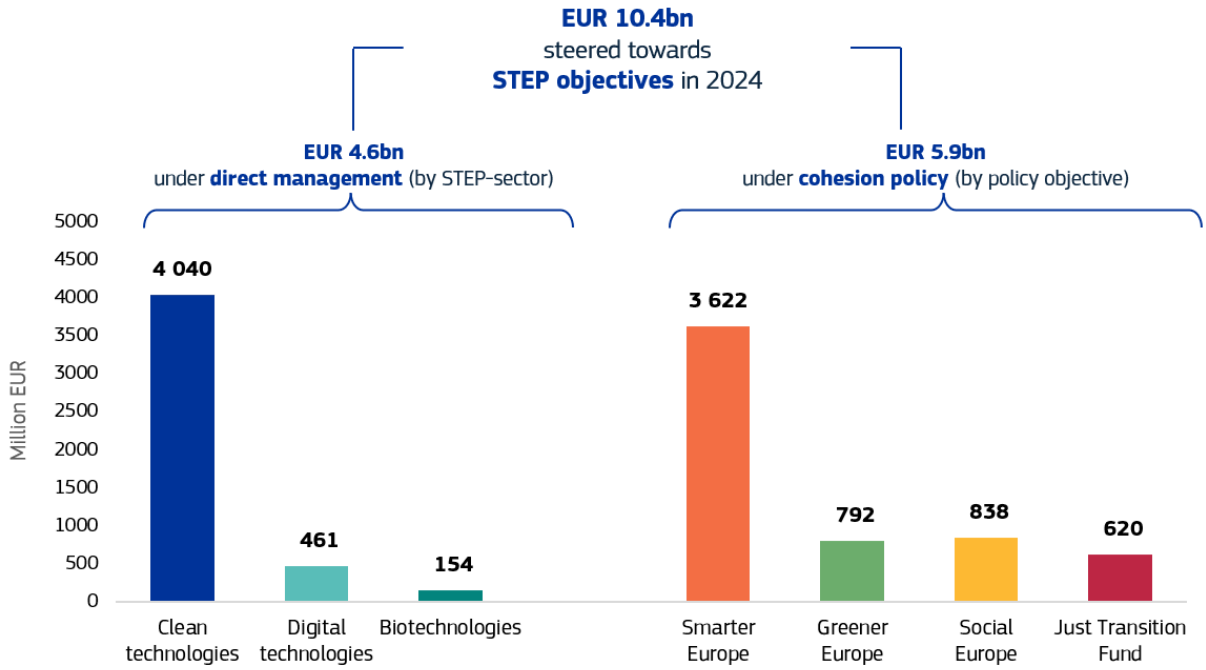
digital technologies and deep-tech innovation, along with clean and resource-efficient technologies and biotechnologies. This support includes the reinforcement of value chains and investment in skills development.

In 2024, STEP's first year of operation, it mobilised over EUR 10 billion in EU funding, combining EUR 4.6 billion under five spending programmes directly managed by the EU and EUR 5.9 billion reprogrammed by Member States and regions under cohesion policy.

STEP operates by coordinating 11 existing EU programmes and leveraging a series of tools: a network of national contact points to facilitate its implementation in the Member States; a new quality label awarded by the Commission to high-quality projects (the STEP Seal); and an integrated and more accessible online portal with information for project promoters, investors and public authorities (the STEP Portal).

The results of the platform in 2024 are summarised in Annex 1 of this report and presented in greater detail in the **2024 annual report on STEP** ([16]). For example, in October 2024, the Commission selected 85 innovative net-zero projects to receive EUR 4.8 billion in grants in total from the Innovation Fund, all of which received a STEP Seal. A total of 149 high-potential projects have been awarded the STEP Seal, including ([17]) OpenEuroLLM, which aims to train the first-ever family of open-source large language models for artificial intelligence covering all official and future EU languages; Energy Observer 2, which will be the world's first hydrogen-powered cargo ship; and PHARMSD 3.0, which aims to set a new standard for continuous pharmaceutical manufacturing through the optimisation of spray drying, a method that turns liquid drug formulations into stable powders.

Funding steered towards STEP objectives



Source: European Commission.

([16]) An interim evaluation of STEP is under preparation and will be published later in 2025 at https://strategic-technologies.europa.eu/step-documents_en.

([17]) European Commission, 'Strategic Technologies for Europe Platform mobilises over EUR 15 billion to boost investments in Europe in its first year', European Commission website, 4 March 2025, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_665.

Stepping up the EU's security and defence capabilities

Against the backdrop of a highly unstable global geopolitical situation, the EU in 2024 faced increasing and evolving security threats across the continent. To tackle these threats, the EU reinforced its common strategic vision for security and defence. It took decisive steps to ensure that the EU defence industry is competitive and responsive, and that defence systems and equipment are ready when needed. This is why, in March 2024, the EU presented the first **European defence industrial strategy**, guided by the principle that Member States need to invest more, better, together and European.

The Commission proposed a EUR 1.5 billion Europe defence industry programme for 2025–2027 to support the concrete implementation of the strategy. This initiative seeks to continue to support the defence industry after the conclusion of short-term emergency measures such as the Act in Support of Ammunition Production and the European Defence Industry Reinforcement through Common Procurement Act. Between 2023 and 2024, over EUR 500 million worth of grants were allocated through the Act in Support of Ammunition Production, contributing to ramping up European artillery ammunition production to 1 million loaded shells per year.

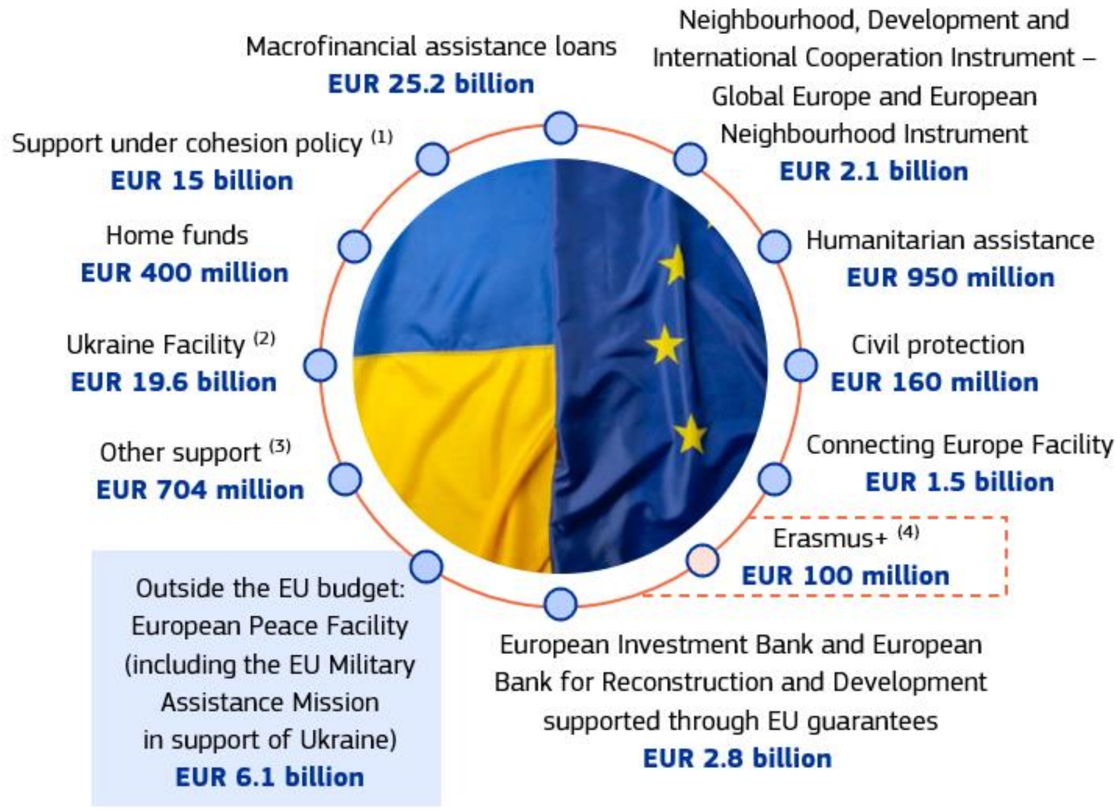
The EU continued to foster the robustness and innovative capacity of its defence technological and industrial base through the European Defence Fund by committing EUR 4 billion in support of 162 collaborative defence projects between 2021 and 2024. These projects support the development of critical defence technologies and capabilities in all military domains, including ground, air, naval, space and cyber, in line with the EU capability priorities agreed by the Member States.

Additionally, in January 2024, the EU launched the Defence Equity Facility, funded by the European Defence Fund and managed by the European Investment Fund. With a budget of EUR 175 million between 2024 and 2027, this instrument will invest in innovative small and medium-sized enterprises in the field of defence (including start-ups and small mid-caps) established in the EU and Norway. To increase the capacity for movements of troops and material, the EU allocated EUR 807 million in 2024 for strategic investments in dual-use transport infrastructure under the Connecting Europe Facility.

Providing unwavering support to Ukraine

Following the unprovoked full-scale invasion and illegal occupation of Ukrainian territory by Russia, the EU's commitment towards Ukraine has been steadfast and wide-ranging. Since the beginning of the war, the EU has provided unprecedented and comprehensive support to Ukraine and its people, mobilising **EUR 130.2 billion** by the end of 2024 to provide financial, economic, humanitarian, military and diplomatic support, including in essential areas such as demining, energy, and accountability.

EU budget contributions to help Ukraine and Member States face the consequences of the full-scale Russian invasion between 2022 and 2024



Allocations to Ukraine and Member States to face the consequences of the war from the EU budget and outside the EU budget for the European Peace Facility from 2022 to 2024.

(1) Support under cohesion policy refers to flexibility offered through the 'cohesion's action for refugees in Europe' and 'flexible assistance to territories' packages, covering a combination of amounts invested (or reprogrammed) and liquidity lines made available to Member States.

(2) The EUR 19.6 billion include the financial support provided in 2024 to Ukraine in the form of grants and loans by the EU, directly or indirectly through its implementing partners (international financial institutions).

(3) Horizon Europe, EU4Health, European Instrument for International Nuclear Safety Cooperation, common foreign and security policy, and interest rate subsidy provided under macrofinancial assistance.

(4) This figure corresponds to the amount that was frontloaded from the 2027 to the 2023 budget for Erasmus+, to provide specific support for Ukrainian learners and staff.

Source: European Commission.

In February 2024, European leaders agreed to create a new Ukraine Facility to help Ukraine in its recovery, reconstruction and modernisation. Through this new facility, EUR 50 billion in stable and predictable financial support is expected for the period from 2024 to 2027. This instrument should also support Ukraine in pursuing reforms on its path towards EU membership. The budgetary allocation for the Ukraine Facility in the year 2024 was EUR 4.77 billion provided in non-repayable support and EUR 13.1 billion disbursed in the form of loans. Achievements under the plan in 2024 include ([18]):

- the development and approval of an integrated national energy and climate plan for Ukraine;
- the adoption of a strategy for the thermal modernisation of buildings until 2050;

([18]) Ministry of Economy of Ukraine, 'Plan for the implementation – Ukraine Facility – 2024-2027', Ministry of Economy of Ukraine website, 2024, .

- the introduction of a market-based framework for renewable energy;
- the adoption of a strategy for developing and expanding border infrastructure with EU Member States and Moldova;
- the adoption of a strategy for agriculture and rural development until 2030.

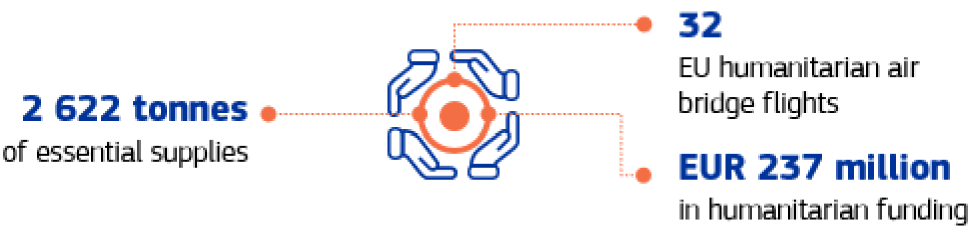
Since 2022, the EU has granted around EUR 950 million in humanitarian aid to help people affected by the war in Ukraine. It has also provided emergency assistance to Ukraine via the Union Civil Protection Mechanism. Additionally, more than 4 million Ukrainians have fled from Russia's war of aggression and sought refuge in the EU, leading the EU to redirect funds from both cohesion policy, via the Cohesion's Action for Refugees in Europe, to help Member States and regions to provide emergency assistance, and from social policy, via the European Social Fund Plus, to cater for the needs of Ukrainian children evacuated to the EU from institutions in Ukraine.

Aims of the Ukraine Facility

Support Ukraine's recovery, reconstruction and modernisation
Support Ukraine's financing needs to allow the government to deliver uninterrupted public services
Mobilise investment in Ukraine's private sector for fast economic recovery and reconstruction
Support Ukraine in making the reforms needed on its path to EU accession
Support broader Ukrainian society by helping to address the social consequences of the war

Responding to the crisis in the Middle East

Following Hamas's terrorist attacks on Israel in October 2023 and the ensuing Israeli military response, the situation dramatically escalated in the Middle East. The EU remains committed to the provision of needs-based assistance to people in the region. Since the start of the war, the EU, together with Member States, has mobilised **EUR 1.3 billion** in humanitarian assistance to the Palestinian people in key areas such as food, health, shelter, water, sanitation and hygiene.



For Lebanon, the EU allocated, in September 2024, an additional EUR 25 million in humanitarian funding to provide crucial support to populations affected by the conflict between Hezbollah and

Israel, which led to large-scale displacement. In addition to this funding, in-kind humanitarian help was provided via humanitarian air bridge operations and the maritime corridor. The EU has also provided EUR 35 billion in support since 2011, including EUR 163 million in 2024, to those affected by the conflict in **Syria**, the world's largest humanitarian disaster and refugee crisis. The EU also provided crisis response assistance in the Middle East (EUR 30 million), addressing both the drivers and the consequences of instability and hostilities in the region, such as hate speech.

Addressing migration pressure and reinforcing border control

To address migration challenges and to step up the protection of its external borders, the EU set up the Asylum, Migration and Integration Fund as part of the 2021-2027 multiannual financial framework, with a total of EUR 9.88 billion, including EUR 1.51 billion for 2024.

The 2024 midterm revision of the multiannual financial framework resulted in an additional EUR 2 billion to be used for migration and border management between 2025 and 2027: EUR 0.8 billion for the Asylum, Migration and Integration Fund; EUR 1 billion for the Border Management and Visa Instrument (part of the Integrated Border Management Fund); and EUR 0.2 billion for the European Union Agency for Asylum.

Between 2021 and 2024, the fund financed the creation of more than 36 000 places in reception accommodation infrastructures and supported the resettlement of over 25 000 people. In May 2024, the EU adopted the pact on migration and asylum, a new set of rules on managing migration, establishing a common asylum system and securing the EU's external borders that will be implemented as from 2026.

A common EU system to manage migration

Secure external borders	Fast and efficient procedures	Effective system of solidarity and responsibility	Embedding migration in international partnerships
Robust screening	Clear asylum rules	Permanent solidarity framework	Preventing irregular departures
Eurodac asylum and migration database	Guaranteeing people's rights	Operational and financial support	Cooperation on readmission
Border procedure and returns	EU standards for refugee status qualification	Clearer rules on responsibility for asylum applications	Fighting migrant smuggling
Crisis protocols and action against instrumentalisation	Preventing abuses	Preventing secondary movements	Promoting legal pathways

The EU has also been investing in enhanced border management via the Integrated Border Management Fund. The fund, with EUR 1.28 billion allocated for 2024 (EUR 7.37 billion for 2021-2027), supports Member States in ensuring strong and effective European integrated border management, helping to ensure a high level of internal security within the EU and the free movement of people within it. The fund has been helping, for instance, to digitalise visa processing: between 2021 and 2024, over 11.9 million visa applications were made using digital means.

Enhancing partnerships around the globe

In an increasingly complex geopolitical landscape, the EU's official development assistance remains a major source of financial support for countries in need. In 2024, the EU and its Member States maintained their position as the largest global provider of official development assistance. Furthermore, the EU allocated over EUR 2.49 billion in humanitarian assistance, helping more than 300 million people. The EU continued to strengthen its role in the world and to support the green and digital global transitions. It aims to provide up to EUR 300 billion in investment by 2027 through the Global Gateway, the EU's global investment strategy. The Global Gateway is supporting hundreds of flagship projects across Asia, Latin America, the Pacific, the Western Balkans and the Eastern and Southern Neighbourhoods.

In 2024, the EU–Africa partnership had a particularly strong impact as the EU deployed the EUR 150 billion Global Gateway Africa–Europe investment package, targeting areas such as clean energy, environmental sustainability, digital infrastructure, transport, health and education. Examples include ongoing works on a wastewater treatment plant to clean the Hann Bay in Senegal, as well as support to mobilisation of public and private investment for increasing renewable energy production in Madagascar.

The **Neighbourhood, Development and International Cooperation Instrument – Global Europe**, which also helps to fund the Global Gateway, contributes to actions in areas such as democracy, human rights, crisis response, peace and stability, climate action and environmental protection, with a total initial financial envelope of EUR 79.5 billion for 2021-2027. Moreover, via the European Fund for Sustainable Development Plus, the EU has helped to deliver on the Global Gateway, helping to mobilise the private sector by providing guarantees amounting to EUR 13.3 billion between 2021 and 2024.

The midterm revision of the multiannual financial framework increased support for the Southern Neighbourhood and the Western Balkans region, to be provided through the Reform and Growth Facility for the Western Balkans **and secured continued funding to address the crisis in Syria.** An additional EUR 7.6 billion was allocated, with EUR 3.1 billion in fresh funding and EUR 4.5 billion redeployed from other areas of the budget.

In light of the current geopolitical tensions**, the EU enlargement process** continued bringing enlargement countries closer to the EU's security, economic and social orbit before joining the EU**. The Reform and Growth Facility for Western Balkans partners** ([19]) **will bring reforms** with support of up to EUR 2 billion in grants and EUR 4 billion in loans from 2024 to 2027. The Growth Facility for Moldova will provide EUR 1.9 billion in financial support and the Ukraine Facility will provide up to EUR 50 billion in stable and predictable financial support for the years 2024 to 2027.

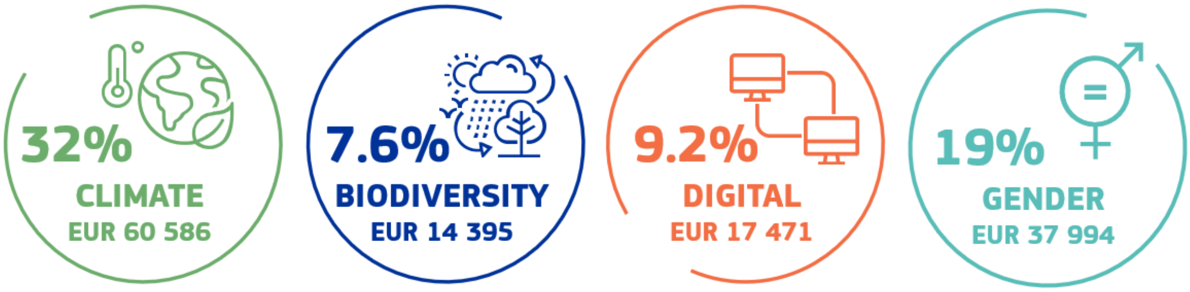
EU budget contribution to horizontal priorities

The EU budget focuses on delivering EU added value in the form of results that could not be achieved through national action alone. All EU funding programmes continued to progress towards their performance targets in 2024 and together provide strong support to a range of cross-cutting priorities. For example, the EU budget is essential to the **twin green and digital transitions**. In 2024, it is estimated that almost EUR 61 billion supported climate objectives, over EUR 14 billion targeted biodiversity objectives, EUR 17 billion was allocated to digital priorities and nearly EUR 38 billion supported gender equality ([20]).

([19]) Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

([20]) Figures based on budgetary commitments. Support to different priorities should not be aggregated, as in some cases the same intervention may contribute to more than one priority.

EU budget and NextGenerationEU allocation to horizontal priorities in 2024 (percentage of total budget and estimated amounts in million EUR)



Source: European Commission.

Examples of contributions from the EU budget to horizontal priorities

Climate

- The Horizon Europe mission '100 Climate-Neutral and Smart Cities by 2030' aims to make cities inclusive, safe, resilient and sustainable. It supports 112 cities in achieving climate neutrality and becoming smart by 2030, with a particular focus on energy transition and the development of renewable energy projects.
- A total of 915 995 new or upgraded refuelling and recharging points for clean vehicles had been installed through measures under the Recovery and Resilience Facility (part of NextGenerationEU) by the end of 2024.
- Some 2.55 million hectares of agricultural and forest land were covered by common agricultural policy management contracts contributing to carbon sequestration or conservation in 2023.
- Under the LIFE programme, more than 1.4 million tonnes of carbon dioxide equivalent are expected to be avoided thanks to projects awarded in 2022 and 2023, and 7 799 gigawatt hours per year of primary energy savings are expected to be delivered by the 2022-2023 projects.
- The Ukraine Facility contains a chapter on green transition and environmental protection. In 2024, Ukraine adopted a new law on preventing, reducing and controlling industrial pollution; an integrated national energy and climate plan; and a new strategy for thermal modernisation of buildings until 2050.

Biodiversity

- Some 21 million hectares are covered by selected projects to protect against wildfires under cohesion policy funds.
- The Copernicus atmosphere monitoring service uses near-real-time observations of the location and intensity of active wildfires to estimate the emission of pollutants that may impact biodiversity in the affected areas.
- The loss of 176 species is expected to be halted or reversed thanks to LIFE nature and biodiversity projects in 2022 and 2023.
- A total of 915 actions contributing to good environmental status were selected between 2022 and 2023 under the European Maritime, Fisheries and Aquaculture Fund.

Digital

- Some 16.2 million additional dwellings had broadband access via very-high-capacity networks by the end of 2024 thanks to investments financed by the Recovery and Resilience Facility.
- Additional capacity of 5 000 terabits per second had been created by backbone networks, including submarine cables, deployed by the Connecting Europe Facility by the end of 2024.

Gender equality

- In 2024, 19% of the EU budget contributed to the promotion of gender equality, according to the gender tracking methodology.
- The 27 recovery and resilience plans include 253 gender-equality milestones and targets, with 60 already completed by Member States and 63 assessed by the Commission as having been fulfilled.
- Horizon Europe requires that public bodies, research organisations and higher education institutions from Member States and associated countries have a gender equality plan in place as a condition for eligibility.

NextGenerationEU driving reforms and investments via recovery and resilience plans

In 2024, NextGenerationEU continued to support economic recovery and reforms in the Member States through the Recovery and Resilience Facility. The total financial envelope under the facility stands at EUR 650 billion, comprising EUR 359 billion in grants and EUR 291 billion in loans.

In 2024, the Commission disbursed 41 payments amounting to EUR 85.3 billion (EUR 29.4 billion of which was in the form of loans), including EUR 3.3 billion in pre-financing payments. This corresponds to 47.2% of milestones and targets assessed as satisfactorily fulfilled and brought the total disbursements by the end of 2024 to EUR 306.1 billion, divided into EUR 197.5 billion in grants (55% of the total Recovery and Resilience Facility envelope) and EUR 108.7 billion in loans (37% of the total envelope).

The Recovery and Resilience Facility, the centrepiece of NextGenerationEU, is making a real difference to the lives of EU citizens. Its major achievements include the following [21].

- **Green transition.** By the end of 2024, thanks to the facility, annual energy consumption had been reduced by 33.4 million megawatts and more than 915 000 refuelling and recharging stations for clean vehicles had been installed or upgraded.
- **Digital transition.** More than 16.1 million additional homes had gained access to very-high-capacity internet networks by the end of 2024, and more than 1.6 billion users [22] were already using new or improved public digital services.
- **Healthcare.** Healthcare capacity has been increased, including in hospitals, clinics, outpatient care centres and specialised care centres. By the end of 2024, thanks to the Recovery and Resilience Facility, around 49.8 million people annually could benefit from a new or modernised healthcare facility.
- **Education and training.** Some 29.0 million people had participated in education and training and almost 2.8 million people are in employment or engaged in job-searching activities thanks to Recovery and Resilience Facility support. In addition, 10.7 million young people aged 15-29 had received support, whether monetary or in kind (i.e., education, training and employment support), thanks to measures supported by the facility by the end of 2024.
- **Support for businesses.** Almost 4.5 million enterprises had received support – whether monetary or in kind – under the facility by the end of 2024.

The reforms triggered by NextGenerationEU, via the Recovery and Resilience Facility, support the long-term resilience of Member States and improve the conditions for the successful delivery of the related investments under the facility and cohesion policy funds. The Recovery and Resilience Facility supports, for instance, the modernisation of regulatory frameworks in key sectors (e.g. digital, renewables, transport), improvements in permitting and public procurement procedures and the strengthening of rule-of-law and anti-corruption safeguards. More information is provided in **the recovery and resilience scoreboard** [23].

[21] This information is based on data reported by the Member States in the context of the biannual reporting on the common indicators. More information and data are available from the recovery and resilience scoreboard (https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html).
[22] The indicator counts the total number of uses rather than the number of unique individuals.
[23] https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html.

REPowerEU continues to help Member States save energy, diversify energy supplies and produce clean energy. Three more REPowerEU chapters were adopted in 2024, with the addition of Germany, Ireland and Luxembourg. In total, the REPowerEU chapters of 26 Member States amount to EUR 64.75 billion in support for reforms and investments to save energy, substitute fossil fuels and address security-of-supply needs, while reducing dependency on Russian fossil fuels. By the end of 2024, more than 42.6% (EUR 276.6 billion) of the total Recovery and Resilience Facility allocation financed investments and reforms supporting the green transition, including energy efficiency, renewable energy, electricity grids and other green investments.

Key climate and energy commitments for 2026 under the REPowerEU component of the Recovery and Resilience Facility

Renewable energy for all	**Saving energy**
• **Speeding up permitting for renewables thanks to ambitious reforms** in 15 Member States. • Enabling at least 20 gigawatts of renewable energy by 2026, on top of 40 gigawatts in the existing plans – more than the entire installed capacity of **offshore wind in the EU**.	• Long-lasting energy-efficiency interventions will reduce energy bills for **at least 1 million households**. • At least **180 000 sustainable heating and cooling** systems will be installed by 2026.
Boosting the competitiveness of EU industry	**Secure energy networks for the EU**
• More than EUR 12 billion will be made available to **decarbonise EU industries**, including EUR 2.5 billion for renewable hydrogen production. • Strategic **clean-tech investments** in electrolysers, batteries and solar panels. • Dedicated **green-skills training** for more than 100 000 individuals.	• More than **3 000 km of transmission and distribution electricity grid lines will be modernised** – roughly the distance from Lisbon to Riga. • **Grid-scale electricity storage** will easily accommodate intermittent renewables. • **Key cross-border gas infrastructure projects** will meet immediate security-of-supply needs.

In 2024, the Commission supported Member States in revising their recovery and resilience plans. It assessed a total of 17 plan revisions in 2024 ([24]), which were subsequently endorsed by the Council. When revising the recovery and resilience plans, commitments that were no longer achievable due to objective circumstances were adjusted or replaced by more suitable alternatives, while keeping the original ambition of the plan intact.

Almost EUR 73.2 billion had been issued in the form of NextGenerationEU green bonds as of April 2025. The largest share of these funds was used to make disbursements to Member States under the Recovery and Resilience Facility. This means the EU is well on track to becoming one of the world's largest issuers of green bonds. In December 2024, the Commission published the first NextGenerationEU green bond allocation and impact report ([25]), which confirms the EU's commitment to sustainable finance. The report shows that the full implementation of all measures funded by NextGenerationEU green bonds will reduce greenhouse gas emissions by 55 million tonnes per annum, which is equivalent to 1.5% of all such emissions in the EU.

([24]) A total of 17 revisions to plans were adopted in 2024 with the support of the Technical Support Instrument.
([25]) NGEU green bonds allocation and impact report 2024

Further information on the implementation and management of the Recovery and Resilience Facility (part of NextGenerationEU) is provided in **Annex 3** to this *Annual Management and Performance Report for the EU Budget*.

Effective tools ensure that the EU budget is well managed and safeguarded

The Commission attaches great importance to making the best possible use of taxpayers' money. It is fully committed to ensuring that funding reaches the intended beneficiaries at the right cost and in compliance with the applicable rules. To achieve this objective, the Commission relies on a number of tools that have proved to be fit for purpose over the years and have remained effective in relation to the new challenges encountered by the EU.

A robust chain of accountability

The Commission's governance system and chain of accountability are tailored to its unique structure and role. The College of Commissioners is politically responsible for managing the EU budget. It delegates the day-to-day operational management to the 51 authorising officers by delegation ([26]), who manage and steer their departments and are accountable for the share of the EU budget implemented in their department.

The **annual activity reports** demonstrate how the authorising officers by delegation have obtained the assurance that the resources assigned to them have been used in accordance with the principle of sound financial management and that the control procedures in place give the necessary guarantees concerning the legality and regularity of the underlying transactions. If the authorising officers by delegation identify weaknesses, they may qualify their declaration of assurance with reservations.

The assurance is built on the following: (1) an assessment of the internal control system, including anti-fraud measures; (2) the results of the controls carried out and their assessment of the risks to which their department is exposed and the mitigating measures taken; (3) the preventive and corrective measures they have applied as a result of the controls they have carried out, together with the Member States in the case of shared management; (4) the observations and conclusions of the internal auditor and of the European Court of Auditors; and (5) the mitigating measures taken to address the weaknesses identified, especially in higher risk areas.

An internal control framework and measures to fight fraud that are continuously updated

The Commission's internal control framework is crucial to ensuring the effectiveness, efficiency and economy of its operations, along with their legality and regularity. This is especially true in a context of scarce resources and an increasing number of priorities. In 2024, the Commission continued to adapt its internal control framework as needed, for instance in relation to the risk management of its borrowing and lending activities and its spending instruments; further fine-tuning and developing specific

([26]) The term 'authorising officers by delegation' covers Directors-General of Commission departments and heads of executive agencies, offices, services, task forces, etc. Article 74(1) of the Financial Regulation provides that: 'The authorising officer shall be responsible in the Union institution concerned for implementing revenue and expenditure in accordance with the principle of sound financial management, including through ensuring reporting on performance, and for ensuring compliance with the requirements of legality and regularity and equal treatment of recipients.'

audit and control strategies for lump-sum grants under Horizon Europe; and publishing new guidance for Member States. Based on the departments' self-assessments, the Commission considers that internal control systems are functioning well and that suitable mitigating measures are being implemented in areas where weaknesses have been identified.

On the fight against fraud, the Commission progressed in the implementation of its revised anti-fraud strategy action plan, which aims to prevent and tackle fraud. The Financial Regulation (recast) that entered into force in September 2024 extended the scope of the early detection and exclusion system to beneficial owners, among others, and new exclusion grounds such as incitement to hatred were introduced to better protect the EU budget from fraud and irregularities. As of 2028, core provisions will also apply to shared management. The revision also includes, as of 2028, Member States' compulsory feeding of key data into a single integrated information technology system for data mining and risk scoring, to access and analyse data on the recipients of EU funding and allow the identification of contracts and recipients that might be susceptible to risks.

The European Anti-Fraud Office continued its strategic analytical work and investigative activities and included for the first time a qualitative assessment of the national anti-fraud strategies in its 2023 annual report on the protection of the EU's financial interests ([27]).

As part of the fight against fraud, all Commission departments, along with other EU agencies and bodies, have been required to establish a cybersecurity risk management, governance and control framework, based on an initial cybersecurity review. This follows the entry into force in January 2024 of Regulation (EU, Euratom) 2023/2841 ([28]) laying down measures for a high common level of cybersecurity at the institutions, bodies, offices and agencies of the EU. This review confirmed the good cybersecurity posture of the Commission, which remains an attractive target. However, the current geopolitical context creates new motives for cyber threat actors who are exploiting technical and human vulnerabilities in increasingly sophisticated ways. This requires continuous improvement and upscaling of the Commission's capabilities and awareness to ensure appropriate levels of protection. The resulting priorities were endorsed as part of the European Commission Corporate Cybersecurity Strategy 2025-2026, and Action Plan.

Control results confirm the EU budget is well protected

As part of their control strategies, within the internal control framework, the Commission and the Member States perform thousands of checks every year to prevent, detect and correct errors and weaknesses in the control systems. For shared management, the Commission relies on the checks carried out by the national authorities and supervises them with its own controls and audits where necessary, in line with the single audit principle, which rationalises audit and control and minimises the audit burden on beneficiaries. Under indirect management the Commission relies on implementing partners' control systems, whereas for direct management it is the Commission itself that performs the controls. For the Recovery and Resilience Facility (the centrepiece of NextGenerationEU), checks and controls are performed according to the division of responsibilities between the Commission and the Member States.

([27]) Report from the Commission to the Council and the European Parliament – 35th annual report on the protection of the European Union financial interests and the fight against fraud, COM(2024) 318 final, 25 July 2024, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52024DC0318&qid=1747055395142.

([28]) Regulation (EU, Euratom) 2023/2841 of the European Parliament and of the Council of 13 December 2023 laying down measures for a high common level of cybersecurity at the institutions, bodies, offices and agencies of the Union, OJ L, 2023/2841, 18.12.2023, http://data.europa.eu/eli/reg/2023/2841/oj.

In agriculture	In cohesion
Member States continue to enhance their highly automated and systematic *ex ante* checks (e.g. through the compulsory use of the area monitoring system) and to recover ineligible expenditure from the beneficiaries to ensure compliance with the rules. The Commission reviewed the annual reports and opinions for all **72** paying agencies and carried out **48** audits in 22 Member States.	Member States audited more than **8 300** operations, and the Commission reviewed the annual reports and opinions for **441** programmes and carried out **73** audits.

As a result of these controls and audits, preventive and corrective measures to the amount of EUR 2 659 million were implemented in 2024. EUR 1 184 million is the amount of errors prevented as a result of controls and audits carried out before payments took place, and EUR 1 475 million in corrections implemented by the Commission and the Member States, as a result of controls and audits carried out after payment took place.

Based on these controls and audits, for all headings under which expenditure is cost-based, the Commission estimates the risk at payment and the risk at closure. The risk at payment measures the risk that the payments made are affected by irregularities before any correction has been applied. The risk at closure represents the remaining level of error at the end of the programming cycle after all controls and all corrections have been implemented. Given the multiannual character of the funding programmes, the Commission, together with Member States in the case of shared management, makes a substantial effort to perform controls after payment and to make corrections until the closure of the programmes. These efforts are reflected in the estimated risk at closure.

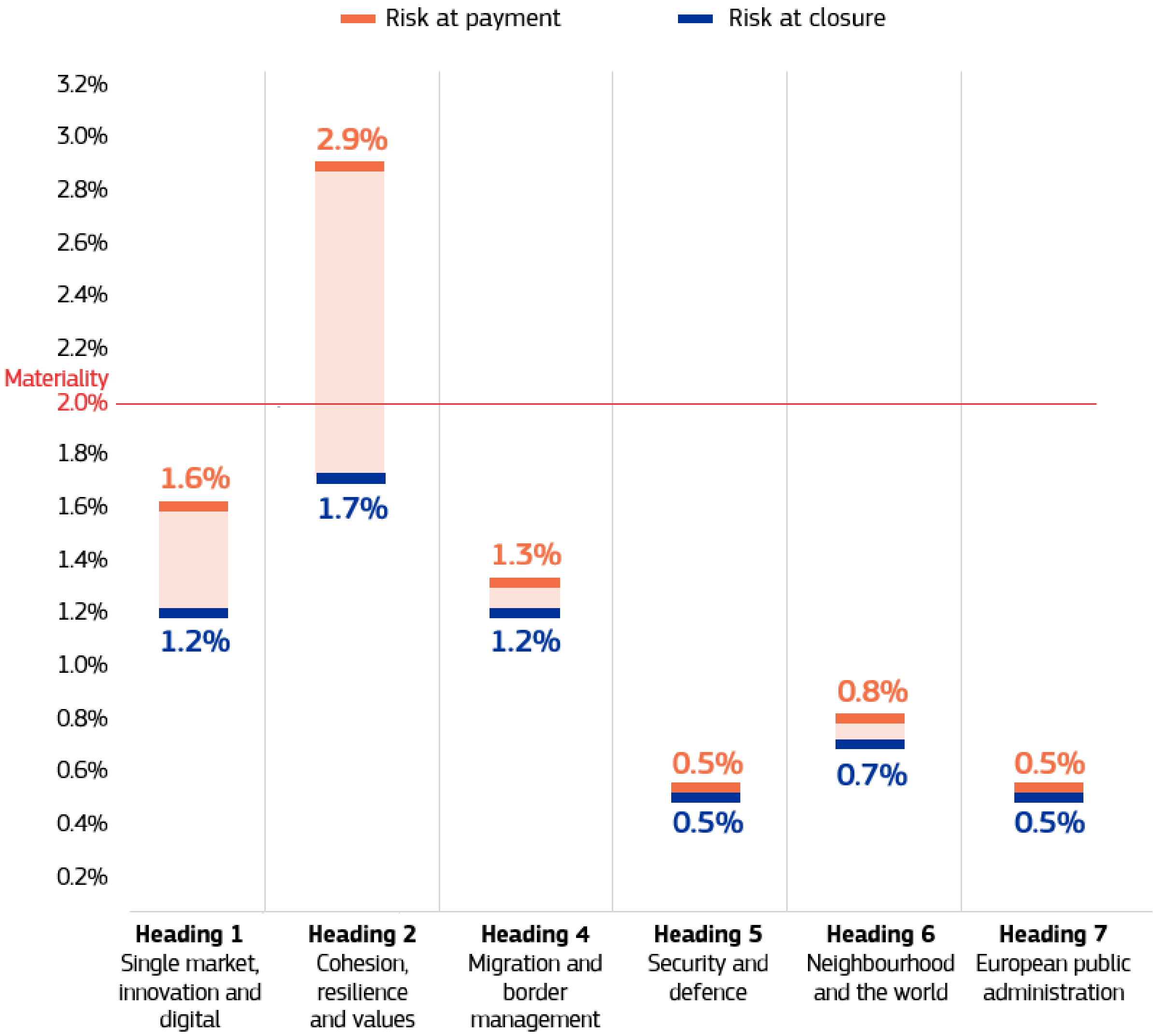
In 2024, the Commission used a new indicator for the heading 'natural resources and environment': the share of expenditure that is low risk. From 2024 onwards, for most of the expenditure under the common agricultural policy (representing 74.8% of the heading's expenditure and almost 24% of total budget expenditure for the year), the 2023-2027 legal framework represents a shift from compliance-based policy to a greater focus on performance results. The focus is also on the proper functioning of the governance systems put in place in the Member States to ensure both the legality and regularity of the underlying transactions and the quality of performance results. In keeping with this performance-based approach, new reporting has been required from the Member States on performance and on the assessment of the governance systems. There is no obligation under the CAP Regulation for Member States to report control statistics at the level of financial beneficiaries to the Commission. Reflecting this, instead of determining an error rate and a risk at payment, the Commission groups expenditure in three categories of risk: low, medium and high, based on an assessment of the functioning of Member State (governance) systems. To conclude on how well the EU budget is protected, the share of low-risk expenditure is compared with the previous years' share of low-risk expenditure for the Directorate-General for Agriculture and Rural Development, since this department represents the bulk of the expenditure under the heading 'natural resources and environment'. On average, in the last six years, the share of low-risk expenditure was 64% ([29]).

Because of this new approach, no risk at payment and risk at closure can be determined for the Commission as a whole. The conclusion on the level of protection of the EU budget is therefore presented at the level of each heading of the multiannual financial framework.

([29]) In 2022 this share was 72%, and in 2023 it was 69%.

In 2024, for compliance-based expenditure, the risk at payment remained below 2% for all multiannual financial framework headings except cohesion, resilience and values (see chart below). **The risk at closure is below 2% for all headings,** which means that the Commission has robust internal controls in place to protect the EU budget under these headings. This is in line with the conclusions for previous years. It is also consistent with the fact that expenditure in 2024 was still mostly related to the 2014-2020 programming period. This shows that the approach to internal control has remained robust, even in the challenging context of recent years.

Overview of risk at payment and risk at closure for compliance-based expenditure

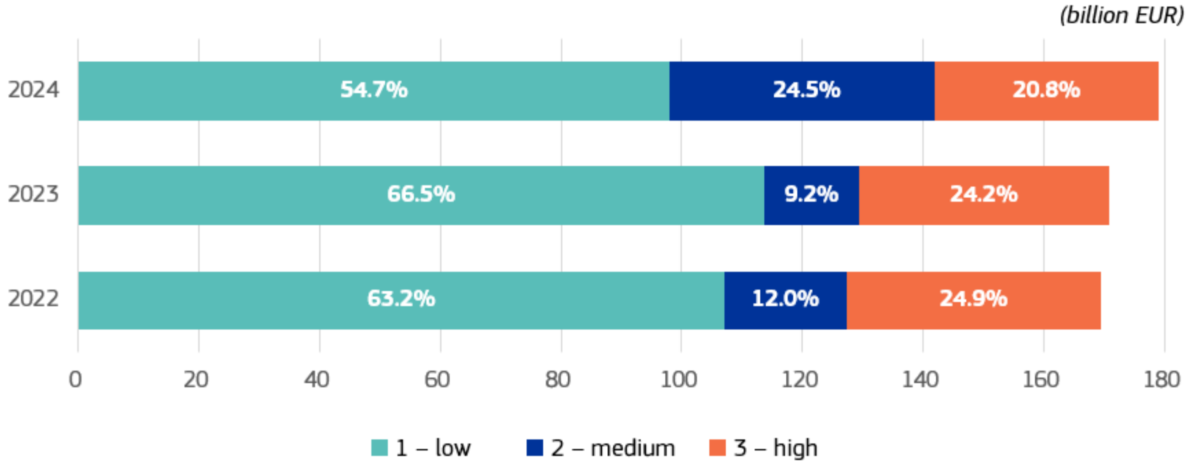


Source: European Commission annual activity reports for 2024.

For natural resources and environment, the share of low-risk expenditure was 77%, above the average of the last six years (64%). This is broadly in line with previous years' results, which show a positive trend, confirming the maturity of the Member States' governance systems under which the common agricultural policy expenditure is implemented.

To ensure comparability with previous years at the Commission level, it is still possible to present an overview of the share of expenditure in each of the three categories of risk, i.e. low, medium and high risk. The evidence gathered by the Commission through its controls and audits, and those of the Member States, allows expenditure to be grouped together in three risk categories based either on the risk at payment (low, if below 2.0%; medium, if between 2.0% and 2.5%; or high, if above 2.5%) or on the share of expenditure found (low, medium or high risk) based on the tailored methodology established for performance-based payments.

Expenditure per risk category



Source: European Commission annual activity reports for 2024.

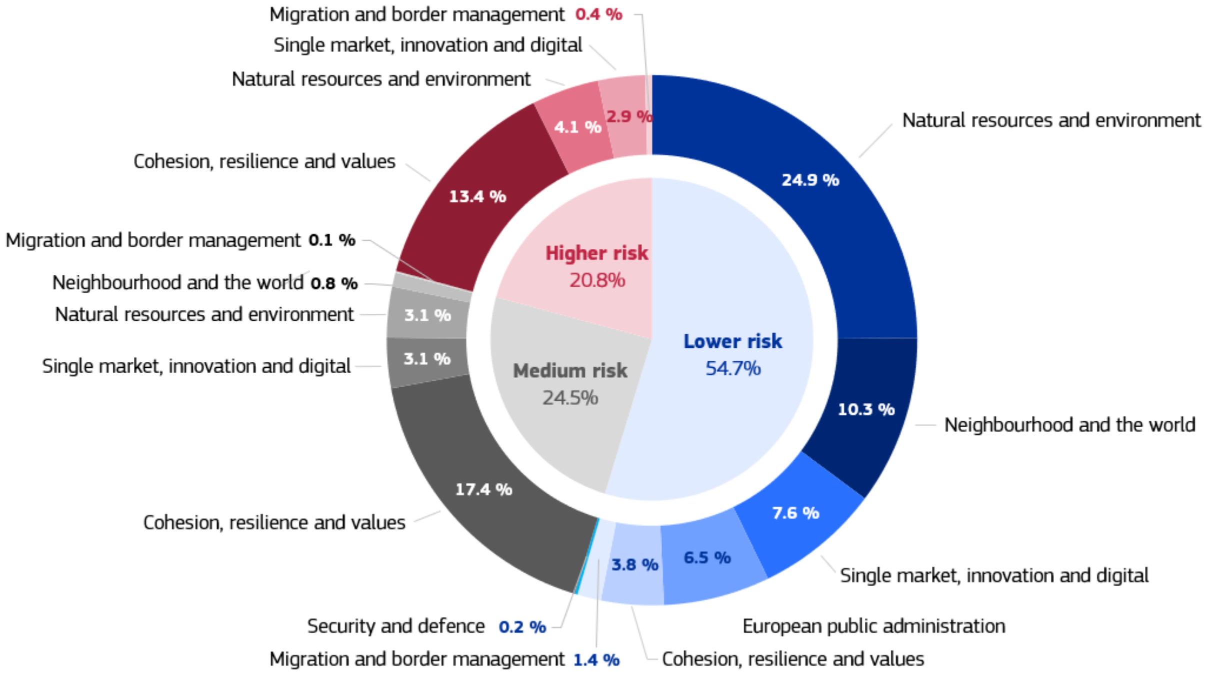
Based on all the controls and audits carried out, the Commission has detailed and robust evidence of the differentiated risk level for EU budget expenditure. This evidence is detailed down to the level of programmes for cohesion policy and down to the level of interventions within paying agencies, for performance-based expenditure under natural resources. This in turn makes it possible to address and correct weaknesses precisely in the segments of expenditure where they occur and to focus action where it is deemed necessary.

This approach allows the Commission to present a nuanced picture of the managed expenditure. Horizon 2020 and cohesion policy as a whole carry a risk at payment above 2%, and natural resources (as a whole) and administrative expenditure are low risk. However, while the overall risk at payment for cohesion is 2.9%, the majority of cohesion policy programmes were in the medium risk category in 2024. Moreover cohesion policy's multi-level control and corrective framework ensures that the risk at closure remains below the materiality threshold of 2%. The Commission is able to report precisely which programmes in which Member States have a risk at payment above 2% ([30]). Similarly, for expenditure for natural resources that are low risk in general, the Commission can identify those interventions at paying agency level that are estimated under the medium and high risk segments ([31]).

([30]) In 2023, reservations were made in relation to 43 programmes in 17 Member States and the United Kingdom for both the 2014-2020 and the 2021-2027 programming periods.

([31]) In 2024, for expenditure under the new performance-based model, 37 interventions in 14 paying agencies in 12 Member States are put under reservation.

European Commission categorisation of expenditure into higher-, medium- and lower-risk segments, as a percentage of the total of relevant expenditure for 2024



Source: European Commission annual activity reports for 2024.

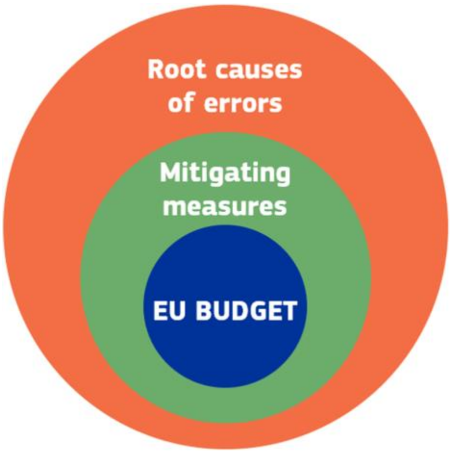
The Commission's approach to the control of the funds it is implementing reflects its specific role. The Commission's duty as manager of the EU budget is, on a multiannual basis, to prevent errors and, if necessary, to correct them, recover funds unduly spent and address identified weaknesses. The Commission's approach differs from that of the Court of Auditors, which is annual by definition and with an auditor's perspective, as it results from a multiannual management perspective and requires that more detailed information be provided.

A recent study commissioned by the Committee on Budgetary Control of the European Parliament compares the Commission's risk at payment and closure and the Court of Auditors' estimated level of error, focusing on cohesion funds ([32]). The study concludes that both institutions use state-of-the-art methodologies, based on international audit standards and that the error rate and risk at payment are not directly comparable. The study stresses the usefulness of the two approaches that meet each institution's needs and expectations.

For 2023-2027 expenditure under the common agricultural policy, the Court of Auditors continues to apply the approach of previous years. The Court determines an error rate based on audits of payments to final beneficiaries, checking whether they comply with the rules set by the Member States in their plans. Errors identified in payments are also analysed by the Court of Auditors for indications of potential serious deficiencies in the governance systems in Member States, which are the focus of the Commission's assessment. The Court's approach is therefore complementary to the Commission's.

([32]) European Parliament: Directorate-General for Budgetary Affairs, Rampton, J. and Stedtnitz, C.: Error Rates Compared – Methodologies underpinning the European Commission's risk at payment/closure and the European Court of Auditors' estimated level of error, 2025.

The Commission reports transparently on expenditure with a high level of risk that is deemed to be material, with significant weaknesses in the management of funds or with reputational risks. This is done in the annual activity reports of each authorising officer by delegation through reservations qualifying their declaration of assurance. For 2024, there are 18 reservations, 17 related to expenditure under the EU budget, with a total financial impact of EUR 330.9 million, or 0.2% of the total expenditure, and one related to the Resilience and Recovery Facility, with a financial impact of EUR 17.5 million, 0.02 % of the total expenditure under the Facility in 2024. Reservations are a keystone in the accountability chain. They outline the challenges and weaknesses encountered and are systematically accompanied by a description of the measures envisaged to address them. Appropriate financial corrections are also applied.



Root causes of errors

- Ineligible costs in cost claims.
- Non-compliance with EU or national rules (procurement, State aid, etc.).
- Ineligible participants.
- Missing supporting documents.

Mitigating measures

- Continuous update of control strategies.
- Simplified cost options.
- Awareness actions.
- Guidance.
- Training.
- Digital solutions.

The Commission also uses appropriate measures to address the main weaknesses identified through its controls, taking into account the recommendations made by the Parliament, the internal auditor and the Court of Auditors.

In addition, the Commission takes into account the lessons learned, in particular on simplification measures, when designing the legal framework for new programmes. This was done, for instance, for the basic acts for the 2021-2027 programming period, and will continue when preparing the post-2027 programming period. As explained above, the impact of simplification measures such as the use of simplified cost options will increase in the years to come, when more expenditure from the 2021-2027 programming period will take place and will have been checked under the rules for this programming period.

Based on the above, the Commission considers that, in 2024, the EU budget was well protected overall. This is confirmed by the internal auditor's overall conclusion ([33]), in which she considered that, during the year, the Commission put in place governance, risk management and internal control procedures which, taken as a whole, are adequate to give reasonable assurance over the achievement of its financial objectives, with the exception of those areas of financial management over which authorising officers by delegation have expressed reservations in their declarations of assurance.

([33]) See Annex 2, Section 3.2 'Work of the Internal Audit Service and overall conclusion'.

Transparent reporting

The Commission reports transparently on the operational and budgetary implementation of the funds it manages. This is done through a wide range of reports and publicly accessible databases, examples of which are given below.

- The Commission's **integrated financial and accountability reporting** brings together comprehensive information on the implementation, performance, results, sound financial management and protection of the EU budget. It includes the final consolidated accounts, this *Annual Management and Performance Report for the EU Budget*, the long-term forecast of future inflows and outflows, the annual internal audit report and the report on the follow-up to the discharge.
- In their **annual activity reports**, the authorising officers by delegation of all 51 Commission departments report on the progress achieved towards their objectives in implementing the funds. They report on the control results, the weaknesses identified in the internal control systems and the measures taken to address them. They transparently mention in their declaration of assurance the reservations for high-risk expenditure or revenues.
- The **Financial Transparency System** web portal is open to those members of the public who are interested in finding out who received funding from the EU budget and the European Development Fund and how much they received under direct management, along with the commitments for entities entrusted to manage the EU budget under indirect management.
- The **NextGenerationEU green bonds dashboard** provides a real-time overview of the measures financed by the NextGenerationEU green bonds and related expenditure. These data demonstrate that the Commission is issuing green bonds in line with the highest standards and the best market practices. In December 2024, the Commission published the NextGenerationEU green bond allocation and impact report. It shows how the proceeds from green bonds have been used and presents the assessment of the climate impact of the measures financed by them, along with the level of compliance with the EU taxonomy.
- **Kohesio** ([34])**, the public platform for the visibility and transparency of cohesion policy funds,** includes the lists of operations published by all the Member States in line with applicable regulatory provisions and is now available in all 24 official EU languages. In May 2024, Kohesio contained information on nearly 2 million projects and some 630 000 beneficiaries supported by the European Regional Development Fund, the Cohesion Fund and the European Social Fund, amounting to over EUR 500 billion worth of total investment. In 2023, Kohesio won the Ombudsman Award for Good Administration in the 'Open administration' category.
- In relation to **natural resources**, transparency of information is achieved at the Member State level through the development and management of national systems and, as applicable, databases accessible through the internet, for example for the identification of land parcels for the agricultural funds, and the regular publication of the beneficiaries of agriculture and maritime, fisheries and aquaculture funds. This was reinforced in 2023 with a new online catalogue of common agricultural policy initiatives ([35]), which provides a transparent overview of all interventions in the strategic plans, as well as the result indicators and planned outputs dashboard, a data explorer with context indicators and a dashboard with the financial allocation to the common agricultural policy specific objectives.

([34]) https://kohesio.eu/.
([35]) Catalogue of common agricultural policy interventions.

- For the **Recovery and Resilience Facility**, the centrepiece of **NextGenerationEU**, a section in the scoreboard displays the data reported by Member States on the 100 final recipients that receive the largest amount of funding under the facility. The Commission has also published methodological notes on the scoreboard to transparently explain the pillar tagging methodology and the methodology to calculate disbursements for each pillar. The scoreboard also includes a map that provides examples of reforms and investments supported by the Recovery and Resilience Facility in the different EU Member States. It is not an exhaustive database of projects supported by the Facility and is regularly updated as the implementation progresses.

For the Recovery and Resilience Facility under NextGenerationEU, control results confirm the satisfactory fulfilment of all milestones and targets for the payments made in 2024

For the Recovery and Resilience Facility, the Commission has put in place a dedicated control environment. This control set-up ensures on the one hand that the Member States put in place an effective control system for the protection of the EU's financial interests, as per the requirements of Regulation (EU) 2021/241, and on the other that the payments to the Member States are legal and regular.

All of the audit and control milestones and targets have been assessed as fulfilled for all Member States that had received a payment by the end of 2024 and for which such milestones and targets had been added to the national recovery and resilience plan. Particular attention was paid to the achievement of the milestones and targets added in relation to the Member States' arrangements to ensure the protection of the financial interests of the EU. Some Member States also made follow-up commitments to ensure compliance with the requirements in respect of management and control systems. The Commission took the opportunity of the revision of the recovery and resilience plans in 2023 to propose new audit and control milestones where this was deemed necessary ([36]). The Commission did not propose further audit and control milestones in the 2024 revisions ([37]). In 2025, to date one additional audit and control milestone was proposed. Significant progress has been made, with 50 audit and control milestones (out of 83) already assessed as satisfactorily fulfilled. However, the assessment of five audit and control milestones is still ongoing, and 28 remain to be assessed once the concerned Member States submit the corresponding payment requests. Member States cannot receive payments, except for pre-financing, until these milestones and targets are fulfilled.

In **2024**, the Commission has carried out **two additional system audits** on Protection of the Financial Interests of the Union (Belgium and Lithuania). Two targeted audits were also carried out in the first months of 2025 (France and Ireland), with a specific focus on public procurement and State aid. By end of May 2025, the Commission performed 33 system audits, covering all Member States and 181 entities such as ministries or agencies, selected on a risk basis. In the context of these system audits, the Commission notably verified whether Member States regularly check compliance with public-procurement and State-aid rules, including the effectiveness of such checks and covered procedures to avoid double funding between the Recovery and Resilience Facility and other EU programmes. Overall, a gradual improvement in the implementation of internal control systems was noted across the audited implementing and coordinating bodies. Member States have started to implement the necessary improvements stemming from audit findings in the audited implementing bodies. In some instances, the audit and control milestones provided an additional incentive for Member States to react to audit recommendations in a timely manner.

([36]) Ten audit and control milestones and targets added in seven revised recovery and resilience plans.
([37]) Seventeen recovery and resilience plan revisions were adopted, three of which included REPowerEU chapters.

The Commission also carried out an assessment of the Member States' compliance with their obligation to check regularly that the financing provided has been used in accordance with applicable rules, including compliance with rules for public procurement and State aid, where applicable.

In relation to legality and regularity, the Commission's control results confirm the satisfactory fulfilment of all milestones and targets for the payments made in 2024. These results are based on the Commission's careful assessment ([38]) of the evidence provided by the Member States to substantiate the fulfilment of milestones and targets, along with the management declarations and audit summaries accompanying each payment request submitted and paid in 2024. This allowed a very small number of milestones and targets ([39]) to be identified that had not been achieved at the time the payment requests were submitted, and for which suspensions of payments were applied in accordance with the methodology adopted in February 2023 ([40]), for a total amount of EUR 461 million. This assessment was supplemented by on-the-spot audits ([41]) after the payments had taken place, and by considering, where acceptable, the ECA's audit results in the context of its Statement of Assurance 2024 ([42]).

The responsible authorising officer by delegation reported that they had reasonable assurance of the legality and regularity of the payments made in 2024 for the Recovery and Resilience Facility, based on the results of the controls carried out based on clearly established criteria. The Commission concluded that all payments made in 2024 were considered to be at a low level of risk of error. In addition, regarding the compliance of the use of funding received with all applicable rules, and the obligation to correct cases of fraud, corruption, conflict of interest or serious breach of an obligation resulting from the financing and loan agreements only one Member State ([43]) was found to be at a high level of risk for which a reservation was issued. All other Member States were assessed at either a medium level of risk or a low level of risk.

The conditionality regime continues to contribute to the protection of the EU's financial interests

Since 2021, with the entry into force of the Conditionality Regulation ([44]), the EU budget has had an additional layer of protection in cases where breaches of the principles of the rule of law in a Member State affect or seriously risk affecting EU financial interests in a sufficiently direct way. The rule of law is one of the founding values of the EU, and respect for it is also key for the sound financial management of the EU budget and the effective use of EU funding. The conditionality regulation complements other tools and procedures to protect the EU budget, for example checks and audits or financial corrections under sectoral rules, including those put in place by the Recovery and Resilience Facility

([38]) In its assessment, the Commission retains a margin of discretion as regards a limited number of circumstances where minimal deviations linked to the amounts, formal requirements, timing or substance can be accepted.

([39]) Six milestones and targets were assessed as not being satisfactorily fulfilled at the time of payment in five Member States: Belgium, Czechia, Spain, Italy and Cyprus. In the cases of Belgium and Italy, while suspension decisions were adopted, the suspensions have since been lifted as the recovery and resilience plans were subsequently revised.

([40]) 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, COM(2023) 99 final, 21 February 2023, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023DC0099.

([41]) In 2024 the Commission carried out 17 audits on milestones and targets (some of them were also combined with systems audits). These audits are carried out on a risk basis, usually covering 100% of high-risk milestones and targets, along with some medium-risk milestones and targets.

([42]) For clearing letters received and assessed by end of May 2025.

([43]) Two individual cases of conflict of interests were detected during DG Economic and Financial Affairs audits. The financial amount at risk for the two projects amounts to EUR 17.49 million, representing 0.65% of the relevant expenditure in 2024 for this Recovery and Resilience Facility segment to Czechia.

([44]) 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, 22.12.2020, ELI: http://data.europa.eu/eli/reg/2020/2092/oj.

Regulation [45] and by the Common Provisions Regulation [46] governing several EU funds, or investigations by the European Anti-Fraud Office.

The Conditionality Regulation allows the EU to take measures to protect the EU budget, for example through the suspension of payments or financial corrections. Where the conditions set by the regulation are met, the Commission must propose that the Council adopt appropriate and proportionate measures in relation to the Member State concerned. The Council decides on the adoption of measures by qualified majority. If measures are adopted, only the Member State concerned should be affected: the relevant EU programmes should continue to be implemented, and the Member State remains bound to fulfil its obligations, including that of paying final recipients.

In 2024, the Commission continuously monitored the situation in all 27 Member States and followed up on the ongoing case of Hungary. In December 2022, the Council adopted a decision containing protective measures under the Conditionality Regulation [47], regarding Hungary, which committed to adopting a number of remedial measures. In December 2024, Hungary formally notified the Commission of some legislative amendments. However, the Commission found that these legislative amendments did not adequately address the outstanding concerns and therefore the Commission did not propose any lifting or adaptation of the protective measures [48].

Management conclusion

The Commission ensures that the EU budget serves EU citizens. Thanks to the effective tools in place and the proactive management of the EU budget, the Commission has been able to deliver on its policy objectives and respond to multiple unforeseen challenges. The Commission has provided its beneficiaries, implementing partners and the Member States with the appropriate flexibility to respond to unforeseen circumstances, while ensuring sound financial management and maintaining an appropriate level of assurance on the management of the EU budget.

Flexibility and sound financial management will figure prominently in the Commission's proposals for the post-2027 multiannual financial framework. As set out in the Commission's Communication on the road to the new multiannual financial framework [49], the current EU budget continues to deliver but is rapidly approaching its limits. The EU budget must continue to balance predictability for long-term investments and flexibility to respond to crises, but the current complexity and structural rigidity in the EU budget are ill-suited to a highly volatile geopolitical environment in which it is impossible to predict tomorrow's priorities today. A much more streamlined and flexible budget will be needed for the future, which

[45] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, ELI: http://data.europa.eu/eli/reg/2021/241/oj.

[46] Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy, OJ L 231, 30.6.2021, ELI: http://data.europa.eu/eli/reg/2021/1060/oj.

[47] Council Implementing Decision (EU) 2022/2506 of 15 December 2022 on measures for the protection of the Union budget against breaches of the principles of the rule of law in Hungary, OJ L 325, 20.12.2022, ELI: http://data.europa.eu/eli/dec_impl/2022/2506/oj

[48] Commission Decision of 16.12.2024 pursuant to Article 7(2) of 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, concerning a written notification from Hungary with regard to Article 2(2) of Council Implementing Decision (EU) 2022/2506 of 15 December 2022, C(2024) 9140 final.

[49] Communication from the Commission to the European Parliament, the European Council, the Council, the European Social and Economic Committee and the Committee of the Regions – The road to the next multiannual financial framework. COM(2025)46 final, 11.02.2025, ELI: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025DC0046.

will also continue to provide the predictability and stability, as well as robust financial controls, that are the foundation stones of the EU budget.

For 2024, all authorising officers by delegation have provided reasonable assurance, qualified with reservations where appropriate. The annual activity reports demonstrate that all Commission departments have put in place solid internal control systems and provide evidence of the actions taken to address issues and weaknesses identified, improve cost-effectiveness, further simplify the rules and adequately protect the budget from fraud, errors and irregularities.

The internal auditor, in her overall conclusion, considered that, in 2024, the Commission had put in place governance, risk management and internal control procedures which, taken as a whole, are adequate to give reasonable assurance over the achievement of its financial objectives, with the exception of those areas of financial management over which authorising officers by delegation have expressed reservations in their declarations of assurance.

Based on the assurances and reservations in the annual activity reports and taking into account the opinion of the internal auditor, the College of Commissioners adopts this *Annual Management and Performance Report for the EU Budget – 2024 financial year* and takes overall political responsibility for the management of the EU budget.