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ANNEXES 1 to 3

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to the

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

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Annex 1 – Performance achievements in 2024

1. Performance of the EU budget

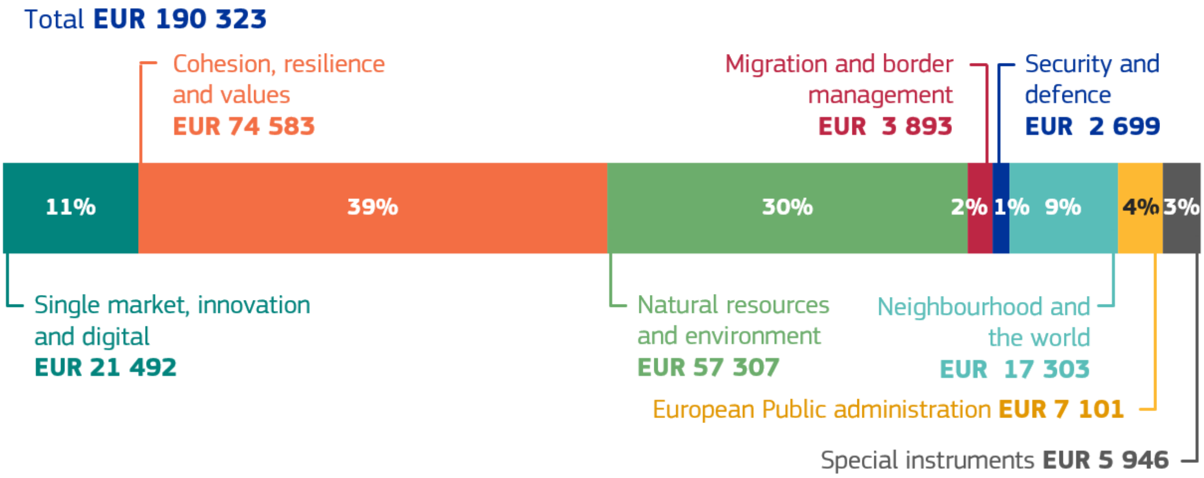
The European Union budget is at the centre of EU policy action. Over the decades, it has helped improve the quality of life and livelihoods of people within the EU and beyond. It drives investment in the future: for a clean, digital and more competitive Europe. At the same time, it has provided a vital lifeline in times of crisis: it helped to overcome a pandemic and save millions of jobs during the lockdowns, assisted people and companies in getting through energy crises and is providing vital and reliable support for Ukraine in the face of Russia's unprovoked and unjustified war of aggression.

The EU budget is an essential tool to deliver on the EU's priorities. Through its programmes, the budget supports the EU's internal and external policies. It creates EU added value by delivering results that would not be achievable through uncoordinated national spending. EU programmes are tailored to unlock synergies, catalyse private and public funding and provide a coordinated boost to the political priorities of the von der Leyen Commission.

Budget implementation in 2024

In 2024 the EU's long-term budget (the multiannual financial framework) and NextGenerationEU continued to prove its capacity to act as the anchor of the EU's policy response to multiple crises – such as Russia's war of aggression against Ukraine, the energy crisis, supply chain disruptions, unprecedented natural disasters and humanitarian crises – while at the same time remaining instrumental to the delivery of the Commission's priorities. To achieve this, EUR 190 billion of commitment appropriations was implemented in 2024 from the 2021-2027 EU budget to promote the EU's sustainability, competitiveness and prosperity, in particular by investing in the green and digital transition. This investment will strengthen the resilience of the EU's social economy, foster job creation and help to build a fairer, more sustainable future for all Europeans.

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



Source: European Commission.

To address urgent challenges and continue to drive the process of economic transition, the EU budget has been boosted by the temporary instrument **NextGenerationEU**. The **Recovery and Resilience Facility** is the centrepiece of NextGenerationEU and provides funding to EU Member States to carry out investment and reforms. From 2021 to 2026, NextGenerationEU is providing **EUR 807 billion** ([1]) of funding across several programmes and priorities, with a strong focus on the green and digital transitions. **In 2024 the Commission disbursed EUR 110.4 billion of NextGenerationEU funds**, mostly driven by the payments under the Recovery and Resilience Facility amounting to EUR 85.3 billion (EUR 55.9 million in grants and EUR 29.4 billion in loans). This brought total disbursements by the end of 2024 to EUR 306.1 billion, of which EUR 197.5 billion was in grants (55% of the total EUR 359 billion allocated for grants under the financial envelope of the Recovery and Resilience Facility) and EUR 108.7 billion was in loans (37% of the total EUR 291 billion allocated for loans under the Recovery and Resilience Facility envelope).

Monitoring performance

In 2024 EU programmes continued to progress in achieving their key objectives and delivering value for all EU citizens. The progress towards the programme objectives is monitored most notably by means of performance indicators.

The state of implementation varies across financial programmes. In their fourth year of implementation, programmes under direct and indirect management made substantial progress towards achieving their specific objectives. For shared management programmes, such as under the cohesion policy funds, the implementation of the 2021-2027 programmes picked up significantly in 2024, with initial results already becoming available.

For those indicators that could be assessed, the vast majority were considered to be on track to reach their targets by the end of the implementation of the programmes. Detailed information at the programme level is available in the programme performance statements, Annex 4 to this report.

Breakdown of 2021-2027 core performance indicators by progress towards targets

NB: The graph displays progress as measured by the share of the core performance indicators that are on track to meet their respective targets. It does not include indicators for which the results do not allow an assessment at this stage.
Source: European Commission.

During 2024, a number of the EU programmes from the previous programming period (2014-2020) continued to be implemented and to deliver results to EU citizens. Payments totalling EUR 22.8 billion were made in relation to these programmes in 2024. The majority of these payments were associated with cohesion policy (including the European Regional Development Fund, the Cohesion Fund and the European Social Fund). The EU budget is fundamentally an investment-oriented budget, with a primary focus on generating long-term value for the EU. These programmes have continued to advance towards their respective performance targets.

At the same time, it is vitally important that the money spent actually addresses the challenges and delivers the expected results on the ground. The table below shows examples of results from the EU budget achieved under both the 2014-2020 and the 2021-2027 multiannual financial frameworks.

([1]) EUR 807 billion in current prices, EUR 750 billion in 2018 prices.

Examples of results achieved

Climate ([2])

- **45 gigawatt-hours of estimated energy efficiency savings per year from private and public buildings** by the InvestEU programme, cohesion policy funds, the LIFE programme and the Recovery and Resilience Facility, in the 2014-2023 period.
- **98 million tonnes of carbon dioxide equivalent avoided per year, of which more than half was through NextGenerationEU green bond investment.** Additionally, 452 million tonnes of carbon dioxide equivalent reduction are expected from the Innovation Fund projects during the first 10 years of operations.
- **543 additional gigawatt-hours of renewable energy capacity was installed** by the InvestEU programme, cohesion policy funds, the LIFE programme and the Recovery and Resilience Facility, in the 2014-2023 period.

Digital

- **16.2 million additional dwellings were provided with internet access** via very-high-capacity networks by the Recovery and Resilience Facility by the end of 2024.
- **5 000 terabits per second of additional capacity** were created by deployed backbone networks, including submarine cables, by the Connecting Europe Facility by the end of 2024.

Employment

- **24 million individuals** were supported in obtaining skills relevant to employment and 415 000 jobs were created or maintained between 2021 and 2024 with support from the EU budget ([3]).
- **690 000 participants found a job (including becoming self-employed) and 1 million people gained a qualification** thanks to the European Social Fund Plus by the end of 2024.

The performance analysis in the next section of this annex describes how EU programmes have contributed to the political priorities of President von der Leyen. The third section of this annex, Horizontal policy priorities in the EU budget, provides information at the EU budget level on the financing of initiatives relating to climate, biodiversity, gender equality, the digital transition and the sustainable development goals ([4]). Lastly, Annex 4, Programme performance statements, provides a detailed analysis of the individual programmes and their performance, presented as a website to enhance reader friendliness.

([2]) Aggregated data of core performance indicators, reflecting estimated and expected impact from the EU budget project as from 2014.

([3]) Financed by the following 2021-2027 programmes: Fiscalis; customs programme; European Maritime Fisheries and Aquaculture Fund; Recovery and Resilience Facility; Euratom; European Social Fund Plus; Just Transition Mechanism; Erasmus+; European Globalisation Adjustment Fund for Displaced Workers; Creative Europe; European Solidarity Corps; justice programme; Asylum, Migration and Integration Fund; Internal Security Fund; Horizon Europe; InvestEU; single market programme; digital Europe programme; regional policy; European Agricultural Guarantee Fund.

([4]) As provided for in point 16(d–g) of the interinstitutional agreement for the 2021-2027 multiannual financial framework.

Making performance information more reliable

The European Commission places great importance on the reliability of its performance information and continually works to further improve its already **robust processes for performance reporting**. To maintain high standards, data on core performance indicators are recorded and managed through a dedicated SAP-based database that incorporates automatic quality control rules to strengthen data quality and reliability. In addition, climate-related contributions from the EU budget are directly estimated using data extracted from the Commission's accounting system, ensuring traceability and precision.

In 2024 the Commission continued to implement and consolidate the strengthened control approach to ensure the reliability of performance information on EU financial programmes. Commission departments continued to report in their annual activity reports for 2024 (which are an important source of information for this annual management and performance report) on the results of their controls, based on the specific **guidance and requirements developed** in 2023 in response to internal and external audit recommendations. In 2024 no major shortcomings were reported with regard to the reliability of the performance information for their respective financial programmes.

EU budget support for reforms

The EU budget supports reforms alongside investment in Member States and partner countries. While investment finances tangible projects that promote growth and development, reforms serve as enablers, helping enhance the impact and effectiveness of investment, and act as catalysts for change and for aligning policies with the EU's strategic priorities.

Within the EU, the synergy between reforms and investments is particularly embodied in the Recovery and Resilience Facility, the performance-based instrument at the core of NextGenerationEU. The Recovery and Resilience Facility requires Member States to submit recovery and resilience plans that combine investments and reforms, with funding disbursed based on the achievement of predefined milestones and targets. In addition, several EU programmes have built-in conditionalities to ensure that EU money is spent effectively and in line with broader EU objectives. This is notably the case for the cohesion funds, which require robust strategic and regulatory frameworks to be in place before money can flow. Where Member States need support, the Technical Support Instrument provides tailored expertise and guidance to design and implement complex reforms. In external action, the EU uses conditional budget support and investment facilities to promote reforms in neighbouring and candidate countries, along with other partner countries.

Recovery and Resilience Facility, the centrepiece of NextGenerationEU

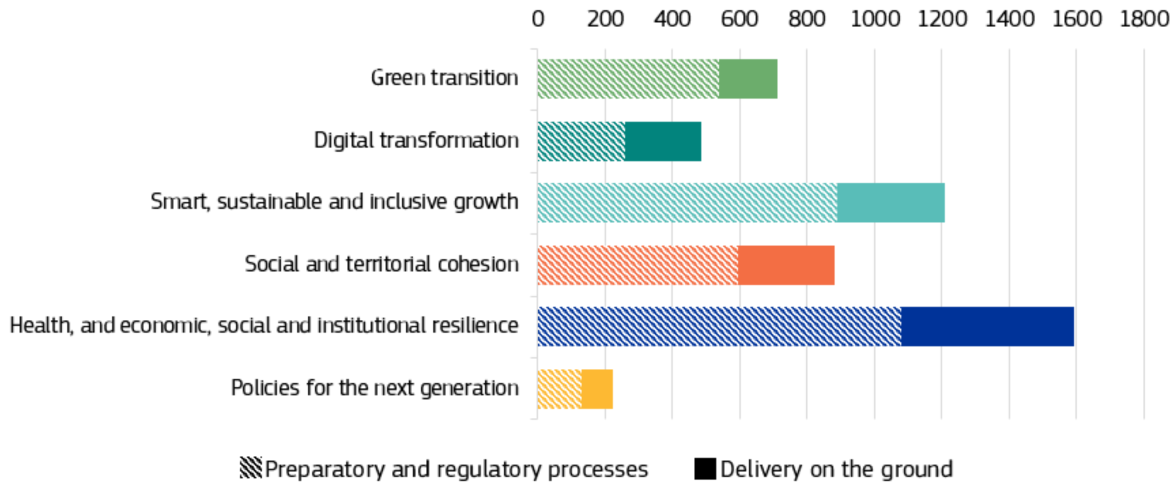
The midterm evaluation of the Recovery and Resilience Facility highlighted the key role played by the Recovery and Resilience Facility in supporting reforms in Member States. The Recovery and Resilience Facility introduced new stimulus and financial incentives for implementing critical and long-awaited reforms, thanks to the regulatory requirements and the novel link between reforms and investment.

Reform measures under the Recovery and Resilience Facility are distributed across its six policy pillars, with a greater number of measures under the pillars covering growth and resilience-enhancing policies (see chart 'Milestones and targets per Recovery and Resilience Facility pillar associated with reforms' below). The pillars represent EU priorities consistent with the Council country-specific recommendations addressed to Member States in the context of the European semester.

Overall, the level of implementation has accelerated with the recovery and resilience plans in place. In the four years preceding the Recovery and Resilience Facility, the share of 2016-2017 country-specific recommendations that achieved at least 'some progress' increased from 52% after one to two years (2018 country-specific recommendation assessment), to just 58% after four to five years (2021 country-specific recommendation assessment). In contrast, during the recovery and resilience plan implementation period, the share of 2019-2020 country-specific recommendations reaching at least 'some progress' increased from 52% in 2021 to 75% in the 2024 country-specific recommendation assessment.

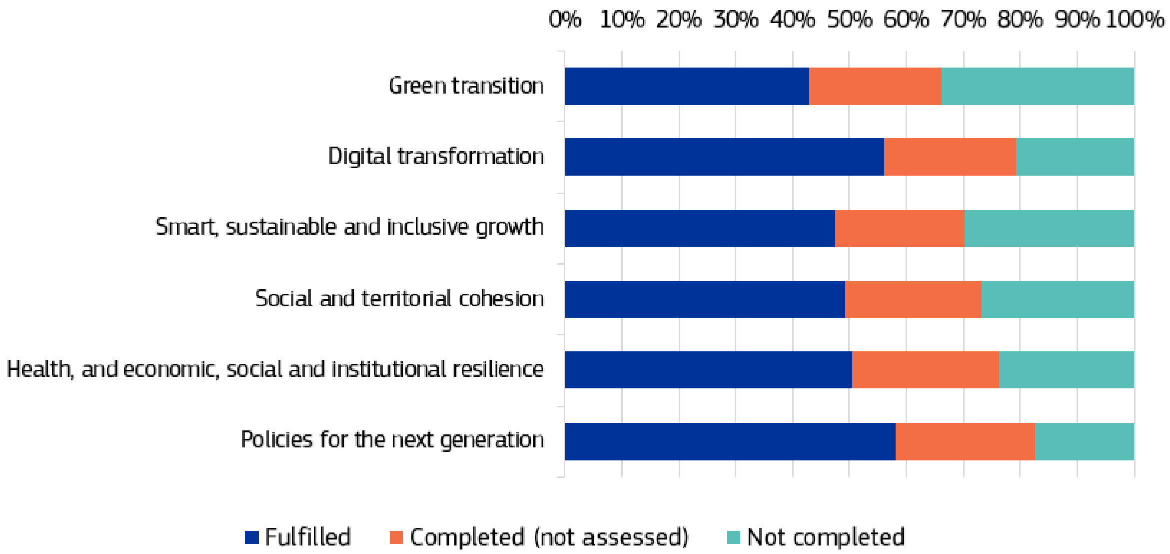
The graph 'Milestones and targets per Recovery and Resilience Facility pillar associated with reforms' below shows the number of reform milestones and targets per Recovery and Resilience Facility pillar, categorised as 'preparatory and regulatory process' or 'delivery on the ground'. The following two graphs show the implementation status of these milestones and targets based on the same classification: 'preparatory and regulatory process' (second graph) and 'delivery on the ground' (third graph).

Milestones and targets per Recovery and Resilience Facility pillar associated with reforms



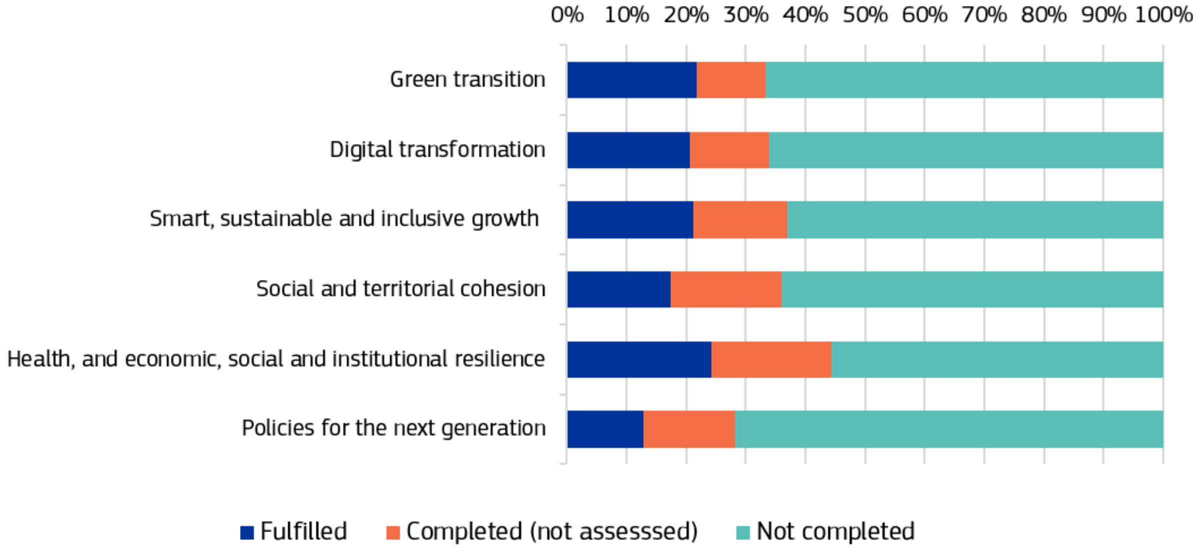
NB: The graph shows the number of reform milestones and targets per Recovery and Resilience Facility pillar categorised as 'preparatory and regulatory process' or 'delivery on the ground'.
Source: European Commission.

Status of milestones and targets related to 'preparatory and regulatory processes'



NB: The graph shows the percentage of reform milestones and targets related to 'preparatory and regulatory processes', based on their implementation status: 'fulfilled', 'completed (not assessed)' or 'not completed'.
Source: European Commission.

Status of milestones and targets related to ‘delivery on the ground’



NB: The graph shows the percentage of reform milestones and targets related to ‘delivery on the ground’, based on their implementation status: ‘fulfilled’, ’completed (not assessed)’ or ‘not completed’.

Source: European Commission.

Cohesion funds

Under cohesion policy, the enabling conditions mechanism ensures that the necessary conditions for the effective and efficient use of the funds are in place in a Member State and are linked to:

- policy and strategic frameworks, to ensure that the strategic documents at the national and regional levels that underpin investment from the funds are of high quality and in line with standards commonly agreed by Member States at the EU level;
- regulatory frameworks, to ensure that the implementation of operations co-financed by the funds complies with the EU *acquis*.

The progress of the fulfilment of these conditions since the programmes were adopted in 2022 is significant: currently only 2.7% of the European Regional Development Fund, Cohesion Fund and ESF+ allocations remain blocked by unfulfilled enabling conditions.

Technical Support Instrument

In 2024 the Technical Support Instrument continued to support smart, sustainable and socially responsible reforms across a wide range of policy areas while strengthening all types of administrative capacities, especially the internal administrative mechanisms for reforms across the EU. For example, in terms of public investment and infrastructure and as a result of a Technical Support Instrument project, Romania published guidelines on public–private partnerships to help local and national authorities successfully launch and implement investment projects.

Over the years, an increasing share of Technical Support Instrument projects have helped Member States carry out reforms at the regional and local levels in line with EU priorities. In 2024 the Member States demonstrated their interest in strengthening cooperation at the regional level through various Technical Support Instrument projects, including support provided to 10 regions in five Member States to enhance EU mining in regional ecosystems to support the green transition and secure mineral raw materials supply.

Furthermore, in 2024 the Technical Support Instrument helped Member States to design reforms necessary for the implementation of their national recovery and resilience plans. Technical Support Instrument assistance has taken the form of general support, which is horizontally applicable for the smooth implementation of the plans, and thematic support, which targets specific reforms and investment in the recovery and resilience plans. As an example of a successful project, the Technical Support Instrument supported Croatia in reducing water losses by developing a national loss reduction action plan and recommendations on how to monitor the performance of water companies.

External action

The **Instrument for Pre-accession Assistance III** is designed as a performance-based instrument. This focus on performance is particularly aimed at incentivising beneficiaries to commit to fundamental reforms. The programme adjusts the scope of support based on the progress of each beneficiary, thereby encouraging continued reform efforts. The performance-based approach is embedded in the annual bilateral programming process. The assessment of performance is done as a global assessment, taking into consideration the Commission's annual enlargement reports, external expert assessments, the track record in implementing ongoing measures, reporting against the indicators set under the Instrument for Pre-accession Assistance III results framework and other sources.

In the case of the plan under the **Ukraine Facility**, the Council of the European Union's implementing decision on the approval of its assessment sets out a detailed roadmap of conditions, in the form of qualitative and quantitative steps linked to reforms and investment. Fulfilment of these conditions can trigger direct EU support for Ukraine's budget (Pillar I of the Ukraine Facility). The plan includes 151 steps organised around 15 sectoral chapters. For example, in relation to the fight against corruption, Ukraine increased the staff of the Specialised Anti-Corruption Prosecutor's Office and passed important amendments to the Criminal Code and the Criminal Procedure Code; in particular, the legal framework of plea bargaining improved significantly.

In2024 Ukraine fulfilled a total of 23 steps across several areas:

- the fight against corruption and money laundering (5 steps);
- public financial management (4 steps);
- energy (3 steps);
- business environment (3 steps);
- agri-food (2 steps);
- the green transition and environmental protection (2 steps);
- decentralisation and regional policy; human capital; management of state-owned assets; judicial system (1 step each).

Regarding the **Reform and Growth Facility for the Western Balkans**, measures undertaken through the programme will be based on the reform agendas of each beneficiary. These agendas outline a comprehensive, coherent and prioritised set of targeted reforms and priority investment areas for each beneficiary. These include payment conditions that indicate satisfactory progress or completion of related measures, along with an indicative timetable for implementation. The reforms focus on key socioeconomic reform areas and the fundamentals of the enlargement process.

In delivering on the **Global Gateway** through **the Neighbourhood, Development and International Cooperation Instrument – Global Europe**, the Commission promotes investments in the five Global Gateway priority sectors as well as reforms that improve the investment climate in partner countries, in line with EU priorities in each country and with due complementarity with all Team Europe stakeholders. Reforms range from good governance (e.g. public procurement, public investment management, debt management, or institutional reforms) to enablers for successful Global Gateway flagship investments and projects (e.g. upgrading the regulatory framework for the production/commercialisation of solar or wind power, or for operators in strategic transport corridors) ([5]).

Incentives for reforms are provided by the favourable financing conditions offered through the European Fund for Sustainable Development Plus to back public or private investment, through budget support or due to technical assistance fostering domestic capacities for reforms. In Armenia, Egypt and soon Moldova, this effort to promote reforms is complemented by dedicated comprehensive partnerships or performance-based facilities that condition the disbursement of payments on the achievement of agreed reform steps. In the neighbourhood region of the EU, macrofinancial assistance financed by the Neighbourhood, Development and International Cooperation Instrument – Global Europe plays an equally important role in promoting reforms.

([5]) For examples, see Joint communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank – Building sustainable international partnerships as a Team Europe, JOIN(2024) 25 final of 2 October 2024, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52024JC0025 and European Commission: Directorate-General for International Partnerships, *2024 annual report on the implementation of the European Union's external action instruments in 2023*, Publications Office of the European Union, Luxembourg, 2024, https://data.europa.eu/doi/10.2841/776587.

Current values under the Neighbourhood, Development and International Cooperation Instrument – Global Europe from the global Europe results framework:

- 20 countries supported by the EU to strengthen revenue mobilisation, public financial management and/or budget transparency (GERF 2.19);
- 16 countries and cities with climate change and/or disaster risk reduction strategies developed or under implementation (GERF 2.5);
- 3 countries supported by the EU to strengthen the investment climate (GERF 2.16);
- 215 government policies developed or revised with civil-society organisation participation through EU support (GERF 2.29);
- 5 countries supported by the EU to conduct elections and/or improve their electoral process (GERF 2.26).

2. EU budget delivery in 2024

A prosperous and competitive EU

Europe has always been a continent of industry, enterprise and innovation … we now need to go much faster and further to ensure competitiveness, prosperity and fairness [6].

Ursula von der Leyen

President of the European Commission

Supporting a clean, innovative and competitive industry

The EU budget has provided strong support to the EU's industrial sector, aiming to make it competitive, innovative, climate neutral and clean. This is particularly important in a context of high energy prices brought about by Russia's war of aggression against Ukraine. For example, the **REPowerEU** plan was set up to reduce the EU's reliance on Russian energy and to accelerate the clean transition. By the end of 2024, REPowerEU had provided EUR 10 billion in prefinancing to 21 Member States. Moreover, the EU's Recovery and Resilience Facility funded the installation of over 106 gigawatts in additional renewable energy capacity between 2021 and 2024 [7].

Moreover, the EU, by means of the Innovation Fund, has been contributing to bringing low-carbon technologies to the market and to supporting industry in the transition to net-zero greenhouse gas emissions. The fund built a portfolio of 200 projects supported by a total of approximately EUR 12 billion in grants. This targeted support helps to ensure that new solutions are available to decarbonise hard-to-abate sectors such as cement and steel manufacturing, while also supporting the EU-based manufacturing of low-carbon technologies from batteries to wind turbines to heat pumps.

The Innovation Fund is also helping to finance the EU's move towards greater use of renewable hydrogen. In 2024, under the first EU-wide renewable hydrogen auction, with a budget of EUR 800 million to support producers of renewable energy with a fixed payment per kilogram of certified and verified renewable hydrogen produced, six projects, located in Finland, Norway, Portugal and Spain, signed grant agreements. The second auction, with a budget of EUR 1.2 billion, opened in December 2024 and attracted 61 bids from 11 countries in the European Economic Area. The aim is to support the creation of a market for renewable hydrogen in Europe, contributing to the replacement of fossil fuels with a carbon-neutral alternative in heavy industry and transport.

The Modernisation Fund is another source of EU support, aimed at the modernisation of energy systems, along with the reduction of greenhouse gas emissions in industry and the energy and transport sectors. In 2024 the fund provided a total of EUR 5.6 billion in support for 77 projects in

(6) von der Leyen, U., 'Europe's choice: Political guidelines for the next European Commission 2024-2029', 18 July 2024, https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en?filename=Political%20Guidelines%202024-2029_EN.pdf.

(7) European Commission: Secretariat-General and Directorate-General for Economic and Financial Affairs, 'Common indicator 2: Additional operational capacity installed for renewable energy', European Commission recovery and resilience scoreboard, 7 May 2025, https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/RRFCI02.html.

11 Member States. The total investment through the Modernisation Fund from January 2021 until December 2024 reached EUR 15.4 billion.

Horizon Europe, the EU's flagship research programme, plays a pivotal role in fostering the EU's competitiveness. In 2024 about EUR 13 billion was committed under the programme. These budget commitments to Horizon Europe in 2024 helped to support, among other things:

- 91 projects addressing sustainable food, bioeconomy, natural resources, agriculture and the environment, with an EU contribution of over EUR 450 million ([8]);
- 31 projects on research infrastructure, totalling over EUR 220 million in EU contribution ([9]);
- EUR 678 million in grants to support outstanding scientists and scholars as they establish their independent research teams and develop their most promising scientific ideas ([10]).

Another instrument to support research under Horizon Europe is the European Innovation Council, designed to help bridge the venture capital gap in Europe. It provides funding directly to individual companies, mainly start-ups and small and medium-sized enterprises. The European Innovation Council portfolio already comprises investment in over 500 of Europe's most promising start-ups and high-growth companies. In 2024 over EUR 500 million was invested in European Innovation Council companies for research into new approaches to detect and treat cancer with breakthrough biotechnology and medical technologies ([11]).

Cohesion policy also supports investments in research, innovation, digitalisation, competitiveness, skills and digital connectivity, with an aim of achieving a more competitive and smarter Europe, promoting innovative and smart economic transformation. Moreover, the Interregional Innovation Investments Instrument, under the European Regional and Development Fund, supports **interregional innovation projects** in their **scale-up and commercialisation** phases. It helps overcome **regulatory and market barriers**, bringing projects to **investment level** targeting the EU value chain.

Moreover, the EU has also been investing in the development of nuclear fusion technology. By investing EUR 4.6 billion over the current multiannual financial framework, the EU is financing the construction and future operation of the ITER project, alongside its international partners, the EU leads the largest international research project in the world. The project aims to demonstrate the feasibility of fusion as a carbon-free source of energy, and thus has the potential to play a decisive role in the decarbonisation of our economies

Catalysing private investment

The InvestEU programme is a powerful driver of private investment, focusing on guarantees for higher-risk investment in key economic sectors, with the aim of supporting innovation and decarbonisation along with the EU's long-term competitiveness. The programme does so via multiple channels. It is strategically **deploying public funds to de-risk and catalyse investment**, building and shaping markets by investing in emerging technologies (e.g. space, dual-use technologies, semiconductors, the blue economy, quantum computing), pioneering new targeted financial products and offering comprehensive advisory

([8]) European Commission, Horizon Europe dashboard
([9]) European Commission, Horizon Europe dashboard
([10]) European Research Council, 'Consolidator grants: ERC awards €678m in grants to back excellent research across Europe', European Research Council press release, 3 December 2024, https://erc.europa.eu/news-events/news/erc-2024-consolidator-grants-results.
([11]) European Commission: European Innovation Council and SMEs Executive Agency, *Scaling Deep Tech in Europe – European Innovation Council – Impact report 2025*, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2826/1391424.

services to build market and institutional capacity. The programme aims to trigger EUR 372 billion. By the end of 2024, EUR 283.4 billion [12] had been mobilised, and the amount of EU guarantees provided under the programme totalled over EUR 22 billion, covering operations such as:

- EUR 30 million in counter-guarantees to help a regional German bank provide financing to small and medium-sized enterprises focused on innovation and sustainability [13];
- a guarantee for a EUR 200 million loan from the European Investment Bank to a European household appliance maker aimed at the development of more energy-efficient household appliances [14];
- a guarantee for a EUR 30 million loan from the European Investment Bank to a Spanish start-up aimed at the deployment of a low-Earth-orbit satellite constellation to improve internet connectivity [15].

Cohesion policy also provides support to small and medium businesses, low carbon economy and climate objectives, research innovation and territorial development. Within 2021-2027 programmes, EUR 18.5 billion are committed through financial instruments for revenue generating and cost saving investments:

- nearly EUR 8.5 billion will be invested in SMEs in the form of loans or equity with the aim of improving access to finance, which is still a hurdle for many start-ups and growing businesses;
- EUR 1.7 billion for investments in research and innovation and EUR 417 million in digitisation;
- EUR 6 billion supporting investments in energy efficiency and for renewable energy.

The EU's State aid rules also support the new strategic technologies for Europe platform (STEP), in place since 1 March 2024, by allowing Member States to grant higher levels of regional aid to investment projects covered by the platform. In addition, the platform supports projects that foster the skills necessary to develop critical technologies. In total, EUR 50 billion in public and private investment is expected to benefit from coordination under STEP. More information on STEP can be found in Section 4 of this annex.

Finally, 'important projects of common European interest' are key in facilitating cross-border industrial collaboration and building novel industries through State aid control. In 2024 three new projects were approved, on hydrogen and healthcare products, in addition to six existing ones. In total, the State aid approved to be provided by Member States, along with the expected private investment into research and development of the nine integrated projects so far, adds up to over EUR 91 billion.

(12) EU Compartment only.
(13) European Investment Fund, 'EIF supports L-Bank in offering a guarantee programme for small and medium sized companies in Baden-Württemberg', European Investment Fund press release, 12 December 2024, https://www.eif.org/InvestEU/news/2024/eif-supports-l-bank-in-offering-a-guarantee-programme-for-small-and-medium-sized-companies-in-baden-wuerttemberg.htm.
(14) European Investment Bank, 'European household appliance maker Electrolux Group gets €200 million EIB loan for greener goods', European Investment Bank press release, 23 December 2024, https://www.eib.org/en/press/all/2024-525-european-household-appliance-maker-electrolux-group-gets-eur200-million-eib-loan-for-greener-goods.
(15) European Investment Bank, 'Spain: EIB finances with €30 million Sateliot's satellite network rollout to provide IoT connectivity in low coverage areas' European Investment Bank press release, 4 December 2024, https://www.eib.org/en/press/all/2024-486-eib-finances-with-eur30-million-sateliot-s-satellite-network-rollout-to-provide-iot-connectivity-in-low-coverage-areas.

Making business easier in the EU

The single market programme, with over EUR 600 million allocated for 2024, is the EU funding programme to help the single market reach its full potential and ensure Europe's recovery from the COVID-19 pandemic. The programme supports the design, implementation and enforcement of EU legislation underpinning the proper functioning of the single market for goods and services. It helps to drive the digitalisation of services and business operations, and to facilitate market access and international cooperation, especially in the areas of company law, contract and extra-contractual law, anti-money laundering, free movement of capital, financial services and competition, consumer protection and product safety. In 2024, 3032 entrepreneurs (including young, new and female entrepreneurs, and other specific target groups) benefitted from mentoring and mobility schemes under the Erasmus for young entrepreneurs exchange programme, financed by the single market programme.

Strengthening European defence and security

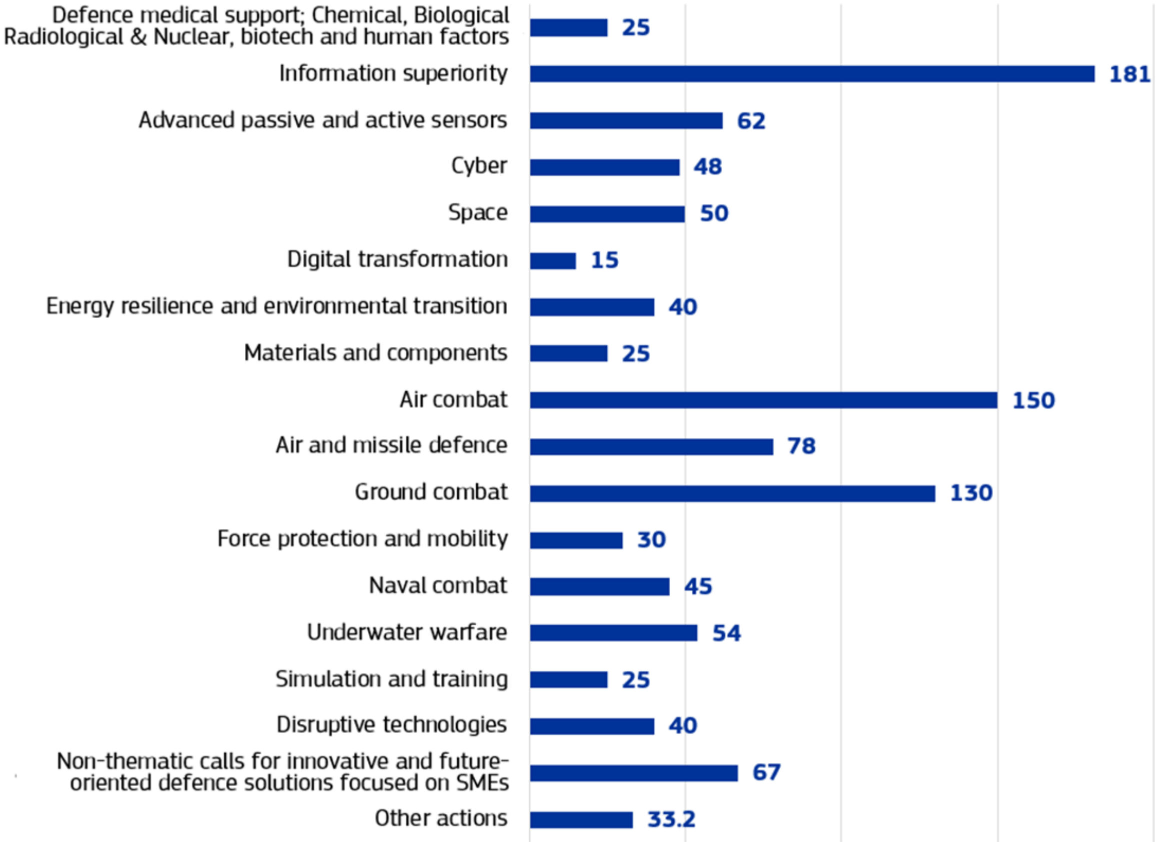
In March 2024, the European defence industrial strategy provided a long-term vision on reinforcing EU defence industry readiness. This is part of the EU's work to enhance its security, resilience and strategic autonomy. To support concrete measures identified in the strategy, the EU proposed a regulation on the **European defence industry programme**. With a budget of EUR 1.5 billion over the 2025-2027 period, the programme aims to strengthen the EU's security of supply for defence equipment. It will also prolong and enlarge the scope of the European Defence Industry Reinforcement through Common Procurement Act and of the Act in Support of Ammunition Production.

The European Defence Industry Reinforcement through Common Procurement Act has been providing a key contribution to the modernisation and innovation of the EU's defence industry. In 2024 the Commission selected five projects through the act in critical areas: ammunition, air and missile defence and platforms and replacement of legacy systems. Each of these five projects will receive EUR 60 million, to support Member States to jointly procure urgent defence equipment.

Through the Act in Support of Ammunition Production, the EU is helping to increase ammunition production. Under the act, in 2024, the Commission awarded grants to 31 project proposals with a portfolio budget of EUR 500 million to ramp up EU production capabilities in ammunition.

The European Defence Fund is the EU's flagship initiative to support defence research and development. The fund boosts space- and defence-related efforts by actively supporting EU innovation on key defence priorities for Member States. In 2024 the fund calls covered a wide range of critical defence capabilities thanks to **funding awards of more than EUR 1.1 billion**. In May 2024, the Commission awarded 61 defence industrial projects under the 2023 European Defence Fund call for proposals. Small and medium-sized enterprises represented 42% of all entities selected, with 18% of the total funding.

European Defence Fund budget per category of action in 2024 (million EUR)



NB: SMEs = small and medium-sized enterprises.
Source: European Commission.

In 2024 the Commission continued implementing the EU space strategy for security and defence, and launched the European partnership for globally competitive space systems, aiming at fostering the competitiveness of the EU's space industry. In total, EUR 100 million of EU funding will be allocated to the topics proposed by the partnership in the domains of satellite communication, Earth observation and space transportation. Private partners are expected to co-invest EUR 120 million, mainly through in-kind contributions.

Supporting people

If we want to lead in the industries of tomorrow – we need workers with the right skills. That means investing in education, particularly in science, technology, engineering and maths. And encouraging more girls and women into these subjects. It also means investing in training and upskilling. The motivation and the need for action are there [16]*.*

Ursula von der Leyen

President of the European Commission

Investing in people

The European Social Fund Plus is the EU's main instrument for investing in people. With a budget allocation **of EUR 96.6 billion for 2021-2027**, the fund provides an important contribution to the EU's employment, social, education and skills policies. The European Social Fund Plus brings together four funding instruments that were separated in the 2014-2020 programming period: the European Social Fund, the Fund for European Aid to the Most Deprived, the youth employment initiative and the European programme for employment and social innovation. Thanks to the European Social Fund Plus, the following results were achieved by the end of 2024:

- 690 000 people had found a job;
- 320 000 people were in education or training, and 1 million people had gained a qualification;
- 620 000 individuals received material assistance, and 2.3 million benefited from food assistance.

Moreover, to support the labour market, the EU introduced EUR 23 million in new funding through the **European Social Fund Plus for innovative projects** aimed at reducing long-term unemployment and helping people find work [17]. This is complemented by the **European Regional Development Fund**, which invests EUR 22 billion in supporting a better life for people in the places that are most in need all across Europe. Through public infrastructure development, equipment, and cross-border cooperation, ERDF supports equal access to quality and inclusive services in employment, education and training, housing, health-, social- and long-term care.

The EU has also been investing in people via the European Globalisation Adjustment Fund for Displaced Workers. It is a special EU instrument, outside of the multiannual financial framework ceilings, to assist workers or the self-employed who were displaced due to restructuring, and to help them find new jobs. As an example, in 2024, over EUR 7.5 million from the fund were mobilised to offer support to some 1,600 workers laid off in Belgium, Denmark and Germany.

The EU has also equipped people to better face the transition towards a climate-neutral economy via the Just Transition Mechanism. The mechanism aims to ensure that nobody is left behind, providing

[16] European Commission: Directorate-General for Communication, 'Press statement by President von der Leyen on the signing of the European Social Dialogue', European Commission press statement, 5 March 2025, https://ec.europa.eu/commission/presscorner/detail/en/statement_25_689.

[17] European Commission: Directorate-General for Communication, *The EU in 2024 – General report on the activities of the European Union*, Publications Office of the European Union, Luxembourg, 2025, p. 108, https://data.europa.eu/doi/10.2775/1406446.

targeted support to alleviate socioeconomic impacts in the most negatively affected regions. It does so by means of the following three pillars.

- The Just Transition Fund, which provides EU budget contributions to territorial just transition plans implemented in all Member States. By the end of 2024, the fund was supporting 70 different plans covering 96 territories across the EU, with EUR 10.2 billion allocated to selected projects.
- The just transition scheme under the InvestEU programme, which provides a budgetary guarantee to help mobilise private sector investment. By the end of 2024, the InvestEU Fund implementing partners reported a total of EUR 6.76 billion of mobilised investment under the Just Transition Mechanism.
- The Public Sector Loan Facility, which combines grants financed from the EU budget with loans from the European Investment Bank. The grant component has a total budget of EUR 1.3 billion, with a contribution of up to EUR 8 billion from the bank. By the end of 2024, seven grant agreements totalling more than EUR 120 million had been signed in Czechia, Greece, France and Sweden, mobilising EUR 1.5 billion in public investment.

Fostering mutual discovery via Erasmus+

The EU budget also invested in people in 2024 by supporting mobility and cooperation in the fields of education, training, and youth and sports via the Erasmus+ programme. This programme, which has a history spanning almost four decades, has been helping to nurture skills, foster cooperation and exchange of practices among organisations, and facilitate mutual discovery across the EU. In 2024 Erasmus+ continued to support transnational learning mobility and to promote cooperation between different kinds of organisations.

Supporting mobility opportunities for all, with a lifelong learning perspective remains the essence and the backbone of Erasmus+. In this regard, the programme supported 1.3 million participants ([18]), including students, learners, professors, teachers, young people and trainers in all sectors, to participate in mobility activities in 2023. ([19])

Regarding its international dimension, Erasmus+ international measures have, in 2024, provided support to around 1 200 international credit mobility projects aiming to provide opportunities to more than 50 000 higher-education students and staff. Through Erasmus Mundus measures, around 147 higher education institutions from 38 countries have been involved in the development of joint international master's degree programmes. Additionally, 2 765 Erasmus Mundus scholarships were granted to students from more than 75 countries. Furthermore, 270 capacity-building projects were selected in 2024 to promote cooperation among institutions and organisations engaged in higher education, vocational education and training, and youth and sport ([20]).

Since the start of Russia's war of aggression against Ukraine, the Erasmus+ programme has supported educational activities and facilitated the integration of people fleeing the war in Ukraine. Participating organisations have been encouraged to tailor their activities to address these challenges effectively. In 2024 this included funding student and staff mobility, cooperation projects and the printing of 1.5 million schoolbooks for 11-13-year-old pupils.

([18]) The total number of people who have benefitted from Erasmus+ since its inception in 1987 exceeds 16.6 million (including provisional data for 2024). More detailed information can be found here: Programme level overview of project data - Erasmus+

([19]) Erasmus+ Annual Report 2023

([20]) Provisional data. The Erasmus+ Annual Report 2024 is due to be published in Q4 2025.

Fostering solidarity through volunteering

The **European Solidarity Corps** provides young people aged between 18 and 30 years (35 in case of humanitarian aid activities) with the opportunity to take part in volunteering and solidarity activities either abroad or in their own country. The programme provides support to young people wishing to engage in solidary activities in a variety of areas, from **helping the disadvantaged and delivering humanitarian aid to contributing to health and environmental action across the EU and beyond**.

The programme focuses, via support for projects and for specific activities, on four priorities: promoting inclusion and diversity; contributing to the green and digital transitions; contributing to democratic participation; and contributing to EU values. In 2024, special emphasis was put on 'fostering positive learning experiences and outcomes for young people with fewer opportunities' and 'relief for people fleeing armed conflicts and other victims of natural or human-made disasters'.

Examples of the impact of the programme on young people, including those with fewer opportunities, include:

- more than 886 000 have registered since the launch of the new-generation programme in 2021, with almost 250 000 registrations in 2023 alone;
- close to 10 000 projects have received programme grants since 2021;
- more than 50% of participants in volunteering activities have been people with fewer opportunities since 2021.

Supporting rural Europe

National plans are the basis for the implementation of the new common agricultural policy, which has been in force since 2023. The Commission continued to work closely with Member States to guarantee the smooth implementation of the plans in 2024. Moreover, the Commission put forward measures to ease the administrative burden on farmers, and proposed targeted legislative changes aimed at simplification, while maintaining the overall orientation of the policy and its role in supporting the transition of European agriculture to sustainable farming.

The common agricultural policy contributes broadly to the wider rural economy, especially in less-developed regions. It also helped to support and stabilise farm income as markets continued to be volatile in 2024. The policy's strategic plans support the socioeconomic development of rural areas by facilitating the establishment of young and new farmers and business development, by promoting employment, business development and basic services for rural populations, and by encouraging participatory local development tools. By 2024, the policy achieved several milestones, such as:

- around 200 000 jobs were created, with the largest contribution coming from interventions supporting the establishment of young farmers;
- over 17 million people who benefited from improved access to various services.

The policy also helped farmers cope with dramatic losses in production and production potential as a result of natural disasters in 2024. Throughout the year, EUR 233 million was provided in support to farmers affected by natural disasters and extreme weather events in Bulgaria, Czechia, Germany, Estonia, Greece, Italy, Austria, Poland, Romania and Slovenia ([21]).

Last year, the Commission also moved ahead with the implementation of the Long-term vision for the EU's rural areas, in particular the EU rural action plan, for which 21 actions were on-going (including facilitating the rural pact) and 9 completed, using funds from a variety of EU policies from and beyond the common agricultural policy (e.g. Cohesion funds, Horizon Europe, ERASMUS +, Connecting Europe Facility, Single market programme). This contributed to amplify rural voices of an ever-growing community, enable networking and collaboration and encourage action from national and regional governments to improve rural well-being.

Furthermore, **Cohesion policy supports rural development as part of its mission to reduce regional disparities**. Cohesion policy support is wide-ranging (innovation, infrastructure, support for SMEs, renewable energies and biodiversity conservation) and it targets predominantly less developed and transition regions. This support is channelled through integrated territorial development strategies, including community-led local development, designed and implemented by respective territorial authorities and local partnerships, strengthening the economic and social fabric of rural areas.

Research and innovation supporting people

Horizon Europe is the EU's main science programme, which aims to promote scientific excellence and generate new knowledge and technologies. For 2024, a total of **over EUR 16 billion** was allocated to the programme. Research and innovation support people by investigating, analysing and providing solutions to current and future challenges, helping to improve people's lives.

A key feature of Horizon Europe is the introduction of strategic plans as programming instruments to steer research and innovation funding, developed by the Commission together with the Member States, associated countries and the European Parliament with input from stakeholders and citizens ([22]). The strategic plans help to steer research and innovation funding within and beyond Europe to tackle key global challenges such as climate change, pollution and loss of biodiversity, the digital transition and an ageing population. The second strategic plan for the period 2025-2027 was adopted in 2024.

In 2024 grants totalling EUR 2.3 billion were awarded by the European Research Council to projects selected based on their scientific excellence, and the Marie Skłodowska-Curie actions made available over **EUR 1.25 billion** to fund cutting-edge research through excellent doctoral and postdoctoral programmes, collaborative research and innovation projects and research fellowships, which will support and provide jobs to about 10 000 talented researchers from all over the world at all stages of their career ([23]).

Moreover, still under Horizon Europe, the European research area talent platform was launched in June 2024. The platform aims to improve conditions for career development and attract and retain researchers in Europe, providing a central hub for accessing career development, funding and international collaboration tools, boosting mobility and career progression across Europe. Additionally, the Commission

([21]) European Commission: Directorate-General for Communication, *The EU in 2024 – General report on the activities of the European Union*, Publications Office of the European Union, Luxembourg, 2025, p. 73, https://data.europa.eu/doi/10.2775/1406446.

([22]) European Commission: Directorate-General for Communication, *The EU in 2024 – General report on the activities of the European Union*, Publications Office of the European Union, Luxembourg, 2025, p. 114, https://data.europa.eu/doi/10.2775/1406446.

([23]) EU in 2024, p.114

launched the **Critical Medicines Alliance** and the **European Health Data Space**, to address respectively industrial dimension of shortages and digital challenges related to health data protection.

The European Regional Development Funds seeks to foster a more competitive and smarter Europe by promoting innovative and smart economic transformation. In this context, it is crucial for regions to have a workforce with the right set of skills to deliver this transformation successfully. The fund thus provides targeted support for developing the specific skills needed for smart specialisation, industrial transition and entrepreneurship Until the end of 2024, the total value of projects selected under cohesion policy funds and the policy objective amounted to **EUR27.3billion,** including **EUR10.47billion** for **enhancing research and innovation**, **EUR11.88billion investments for growth and competitiveness of small and medium-sized businesses** and **EUR253million for smart specialisation**. This investment is, among others, expected to support over 51000 enterprises in their research and innovation activities, around 24500 enterprises introducing new product or process innovation, almost 19600 enterprises investing in new skills, and around 4800 start-ups.

Investing in European culture

The Creative Europe programme is the EU's flagship programme to support the culture and audiovisual sectors, with a budget for the 2021-2027 period amounting to EUR 2.44 billion, with EUR 344.8 million for 2024 alone. The programme is structured in three strands:

- the culture strand, focusing on initiatives promoting and enhancing artistic cooperation at the European level, which published 11 calls in 2024;
- the media strand, aimed at encouraging competitiveness, innovation and sustainability of the European audiovisual sector, which launched 15 calls last year;
- the cross-sectoral strand, fostering innovative measures and collaboration across the audiovisual and cultural sectors as well as support for news media, which carried out 4 calls in 2024.

Under the culture strand, new selections took place for cultural prizes (music, literature, architecture, heritage), for the European networks for cultural and creative organisations, and for the European platforms for emerging artists and the pan-European cultural organisations, **totalling over EUR 85 million**. It also provided about EUR 5 million to translate 530 books originating from 37 different original languages to 29 target languages to facilitate the circulation of European literary works.

Under the media strand, the programme awarded EUR 167 million to audiovisual projects such as films and television series, and the transnational distribution of content across borders and platforms. Thanks to grants to distributors signed in 2021 under European Film Distribution, 554 films reached their audiences across borders by 2024.

The cross-sectoral strand awarded EUR 20 million to projects aimed at innovation (such as innovative approaches to content creation, access and distribution), media literacy and support for the news media sector, including support for cross-border collaborations and for funds that help media of special relevance to democracy, such as local media in news deserts and investigative reporting.

Concrete results of the Creative Europe programme

The Creative Europe programme yielded many positive impacts in 2024, such as:

- by the end of 2024, 6 366 artists and cultural professionals benefited from mobility measures;
- 62 grants for multiannual measures were signed in 2024 to cover the 2025-2027 period for the European networks of cultural and creative organisations, the European platforms for emerging artists and the pan-European cultural entities;
- the 2024 Latvian film Flow, financed by the media strand, won (in 2025) both an Academy Award and a Golden Globe.

In addition, by the end of 2024, the **cohesion policy funds** secured **EUR 1.8 billion of financial support** for **around 3 300 culture and sustainable tourism sites**.

Improving health in the EU

The EU4health programme was adopted as a response to the COVID-19 pandemic and to reinforce crisis preparedness in the EU. The programme aims to address long-term health challenges by building stronger, more resilient and more accessible health systems. It has been allocated EUR 4.4 billion for the 2021-2027 period, with EUR 752 million programmed for 2024. By the end of 2024, the results of the programme included:

- over 2.2 million patients with rare conditions benefited from access to diagnosis and treatment in 24 European reference networks;
- 21 health data access bodies set up or improved;
- 215 000 mpox vaccine doses donated to the Africa Centres for Disease Control and Prevention, amid an urgent outbreak;
- 778 healthcare and public health professionals trained on preparedness and response to cross-border health threats and addressing medical countermeasures.

In 2024 the EU continued to implement the EU cancer plan, the EU's political commitment to turn the tide against cancer. By 2024, 10 direct grants to Member States (six of which were awarded in 2024) were under implementation, supporting cancer-related measures with funds provided via the EU4health programme ([24]). The EU4health's programmed budget for measures related to cancer in 2024 amounted to EUR 115.1 million ([25]).

So far during the current 2021-2027 programming period, the **cohesion policy funds** have contributed with **an investment of EUR 2.83 billion** to the **improved access to healthcare services** benefitting an estimated **19.98 million people** in the EU. The total investment over the entire programming period should amount to EUR 7.42billion benefitting the total of 59 million people.

([24]) Commission staff working document – Review of Europe's beating cancer plan, SWD(2025) 39 final of 4 February 2025, p. 8, https://health.ec.europa.eu/publications/review-europes-beating-cancer-plan_en.

([25]) Annex to the Commission Implementing Decision amending Implementing Decision C(2023) 8524 final on the financing of the programme for the Union's actions in the field of health ('EU4health programme') and the adoption of the work programme for 2024, C(2024) 7871 final of 15 November 2024, p. 8, https://health.ec.europa.eu/document/download/4fb8f72b-eac7-484f-9bab-03c945f59032_en?filename=c2024_7871_annex_en.pdf.

A Europe fit for the digital age

For us to be competitive, Europe must be home to the next wave of frontier technologies (26).

Ursula von der Leyen

President of the European Commission

The EU's digital transformation

The EU has been working to ensure that society benefits from technology and innovation amid the rapidly evolving global digital landscape. With the **2030 digital compass** and the **Digital Decade Policy Programme,** the EU has set a vision and framework to enhance competitiveness and technological leadership as well as human centric digital transformation. As part of this effort, the EU is working to improve citizens' basic and advanced digital skills, to improve the uptake of new technologies (such as artificial intelligence, data analytics and cloud) by EU businesses, to further advance connectivity in the EU, computing and data infrastructure, and to make public services and administration interoperable and available online.

Digital Europe is the main EU programme supporting the EU's digital transformation. It provides **funding for projects** in supercomputing, artificial intelligence, cybersecurity and advanced digital skills, semiconductors and projects promoting the wider use of digital technologies and interoperability across the economy and society. Over **EUR 1.3 billion** was allocated to this programme in 2024.

Budget commitments for the digital Europe programme (million EUR)

Source: European Commission.

The digital Europe programme has also supported the development of the network of cybersecurity competence centres across Europe, which will help to build capacity and expertise in cybersecurity and improve collaboration between Member States. The programme supports the implementation of the EU Cybersecurity Act and the development of cybersecurity certification schemes for ICT products, services and processes. The programme has supported the implementation of various pieces of legislation on cybersecurity, such as the cybersecurity resilience act, the cyber solidarity act, the network and information security directive and the cybersecurity act. The programme has also supported the deployment of innovative cybersecurity solutions, also based on AI and other key digital technologies, paying special attention to public authorities and SMEs. The programme has facilitated the collaboration with Member States

(26) European Commission: Directorate-General for Neighbourhood and Enlargement Negotiations, 'Speech by President von der Leyen at the European Parliament Plenary on the new College of Commissioners and its programme', European Commission news article, 27 November 2024, https://enlargement.ec.europa.eu/news/speech-president-von-der-leyen-european-parliament-plenary-new-college-commissioners-and-its-2024-11-27_en.

to support them through the procurement of advanced cybersecurity equipment, tools and data infrastructures such as the those building up crossborder and national cyber hubs.

Moreover, the digital Europe programme has been providing a key contribution to the European High-performance Computing Joint Undertaking, which aims to develop and deploy world-class supercomputing and data infrastructure in Europe, supporting the procurement and operation of supercomputers, along with the development of associated applications and services.

Supercomputers under the European High-performance Computing Joint Undertaking

Computer	Location	Applications
LUMI	Kajaani, Finland	Artificial intelligence, especially deep learning, and traditional large-scale simulations combined with massive-scale data analytics.
Leonardo	Bologna, Italy	Modular and scalable computing applications and data analysis, and interactive, urgent and cloud-computing applications
MareNostrum 5	Barcelona, Spain	Multipurpose computer, with a special focus on medical applications, drug discovery and digital twins (earth and human body).
MeluXina	Bissen, Luxembourg	Artificial intelligence, digital twins, traditional computational workloads and quantum simulation.
Karolina	Ostrava, Czechia	Artificial intelligence, traditional computational workloads and big data.
Discoverer	Sofia, Bulgaria	Various applications, such as drug discovery, structure-property predictions, material design and drug development, climate forecasting, environmental modelling and machine learning.
Vega	Maribor, Slovenia	Traditional computational workloads, artificial intelligence, big data and large-scale data processing.
Deucalion	Guimarães, Portugal	Traditional computational workloads, artificial intelligence and big data.
Jupiter	Jülich, Germany	Already one of the world’s fastest supercomputers, although not all of its modules have been assembled. Upon completion, it will tackle demanding simulations and compute-intensive artificial intelligence applications, such as training large neural networks like language models in artificial intelligence, simulations for developing functional materials, digital twins of the human heart or brain for medical purposes, validating quantum computers and high-resolution simulations of the climate encompassing the entire Earth system.

Source: European High-performance Computing Joint Undertaking.

The digital Europe programme has also supported the development and deployment of advanced digital skills through initiatives such as the **EU skills agenda**, the **digital education action plan** and the **European Alliance for Apprenticeships**, with an aim of improving digital skills and competences for the digital transformation. The programme is aligned with the Digital Decade policy programme, which sets ambitious targets for the digital transformation of the EU by 2030, providing a framework for the EU and Member States to work together. Targets include ensuring that all citizens have basic digital skills, increasing the share of ICT specialists in the workforce and ensuring that 75% of European businesses make use of cloud services.

Examples of projects funded by the digital Europe programme

The **digital Europe** programme has provided funding to several **impactful projects**, such as:

- two digital twins of the Earth launched in 2024, making it possible to improve the EU's response to major natural disasters, and helping it to adapt to climate change by simulating extreme weather events and long-term climate change;
- 835 **new training programmes** (bachelor's and master's programmes, along with short training courses) in highly specialised fields such as artificial intelligence, cybersecurity and robotics, with over 20 000 students benefiting from them by the end of 2024;
- 26 **security operation centres, including crossborder cyber hubs** established in 2024 across the EU, helping to ensure cross-border cooperation and to enhance situational awareness of cyber threats and incidents in the EU;
- the **first exascale supercomputer in Europe,** Jupiter, which gained its second module in 2024, making it already one of the fastest supercomputers in the world, even though it is running at one twelfth of the power it will have upon its completion.

Research funding has also been spent to help the EU move forward with its digital transformation. Horizon Europe, the EU's key funding programme for science and innovation, has been playing a pivotal role in advancing Europe's digital transformation. Between 2021 and 2024, Horizon Europe funding in digital technologies reached over EUR 11.6 billion.

Furthermore, cohesion policy allocated EUR 40 billion for the 2021-2027 period in support of digital transition efforts across all 2030 Digital Compass vectors via national and regional programmes ([27]). In addition, by the end of 2024, **cohesion policy funds** ensured financial support for 1.8 million dwellings and enterprises to access very high-capacity broadband.

Investing in artificial intelligence

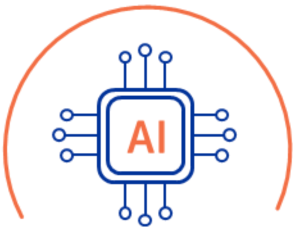
The EU has also been funding research and development of artificial intelligence in Europe. Under the digital Europe programme, the EU has allocated **EUR 2.5 billion** for investment in artificial intelligence in the 2021-2027 period. Moreover, by the end of 2024, the digital Europe programme launched and closed two calls for proposals targeting models for artificial intelligence and cloud-computing technologies, totalling circa EU 55 million. In total, the EU invested over EUR 65 million in artificial intelligence in 2024 ([28]).

In May 2024, the Commission established the European Artificial Intelligence Office, as set up in the AI act. It is a centre for expertise in artificial intelligence that will help to support the development and use of trustworthy artificial intelligence, and to protect against its related risks. In January 2024, the office launched the **AI innovation package** to support artificial intelligence start-ups and small and medium-sized enterprises through measures, initiatives, increased funding and legislative changes.

([27]) Cohesion policy supporting the digital transition 2021-2027 | Cohesion Open Data

([28]) European Commission: Directorate-General for Communication, *The EU in 2024 – General report on the activities of the European Union*, Publications Office of the European Union, Luxembourg, 2025, p. 86, https://data.europa.eu/doi/10.2775/1406446.

AI innovation package

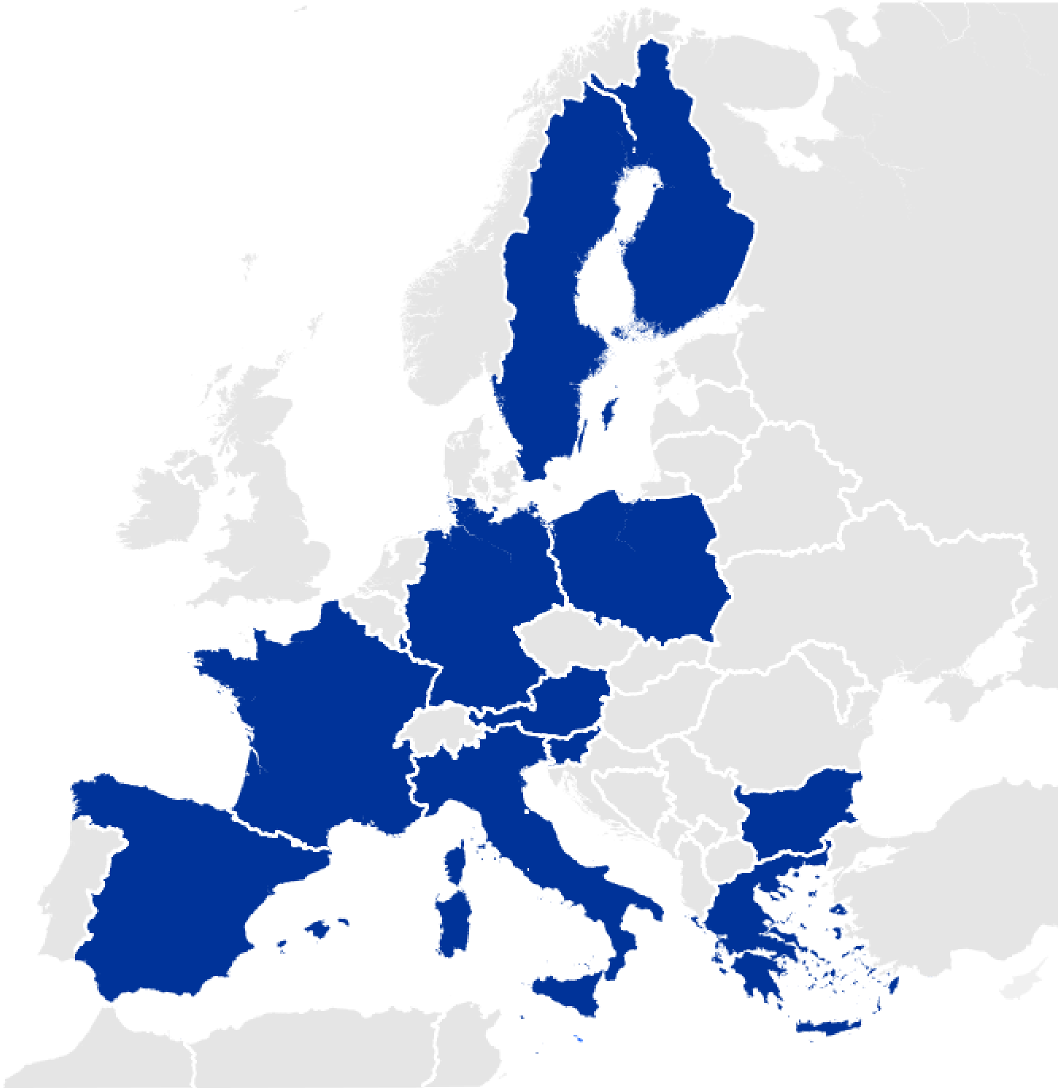


AI innovation package

Alliance for Language Technologies aimed at using artificial intelligence to better understand and use European languages.	**AI factories** to develop trustworthy cutting-edge generative AI models.
The Citiverse European Digital Infrastructure Consortium aimed at using artificial intelligence to help cities run more smoothly.	**GenAI4EU initiative**, now included in the ApplyAI strategy, to support the development of novel use cases and emerging applications.
The creation of Common European Data Spaces to give researchers and developers access to pools of data to train and refine AI models.	**Financial support via Horizon Europe and the digital Europe programme**, providing additional public and private investment of around EUR 4 billion until 2027.

As part of the AI continent action plan, at least 13 artificial intelligence factories will be established in 2025-2026, providing a dynamic ecosystem that fosters innovation, collaboration and development in the field of artificial intelligence. These factories will bring together computing power, data and talent to create cutting-edge artificial intelligence models and applications, and will foster collaboration across the EU, by linking supercomputing centres, universities, small and medium-sized enterprises, industry and financial stakeholders. In this context, nine new AI optimised supercomputers will be procured and deployed across the EU in 2025/26. Over the 2021-2027 period, the Commission's, Member States' and associated countries' overall investment in supercomputing infrastructure and artificial intelligence factories in the EU will reach EUR 10 billion.

Artificial intelligence factories – Hosting countries



Artificial intelligence factories			
AIF Austria (Austria)	JAIF (Germany)	Meluxina-AI (Luxembourg)	MIMER (Sweden)
BRAIN++ (Bulgaria)	HammerHAI (Germany)	PIAST AIF (Poland)	
LUMI AIF (Finland)	Pharos (Greece)	BSC AIF (Spain)	
AIF2 (France)	IT4LIA (Italy)	SLAIF (Slovenia)	

Source: European Commission.

Connecting Europeans: enhancing digital connectivity

The EU supports the improvement of digital connectivity through the digital strand of the Connecting Europe Facility. The facility has set aside **EUR 1.6 billion** to be implemented between 2021-2027, with EUR 325 million programmed for 2024. The digital strand of the facility helps to support and mobilise public and private investment in digital connectivity infrastructure of common European interest. In October 2024, the Commission published a set of calls for proposals worth EUR 323 million under the strand to speed up the deployment of fast, secure and sustainable advanced infrastructure, contributing to the development of backbone connectivity, 5G networks and quantum communication, and includes:

- **EUR 128 million under the 'backbone connectivity for digital global gateways'** call for studies and for work will support the deployment of backbone connections, mainly via submarine and terrestrial cables;
- **EUR 105 million for '5G large-scale pilots'** call for smart communities and for corridors, funding the deployment of 5G standalone infrastructure;
- **EUR 90 million** under the **'European quantum communication infrastructures'** call to finance the interconnection of national quantum communication infrastructure networks across Member States, along with connections between the ground and space segments of these infrastructures by deploying optical ground stations.

Still under the digital strand of the Connecting Europe Facility, the Commission signed, in December 2024, **grant agreements totalling EUR 142 million**, covering 21 projects that will upgrade or deploy new connectivity backbone cables, including submarine cables. These projects will contribute to improving global connections between Europe and other countries, between Member States and between Europe and its outermost regions and overseas countries and territories.

Investing in space activities

Space operations strengthen Europe's resilience and are crucial to our connected economy, including innovative services like environmental and climate monitoring, as well as for defence and security. Over **EUR 2.5 billion** were committed to the Union space activities in 2024 under the EU Space programme, the EU secure connectivity programme and the space cluster of Horizon Europe. These activities were implemented in the field of Earth observation, satellite navigation, satellite communication, and in support of space research and innovation through six space flagships. These programmes delivered a range of services that improved the quality of life for people across the EU.

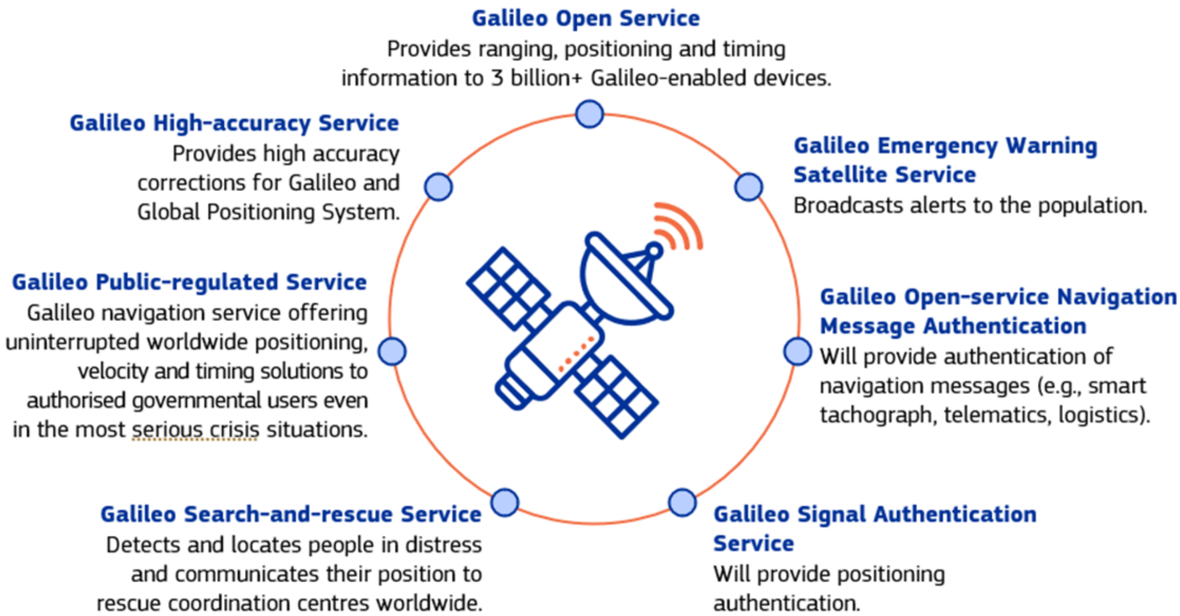
EU space flagships

Source: European Commission.

Copernicus, Europe's eyes in the sky, provides six different services, supporting atmosphere, marine environment and land monitoring, along with climate change policies, emergency management and security, drawing from satellite and *in situ* (non-space) data. **Two new Copernicus Sentinel satellites** were launched in 2024. Copernicus's emergency management service was instrumental in disaster response, and was activated about 100 times throughout the year, helping to address incidents such as the floods in Spain in October 2024. Moreover, there were over 320 000 registered users of the Copernicus climate change service, all of whom had access to about 140 terabytes of quality-controlled climate data per day in 2024.

Galileo, Europe's global positioning and satellite navigation system, has been providing various services since 2016. In 2024 two dual-satellite launches added four satellites to the system, overcoming delays caused by Russia's war of aggression against Ukraine and the consequent unavailability of the Soyuz launcher. By the end of 2024, Galileo had 32 satellites in orbit.

Overview of Galileo services



GOVSATCOM is the space programme's component focused on governmental satellite communications. The deployment of its system infrastructure allowed for pooling existing satellite communication resources and sharing them with authorised European governmental actors. In 2024, the Commission determined the locations of the **GOVSATCOM hub**, and initial services are expected by 2025, with full operational capability expected by 2027. Building upon GOVSATCOM, and pursuing an innovative and sustainable space policy with a focus on strengthening the EU's sovereignty and security with the **Union Secure Connectivity Programme,** a significant milestone was marked with the signature of a concession contract with the SpaceRISE consortium in December 2024. On the basis of a strong and innovative public private partnership, the concessionaire will develop, deploy and operate the **'IRIS²' satellite constellation** (Infrastructure for Resilience, Interconnectivity and Security by Satellite).

The **Space Situational Awareness component** ([29]), **Europe's eyes on space**, provides space surveillance and tracking collision avoidance to an increasing number of users worldwide. Preparatory activities towards the provision of an operational Space Weather service by 2025 were continued focusing on user needs and impacts. In 2024, the Commission and the European External Action Service progressed with the **EU approach on space traffic management**.

([29]) The SSA component will cover EU SST, Space Weather and Near-Earth Objects, as well as an overall strengthening of security requirements when developing EU space systems)

A stronger Europe in the world

The world around us is changing at lightning speed. Geopolitical shifts are shaking alliances. Decades-old certainties are crumbling. And we still have a brutal war raging at our borders. Despite these turbulent times, this Commission has hit the ground running ([30]).

Ursula von der Leyen
President of the European Commission

Providing support to Ukraine

Humanitarian and financial assistance for Ukraine

The EU remains committed to supporting Ukraine in the face of Russia's unprovoked and unjustified war of aggression against the country. It is also working with Ukraine to help it on its path towards closer alignment with the EU single market and potential EU membership.

In 2024 the EU provided substantial humanitarian assistance to Ukraine. This included, among other things, cash assistance, civil protection aid, healthcare, emergency and winterproof shelter, medical supplies, food, water, demining equipment and training, and education. From 2022 to 2024, the EU provided **EUR 950 million** in humanitarian aid to Ukraine, and EUR 76 million to Moldova (to help it weather the consequences of Russia's war of aggression against Ukraine) ([31]).

Further humanitarian assistance to Ukraine in 2024 was also provided via the EU Civil Protection Mechanism. All 27 Member States, together with six non-EU countries, have offered in-kind assistance through the EU Civil Protection Mechanism. In 2024 over 55 000 tonnes of life-saving assistance were deployed to Ukraine under the mechanism, covering items such as medical supplies, vehicles and energy equipment ([32]).

The Civil Protection Mechanism also facilitated the medical evacuation of over 900 patients from Ukraine to hospitals across the EU in 2024. These evacuations included vulnerable paediatric patients who were victims of Russia's vicious attack against the Okhmatdyt children's hospital in Kyiv in July 2024 ([33]).

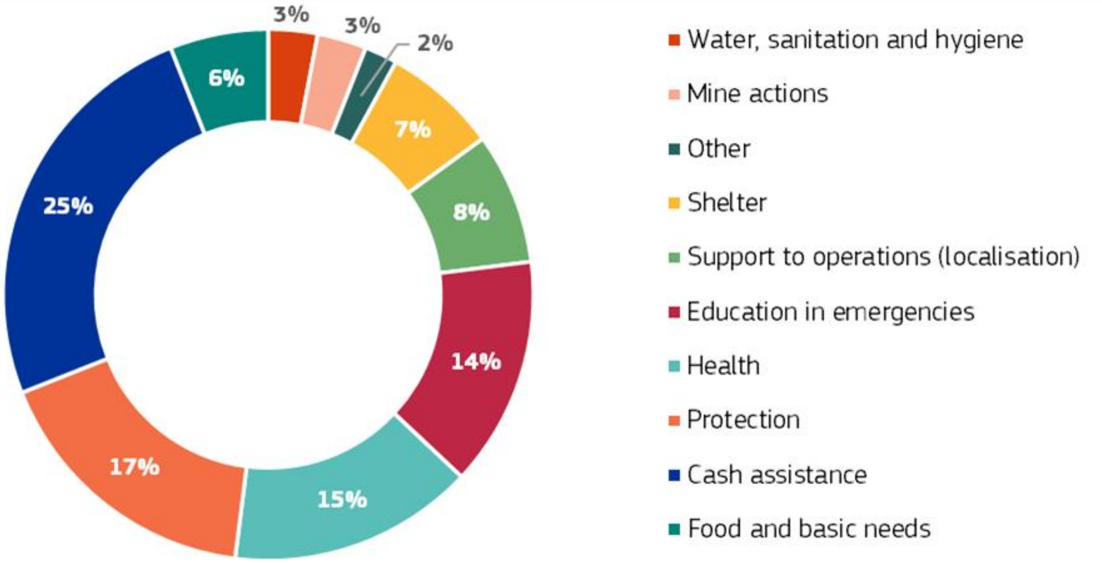
([30]) European Commission: Directorate-General for Neighbourhood and Enlargement Negotiations, 'Press remarks by President von der Leyen on the first 100 days of the 2024-2029 Commission', European Commission news article, 10 March 2025, https://enlargement.ec.europa.eu/news/press-remarks-president-von-der-leyen-first-100-days-2024-2029-commission-2025-03-10_en.

([31]) European Commission: Directorate-General for Communication, *The EU in 2024 – General report on the activities of the European Union*, Publications Office of the European Union, Luxembourg, 2025, p. 15, https://data.europa.eu/doi/10.2775/1406446.

([32]) European Commission: Directorate-General for Communication, *The EU in 2024 – General report on the activities of the European Union*, Publications Office of the European Union, Luxembourg, 2025, p. 16, https://data.europa.eu/doi/10.2775/1406446.

([33]) European Commission: Directorate-General for Communication, *The EU in 2024 – General report on the activities of the European Union*, Publications Office of the European Union, Luxembourg, 2025, p. 17, https://data.europa.eu/doi/10.2775/1406446.

EU humanitarian support for Ukraine (per sector)



Source: European Commission.

The EU has also been providing vital financial assistance to Ukraine, helping the country to stand on its feet and weather the economic impacts of Russia's aggression. In March 2024, the Ukraine Facility was launched, offering up to EUR 50 billion in stable and predictable financial support from 2024 to 2027, to bolster Ukraine's resilience, foster its recovery and facilitate its path towards EU membership. Out of this EUR 50 billion, EUR 33 billion will be provided as loans to Ukraine, with the funds raised on the financial market via the issuance of EU bonds. Moreover, in October 2024, the Ukraine Loan Cooperation Mechanism entered into force, implementing additional USD 50 billion loans to Ukraine under the G7 Extraordinary Revenue Acceleration Loans initiative, leveraging revenues from immobilized Russian sovereign assets. The EU's contribution to this initiative consists of an EUR 18.1 billion macrofinancial assistance loan to be disbursed in the course of 2025."

Military assistance for Ukraine

To address Ukraine's pressing military and defence needs, the EU implemented the European Peace Facility. Between 2022 and 2024, the EU mobilised **EUR 6.1 billion** under the European Peace Facility, with the aim of strengthening Ukraine's armed forces capabilities and resilience and protect the civilian population. It finances the provision of lethal and non-lethal military supplies such as ammunition, missiles and fuel. In March 2024, the EU decided to increase the financial ceiling of the European Peace Facility by **EUR 5 billion, establishing a dedicated Ukraine Assistance Fund**. Together with the military support provided by Member States, the total **EU support for the Ukrainian army is estimated at EUR 49.6 billion**. In 2022, the EU launched the EU military assistance mission for Ukraine. It was extended for two additional years in November 2024, with a budget allocation of nearly EUR 409 million. Individual, collective and special training sessions are delivered to Ukraine's armed forces. There have been 73 000 Ukrainian soldiers trained since the launch of the mission. Moreover, in June 2024, the EU and Ukraine signed joint commitments to support Ukraine's long-term security and defence.

The EU has also been fostering innovation in the defence sector together with Ukraine. In September 2024, the Commission established the **European Defence Innovation Office in Kyiv**, with its role to strengthen the cooperation between the EU and Ukrainian defence industries. The office will, among other things, help to identify Ukrainian needs and capacities on defence innovation and facilitate joint initiatives and cooperation between innovative and industrial stakeholders of the EU and Ukraine. The office will also promote defence innovation activities in and with Ukraine. It will also foster joint initiatives and bring together EU start-ups and innovators with Ukraine's industry and armed forces. This was an important milestone in the advancement of the European defence industrial strategy, adopted in March 2024.

Collecting windfall profits from immobilised Russian sovereign assets to support Ukraine

On 28 October 2024, the regulation establishing the Ukraine Loan Cooperation Mechanism and a new macro-financial assistance programme for Ukraine came into force. The mechanism collects windfall profits from immobilised assets of the Central Bank of Russia held by financial institutions in the Member States and uses them to support Ukraine in repaying up to EUR 45 billion in loans to be provided to Ukraine by the Global 7 partners. The purpose of the Global 7 initiative is to provide Ukraine with sufficient and continuous financial support to address the immediate needs inflicted on the country by Russia's ongoing aggression.

Restrictive measures

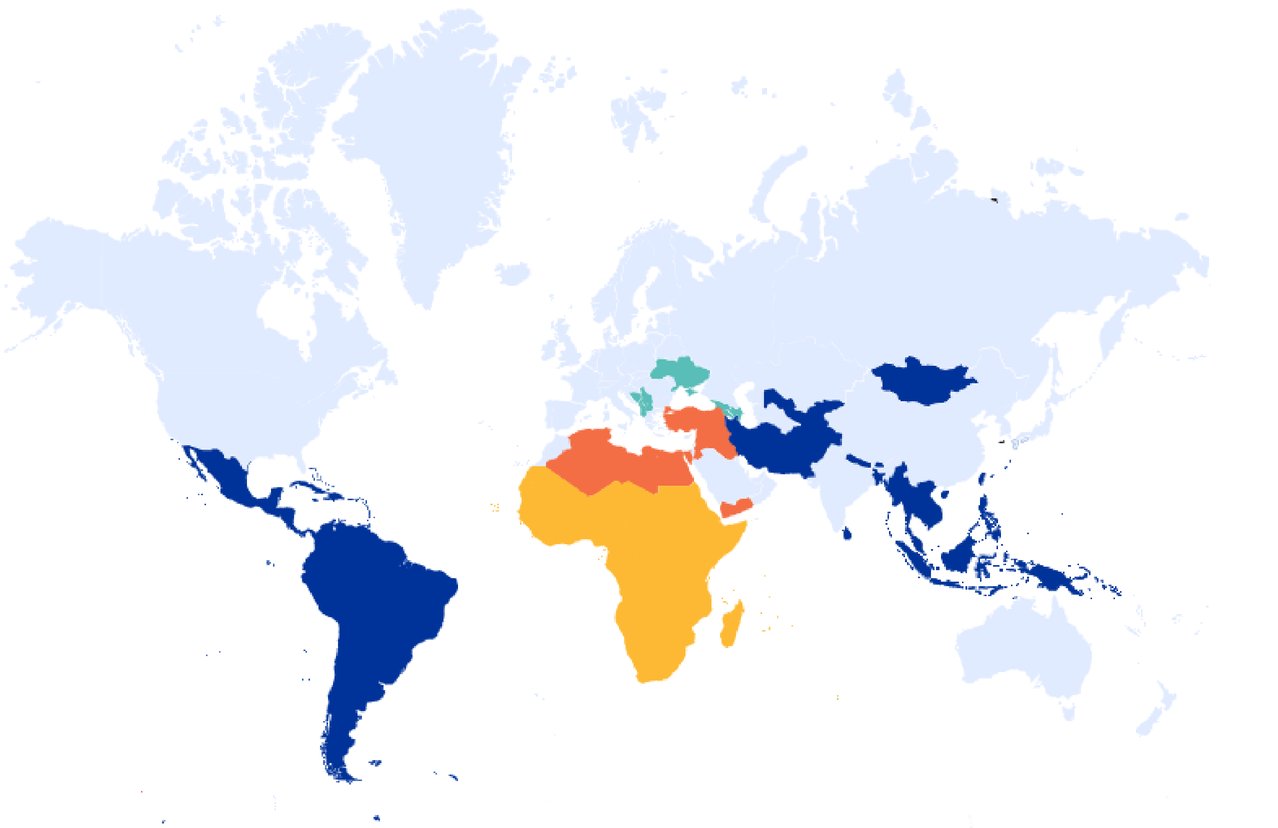
The EU continued to provide support to Ukraine, stepping up its sanctions on Russia in response to its war of aggression against Ukraine. In 2024 the EU aimed to weaken Russia's economy further with three robust sanctions packages, focusing on cutting access to critical technology, industrial goods and financial services, and reducing Russia's revenue streams, in particular from energy. In order to increase effectiveness and impact of the sanctions, the EU put even greater emphasis on anti-circumvention measures in the area of trade and energy, including the targeting of the shadow fleet used by Russia to evade the oil price cap. In parallel, the EU reinforced its cooperation and outreach to non-EU countries.

Humanitarian support for victims of conflicts outside of Europe

The EU has provided humanitarian assistance to help address several crises. Following Russia's full-scale invasion of Ukraine and the dramatic escalation of hostilities in Gaza and other ongoing conflicts, such as in Sudan, the United Nations estimated that 323.4 million people were in need of humanitarian assistance in 2024.

The EU committed EUR 237 million of humanitarian aid in 2024, along with 2 622 tonnes of humanitarian supplies for people in need in Gaza. Since the terrorist attack by Hamas against Israel in October 2023 and the country's ensuing response, the humanitarian situation in Gaza has drastically worsened. In September 2024, 1.9 million people had been displaced in Gaza, with approximatively 88 000 people injured and 40 000 deaths. As a result, 2.2 million people have been affected by the crisis, creating massive shortages of basic necessities such as water, food and shelter. Additionally, the Gaza Strip suffered severe damage to its public infrastructure, such as schools and hospitals. The EU Civil Protection Mechanism was activated 10 times in 2024 to coordinate evacuations and support neighbouring countries, also working directly from the ground.

EU's humanitarian aid in 2024



EUR 956 million	EUR 665 million	EUR 447 million	EUR 214 million	EUR 205 million
Sub-Saharan Africa	Middle East and North Africa	Asia, Latin America, the Pacific and the Caribbean	Ukraine, the Western Balkans and the Caucasus	Non-geographical allocations

Total budget: EUR 2.5 billion

Source: European Commission.

The EU has also been providing humanitarian support to Syria and Lebanon, amid the deterioration of the situation in the region. In May 2024, the EU and its Member States pledged EUR 3.8 billion in grants to Syria and the region, while 16.7 million people remained in need of humanitarian assistance inside Syria. For Lebanon, the EU allocated 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 2024 the EU also provided lifesaving assistance to those affected by the crisis in Sudan and its neighbouring countries. In total, it allocated close to EUR 260 million in response to the Sudan crisis (including over EUR 147 million in Sudan alone). Between 2023 and 2024, Sudan became the location of the world's largest displacement crisis, with 11.5 million internally displaced people, about 30% of the entire population and 15% of all internally displaced people worldwide. The conflict came with massive violations of international humanitarian law and human rights, including war crimes and likely crimes against humanity.

Overall, the EU and its Member States were the largest global providers of official development assistance in 2024. In addition to assisting those affected by conflicts, the EU also provides needs-based humanitarian assistance to people hit by human-induced disasters and natural hazards, with particular attention to the most vulnerable victims. In 2024 16 crises affecting 17 countries were addressed through the **European Humanitarian Response Capacity**.

Promoting international partnerships

The EU supports projects and activities across the globe in areas such as climate, energy, transport, health, education and research, primarily via its Global Gateway strategy. Through a mix of public and private investment, it aims to mobilise EUR 300 billion between 2021 and 2027. In 2024 the EU moved forward with this strategy, designed to reinforce Europe's position in the world. In December 2024, Member States endorsed 46 additional Global Gateway flagship projects. The EU also continued implementing the **EU Global Health strategy and the EU Gender Action Plan**.

Global Gateway partnerships based on six principles

The EU has been particularly active in support of projects and activities in Africa. The **Africa–Europe investment package**, representing 119 out of 264 Global Gateway projects, aims at leveraging approximately **EUR 150 billion** of investment to bolster cooperation with African partners. In line with its flagship initiative on manufacturing and access to vaccines, medicines and health technologies in Africa, the EU also announced, in June 2024, a contribution of EUR 220 million to the African Vaccine Manufacturing Accelerator, with the objective of helping to expand the manufacturing of commercially viable vaccines in Africa.

Under the 2021-2027 financial framework, the EU finances most of its development programmes and Global Gateway projects and investments for partner countries in Africa, Latin American and the Caribbean, and Asia and the through the Neighbourhood, Development and International Cooperation Instrument – Global Europe, with a total initial financial envelope of around EUR 79.5 billion. Beyond the Global Gateway, the instrument has also contributed to action in a range of areas such as democracy, human rights, gender equality, environmental protection and economic support. For instance, since 2021, the EU has assisted almost 137 000 victims of human rights violations. Additionally, almost 1.8 million people around the world have gained access to clean water and/or sanitation, and more than 43 000km^2 of marine, terrestrial and freshwater ecosystems have been protected or sustainably managed. Furthermore, the EU provided targeted and tailor-made support to migration origin, transit and destination countries in the Sub-Saharan African and Asian regions to improve migration and forced displacement governance, guided by dedicated EU Action Plans covering the key migratory routes towards Europe, in a whole-of-route approach. Moreover, the EU4business initiative, funded by the instrument, supported 67 000 small and medium-sized enterprises in the Eastern Neighbourhood during 2023-2024, resulting in the creation of nearly 80 000 new jobs.

The partnership between the EU and its Member States and the Members of the Organisation of African, Caribbean and Pacific States, the **Samoa Agreement**, entered in provisional application in January 2024 and a total of 77 out of the 79 OACPS Member States signed the Agreement.

The European Fund for Sustainable Development Plus, under the Neighbourhood, Development and International Cooperation Instrument, has been helping the EU to deliver on the Global Gateway, including by covering a share of the risks faced by development finance partners when investing in partner countries. It thereby attracts additional investors, notably from the private sector. Between 2021 and 2024, the Commission made EUR 13.3 billion of guarantees available through the fund. Since 2021 the implementation of the 'Economic and investment plan in the Southern Neighbourhood' has led to the commitment of EUR 5.7 billion of grants funded by the Neighbourhood, Development and International Cooperation Instrument – Global Europe. It mobilised an estimated EUR 26.6 billion of investment through blending grants with concessional loans in the clean energy, water and sanitation, education and digital sectors.

A highlight of 2024 was the inclusion of the Lobito Corridor as a Global Gateway flagship project. This corridor connects Angola, the Democratic Republic of Congo and Zambia, enhancing regional infrastructure and economic potential. The EU committed EUR520million in grants to support growth in climate-smart energy, agriculture and skills development. Stakeholder engagement also played a key role, with significant involvement from businesses, civil society, women and youth, exemplified by high-level events and partnerships across multiple African countries.

Furthermore, the Commission made significant progress in developing the Trans-Caspian Transport Corridor in 2024. The Global Gateway EU–Central Asia Transport Investors Forum, held in January, convened over 600 stakeholders and secured EUR 10 billion in commitments for sustainable transport in Central Asia, including EUR 1.47 billion from the European Investment Bank and EUR 1.5 billion from the European Bank for Reconstruction and Development. Additionally, the EU and Uzbekistan signed a memorandum of understanding launching a strategic partnership on **critical raw materials**.

Supporting our neighbourhood and candidates for enlargement

In light of the current geopolitical tensions, notably Russia's war of aggression against Ukraine, the EU enlargement process entered a new phase in 2024. In June 2024, negotiations for accession to the EU were opened at the first intergovernmental conferences with **Moldova and Ukraine**. The Commission started bilateral screening meetings with both countries, which must show how they plan to adopt and implement EU rules and policies and outline plans for further alignment. Moreover, the EU recognised **Montenegro's** progress in its accession path, although some improvements in the rule of law and the judiciary are still needed. The EU continued its assessment of **Albania, North Macedonia and Serbia**, all of which need to further implement key reforms in specific areas. In addition, the European Council decided to open accession negotiations with **Bosnia and Herzegovina** in March 2024.

To foster its enlargement process, the EU adopted the Reform and Growth Facility Regulation in May 2024, to help Western Balkan partners ([34]) **reform their political, legal and economic systems with a view to their future EU membership.** The facility is expected to provide up to EUR 2 billion in grants and EUR 4 billion in loans from 2024 to 2027. In exchange, each partner must prepare a **reform agenda**. The reform agendas of Albania, Kosovo ([35]), Montenegro, North Macedonia and Serbia were approved by the Commission in October 2024, with pre-financing payments expected in the first half of 2025. The **EU–Western Balkans Summit** was organised in December 2024, shortly after the **Berlin Process Summit**, enhancing integration through the growth plan.

([34]) Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.
([35]) This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

Strengthening democracy

The vision of a continent united by democracy, the rule of law and respect of fundamental freedoms will always drive our work. Because the people of these countries deserve a future of peace, progress and prosperity. And we will make sure that that future can be in Europe ([36]).

Ursula von der Leyen

President of the European Commission

Promoting the rights and values of the EU

The citizens, equality, rights and values programme aims to protect and promote EU rights and values as enshrined in the EU treaties and the Charter of Fundamental Rights of the European Union. The programme aims to contribute to sustaining and further developing open, rights-based, democratic, equal and inclusive societies based on the rule of law. For 2024, EUR 219 million was allocated to the programme, helping to finance civil-society initiatives aimed at increasing citizens' engagement, supporting equality for all and advancing the protection and promotion of rights and EU values. There were 13 calls for proposals under the programme launched in 2024, with 2 865 project applications received, of which 279 were awarded funding.

The programme also supported the implementation of the European citizens' initiative. The European citizens' initiative allows citizens to call on the Commission to propose new laws. Once an initiative has reached 1 million signatures, the Commission will decide on what action to take. In 2024 the citizens, equality, rights and values programme provided more than EUR 2 million in funding to support the implementation of European citizens' initiatives. In total, 11 new initiatives were registered in 2024, covering areas such as the protection of European agriculture, food security and water resilience, the provision of EU financial support for the protection of women's reproductive health, and the protection of consumer rights in relation to video games.

The Commission has also continued to implement the Conditionality Regulation. The mechanism provides an additional layer of protection to the EU budget, being triggered in cases when breaches of rule-of-law principles affect or risk affecting EU financial interests. Measures under the mechanism may include, among other things, the suspension of payments and the prohibition of entering into legal commitments. In December 2024, the Commission decided to maintain a prohibition on new legal commitments with public interest trusts in Hungary for EU funding implemented under direct or indirect management, as well as suspensions of three operational programmes in shared management, aboth measures in place since 2022. More information on this is available in Annex 2 to this report.

([36]) European Commission: Directorate-General for Neighbourhood and Enlargement Negotiations, 'Speech by President von der Leyen at the European Parliament Plenary on the new College of Commissioners and its programme', European Commission news article, 27 November 2024, https://enlargement.ec.europa.eu/news/speech-president-von-der-leyen-european-parliament-plenary-new-college-commissioners-and-its-2024-11-27_en.

Defending democracy

The European democracy action plan aims to build more resilient democracies across the EU by promoting free and fair elections, strengthening media freedom and countering disinformation. Its measures are supported via a range of instruments, such as:

- promoting election integrity and boosting citizen participation, civic engagement and trust in democracy through funding from the Citizens, Equality, Rights and Values programme, the Creative Europe programme, the Erasmus+ programme, Horizon Europe and cohesion funds;
- strengthening funding to news media organisations within the EU and beyond through the Creative Europe programme, the digital Europe programme and the global Europe human rights and democracy programme;
- fighting disinformation with the view to promoting media literacy and helping citizens identify disinformation through funding from the Erasmus+ programme and the European Solidarity Corps.

The EU also supports democracy via its communication campaigns, for which EUR 109 million was allocated in 2024. For instance, the ‘You are EU’ campaign has helped to raise awareness about EU values such as democracy and freedom. Moreover, anti-disinformation web pages maintained by the EU received over 115 000 visits in 2024.

3. Horizontal policy priorities in the EU budget

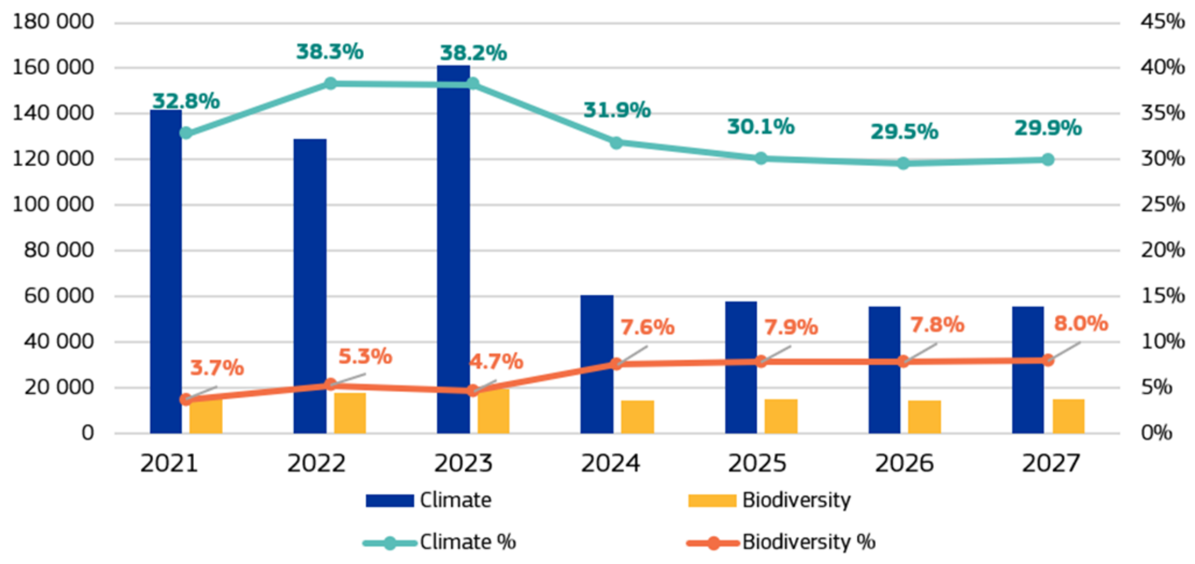
This section provides information on the financing of initiatives related to the objectives of climate, biodiversity, gender equality and sustainable development goals, as provided for in point 16(d–g) of the interinstitutional agreement of 16 December 2020 ([37]). Information on the contribution of the EU budget to the Commission's priority of promoting the digital transition is also provided.

Green budgeting

The Commission uses green budgeting to enhance the transparency of the EU funding to support climate and environmental objectives, in line with the Paris Agreement and the European Green Deal. In March 2022, the Commission committed to further pursuing its work on green budgeting, together with the French Presidency of the Council and several Member States.

To underscore its commitment to its climate and environmental goals, the EU has set quantitative spending targets for its 2021-2027 multiannual financial framework and NextGenerationEU funding. In particular, **the EU has committed to dedicating at least 30% of its multiannual financial framework and NextGenerationEU budget to climate-relevant expenditure, and 7.5% of the 2024 annual budget and 10% of the 2026 and 2027 annual budgets, to protecting and enhancing biodiversity**.

Expected climate and biodiversity contribution (budgetary commitments) in the 2021-2027 period (million EUR)



NB: As the same action can contribute to more than one objective, it is important to recall that horizontal priorities (e.g., climate and biodiversity figures) cannot be summed up to avoid double counting.
Source: European Commission.

([37]) Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (OJ L 433I, 22.12.2020, ELI: http://data.europa.eu/eli/agree_interinstit/2020/1222/oj).

The data available for the 2021-2027 period show that the **EU budget, including NextGenerationEU, is on track to reach its 30% target for climate mainstreaming**, thanks to the strong performance of the Recovery and Resilience Facility and the REPowerEU plan. The figures presented in this report use past commitments for years 2021-2024 and expected commitment appropriations for 2025-2027.

For biodiversity mainstreaming, while the 2024 ambition was achieved, the 2026 and 2027 targets are projected to fall below the initial ambitions. More details are available in the dedicated biodiversity section below.

In line with their sectorial regulations, the Ukrainian Ukraine Facility and Western Balkans Facility contribute to climate and biodiversity mainstreaming. The contributions included in the programme performance statements are preliminary and will be further refined and updated in upcoming years.

It is important to note that other funds managed by the Commission also contribute to the green budget priority, despite not being part of the multiannual financial framework, such as the Innovation Fund, the Modernisation Fund and the Social Climate Fund. The revenues from these funds come from the EU emissions trading system.

The amounts above are calculated based on commitment appropriations, as shown below.

- For direct management, estimates are prepared by each service based on the most updated data available. For future estimates, work programmes, sectoral targets and historical values are used.
- For shared management, past and future figures are presented on the basis of the programmes and common agricultural policy strategic plans agreed with the Member States and updated in accordance with the annual reports.
- For indirect management, the figures are based on the existing targets and agreements with implementing partners, along with their annual reports.
- Past expenditure is revised annually following a quality review conducted by Commission departments, incorporating additional information available on the selected project.

Focus on results ([38])

45 gigawatt-hours of estimated energy efficiency savings per year from private and public buildings.	**98 million tonnes of carbon dioxide equivalent avoided per year**, of which more than half was through NextGenerationEU green bond investment. Additionally, 452 million tonnes of carbon dioxide reduction are expected from the Innovation Fund over the first 10 years of operation.	**543 additional gigawatt-hours** of renewable energy capacity installed.

([38]) Aggregated data of core performance indicators reflecting estimated and expected impact from the EU budget programmes during the 2014-2024 period (contributions from the regional policy, the LIFE programme, the InvestEU programme, the Innovation Fund and the Recovery and Resilience Facility).

A focus on results is fundamental for green budget action and the EU budget in general. The results stemming from available indicators can be used to achieve more targeted spending and to improve steering of the EU budget. It can also make the green transition more efficient by improving accountability. The latter is also important in view of the need to contribute to multiple international commitments.

The focus on emission reductions through energy efficiency and renewable energy expansion is crucial for achieving the EU's climate neutrality goals and achieving the 2030 targets. The above results show that the EU budget is helping Member States to diversify their energy mix and gradually reduce their reliance on fossil fuels. This results in lower energy costs and decreased emissions of greenhouse gases and air pollutants, helping combat climate change.

Measuring the impact of NextGenerationEU investment

In November 2024 the Commission published the second impact report for NextGenerationEU green bonds, following up on the 2023 report presented at the United Nations Climate Change Conference in Dubai. Both reports mark a major achievement in transparency, enabling the measurement of the **concrete climate impact of the investment** financed by NextGenerationEU green bonds.

Building on the robust EU green bond framework, the report is based on detailed analyses of the milestones and targets for green-bond-financed investment under the Recovery and Resilience Facility. This provides the basis for calculating their climate impact, allowing the measuring of progress on the path to a sustainable future and ensuring a direct link between funding and climate impact. Notably, the 2024 report also takes into account the investment supported by REPowerEU.

The analysis shows that after full implementation, NextGenerationEU **green bond investment has the potential to avoid greenhouse gas emissions by a total of 55 million tonnes of carbon dioxide equivalent per year** – equivalent to 1.5% of the EU's total emissions in 2022. This figure currently represents approximately half of the investment financed by green bonds, meaning that future reports are expected to provide a more complete picture of the actual climate impact. At the current early stage of project implementation, the emissions reduction is naturally smaller. The report estimates a current annual reduction of 1.5 million tonnes of carbon dioxide equivalent, a figure that will continue to increase as the implementation of the Recovery and Resilience Facility accelerates.

EU-supported activities and the EU taxonomy for sustainable finance

For the second consecutive year, the 'programme performance statements' (Annex 4 to this report) of several key EU budget programmes include an analysis of how their supported activities relate to the EU taxonomy for sustainable activities. This addition provides an important starting point for future analyses of how EU spending contributes to a greener future ([39]).

While the analysis of the relationship between the supported activities and the taxonomy in the Recovery and Resilience Facility has been detailed previously in the context of NextGenerationEU green bond reporting, the scope has been broadened to cover additional programmes that may invest in activities covered by the EU taxonomy. This approach offers a more comprehensive view of the EU's commitment to sustainable financing across its various initiatives.

([39]) Taxonomy alignment is not a prerequisite for funding.

Climate mainstreaming

Achievements

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.

The **Ukraine Facility** contains a chapter on the green transition and environmental protection and other chapters also refer to green priorities. In order to meet the steps of the plan, for example, in 2024 Ukraine adopted a new law on the prevention, reduction and control of industrial pollution, an integrated national energy and climate plan, and a new strategy for thermal modernisation of buildings until 2050.

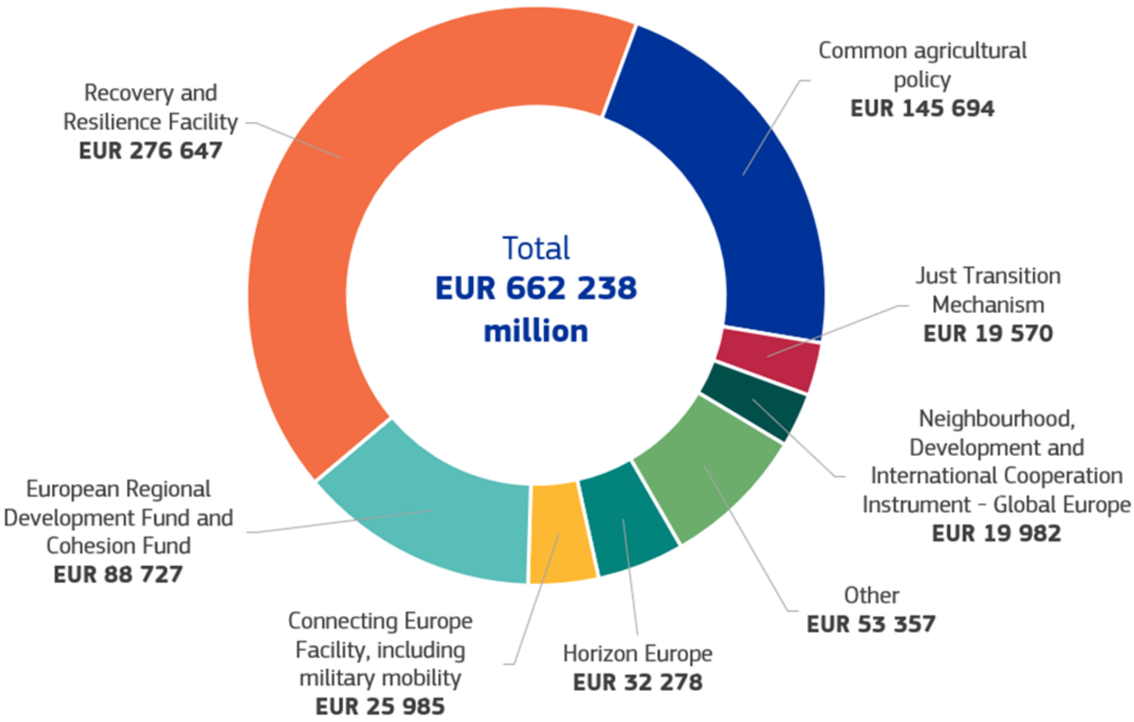
Under the **LIFE programme**, more than 1 400 000 tonnes of carbon dioxide equivalent are expected to be avoided thanks to projects awarded in 2022 and 2023 and 7 799 gigawatt-hours per year of primary energy savings are expected from the 2022-2023 projects.

About 2.55 million hectares of agricultural and forest land were covered by **the common agricultural policy** management commitments contributing to carbon sequestration or conservation in 2023([40]).

([40]) Management commitments under 2014-2022 rural development programmes.

How much do we spend?

Climate contribution in the 2021-2027 period (million EUR)



Source: European Commission.

For the 2021-2027 period, the EU budget – including NextGenerationEU – is projected to contribute EUR 662 billion to climate mainstreaming objectives, representing 34% of the budget envelope, surpassing the initial target of 30%. Additionally, through the InvestEU programme the EU budget is expected to help mobilise over EUR 110 billion in investment to meet EU climate goals.

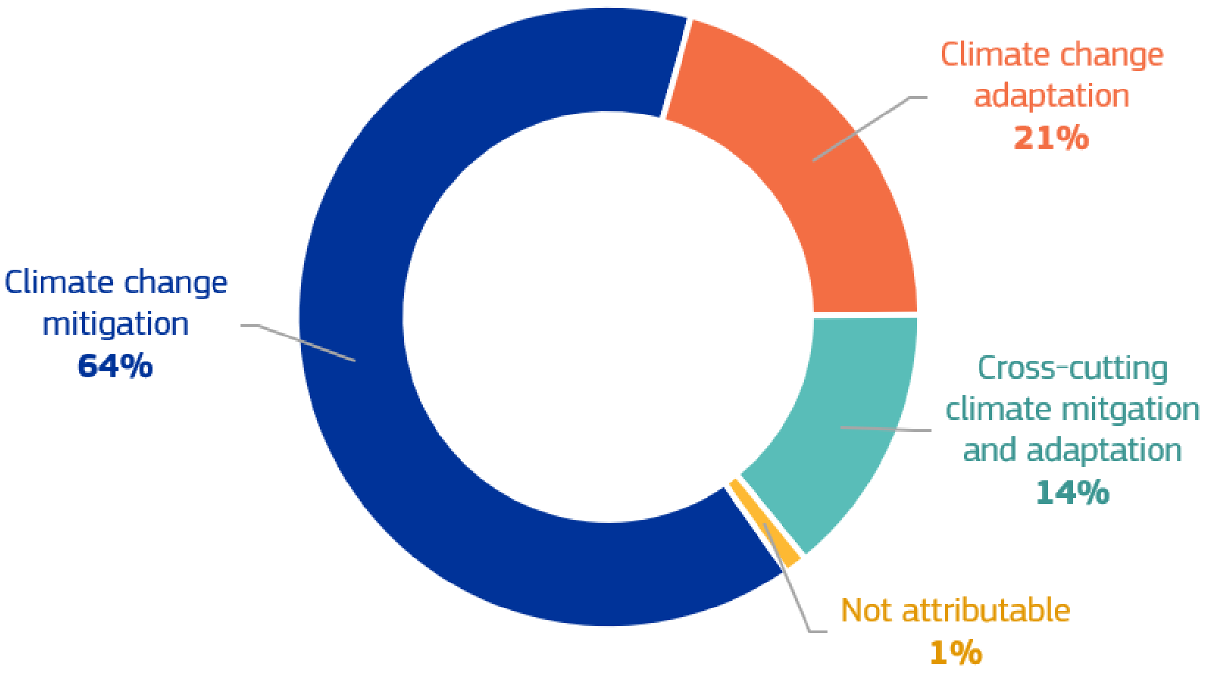
Using the percentage of climate spending per programme calculated for budgetary commitments, it is possible to estimate the amount of climate-related spending at the payment level, which currently stands at 32.6%. On this basis, Member States contributing to the EU budget can calculate their share of green budget contributions for the EU budget. This estimate excludes the Recovery and Resilience Facility, as this is financed by EU bonds instead of Member State contributions.

Differentiating between climate change mitigation and adaptation expenditure

Under the interinstitutional agreement of 16 December 2020, the Commission committed to report on climate expenditure, differentiating between climate change mitigation and adaptation, where feasible. To allow for such reporting, an external study was commissioned to assist in developing a methodology to disaggregate climate expenditure across these two dimensions.

The methodology was designed to avoid creating additional administrative burdens by building on the existing system of intervention fields used under the Common Provisions Regulation for cohesion funds and the Recovery and Resilience Facility. For external action programmes, existing methodologies were used, while for the common agricultural policy, the methodology was developed as a part of a specific study commissioned for this policy.

Climate contribution in the 2021-2024 period disaggregated by climate mitigation and climate adaptation



Source: European Commission. Figures do not include the Ukraine Facility and the 'Reform and growth facility for the Western Balkans'. Figures for the common agricultural policy refer only to the 2023-2024 period.

Biodiversity mainstreaming

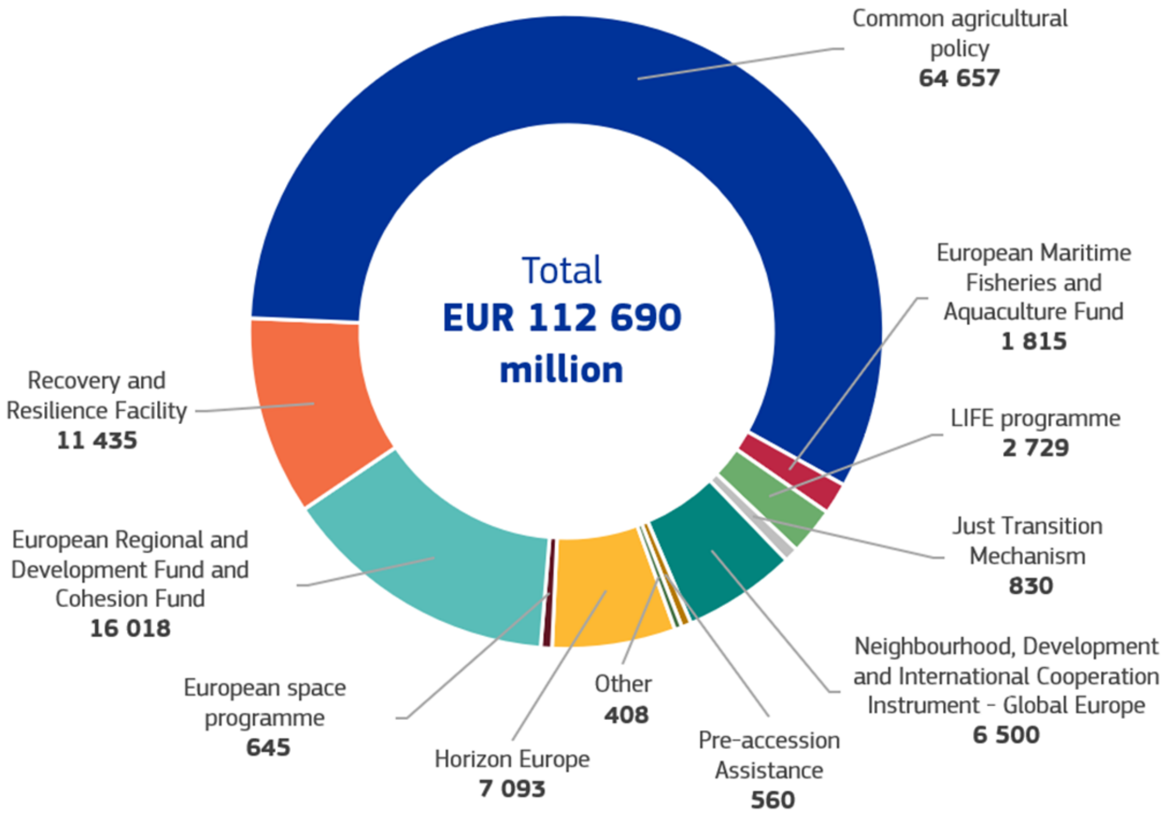
Achievements

21 million hectares are covered by selected projects to protect against wildfires under **cohesion policy funds**. In addition, the **Copernicus** atmosphere monitoring service uses near-real-time observations of the location and intensity of active wildfires to estimate the emissions of pollutants that may impact biodiversity in the affected areas.	176 species of which the loss is expected to be halted or reversed thanks to **LIFE** nature and biodiversity projects in 2022 and 2023.
915 measures contributing to 'good environmental status' were selected between 2022 and 2023 under the **European Maritime, Fisheries and Aquaculture Fund**.	Through the **common agricultural policy**, 21% of agricultural land was covered by management contracts contributing to biodiversity in 2023 ([41]).

([41]) Management commitments under 2014-2022 rural development programmes

How much do we spend?

Biodiversity contribution in the 2021-2027 period (million EUR)



Source: European Commission.

For the 2021-2027 period, the EU budget – including NextGenerationEU – is contributing almost EUR 113 billion, or 5.8% of the total budget, to biodiversity mainstreaming objectives. While the ambition of allocating 7.5% of the EU budget to biodiversity in 2024 was achieved, the 10% targets for 2026 and 2027 are projected to fall below the initial ambitions.

It is worth noting that the common agricultural policy methodology for the 2023-2027 period has a higher level of granularity and ambition compared to the methodology used in 2014-2022, allowing for more precise and conservative estimates compared to the past. As from the 2024 draft budget, the contribution of the common agricultural policy to biodiversity is estimated by the Commission through the application of EU coefficients (100%, 40% and 0%) and weighting factors (100%, 70% and 50%) that aim to reflect the differentiated contribution of each type of intervention towards the biodiversity objectives. Furthermore, given the design of the common agricultural policy and the cohesion policy – and the financial programming of the two programmes – it is not possible to assign resources to specific years, as projects have a multiannual nature that cannot be attributed to a single year. Contribution of the recently created Ukraine Facility and Western Balkan Facility towards biodiversity objectives is currently missing and will be updated once the data are available in the upcoming years.

Gender equality mainstreaming

In response to persistent gender gaps and intersecting inequalities, the EU has intensified efforts to make its budget and policymaking more inclusive. Challenges such as the cost-of-living crisis, care burden disparities and unequal access to digital and green jobs have highlighted the need for sustained investment in gender equality.

As a result, gender mainstreaming is now embedded across major EU policies and funding programmes, including the European Social Fund Plus, the European Regional Development Fund, the Just Transition Fund, Horizon Europe, the common agricultural policy, and NDICI-Global Europe. These tools promote equal access to resources, economic participation and social protection – particularly for women and underrepresented groups.

Looking ahead, President von der Leyen announced a new gender equality strategy beyond 2025 as part of her 2024 political guidelines for the 2024-2029 Commission. This upcoming strategy will build on the progress achieved so far and address emerging challenges, ensuring that equality remains a driving force in the EU's future policy and budgetary decisions.

Achievements

The **citizens, equality, rights and values programme** supported gender equality by funding Member States in transposing the Pay Transparency Directive, strengthening organisations fighting gender-based violence through long-term projects and providing financial support to local grassroots groups via intermediaries. In 2024 around 25% of the programme's committed funds focused primarily on promoting gender equality.

Under **Horizon Europe**, the 'Realising girls' and women's inclusion, representation and empowerment' project aims to prevent and reverse gender inequalities across the political, social, economic and cultural spheres by identifying and dismantling the root causes of gender discrimination through a multidisciplinary approach. It involves collaboration across several European countries and South Africa, focusing on institutional, experiential and symbolic dimensions to promote transformative equality.

With EUR 3.9 million in funding, the **European Social Fund Plus** supports a project involving organisations from Germany, Greece, Iceland, Italy, Portugal and Romania, which promotes a holistic and intersectional approach to combating homelessness among women. The project's objectives include empowering marginalised women to overcome homelessness by providing access to tailored treatment pathways, integrating gender-specific approaches in trauma-informed care and influencing policy changes towards gender-sensitive and inclusive strategies.

Thanks to the Recovery and Resilience Facility, **the centrepiece of NextGenerationEU**, by the end of 2024, Estonia rolled out a digital gender-pay-gap tool for employers to provide the necessary information about the gender pay gap, its possible causes and solutions to address it. In addition, Italy provided financial support to the creation and/or growth of 700 enterprises led by women, supporting female entrepreneurship and strengthening women's participation in business activities. These crucial investments are complemented by **structural reforms**, including reforms to combat gender inequalities in Portugal, to better regulate the profession of nursing assistants in Sweden and to improve prenatal and neonatal health screening in Bulgaria.

Under the **Instrument for Pre-accession Assistance**, the Commission has supported the empowerment of women with minority backgrounds. Specific projects such as 'Romani women power of change in the Western Balkans and Türkiye' (with an EU contribution of EUR 1 million) and 'EU regional action for Roma education: increased education support and opportunities for Roma students in the Western Balkans and Türkiye' (EUR 4 million) aimed to increase the participation of Roma women in local decision-making and education.

Under the **Neighbourhood, Development and International Cooperation Instrument – Global Europe**, the Commission funded gender responsive investments under the Global Gateway strategy, such as the Africa Connected programme implemented by FINNFUND and targeted actions to support womens' rights, such as the WYDE and ACT Programmes with the UN Women. Another UNWOMEN project 'Promoting the Agenda on Women, Peace and Security supported military actors in the Central African Republic and Mozambique. The project works to enhance women's inclusion and integration among military actors, and to ensure that armed forces are better prepared to integrate a gender perspective in the planning and conduct of operations and activities.

How much do we spend?

In line with the 2020-2025 gender equality strategy, the 2021-2027 multiannual financial framework and NextGenerationEU support a range of initiatives promoting women's labour market participation, work–life balance, care infrastructure, female entrepreneurship and gender balance in education and professions. Dedicated funding also supports civil-society and public institutions tackling gender-based violence.

The Commission developed a methodology to track gender-related spending at the programme level, in collaboration with the European Institute for Gender Equality and informed by the European Court of Auditors' 2021 report on gender mainstreaming in the EU budget.

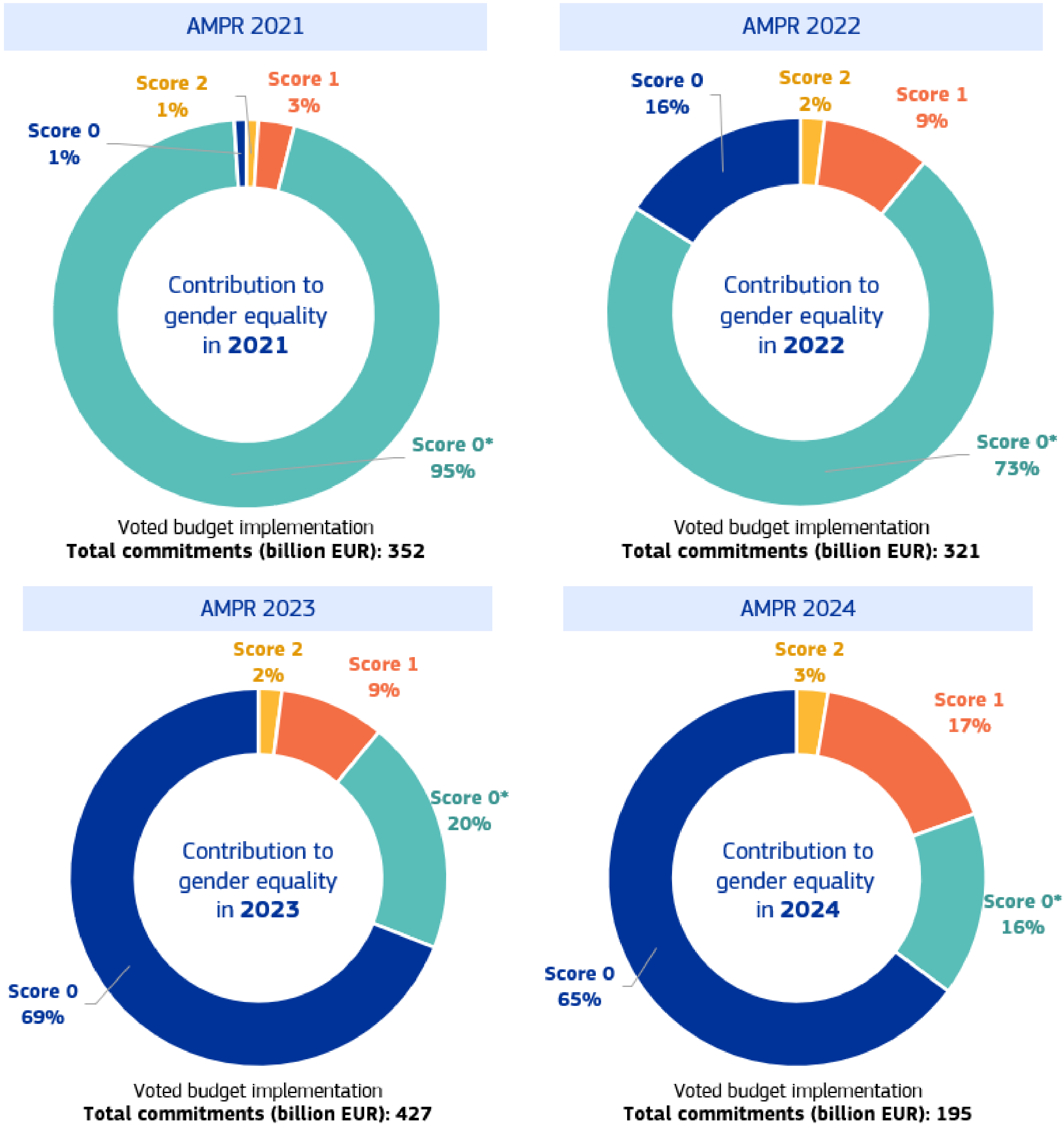
Since the 2023 financial year, the monitoring of gender expenditure has been enhanced with the inclusion of the gender-disaggregated data available per programme in the programme performance statements (Annex 4 to the present report).

The EU budget allocation to gender equality scores, based on the aggregation of the 2024 interventions qualifying for each score, is outlined below. In line with the methodology, a programme may qualify for one or more gender scores based on the objectives pursued by its respective interventions.

- **Score 2:** interventions whose principal objective is to improve gender equality corresponded to 2.7% of the EU budget implemented in 2024 and were included in 13 programmes.
- **Score 1:** interventions that have gender equality as an important and deliberate objective (but not as the main reason for the intervention) corresponded to 16.8% of the EU budget implemented in 2024 and were included in 22 programmes.
- **Score 0*:** interventions that have the potential to contribute to gender equality corresponded to 15.7% of the EU budget implemented in 2024 and were included in 8 programmes.
- **Score 0:** interventions that do not have a significant bearing on gender equality corresponded to 64.8% of the EU budget implemented in 2024 and were included in 45 programmes.

In 2024 19.5% of the EU budget contributed to promoting gender equality (scores 2 and 1), representing a significant increase from previous years. This notable progress underscores the EU's firm commitment to integrating gender mainstreaming into the EU budget, ensuring that budget allocations actively support policies advancing gender equality.

Contribution to gender equality as reported in 2021, 2022, 2023 and 2024

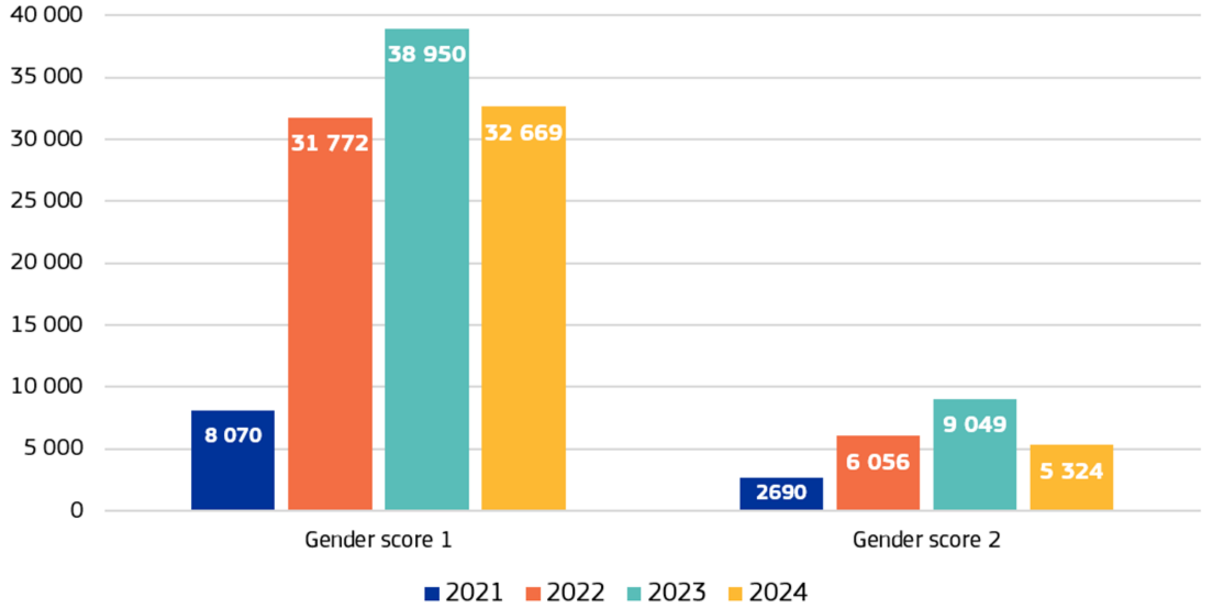


NB: Each graph is based on the percentages reported at the time of the publication of the annual management and performance reports for the 2021, 2022, 2023 and 2024 financial years, respectively.
Source: European Commission.

The 2024 results reflect the progress achieved by various programmes in terms of both implementation and reporting capacity, allowing the capture of the contribution of the EU budget to gender equality at a more granular level. In particular, the sustained reduction in 0* demonstrates the ongoing efforts to refine budget assessments and enhance gender-focused allocations. A key example in 2024 is the common agricultural policy. Following a reassessment of the measures financed by the policy that include a focus on gender equality, in 2024 the EU budget commitments for this programme from 2021 to 2024 were assigned scores of 1 and 0, from the previous 0* score. This adjustment reflects a more accurate recognition of the policy's gender-relevant components and highlights the EU's ongoing efforts to improve how gender considerations are measured within its financial programmes.

In concrete terms, the EU allocated overall EUR 38 billion to projects promoting gender equality in 2024 (gender scores 2 and 1). This figure is lower than the EUR 48 billion reported for 2023, mainly due to the phasing out of the Recovery and Resilience Facility commitments in 2024, which accounted for EUR 8.4 billion under scores 1 and 2 in 2023. While the total expenditure supporting gender equality is lower in 2024, the proportion of funding directed towards gender equality increased.

Contribution to gender scores 1 and 2 for 2021, 2022, 2023 and 2024 (million EUR)



NB: Based on the amounts reported in the annual management performance reports for the 2021, 2022, 2023 and 2024 financial years, respectively.
Source: European Commission.

It is important to note that in 2024, the Ukraine Facility and the Western Balkan Facility entered into force. Given the recent start of their operations, only beginning in the second half of 2024, budgetary commitments under both programmes were attributed a gender score of 0*. Excluding these programmes, the share of the EU budget contributing to gender equality would have shown a further increase to 21.5% in 2024, compared to the reported 19.5%, whereas 0* would have shown a decrease to 6.6%, compared to the reported 15.7%.

2021-2024 aggregate results

Past expenditure is revised annually through a quality review conducted by the Commission departments, incorporating additional information available on the selected projects. This is particularly the case for measures that were assigned a gender score of 0* in previous years. In this context, the reassessment concluded that, over the 2021-2024 period, a total of 12% of the EU budget expenditure contributed to the promotion of gender (gender scores 1 and 2), amounting to a significant EUR 158.4 billion over these four years.

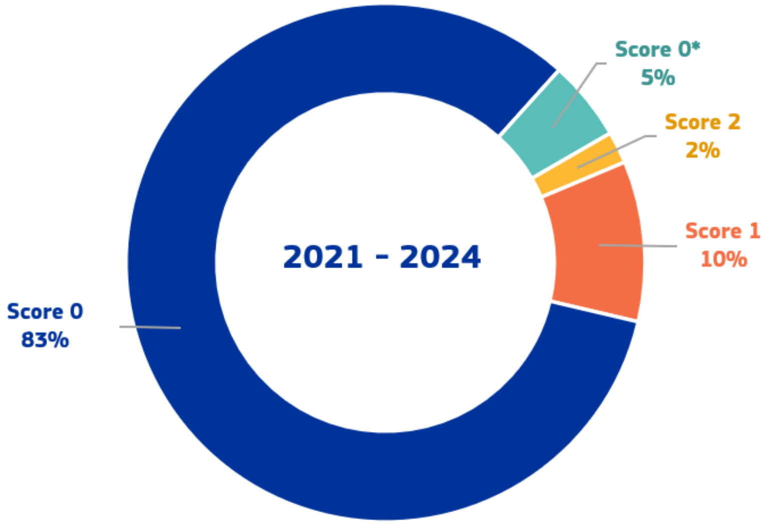
At the same time, the share of EU budget under gender score 0* has steadily declined and now stands at just 5% for the four-year period ([42]). This reflects the effectiveness of the Commission's ongoing reassessment efforts, which have contributed to a more precise and clearer understanding of the EU

([42]) 4% without taking into account the Ukraine Facility and the Western Balkan Facility, which were temporarily attributed a 0* give their recent creation.

budget support for gender equality. For the 2021-2024 period, 83% of allocations were assigned a score of 0, due to the systematic reassessment of 0* expenditure from 2021 to 2024.

The financial commitments made over this four-year period had a tangible impact across various domains, including employment, social protection and economic empowerment, reinforcing the EU's role as a global leader in gender equality financing.

Gender scores as a percentage of the total EU budget (2021-2024)



NB: These percentages include the revised figures for 2021, 2022, 2023 and 2024 following the reassessment of score 0* and were aggregated to calculate the overall percentages of the gender scores over the 2021-2024 period.
Source: European Commission.

Gender-disaggregated data

This year, for the second time, the programme performance statements (Annex 4 to this report), which provide detailed performance information at the programme level, were enhanced to include the relevant gender-disaggregated information available for each programme. This includes a wide array of gender-disaggregated data aimed at improving the monitoring of the performance of the programme in relation to gender equality. For some programmes, particularly those under shared and indirect management, the availability of gender-disaggregated data is constrained by the programme regulations and the implementation agreements.

Looking ahead to the post-2027 multiannual financial framework, the co-legislators have agreed to include in the Financial Regulation [43] a requirement to ensure that all data collected in relation to performance indicators of the financial programmes will be gender-disaggregated where appropriate. This is a significant step towards improving gender equality monitoring in EU programmes and complements the updated better regulation guidelines, which will ensure that future *ex ante* impact assessments of all relevant spending programmes duly consider the effects on gender equality from the start.

(43) 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.

Examples of gender-disaggregated data reported in the programme performance statements (Annex 4 to this report)

- Under **the Recovery and Resilience Facility**, participants in education and training supported by the Recovery and Resilience Facility amounted to a total of 4.29 million across all age groups in 2024. Of this total, 2.37 million were female, 1.92 million were male and 499 were non-binary. Moreover, the number of young people aged 15–29 receiving support in 2024 amounted to 969 960 were male, 848 584 were female and 204 were non-binary.
- Under **Horizon Europe**, as of January 2024, women project coordinators represented 31% of Horizon Europe projects. This reflects a notable increase in the share of women-led consortia, up from 23% for Horizon 2020. Moreover, women make up 51.4% of participants in Horizon Europe boards and expert groups, with 74 women (52.9%) in official expert groups and 38 women (48.7%) in special groups. Similarly, among researchers in Horizon Europe, 37.8% are women (75 114), 62.1% are men (123 472), and 0.1% (189) are non-binary.
- Under **Erasmus**, in 2023, 60% of the provided mobility opportunities were taken up by women. The gender distribution varied depending on the field of education: adult education had the highest percentage of women (70%), followed by school education (67%), higher education (61%), youth education (58%) and vocational education and training (54%).
- Under the **common agricultural policy**, the total number of farmers receiving direct support (provisional data for 2024) was 5 713 335. This included 1 796 858 women (31.45%), 3 612 428 men (63.23%) and 1 841 non-binary individuals (0.03%), 229 833 non-prevalence responses ([44]) (4.02%) and 72 232 prefer-not-to-say responses (1.26%).
- Under the **Instrument for Pre-accession Assistance**, 628 418 people directly benefitted from EU-supported interventions that aim to reduce social and economic inequality. Available sex-disaggregated data indicates that at least 202 532 were female and 191 068 were male ([45]).
- Under the **humanitarian aid programme**, the percentage of beneficiaries disaggregated by gender in 2024 is as follows: 48% female, 39% male, and 13% unknown ([46]).

Digital tracking

The digital transition is a core element of the Commission's competitiveness agenda. Beyond enhancing EU competitiveness, including leadership in artificial intelligence innovation, it serves as a vital catalyst for prosperity, economic recovery and resilience while enabling innovative solutions to tackle global challenges.

In 2021, the Commission presented its vision for the EU's digital transformation by 2030, with a digital compass for the EU's Digital Decade that evolves around four digital dimensions:

- skills
- secure and sustainable digital infrastructure
- digital transformation of businesses and
- digitalisation of public services.

([44]) For cases where a perfect gender balance in the decision-making power occurs between different genders
([45]) The reported values are aggregates of data collected at the intervention level. Some of these datasets included sex-disaggregated information, while others did not. As a result, the sum of male and female beneficiaries does not match the overall total.
([46]) Number of beneficiaries by age and sex reached by humanitarian aid operations available in EVA actions operational data (such data reflect information encoded in Fiche Opérationnelle and in the European Hospital and Healthcare Federation).

On 14 December 2022, the co-legislators adopted the Digital Decade policy programme, taking up the digital compass and its vision, setting quantitative EU targets for the four cardinal points to be reached by 2030, and establishing a cooperation mechanism with the Member States to progress towards these targets.

Skills

Information and communication technology specialist: 20 million specialists and gender balance.

Basic digital skills: at least 80% of the population.

Digital transformation of businesses

Technology uptake: 75% of EU companies using cloud / artificial intelligence / big data.

Innovators: grow scale-ups and finance to double the number of EU unicorns.

Late adopters: more than 90% of small and medium-sized enterprises reach at least a basic level of digital intensity.

Secure and sustainable digital infrastructure

Connectivity: gigabit speed for everyone, 5G everywhere.

Cutting-edge semiconductors: double the EU share in global production.

Data – edge and cloud: 10 000 climate-neutral, highly secure edge nodes.

Computing: first computer with quantum acceleration.

Digitalisation of public services

Key public services: 100% online.

e-health: 100% of citizens having access to medical records.

Digital identity: 80% of citizens using digital identification.

Achievements

Almost 16.2 million dwellings gained access to very-high-capacity internet networks, including 5G networks and gigabit speed, through measures under the **Recovery and Resilience Facility** by the end of 2024.

First exascale supercomputer (one quintillion calculations per second) was launched in Europe to support researchers, industry and artificial intelligence development. Jedi – the first module of the Jupiter exascale supercomputer – ranked first on the list of the world's top 500 greenest supercomputers in June 2024.

Under the Connecting Europe Facility, 5 000 terabits per second of additional capacity were created in 2024 by deployed backbone networks, including submarine cables.

Under the space programme, 4 billion Galileo-enabled devices were in use in 2024. The positioning accuracy performance of Galileo is three times better when compared to other global navigation satellite systems, with excellent availability.

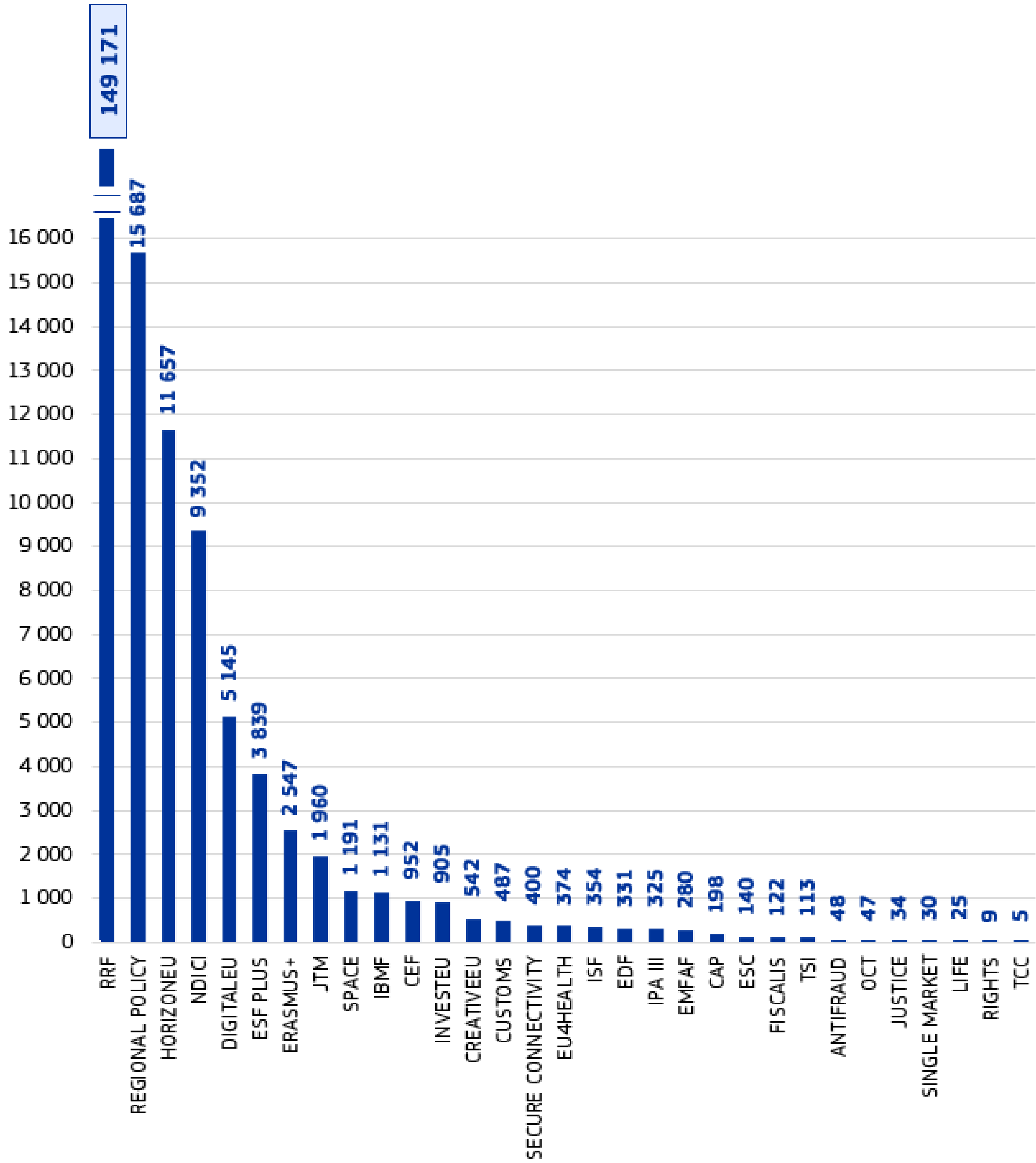
How much do we spend?

The 2025 stocktaking exercise to estimate EU spending on the digital transition was conducted for the implementation of the 2021-2027 EU budget over the 2021-2024 period. The findings show that the EU budget, including NextGenerationEU, is channelling significant contributions to all of the digital transition's key dimensions. The Commission's ambition is to build on the findings to develop a comprehensive and robust methodology for measuring the EU budget's overall contribution to the digital transition across all programmes.

Based on the results of the stocktaking exercise, **EUR 208.1 billion of the EU budget (including NextGenerationEU) was dedicated to the digital transition between 2021 and 2024, representing almost 15.1% of the total EU budget for that period** ([47]). A significant share of this amount came from the Recovery and Resilience Facility, which dedicated EUR 149 billion towards the digital transition during the same period.

([47]) Given that a fully-fledged tracking methodology for the digital contributions of the EU budget has not yet been established, any aggregation of the contributions of individual programmes at this stage should be interpreted with caution. This is because the methodologies employed by individual spending programmes may not be strictly comparable. Despite this, such aggregation can still provide a general estimate of the total digital contribution from the EU budget.

Estimated contributions to the digital transition of the EU budget programmes, in 2021-2024

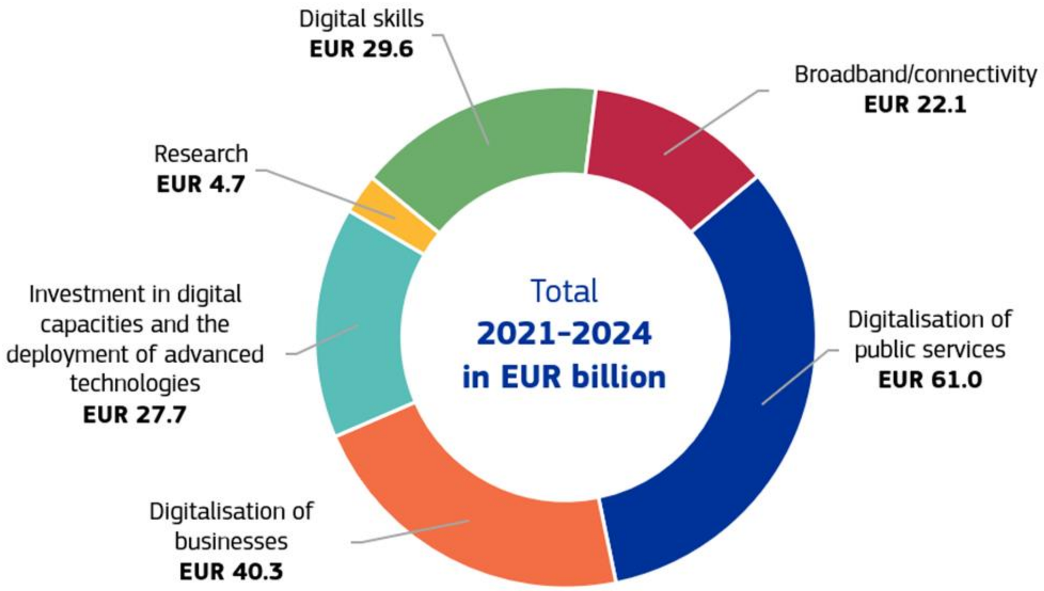


(*) Including NextGenerationEU, in EUR billion.
NB: For readability purposes, the scale is broken, as the Recovery and Resilience Facility provides more than 10 times more support to the digital transition than the next most contributing programme. The abbreviations used stand for: **RRF** – Recovery and Resilience Facility; **HORIZONEU** – Horizon Europe; **NDICI** – Neighbourhood, Development and International Cooperation Instrument – Global Europe; **DIGITALEU** – digital Europe programme; **ESF PLUS** – European Social Fund Plus; **JTM** – Just Transition Mechanism; **SPACE** – EU space programme; **CEF** – Connecting Europe Facility; **IPA III** – Instrument for Pre-accession Assistance III; **IBMF** – Integrated Border Management Fund; **ISF** – Internal Security Fund; **CREATIVEEU** – Creative Europe programme; **CAP** – common agricultural policy; **EMFAF** – European Maritime, Fisheries and Aquaculture Fund; **SECURE CONNECTIVITY** - EU secure connectivity programme; **TSI** – Technical Support Instrument; **ESC** – European Solidarity Corps; **OCT** – Decision on the Overseas Association, including Greenland; **RIGHTS** – citizens, equality, rights and values programme; **TCC** – Turkish Cypriot community; **EDF** – European Defence Fund.
Source: European Commission.

Almost all EU budget programmes contribute to the digital transition. However, due to data limitations, digital-related expenditure for the 2021-2024 period could only be tracked for 31 out of the 53 spending programmes implemented in 2024. The Ukraine Facility and the Reform and Growth Facility for the Western Balkans entered into force in 2024. As the implementation of operations under these two programmes only began in the second half of the year, budgetary commitments contributing to the digital transition were not included in this year's reporting exercise.

In terms of thematic concentration, 89% of the reported digital expenditure this year could be attributed to the four categories of the digital compass. Significant efforts are being made to support the digitalisation of public services (in particular government ICT solutions, e-services and applications, and the digitalisation of healthcare) and businesses, with strong support directed towards small and medium-sized enterprises. More information is provided in the following sections.

Estimated contributions to the digital transition by key digital dimensions (2021-2024) (*)



(*) Including NextGenerationEU, in billion EUR.

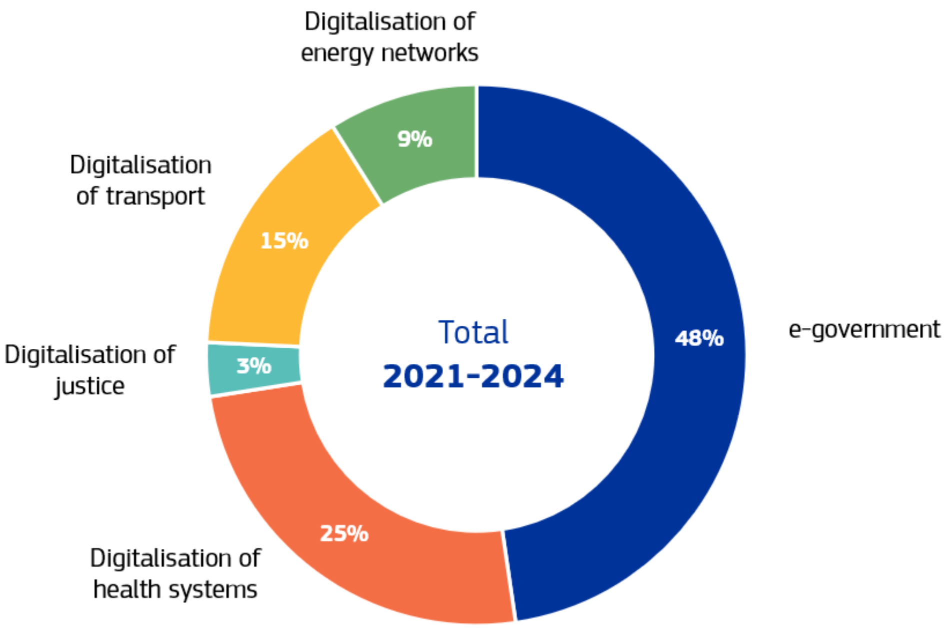
NB: Not all programmes could be taken into account due to methodological limitations. Approximately 89% of the reported expenditure could be disaggregated into the above categories.

Source: European Commission, based on the 2025 stocktaking exercise.

Digitalisation of businesses and public services

The EU budget (including NextGenerationEU) is making a significant contribution to the digitalisation of the private and public sectors. Estimates for 2021 to 2024 are that EUR 61.0 billion was dedicated to the support of the EU budget to e-government (including the digitalisation of health and justice systems) and EUR 40.3 billion for the support of the digitalisation of businesses. The Recovery and Resilience Facility, the European Regional Development Fund and the Cohesion Fund are important contributors to this investment. From 2021 to 2024, 11.6% of the amounts from the European Regional Development Fund and the Cohesion Fund were used to finance interventions that advance the digital transition, in particular supporting small and medium-sized enterprises and public services.

Estimated contributions of the EU budget to the digitalisation of public services (2021-2024) (*)



(*) Including NextGenerationEU.

NB: These amounts are the result of the stocktaking exercise conducted for 2021 to 2024 and exclude the external action programmes and the common agricultural policy due to methodological limitations.

Source: European Commission, based on the 2025 stocktaking exercise.

Supporting the development and deployment of digital technologies and research

From 2021 to 2024, estimates indicate that the EU contributed EUR 27.7 billion to investment in digital capacities and the deployment of advanced technologies, and EUR 4.7 billion to research. These numbers are lower than those reported during the last reporting cycles, mainly because of an updated methodology applied under Horizon Europe. These figures are not yet final and will be updated as more information from funded projects becomes available.

The main contributing programmes towards investment in digital capacities and the deployment of advanced technologies, and research are the Recovery and Resilience Facility, Horizon Europe, the EU space programme, the European Regional Development Fund, the Cohesion Fund, the Just Transition Mechanism and the Digital Europe programme.

Investing in digital skills

From 2021 to 2024, the EU budget, including NextGenerationEU, made a significant contribution to both basic and advanced digital skills, with an estimated investment totalling EUR 29.6 billion. In addition to supporting the development of digital skills at all levels, along with information technology services and applications for digital skills and digital inclusion, particular emphasis was placed on supporting young people. The main programmes contributing to this dimension are the Recovery and Resilience Facility (EUR 23.6 billion) and the European Social Fund Plus (EUR 3.8 billion), providing support to youth employment and the socioeconomic integration of young people.

Enhancing digital connectivity

The EU budget, including NextGenerationEU, is contributing to enhancing digital connectivity, which will give citizens and businesses new opportunities to benefit fully from the digital single market and accelerate economic growth. Between 2021 and 2024, investment in digital connectivity, including investment in very-high-capacity broadband networks and 5G network coverage, is estimated to have reached EUR 22.1 billion. The main programmes contributing are the Recovery and Resilience Facility (EUR 13.3 billion), the cohesion policy funds (EUR 1.2 billion) and the Connecting Europe Facility.

The common agricultural policy plays a key role in improving broadband access in rural areas by supporting broadband infrastructure and improved access to e-government services. The first results on the implementation of the common agricultural policy show that almost 8% of the rural population has benefited from improved access to services and infrastructure through support from the programme.

Under the Connecting Europe Facility, 5 000 terabits per second of additional capacity were created by deployed backbone networks, including submarine cables. A total of EUR 500 million was awarded to 43 projects to support the digitalisation of the trans-European transport network, notably through support for the European Railway Traffic Management System technology. The programme also aims to modernise energy grids and deploy digital connectivity infrastructure to support the EU's digital transition. Specifically, the programme will support the deployment of 5G systems and high-capacity digital networks to transform various sectors, including healthcare, education and manufacturing. This will enhance digital readiness, competitiveness and inclusiveness, particularly in the outermost regions, and contribute to the EU's economic recovery and growth.

The European Investment Fund allocated EUR 3.64 billion to support small and medium-sized enterprises in innovation and digitalisation through a dedicated guarantee supported by InvestEU. This guarantee supports various digitalisation efforts, including innovative business models and digital skills acquisition. Additionally, the fund's equity product for small and medium-sized enterprises and research includes a sub-product that specifically supports investment in digital, cultural and creative industry solutions.

The twin transition: exploiting synergies

The twin green and digital transitions are deeply interconnected, offering the potential to create significant synergies. The EU budget is instrumental in this process, acting as a key enabler in unlocking these synergies. It provides the necessary financial support for initiatives that align with the objectives of both transitions, thereby ensuring that the potential benefits can be fully realised. The table below provides illustrative examples of some of the synergies that are being achieved with the support of the EU budget.

- Financed by Horizon Europe, **the TwinPolitics project explores the socio-technical challenges of creating a digital twin of the ocean to aid in climate change mitigation and ocean data management.** By addressing development, access and legal challenges, the project aims to enhance the use of digital twins of the ocean in national and international contexts. This initiative supports informed decision-making to protect marine environments.
- Supporting **smart grids**, such as those under the Connecting Europe Facility energy strand, contributes to sustainable development by the **integration of energy from renewable sources** and the development of smart energy grids. An example is the completion of one of the internal lines that is part of the Finland–Sweden interconnection, which aims at increasing the transmission capacity between the Member States.
- In addition, the **cohesion policy funds** earmarked EUR 5 billion for the investments in **smart energy systems** through the entire 2021-2027 programming period, of which **EUR 1.44 billion** have been allocated to selected projects that should result in an **additional 1.94 million end users connected** to the smart energy systems.
- As part of the EU's broader efforts to **modernise and innovate agricultural practices and rural development** under the common agricultural policy, the support for the implementation of digital technologies, such as precision farming, contributes to the EU's goal for a more **sustainable agricultural sector**.
- **The EU's Galileo satellite system** supports technologies that are key enablers for smart and sustainable transport, and in particular for connected and autonomous driving. In road transport, using navigation and positioning services from Galileo leads to a range of innovative applications that enable smart mobility and multi-mode transport digitalisation with optimised travel routes, in turn allowing for a reduction of carbon dioxide emissions. In air transport, using the European Geostationary Navigation Overlay Service for the efficient definition of flight routes helps reduce fuel consumption and carbon dioxide emissions.

The EU budget and the sustainable development goals

What do we do?

The United Nations' 2030 Agenda for Sustainable Development, with its 17 sustainable development goals and 169 targets, has given new impetus to global efforts to achieve sustainable development. The EU has played an important role in shaping the agenda, through public consultations, dialogue with partners and in-depth research. The EU is committed to playing an active role to maximise progress towards the sustainable development goals, as outlined, for example, in the Commission communication 'Next steps for a sustainable European future', in the Commission staff working document 'Delivering on the UN's Sustainable Development Goals – A comprehensive approach' and recently in the first-ever EU voluntary review on progress in the implementation of the 2030 Agenda for Sustainable Development, adopted on 15 May 2023. Moreover, Eurostat publishes a report annually on monitoring progress towards the UN sustainable development goals in an EU context.

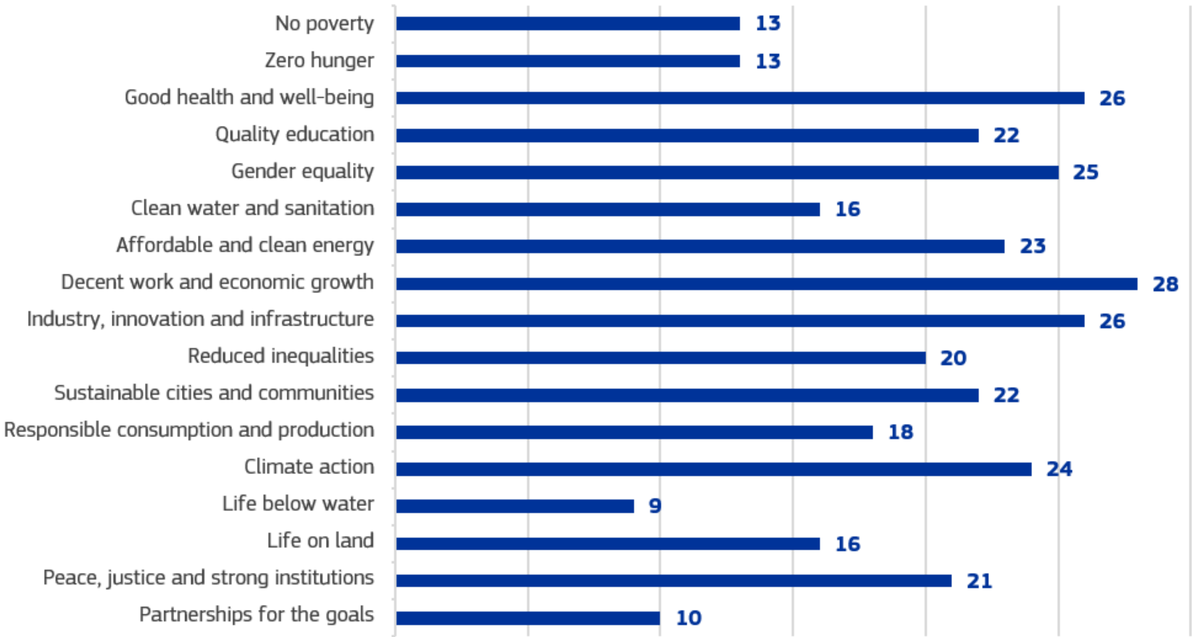
The von der Leyen Commission has maintained a consistent focus on the UN sustainable development goals throughout its work. Since 2020, several major policy initiatives have been introduced, including the European Green Deal, the Climate Law, and the 2023 Green Deal industrial plan. More recent measures include the clean industrial deal, the 2025 Annual Sustainable Growth Survey, the updated European skills agenda, and the competitiveness compass.

In line with the 2021 Commission communication on the better regulation agenda and the objectives of the current multiannual financial framework, the Commission further strengthened the integration of the sustainable development goals into the EU's policy and budgetary cycle. Overall, this mainstreaming ensures that all major legislative and financial proposals are assessed for their contribution to the 2030 Agenda for Sustainable Development, thereby reinforcing the EU's commitment to sustainability, strategic foresight and evidence-based policymaking.

To this end, since 2021 the Commission has been systematically identifying the relevant sustainable development goals for each proposal and examining how the initiative supports their achievement. In addition, links to the sustainable development goals will be included throughout evaluations and impact assessments.

At the EU level, sustainable development challenges are addressed through policies and regulatory instruments. As far as the former are concerned, the EU budget, through its spending programmes, provides a significant contribution to sustainable development by complementing national budgets, in line with the principle of subsidiarity. In doing so, the design and implementation of the EU spending programmes aim to deliver on the objectives in each policy field, while promoting sustainability through the initiatives and interventions of the relevant programmes in a connected and consistent way. In particular, 47 out of 52 of the 2021-2027 EU spending programmes contributed towards at least one sustainable development goal in 2024.

Number of 2021-2027 programmes contributing to individual sustainable development goals in 2024



Source: European Commission.

In light of the cross-cutting nature of the sustainable development goals, and to ensure a holistic approach in addressing sustainable development, 99% of the EU budget contributes to sustainable development goals. In addition, the vast majority of the 2021-2027 programmes (42 out of 52) are designed to address multiple sustainable development goals through their policy measures. In the programme performance statements' (Annex 4 to this report), the Commission presents the sustainable development goals to which each EU funding programme contributes, along with examples of their contribution. The infographic below provides, in a non-exhaustive manner, examples illustrating how EU programmes contribute to the sustainable development goals.

The 2023 publication *EU voluntary review on the implementation of the 2030 Agenda for Sustainable Development*, together with *Sustainable Development in the European Union – Monitoring report on progress towards the SDGs in an EU context – 2024 edition*, reaffirmed the **EU budget as a key driver for delivering substantial progress on the 2030 Agenda for Sustainable Development** ([48]). Looking ahead, the EU has reinforced its commitment to systematically integrate and report on the implementation of the sustainable development goals across all relevant EU programmes, ensuring policy coherence and sustained momentum towards achieving all goals.

([48]) European Commission, *EU voluntary review on the implementation of the 2030 Agenda for Sustainable Development*, Publications Office of the European Union, Luxembourg, 2023, https://commission.europa.eu/system/files/2023-06/SDG-Report-WEB.pdf and European Commission: Eurostat, *Sustainable Development in the European Union – Monitoring report on progress towards the SDGs in an EU context – 2024 edition*, Publications Office of the European Union, Luxembourg, 2024, https://data.europa.eu/doi/10.2785/98370.

In Czechia, the **European Social Fund Plus** is helping people in need to rebuild their lives, starting with a roof over their head. Through the social housing initiative, individuals and families in need can access dedicated housing points in the city of Ostrava, while social workers make regular visits to the new residents to ensure stability. This sustained support has a high success rate, with over 85% of participants maintaining their housing stability. The city's proactive approach has already changed many lives, with 59 households benefiting from housing and a renewed sense of opportunity.

In Yemen, **EU humanitarian funding** averted a serious food security crisis and none of the country's districts experienced famine throughout 2024. EUR 30 million supported the resumption of the World Food Programme's emergency assistance in areas controlled by the de facto authorities after nearly one year of pause in general food distributions. In this context of limited resources, the Cash Consortium of Yemen remained a key EU partner. More than half a million people were able to meet their food and basic needs thanks to the multipurpose cash assistance provided by the consortium.

The **EU4health programme** delivered measures in 2024 to implement the healthier together initiative, Europe's beating cancer plan and mental health initiatives, and to address selected health risk factors and health determinants. The programme also funded measures that are producing guidance to improve healthcare access.

Financed by **Erasmus+**, the 'Share the music for inclusive learning in education' project supported teachers by providing a practical framework and showcasing best practices for managing inclusion and diversity in education. Its primary goal is to offer pre-primary and primary school teachers new knowledge, key competencies and ready-to-use educational materials to effectively use music as a pedagogical tool for inclusive education. Additionally, the project aims to help teachers develop their social and digital skills through its digital repository and online training resources.

In 2024, under the **Ukraine Facility**, Ukraine adopted the new demographic development strategy up to 2040. The new law on the corporate governance of state-owned enterprises, and the national strategy for mining action up to 2033 also include measures that encourage gender equality.

By the end of 2024, the **Recovery and Resilience Facility** had supported the construction or reconstruction of at least 517 km of the public water supply network in Croatia.

In Poland, the **Just Transition Fund** helped reduce energy bills and allowed citizens to benefit from stable, ecological and affordable energy sources. The fund invested in Western Małopolska in the energy efficiency of public buildings and of housing, including by supporting the installation of home insulation, rooftop solar installations and heat pumps. The fund invested EUR 2.4 billion in Silesia and Western Małopolska.

Under the **Instrument for Pre-accession Assistance**, in the area of employment and social inclusion, 21 300 people (out of which 10 870 were women) participated in the youth guarantee scheme in North Macedonia in 2024. With 8 152 people having a successful and timely result, for example 6 672 were employed within four months upon entry, and 1 480 participating in one of the active programmes and measures, the success of the youth guarantee scheme in 2024 rose to 38.2%. The operational plan for active employment programmes and measures and labour market services, and the youth guarantee scheme were implemented, covering 11 194 people, especially young people. 47.4% of the beneficiaries of active employment measures were women, 1.5% were people with disabilities, 67.7% were young people and 4.4% were Roma.

Through **Horizon Europe**, the European partnership on innovative small and medium-sized enterprises helps innovative businesses increase their research and innovation capacity and productivity and successfully embed themselves in global value chains and new markets.

Under the **Asylum Migration and Integration Fund**, phase 7 of the regional development and protection programme for North Africa is running from 2025 to 2028 with a budget (EU grant amount maximum) of EUR 37.5 million. The main objective of the proposed action is to support non-EU countries in North Africa and across the Atlantic and Mediterranean migration route to consolidate their migration and asylum systems and build their capacity to provide adequate reception, protection and durable solutions for vulnerable migrants, asylum seekers and refugees.

The **LIFE programme** SeedNEB project applied solutions from the new European Bauhaus and nature-based solutions in three municipalities: Dunaújváros, Hungary; Potenza, Italy and Lorquí, Spain. The project will demonstrate urban strategies and on-site interventions based on nature such as green roofs and facades. These strategies and interventions can foster biodiversity, reduce the impact of heat waves and improve the well-being of their residents.

By the end of 2024, the **Recovery and Resilience Facility** supported Malta in adopting construction industry standards to reduce waste and improve its treatment according to the waste hierarchy.

13 CLIMATE ACTION

The **Innovation Fund** is designed to answer this goal and take urgent action to combat climate change and its impacts. The Grey2Green-II project will install a 200 MW electrolyser for the production of renewable hydrogen. Equally, the eMETHANOLxWSolution – a next-generation tanker vessel powered by e-methanol and wind-assisted propulsion – aims to contribute to the decarbonisation of the maritime industry by demonstrating an innovative combination of foldable suction sails and a dual-fuel engine for a new hybrid tanker vessel.

14 LIFE BELOW WATER

Regional fisheries management organisations promote the conservation and sustainable use of the oceans, seas and marine resources by improving management measures adopted following scientific advice and by promoting healthy tuna stocks in the Atlantic and Indian Oceans, and through the governance framework established by sustainable fisheries partnership agreements with a number of non-EU countries.

15 LIFE ON LAND

The **European Regional Development Fund** planned EUR 9.5 billion to support this goal. For instance, project ARIEM+ aims to support regions in northern Portugal and Spain where wildfires in the last five years have devastated nearly one million hectares of land. Managed from an emergency centre in the Galicia region, in collaboration with the Castilla and León region and the North of Portugal, the project has created an emergency plan to prevent and respond to major disasters such as floods, heavy storms and wildfires. The project aims to benefit around 600 000 people. Through coordinated communications, training and new technology equipment, Spain and Portugal will now be able to join forces when an emergency strikes. The cohesion policy funds provided 75% of the EUR 4 million ARIEM+ budget, while the rest was funded by the regions of Galicia, Castilla and León and the North of Portugal.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

The **Common Foreign and Security Policy** measures contribute to the preservation of peace, conflict prevention, strengthening of international security, consolidating and supporting democracy, the rule of law and human rights by advising and building capacity on security sector reforms, the rule of law and border management, by supporting mediation and conflict resolution initiatives or by supporting the universalisation and effective implementation of international treaties and conventions addressing the proliferation of weapons of mass destruction or conventional weapons.

17 PARTNERSHIPS FOR THE GOALS

The **EU Space programme**, in particular via Copernicus services, has developed numerous partnerships at the global, regional, national and local levels with institutional, non-governmental and private stakeholders.

4. Strategic technologies for Europe platform

Introduction

The strategic technologies for Europe platform (STEP) ([49]) was established by the EU as part of its response to the **urgent need to underpin its technological leadership and enhance its resilience in strategic sectors**.

The platform was set up to steer EU financial resources towards achieving the following two objectives (see Article 2 of the STEP regulation).

1. Support the **development or manufacturing of critical technologies** throughout the EU, or safeguard and strengthen their respective value chains, in the following sectors: digital and deep-innovation technologies, clean and resource-efficient technologies and biotechnologies.
2. Address **shortages in labour and skills** across these strategic industries, ensuring Europe has the workforce necessary for innovation and production.

Given the tight budget outlook, STEP operates according to a novel approach by reorienting resources towards STEP-relevant investment from 11 existing EU programmes, including:

- five programmes directly managed by the Commission for the internal market (Horizon Europe, the Innovation Fund, the European Defence Fund, the digital Europe programme and EU4health);
- five programmes implemented by Member States but still funded by the EU through national envelopes (the European Regional Development Fund, the Cohesion Fund, the Just Transition Fund, the European Social Fund Plus and the Recovery and Resilience Facility);
- one programme (InvestEU) implemented by the Commission's partners (e.g. the European Investment Bank, other national development banks).

STEP also came with a budgetary reinforcement of EUR 1.5 billion specifically for STEP-related projects to be supported by the European Defence Fund.

The main implementation tool of STEP is the reprogramming of the mentioned EU funding programmes, supported in some cases by financial incentives. These include specific measures to encourage Member States to reallocate cohesion policy resources to STEP priorities/objectives. Article 19 of the STEP Regulation also permitted a 6% increase in Recovery and Resilience Facility transfers to InvestEU Member State compartments if these are destined to fund STEP-relevant projects.

When it comes to the five funds directly managed by the Commission (i.e. 'direct management') in the remit of STEP, the STEP Regulation introduced a new quality label, the **STEP (Sovereignty) Seal**. This is to be awarded by the Commission to high-quality projects that align with STEP objectives. Its purpose is to help these projects attract public and private investment, i.e. by facilitating cumulative or alternative funding across EU funding programmes. In 2024 the Commission awarded a total of **162 STEP Seals** across five Innovation Fund topics (149), two Horizon Europe (Pillar II – Space) topics (6) and three EU4health topics (7).

([49]) European Commission: Directorate-General for Budget, 'Strategic technologies for Europe platform', European Commission website, https://strategic-technologies.europa.eu/index_en.

Overview of the 11 STEP programmes

5 EU PROGRAMMES Funding and STEP Seal awarded by the Commission			**6 EU PROGRAMMES** Funding allocated by Member States and financial institutions (e.g. EIB)	
Horizon Europe	EU4Health	Award of Sovereignty Seal	European Regional Development Fund	Cohesion Fund
Innovation Fund	European Defence Fund	→	European Social Fund Plus	Just Transition Fund
Digital Europe programme		**PROJECTS' FAST TRACK TO OTHER FUNDING**	Recovery and Resilience facility (*)	InvestEU (**)

(*) *Performance-based programme managed by the European Commission and implemented by the Member States.*
(**) *Implemented through the European Investment Bank group and other implementing partners – not awarded the seal.*
Source: European Commission.

Additionally, the STEP Regulation required the launch of a **STEP (Sovereignty) Portal** (50) to simplify project promoters' access to integrated information on EU funding opportunities, thus overcoming the existing fragmentation across multiple websites and platforms. In addition to providing project promoters with information on relevant EU funding opportunities across all EU funding programmes in the STEP remit (i.e. including those published by managing authorities in the Member States), this new Commission hub provides useful information to managing authorities and to private investors, including for example a dashboard of the projects awarded the STEP Seal and an interactive map, along with various guidance and interpretation documents.

Finally, the implementation of STEP is supported outside of the Commission by a **network of STEP national contact points**, appointed by all Member States (except Ireland) and chaired by DG Budget's Director for Revenue and Multiannual Financial Framework.

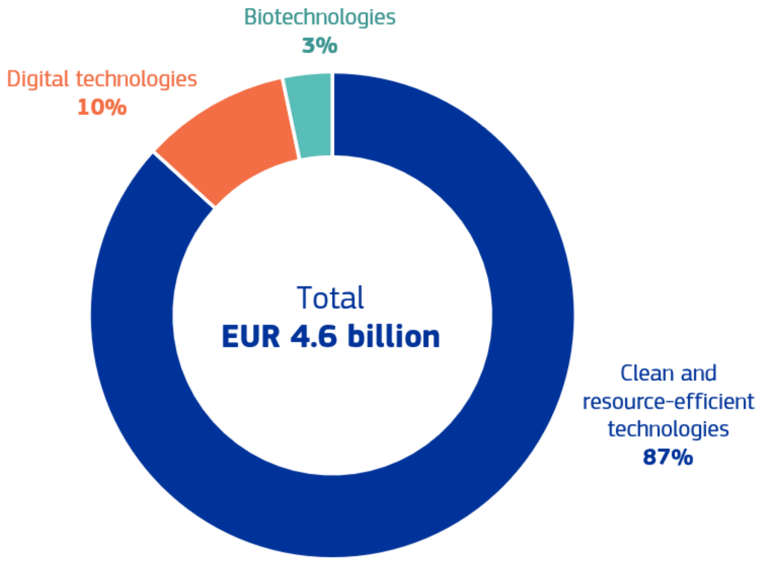
For additional information on the STEP Seal, the STEP Portal and the network of national contact points, please refer to the 2024 annual report on STEP.

(50) https://strategic-technologies.europa.eu/index_en.

Steering EU funding for strategic technologies

Programmes under direct management

Sectoral breakdown of the resources earmarked for STEP in 2024



Source: European Commission.

Despite being adopted midway through the multiannual financial framework period, STEP was swiftly implemented by the Commission, which reprogrammed EU funds under the five programmes it directly manages to support STEP objectives across the EU. While these programmes pursue broader goals beyond STEP, in 2024 over **EUR 4.6 billion was allocated to calls for proposals** catering to STEP-relevant technologies. By year end, **more than EUR 4.9 billion was awarded** ([51]).

In 2024 one call for proposals specifically targeted the development of skills and competencies in STEP-relevant sectors: the *specialised* education programmes in key capacity *areas* under the digital Europe programme.

Driving clean innovation

Clean and resource-efficient technologies are one of the key technological focuses of STEP, including a broad spectrum of innovations, from **renewable technologies to sustainable fuels, carbon capture, and decarbonisation technologies** ([52]).

([51]) This amount corresponds to the total amount awarded to the projects selected for funding under the Innovation Fund, Horizon Europe and EU4health. It may be adjusted upon the signing of the grant agreements, which could modify individual contributions and cannot be reconciled with the EUR 4.6 billion of the introductory paragraph that refers to budget allocated (versus funding awarded) under the STEP calls closed in 2024 under all five directly managed programmes in the STEP remit.

([52]) A detailed but non-exhaustive list of technologies covered by the STEP Regulation is available in the Communication from the Commission – Guidance note concerning certain provisions of Regulation (EU) 2024/795 establishing the strategic technologies for Europe platform (STEP), C(2024) 3148 final of 8 May 2024, https://strategic-technologies.europa.eu/document/download/e204ce9e-0407-4f03-82f8-6f518ce12886_en?filename=C_2024_3148_F1_COMMUNICATION_FROM_COMMISSION_EN_V6_P1_3408774.PDF.

The Innovation Fund, funded by the emissions trading system, was the largest contributor to STEP objectives. Its 2024 calls resulted in awards for EUR 4.8 billion in grants to 85 projects, covering up to 60% of capital and operating expenses. Supported initiatives included biomass-based chemical production in Slovakia (L1X), large-scale thermal storage in Austria (*ScaleUp*) and carbon dioxide storage in Denmark (*Greensand Future*). Three cross-border projects, including the *Energy Observer 2 hydrogen cargo ship (*France–Netherlands), received EUR 150.6 million. Entities established in Germany and Belgium led in funding received (EUR 661 million and EUR 604 million, respectively), followed by France, Spain and Denmark.

Accelerating digital and deep-tech innovations

STEP support for digital and deep technologies was channelled through Horizon Europe, the digital Europe programme and the European Defence Fund in 2024, with EUR 461 million earmarked in support of **advanced computing, artificial intelligence, cybersecurity, microelectronics and quantum technologies**. By the end of 2024 ([53]), applications to the calls for topics of the European Defence Fund and of the digital Europe programme had not yet been evaluated ([54]). Six projects under Horizon Europe were selected, receiving EUR 18.2 million in total under Cluster 4 ('Digital, industry and space'). All these projects were promoted by consortia across countries, including participants from non-EU countries such as Iceland and Norway. Entities from France and Germany were the largest recipients of funds (EUR 9.6 million and EUR 4.4 million, respectively). Examples of projects include *the planning urban mobility actions project*, a collaboration between German, French and Italian promoters that addresses EU strategic dependencies in the field of microelectronics for space applications, and OpticalSpaceLink*,* where entities from Belgium, Germany, Greece and France will collaboratively develop components for space-grade optical communications.

Empowering biotechnologies

For biotechnologies – vital for medical innovation and EU health resilience – a budget over EUR 150 million in STEP funding was earmarked through EU4health and the European Defence Fund, in support of a broad spectrum of cutting-edge fields, including **genomics and pharmacogenomics, DNA synthesis, cell and tissue engineering, bioinformatics and nano-biotechnologies**. By the end of 2024, EUR 130 million had been awarded under EU4health to seven projects, in grants that cover between 60% and 80% of their eligible costs. Four projects were multi-beneficiary, including three consortia across countries. Examples include *PharmSD* 3.0 in Portugal for the development of a continuous pharmaceutical spray-drying process and *RoboPharma,* an artificial-intelligence- and robotics-driven platform developed by partners from Germany, Estonia, France, Finland and Sweden. Beneficiaries from Germany and Italy led in terms of grants awarded (EUR 47 million and EUR 34 million, respectively), followed by France (EUR 19 million).

Cohesion policy funds

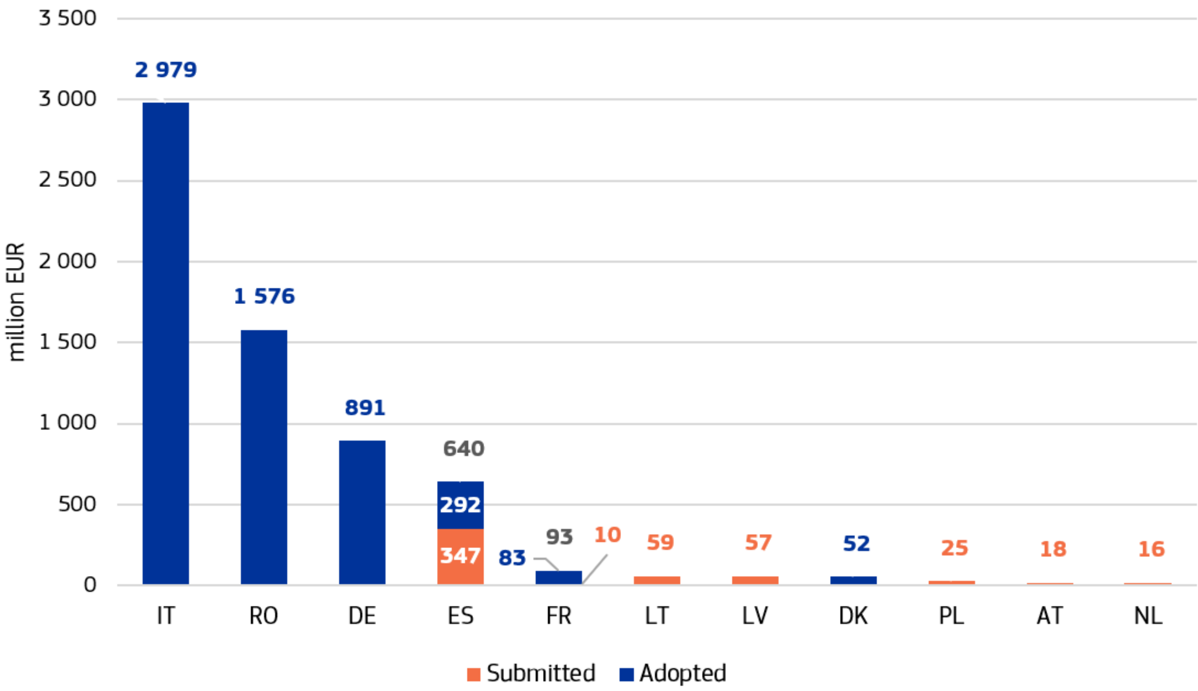
The cohesion policy has emerged as one of the main contributors to STEP objectives and to the competitiveness and resilience of the European economy – especially remarkable given that STEP was launched midway through the multiannual financial framework period. Many Member States had already signalled their intention to allocate cohesion policy funds to STEP even before the formal adoption of the STEP Regulation.

STEP introduced several means of flexibility and incentives for cohesion policy, including the possibility to finance productive investment in enterprises other than small and medium-sized enterprises under the

([53]) The 2024 annual report covers the calls for proposals closed by 31 December 2024, regardless of whether the results were announced by the end of the year.
([54]) By March 2025, the evaluation was concluded under the three topics of the digital Europe programme and 17 STEP Seals were awarded. They will be reported in the 2025 annual report.

European Regional Development Fund's STEP priorities, **higher co-financing rates of up to 100% at the level of the STEP-dedicated priority** and **30% of the allocation to STEP priorities paid by the Commission as a one-off 30% pre-financing** ([55]). The first wave of programme amendment requests was submitted by the 31 August 2024 deadline to benefit from an exemption from the cohesion midterm review in 2025. By the end of December 2024, **41 amendments from six Member States had been submitted, amounting to EUR 6.4 billion in cohesion policy funds:** EUR 4.8 billion under the European Regional Development Fund, EUR 838 million under the European Social Fund Plus and EUR 764 million under the Just Transition Fund. More amendments are expected in 2025.

Financial volume of STEP amendments per Member State (submitted versus adopted, descending by amount)



NB: Only for programmes with dedicated priorities or known amounts dedicated to the platform based on intervention fields allocations.
Source: Member State reporting.

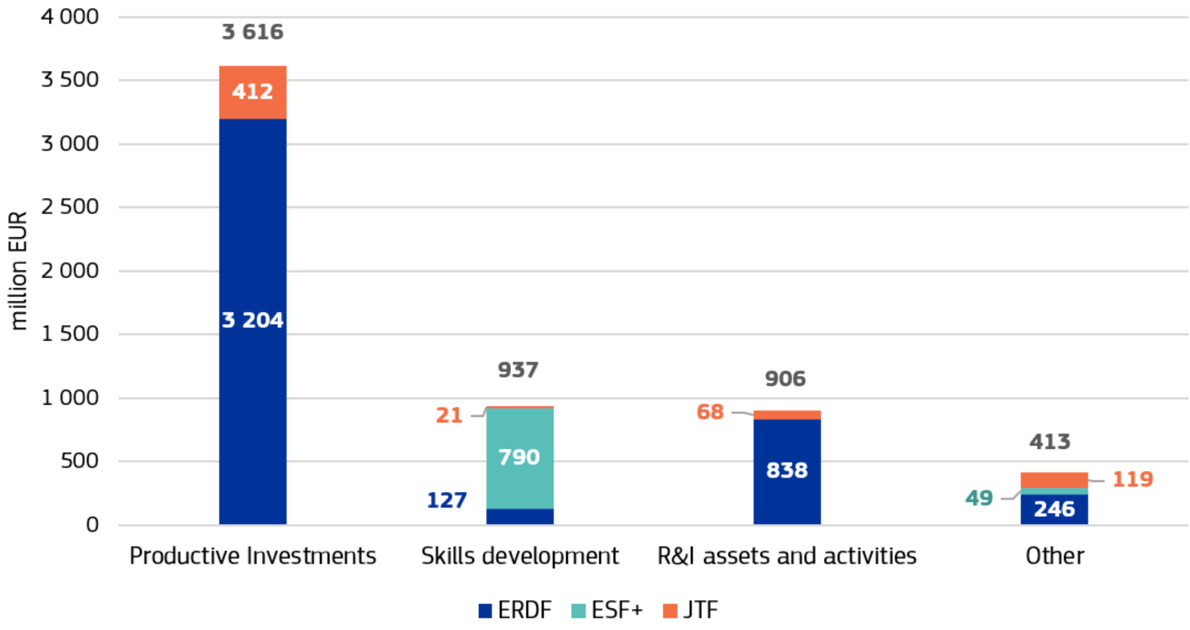
Analysis of the use of the strategic technologies for Europe platform in cohesion policy

As of 31 December 2024, **29 amendments had been approved by the Commission, totalling nearly EUR 5.9 billion**. The majority of STEP-relevant investment was proposed through regional programmes in Germany, Spain, France and Italy – 23 of the 29 approved programmes – amounting to EUR 3.7 billion. The remaining six national programmes accounted for EUR 2.2 billion. Importantly, national-level programming does not preclude eligible regions from benefiting.

Productive investment accounts for around 60% of the redirected allocations, followed by 15% for skills development and research and innovation. Another 10% supports technology transfer, business incubation, start-ups, and services linked to the low-carbon economy and climate resilience. Within productive investment, amounts are rather evenly split across STEP sectors, with significant use of the new European Regional Development Fund's flexibility to finance enterprises other than small and medium-sized enterprises.

([55]) 30% pre-financing was also paid to the whole Just Transition Fund upon the adoption of the STEP Regulation.

Financial volume of STEP amendments by sector (only for programmes with dedicated priority axes or known amounts dedicated to STEP)



Source: European Commission.

Based on the main output and result indicators selected by Member States in the amended programmes – and in line with STEP objectives – it is expected that this investment will benefit approximately 7 200 enterprises and generate around 9 800 jobs within the supported entities.

Call for proposals under cohesion policy and selected projects

Following the approval of the first STEP amendments, Denmark and Germany ([56]) published (and reported to the Commission, as required by the STEP Regulation) four STEP calls by the end of 2024, amounting to EUR 244 million ([57]). Five Member States – Denmark, Germany, Spain, France and Italy – have already selected projects under STEP.

The Recovery and Resilience Facility (the centrepiece of NextGenerationEU) and *InvestEU*

To support uptake of projects awarded a STEP Seal, the Commission issued updated guidance in July 2024 clarifying the process for amending recovery and resilience plans to include STEP objectives. It also maintained regular engagement with STEP national contact points and recovery and resilience plan national authorities, sharing relevant information, including the list of STEP Seals awarded in each country.

As of 31 December 2024, implementation of STEP under the Recovery and Resilience Facility remained limited. In particular, no Member State had amended its recovery and resilience plan to include a STEP priority or support a project awarded a STEP Seal nor had any Member State allocated Recovery and Resilience Facility resources to the InvestEU Member State compartment for STEP-relevant investment ([58]).

([56]) Germany launched a further five calls, not entirely STEP-dedicated, which might result in STEP projects.
([57]) Germany, Italy and Latvia reported further calls at the beginning of 2025.
([58]) Article 19 of the STEP Regulation amends the regulations governing the Recovery and Resilience Facility, allowing Member States to direct up to 6% of their Recovery and Resilience Facility funds towards the InvestEU Member State compartment in support of financial investment in STEP-related technologies, on top of the pre-existing 4% transfer possibility, bringing the total potential transfer to 10%.

Annex 2 – Internal control and financial management

1. Strong tools to manage the EU budget in a complex environment

The European Commission must fulfil its crucial role in shaping and implementing the European Union's policies while making the best possible use of taxpayers' money. It is therefore essential to ensure that EU spending is effective, efficient and economical, while also complying with the applicable rules. The Commission strives to achieve the highest standards of financial management while striking the right balance between a low level of error, prompt payments and reasonable control costs.

1.1. The EU budget: a wide variety of areas, recipients and spending in a complex environment

In 2024 the expenditure managed by the Commission amounted to EUR 179.0 billion (see figures below) ([59]). This encompasses the share of the EU budget managed by the Commission, along with the European Development Fund ([60]) and the EU trust funds. This expenditure was made through more than 296 000 payments, ranging from a few hundred euro per beneficiary (for Erasmus+ mobility grants) to hundreds of millions of euro (for large projects such as the ITER thermonuclear reactor or Galileo and Copernicus, along with budgetary support for partner countries) and even billions of euro (for the Ukraine Facility). This shows that the recipients of EU funds are very diverse and numerous. This expenditure concerns both the 2014-2020 and the 2021-2027 programming periods. In 2024, the number of payments related to the latter started to increase, and is expected to reach significant levels in the years to come.

Relevant expenditure of the EU budget implemented by the Commission in 2024, by policy area

Single market, innovation and digital	**Cohesion, resilience and values**	**Natural resources and environment**	**Migration and border management**	**Security and defence**	**Neighbourhood and the world**	**European public administration** EUR 11.6 billion (6.5%)
EUR 24.2 billion (13.5%)	EUR 62.0 billion (34.6%)	EUR 57.4 billion (32.0%)	EUR 3.5 billion (2.0%)	EUR 0.3 billion (0.2%)	EUR 20.0 billion (11.2%)	
More than 4 500 Horizon Europe grants were signed in 2024.	Around 4.4 million enterprises have been supported and almost 63 million people have been covered by improved health services since 2014.	Some 5.7 million beneficiaries were supported by agricultural funds under a variety of different schemes in 2024.	A total of 4 971 non-EU nationals were resettled under EU schemes in 2024.	The European Defence Fund awarded total EU support of EUR 1.12 billion to 61 defence industrial cooperation projects by December 2024.	Humanitarian aid, sustainable development, stability and EU economic and political cooperation with 130 non-EU countries across the world.	

Source: European Commission annual activity reports.

([59]) The amount of the Commission's relevant expenditure corresponds to the payments made in 2024 minus the pre-financing paid out in 2024, plus the pre-financing paid out in previous years and cleared in 2024 (for definitions and more details, see Annex 5). This amount does not include the payments made in the context of the Recovery and Resilience Facility, which are covered in Annex 3.

([60]) It should be noted that the European Development Fund has been incorporated into the EU's general budget for the 2021-2027 multiannual financial framework.

Under the EU budget, shared management with Member States (especially expenditure on cohesion policy and agriculture), whereby Member States' bodies selected projects, distributed funds and managed expenditure in accordance with EU and national law and reported back to the Commission about the results achieved represents the biggest share of the total expenditure. The rest of the budget was implemented either directly by the Commission or indirectly through entrusted entities such as international organisations, the European Investment Bank and national promotional banks. The table that follows describes the three management modes.

2024 expenses by management mode – Recovery and Resilience Facility excluded and included

(excluding Recovery and Resilience Facility)	Management mode	Examples of programmes/spending	Other actors involved, in cooperation with the Commission	**(including Recovery and Resilience Facility)**
41%	**Direct management** Funds are implemented by the Commission.	Horizon programmes; Connecting Europe Facility; administrative expenditure.	n/a (funding goes directly to the beneficiaries).	54%
9%	**Indirect management** Funds are implemented in cooperation with entrusted entities.	Erasmus+; part of development and humanitarian aid; pre-accession assistance; external action	Agencies, joint undertakings, United Nations, World Bank, European Investment Bank, European Bank for Reconstruction and Development, non-EU countries, etc.	7%
50%	**Shared management** Funds are implemented in cooperation with Member States' national and/or regional authorities, which have the first level of responsibility for budget implementation.	Agricultural funds; Maritime and Fisheries Fund; European Regional Development Fund; Cohesion Fund; European Social Fund and youth employment initiative; migration, border management and security funds.	Paying agencies for the common agricultural policy: 72; operational programmes for cohesion policy funds: 431, in all Member States for the 2014-2020 programming period (380 for 2021-2027).	40%

Source: European Commission draft annual accounts 2024 – Statement of financial performance.

In 2024, Russia's war of aggression in Ukraine, emerging international conflicts and global uncertainty at the geopolitical level continued to put pressure on the Commission's capacity to deliver with its already scarce resources. More than ever, this requires effective internal control to ensure the strict application of the principles of economy, efficiency and effectiveness when spending the EU budget.

1.2. A robust governance system underpinning the College's responsibility

As the authorising officer of the Commission, the College of Commissioners is politically responsible for the management of the EU budget and thus accountable for the work of the Commission's departments. The EU budget's governance is built on a clear division of responsibilities between the political and management levels; an independent internal audit supported by the Audit Progress Committee, which includes external experts; an independent accountant; a strong commitment to performance management and compliance with the legal framework; transparency and high ethical standards; and transparent reporting.

The Commission's governance system and chain of accountability are tailored to its unique model of decentralised decision-making in budget implementation. The College of Commissioners delegates the day-to-day operational management to 51 authorising officers by delegation ([61]) who manage and steer their departments to deliver on the objectives in their strategic plans, taking into account available resources. Each authorising officer by delegation is accountable for the share of the EU budget implemented in their department.

In their annual activity reports, the authorising officers by delegation report in a transparent way on the performance and results achieved, on the functioning of their internal control systems and on the financial management of their share of the EU budget – taking account of the assurance provided by Member States under shared management and the implementing partners in indirect management. Each annual activity report contains a declaration of assurance. It may be qualified with a reservation if an authorising officer by delegation identifies weaknesses with a significant impact.

The annual management and performance report synthesises the annual results for the EU budget at the Commission level, on the basis of the assurance and reservations contained in all the annual activity reports. This report is part of the Commission's integrated financial and accountability reporting package, which is adopted by the College of Commissioners ([62]).

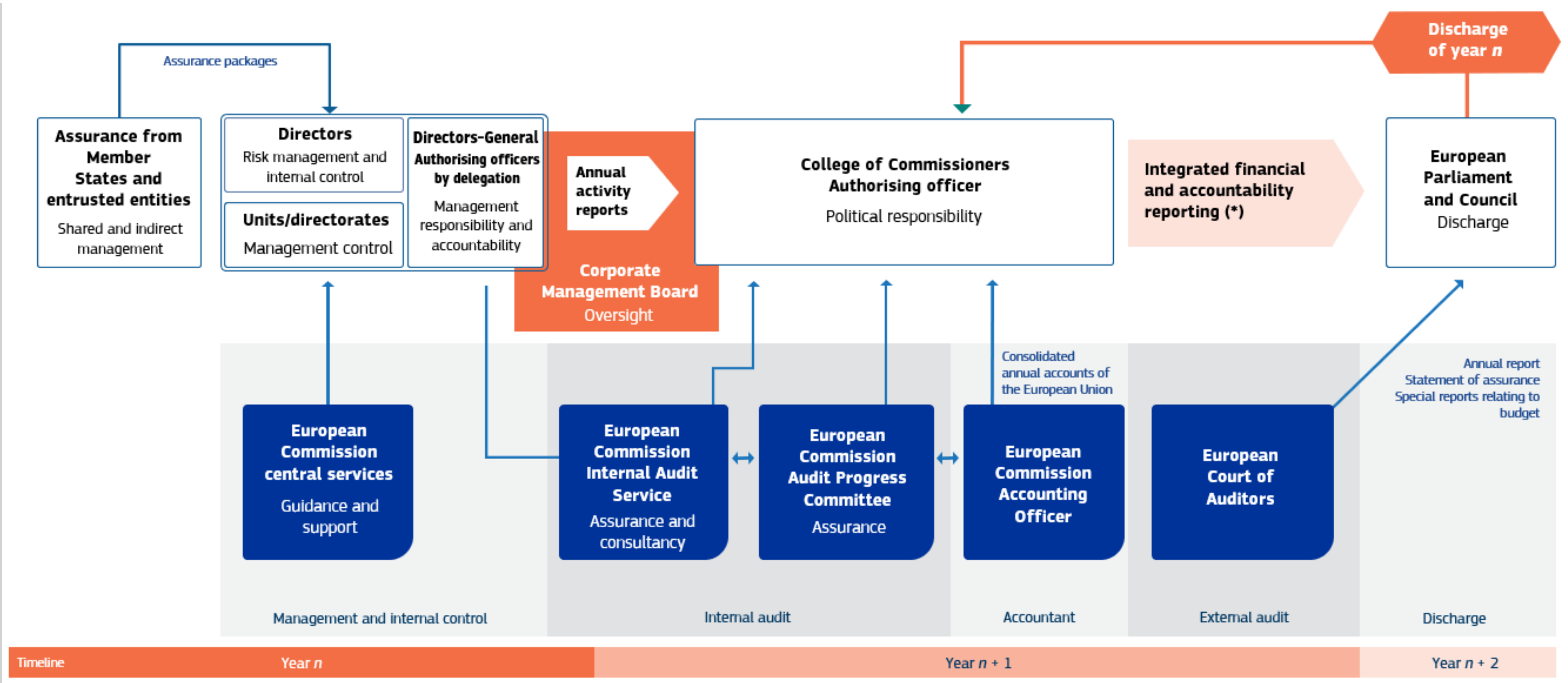
The ensuing annual budgetary discharge procedure allows the European Parliament and the Council of the European Union to hold the Commission politically responsible for the implementation of the EU budget. The Parliament's decision takes into consideration the Commission's integrated financial and accountability reporting; the annual and special reports of the Court of Auditors, along with the latter's statement of assurance on the reliability of the accounts and the legality and regularity of underlying transactions; the hearings of Commissioners and Directors-General; and a recommendation from the Council.

These robust governance arrangements help the College of Commissioners to deliver on the Commission's objectives, to use resources efficiently and effectively and to ensure that the EU budget is implemented in accordance with the principles of sound financial management. An overview is presented in the chart below.

([61]) The term 'authorising officers by delegation' covers Directors-General of the Commission and heads of executive agencies, offices, services, task forces, etc. Article 74(1) of the Financial Regulation (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) states 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.'

([62]) As required by Article 253 of the Financial Regulation, the integrated financial and accountability reporting package also includes the final consolidated annual accounts of the EU, the report on the follow-up to the budgetary discharge for the previous financial year, the annual report to the discharge authority on internal audits carried out and the long-term forecast of future inflows and outflows of the EU budget covering the next five years.

Commission's assurance-building and accountability for the EU budget: clear roles and responsibilities



(*) Integrated financial and accountability reporting:
- Consolidated annual accounts of the European Union
- Annual management and performance report
- Long-term forecast of future inflows and outflows
- Annual internal audit report
- Report on the follow-up to the discharge

1.3. A reinforced internal control framework contributing to the achievement of the Commission's objectives in an evolving environment

1.3.1. A mature internal control framework further adapted to new instruments

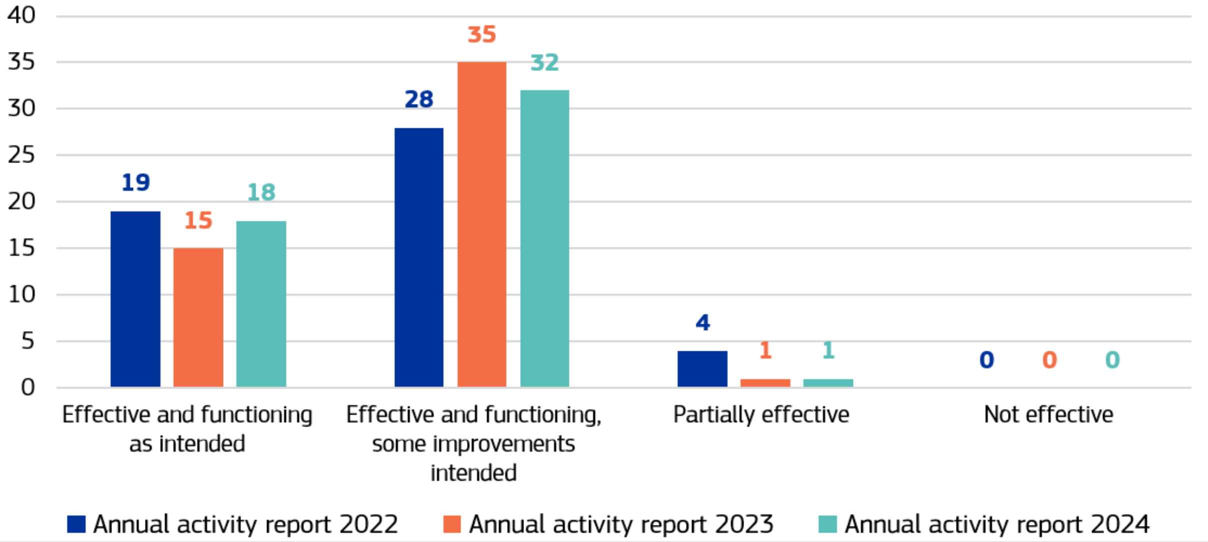
The Commission relies on a strong corporate internal control framework based on the highest international standards. It also employs a robust risk management policy to identify, assess and manage risks at every level of the organisation, in order to provide assurance about the achievement of its objectives. In 2024, the Commission continued to ensure that the amounts allocated from the EU budget were invested for their intended purpose in strict compliance with the financial rules, in order to minimise, detect and prevent errors, avoid double funding, prevent fraud, enhance transparency and pave the way to the discharge.

Overall, in 2024, the Commission departments concluded that the internal control principles underlying their internal control systems were present and working as intended and stable over the years (see graph below) even if minor improvements are needed in some areas**.** This overall assessment confirmed that the Commission departments continued their efforts to address the deficiencies in their internal control systems identified in 2023. Progress made in 2024 resulted from, among other things, improvement of payment time and average time to reply to requests to access to documents, adoption of local strategies in various areas (e.g. human resources, anti-fraud), better participation in learning activities in some departments, adoption of a business continuity plan and relocation plan, and improvement of the quality of some information provided on local intranets.

For some internal control principles, improvements are still needed, corresponding mostly to minor deficiencies. Similarly to previous years, these are mainly due to ongoing audit recommendations for which action plans have been developed and implementation has already started, producing mitigating effects to varying degrees but not yet fully (e.g. further improvement of control startegies the specificities of some programmes). The departments concerned as well as the areas for improvement vary from one year to another. This is the reason why variations over the years remain maginal. An overview of these areas is provided by the Internal Audit Service (see annex 6).

The principles that are considered 'partially effective' are related to external factors. This assessment is inherent to the instable political situation in certain non-EU countries and regions where the operations are taking place. This heightened volatility prevents the full implementation of standard monitoring, evaluation and control activities without discontinuing urgent and essential delivery of financial assistance.

Assessment of the functioning of the components and internal control principles (*)



(*) The number of Commission departments reporting that internal control components and principles were upheld and functioned properly in 2023 and 2024.

Source: European Commission annual activity reports.

Commission departments, with the support of the Central Financial Service, continued to enhance, update and fine-tune their internal control systems where necessary.

As part of the EU's digital agenda, and to streamline internal processes, the Commission has developed a Central Register of Internal Control Systems that brings together most of the information on the functioning of the internal control systems of its departments. Building on its successful roll-out in 2023, the Commission enhanced the effectiveness and efficiency of the tool by introducing new features to improve security and efficiency. Other EU organisations seeking to stengthen their own internal control environments have also started to use the tool.

In 2024, DG Budget reinforced the operational excellence of its **treasury** function with the successful implementation of the new ISO 20022 banking industry standard applicable to bank messaging solutions.

In February 2024, the Commission adopted an enhanced corporate strategy for the management of its debtors. Going beyond previous measures to prevent, as far as possible, doubtful or even bad debts, the strategy introduced four strategic measures to speed up the recovery process: recovery performance standards; transparent compliance monitoring and reporting; reinforced accountability with corporate escalation mechanisms; and synergies and efficiencies brought about by partial centralisation (including combined waiver decisions). Efficiencies were brought about by the partial centralisation of processes linked to waivers, with the adoption of one combined waiver decision in 2024 covering 99 debts.

1.3.2. An enhanced framework for the risk management of financial operations

In parallel, the Commission also enhanced the efficiency and effectiveness of the borrowing and lending operations underpinning the financing of policy programmes, such as NextGenerationEU, support for Ukraine through the macrofinancial assistance programme (macrofinancial assistance plus and Ukraine Loan Cooperation Mechanism) and ongoing support for other neighbouring countries. The launch of a unified funding approach in January 2023 enabled the Commission to extend the benefits of the more flexible and cost-efficient debt management strategy used for financing NextGenerationEU to other borrowing and lending programmes. The Commission completed its funding programme for 2024, raising a total of EUR 318.1 billion over the course of the year. The 2024 issuance brought the total outstanding amount of EU bonds to EUR 578.2 billion by year end, with EUR 68.2 billion issued in the form of NextGenerationEU green bonds.

Since the NextGenerationEU borrowing programme was launched at the end of 2021, the EU's financial operations have expanded significantly – in volume and in scope. Budgetary guarantees and loans to achieve the EU's policy objectives, funded through the issuance of debt securities, have been used on a large scale to tackle emerging challenges and successive crises. In this context, the Commission has appointed a Chief Risk Officer to devise and implement an appropriate risk management and compliance framework to protect the financial interests of the EU and to ensure that the various risks stemming from the borrowing operations are adequately identified, managed and mitigated. This framework has been continually enhanced by putting in place processes, control points and risk oversight across all the core borrowing and lending activities, including funding planning, execution of borrowing transactions, liquidity management, cost calculation and allocation.

Taking into account the increased complexities and scale of all EU financial operations, the Commission needed to evolve quickly towards a more comprehensive and sophisticated risk management framework, aligned with best practices. This was achieved at the beginning of 2025 by extending the Chief Risk Officer's role beyond the EU's borrowing and related lending and debt management operations to asset management operations, budgetary guarantees and financial assistance to non-EU countries [63]. In line with best practices, the Commission has implemented the 'three lines of defence' risk management model:

- the first line of defence is composed of the directorates-general responsible for the EU's financial operations in line with the Financial Regulation, which should implement sound financial risk management processes and ensure compliance with the risk management framework;
- the Chief Risk Officer acts as the second line of defence at the corporate level and is responsible for establishing a common financial risk management framework for all of the EU's financial operations and independent risk assessment and reporting;
- the third line of defence is the Internal Audit Service, which exercises its role in line with Article 118 of the Financial Regulation.

The Commission is now developing the framework governing financial risk management and compliance for the various categories of the EU's financial operations.

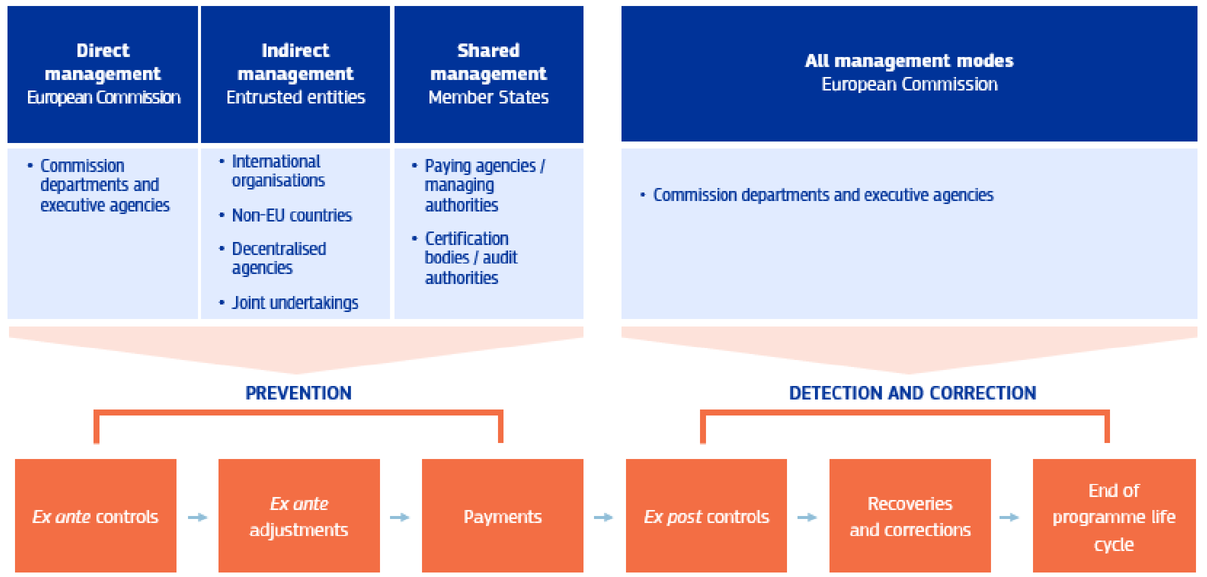
(63) Commission Decision (EU, Euratom) 2025/369 of 21 February 2025 establishing the role of the Chief Risk Officer overseeing the financial risks arising from the Union's financial operations, OJ L, 2025/369, 25.2.2025, ELI: http://data.europa.eu/eli/dec/2025/369/oj.

1.4. Multiannual control strategies to ensure that expenditure is legal and regular

Authorising officers, as managers of the EU budget, put in place multiannual control strategies to prevent, detect and correct errors. In line with their responsibility to carry out individual payments, they need to build their assurance from the bottom up and in detail (i.e. by programme or other relevant segment of expenditure). This allows the Commission to detect weaknesses and errors in a detailed and differentiated manner for each programme or segment of expenditure; to identify the root causes of systemic errors (e.g. the complexity of rules in certain policy areas, such as research or cohesion); to take targeted and proportionate corrective measures; and to ensure that lessons learned are used to improve the management and control systems and the design of future financial programmes.

EU spending programmes are multiannual by design, and so are the related control strategies. This implies that the detection and correction of errors may take place continually, until programme closure. Moreover, the control strategies are risk differentiated (i.e. they are adjusted to the characteristics and risks associated with different management modes, actors involved, policy areas and/or funding arrangements). Control strategies usually entail preventive controls (*ex ante* controls) carried out before the Commission payment takes place and corrective controls (*ex post* controls) carried out after the payment has been made. The approach for cost-based expenditure, and for expenditure where an error rate is determined, is presented in the visual below. The Commission's key preventive and corrective mechanisms are detailed in Annex 5.

The European Commission's multiannual control cycle



Source: European Commission.

For cost-based instruments, risk at payment and risk at closure are determined at different points in time, as explained in the visual below**.**

Risk at payment and risk at closure

For additional information regarding the 2024 risk at payment and at closure, see Section 2.1 below and Annex 5, Sections 5.1 and 5.2.

For performance-based payments, representing most of the support provided under the common agricultural policy 2023-2027, the sequence of controls remains similar to the one described above, with a focus on the functioning of the systems in place in the Member States and systems audits, both from the national audit authorities and from the Commission.

Regarding the other funding programmes for the 2021-2027 multiannual financial framework, the Commission has further adjusted control strategies in relation to programme specificities. For example, the increase in the use of lump-sum grants in the research and innovation programme has triggered a necessary adaptation of the Horizon Europe control strategy. The Commission's Central Financial Service has supported the Commission departments in these initiatives.

1.5. Fight against fraud: the Commission's anti-fraud strategy and further proposals

1.5.1. Implementation of the Commission's anti-fraud strategy action plan

The Commission has zero tolerance for fraud. Pursuant to Article 325 of the Treaty on the Functioning of the European Union, the Commission and the Member States protect the EU budget from fraud and other illegal activities. The Commission's 2019 **anti-fraud strategy** ([64]) plays a significant role in preventing the possible misuse of EU money. The strategy is accompanied by an action plan, revised in 2023 ([65]), including 44 measures under seven themes that cover the Commission's priorities in fighting fraud. The European Anti-Fraud Office coordinates and monitors the implementation of the plan, and leads approximately half of the measures. Throughout 2024, Commission services and the European Anti-Fraud Office made progress in the implementation of measures under each objective.

In 2024 the European Anti-Fraud Office further supported **Commission services** in the design of their anti-fraud strategies and ensured coordination and cooperation across services on anti-fraud matters through the Fraud Prevention and Detection Network.

The European Anti-Fraud Office continued its **strategic analytical work**, notably through analyses of the detection and reporting of irregularities and fraud in different sectors and of the impact of and vulnerability to fraud in the various areas of cohesion policy. The 2023 annual report on the protection of the EU's financial interests ([66]), adopted on 25 July 2024, included for the first time a qualitative assessment of the national anti-fraud strategies. The European Anti-Fraud Office also continued to cooperate with Member States on anti-fraud matters in the context of the Advisory Committee for the Coordination of Fraud Prevention and with the Anti-Fraud Coordination Services of EU Member States, candidate countries and potential candidate countries.

The European Anti-Fraud Office also continued to perform **investigative activities**, reporting on them in its annual report ([67]). As a result of its investigative work, in 2024 the European Anti-Fraud Office recommended the recovery of EUR 871.5 million, and EUR 43.5 million was recommended to be prevented from being unduly spent.

1.5.2. Other tools to increase the efficiency of the fight against fraud

As part of the fight against fraud, cybersecurity is very high on the Commission's agenda. EU entities are required to establish, by 8 April 2025, a cybersecurity risk management, governance and control framework, based on an initial cybersecurity review ([68]).

([64]) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the Court of Auditors – Commission anti-fraud strategy action plan – 2023 revision, COM(2023) 405 final, 11 July 2023, https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52023DC0405.

([65]) Commission staff working document – Action plan – 2023 revision, SWD(2023) 245 final, 11 July 2023, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023SC0245&qid=1747126601079.

([66]) 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.

([67]) European Commission: European Anti-Fraud Office, 'Annual OLAF reports', European Anti-Fraud Office website, https://anti-fraud.ec.europa.eu/about-us/reports/annual-olaf-reports_en.

([68]) 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, ELI: http://data.europa.eu/eli/reg/2023/2841/oj (entry into force January 2024).

This initial cybersecurity review, based on the existing cybersecurity governance, monitoring and reporting framework in the Commission, has confirmed the good cybersecurity posture of the Commission: attack attempts have so far been successfully contained and their impact has been limited, despite the increased number of incidents. Nevertheless, the Commission remains an attractive target. The current geopolitical context creates new motives for cyber-threat actors who exploit 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 are integrated into the recently endorsed 2025-2026 corporate cybersecurity strategy.

In September 2024, the recast Financial Regulation introduced several changes regarding the early detection and exclusion system, which is part of the framework for fraud prevention and the fight against fraud. These changes aim to (1) promote the use of the early detection and exclusion system; (2) enhance its effectiveness; and (3) make the system more efficient. Improvements include the introduction of an expedited procedure; new exclusion grounds, such as the refusal to cooperate in investigations; and the possibility to exclude affiliated entities and beneficial owners of a primary excluded entity from bidding for public contracts, and ultimately from obtaining EU funds for a number of years. The Financial Regulation (recast) extends the application of the early detection and exclusion system to beneficiaries under shared management and to future instruments in direct management with Member States, with a proportionate and targeted approach. **As from 1 January 2028, Member States will have the obligation to check the early detection and exclusion system database with regard to direct applicants, participants and beneficiaries.**

1.6. The conditionality regime is being implemented

The regulation on a general regime of conditionality for the protection of the EU budget [69] **(Conditionality Regulation), adopted in December 2020, protects the budget from breaches of the principles of the rule of law** that affect or seriously risk affecting the financial interests of the EU in a sufficiently direct way. The Conditionality Regulation came into effect on 1 January 2021 and complements other procedures established by EU legislation for the protection of the EU budget. The validity of the Conditionality Regulation was fully upheld by the Court of Justice of the European Union in two judgments from 2022 ([70]). Following those judgments, the Commission adopted its guidelines on the application of the Conditionality Regulation ([71]).

The Commission has been monitoring the situation across all Member States under the Conditionality Regulation since January 2021. The Commission will trigger the procedure under the Conditionality Regulation if all its conditions are fulfilled.

On 15 December 2022, following a proposal from the Commission, the Council adopted measures for the protection of the EU budget under the Conditionality Regulation in the case of Hungary. The Council decided to suspend 55% of the budgetary commitments for three programmes ([72]) under cohesion policy, corresponding to an amount of approximately EUR 6.4 billion in total for the 2021-2027 period, and prohibited the Commission from entering into new legal commitments with public interest trusts or entities maintained by them (many of which are universities) under any EU programme directly or indirectly managed by the Commission. The prohibition regarding the second measure has been challenged before the General Court of the European Union (the case is still pending).

In line with the Conditionality Regulation, **in the absence of any written notification from Hungary on new remedial measures to address the outstanding concerns, the Commission reassessed the situation on 13 December 2023**. It concluded that the EU budget remained at the same level of risk and that the budgetary measures taken at the end of 2022 by the Council should not be adapted or lifted. In a parallel process under the rules of the Common Provisions Regulation ([73]), the Commission considered that Hungary had adequately addressed some of the issues that led to Hungary's non-compliance with one of its horizontal enabling conditions as regards issues of judicial independence. Therefore, this resulted in the unblocking of a portion of the funds for Hungary under the Common Provisions Regulation.

On 2 December 2024, Hungary formally notified the Commission about specific legislative amendments regarding public interest trusts and entities maintained by them, formally requesting that the Commission propose the adapting or lifting of the protective measure regarding public interest trusts to the Council.

([69]) 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, p. 1, ELI: http://data.europa.eu/eli/reg/2020/2092/oj.

([70]) See judgments of the Court of Justice of 16 February 2022, *Hungary* v *Parliament and Council*, C-156/21, ECLI:EU:C:2022:97, and *Poland* v *Parliament and Council*, C-157/21, ECLI:EU:C:2022:98.

([71]) Communication from the Commission – Guidelines on the application of the Regulation (EU, Euratom) 2020/2092 on a general regime of conditionality for the protection of the Union budget, 2022/C 123/02, 18 March 2022, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022XC0318(02).

([72]) The environmental and energy efficiency operational programme plus, the integrated transport operational programme plus and the territorial and settlement development operational programme plus.

([73]) 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.

The Commission concluded that the legislative amendments did not adequately remedy the grounds that had led to the adoption of the measure and therefore did not propose any lifting or adaptation of the protective measures to the Council in its Decision of 16 December 2024 ([74]).

The Commission reported on the application of the regulation on 12 January 2024. The report focused on (1) the measures taken by the Commission in the application of the regulation, including the procedure opened in the case of Hungary; (2) the complementarity of the regulation with other relevant instruments, such as the Common Provisions Regulation; (3) the Commission's evaluation of the effectiveness of the measures adopted so far; and (4) the overall effectiveness of the procedure set out by the Conditionality Regulation. The report preliminarily confirmed the effectiveness and the potential of the protective measures adopted under the Hungarian case.

In January 2024, **the Court of Auditors published an audit on the rule of law in the EU**, focusing on the Conditionality Regulation, its interplay with the Recovery and Resilience Facility and conditionality under cohesion policy rules. The audit report ([75]) made positive observations overall on the handling of the Conditionality Regulation and the proceedings regarding Hungary. Most of the Court's recommendations were accepted and are being implemented, for instance finishing its development of a case-management system, CASE@EC, to manage and document the workflow for the decisions and measures taken.

([74]) 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.

([75]) European Court of Auditors, *The Rule of Law in the EU – An improved framework to protect the EU's financial interests, but risks remain – Special report 03/2024*, Publications Office of the European Union, Luxembourg, 2024, https://data.europa.eu/doi/10.2865/00087.

1.7. The Financial Regulation (recast) entered into force in 2024

The Financial Regulation (recast) was adopted on 23 September 2024 and entered into force on 30 September 2024. The changes adapt the EU's financial rules to a changed world by introducing clearer and more flexible rules for procurement in crisis situations; provide a centralised website for transparency on the use of EU budget, which will cover all management modes as from 2028; bring simplification in the form of very-low-value grants (under EUR 15 000); and protect the EU budget against fraud, corruption or conflicts of interest by extending the early detection and exclusion system to shared management as from 2028. Several provisions will apply only as from 2028.To reflect the changes in the Financial Regulation, the revised internal rules of the Commission were adopted on 30 September 2024 ([76]).

Use of the single data-mining and risk-scoring tool – Arachne

Following the adoption of the Financial Regulation (recast) in September 2024, Article 36 of the Financial Regulation requires a modernised data-mining and risk-scoring tool, to be used in all management modes. The existing data-mining and risk-scoring tool, Arachne, on which the future tool will be based, is already used by Commission services and by a number of Member States on a voluntary basis in shared management and for the Recovery and Resilience Facility. Compulsory feeding of the tool with data will be required from all Member States as from the next financial framework, starting in 2028.

In 2024 the Commission continued with preparatory work for the new system, e.g. looking at users' needs and data protection.To prepare for the possibility of compulsory use by Member States of this modernised data-mining and risk-scoring tool after 2027, the Commission set up a group of experts, including at least one representative per Member State, to provide assistance and support in designing the modernised tool. It should, in particular, assist with the preparation of a readiness assessment of the tool, which is to be presented by the Commission by 2027. On that basis, the possibility of compulsory use of the tool by Member States may be discussed again by the co-legislators.

([76]) Commission Decision of 30.9.2024 on the internal rules for the implementation of the Commission section of the general budget of the European Union, C(2024) 6814 final, 30 September 2024.

2. Cost-effective controls protecting the EU budget

To ensure that controls remain cost-effective, the Commission aims to strike the right balance between the following.

- **Effectiveness.** The level of error found, based on the controls carried out, which allows the expenditure to be grouped into different risk categories.
- **Efficiency.** The average time taken to make a payment. Beyond this, the Commission is also constantly looking for and developing new ways to increase efficiency, notably by creating synergies wherever possible.
- **Economy.** The proportionality between the costs of controls and the funds managed.

Cost-effectiveness is obtained through differentiation of the controls: riskier areas trigger a higher level of scrutiny and/or frequency of controls, whereas low-risk areas should lead to controls that are less intensive, less costly and less burdensome. Other ways to ensure the cost-effectiveness of controls include reducing the risk of errors through simplified rules and processes, such as simplified cost options (i.e. lump sums, flat rates and unit costs), cross-reliance on existing assessments, and audits and controls performed by other entities and achieving economies of scale by pooling the control functions.

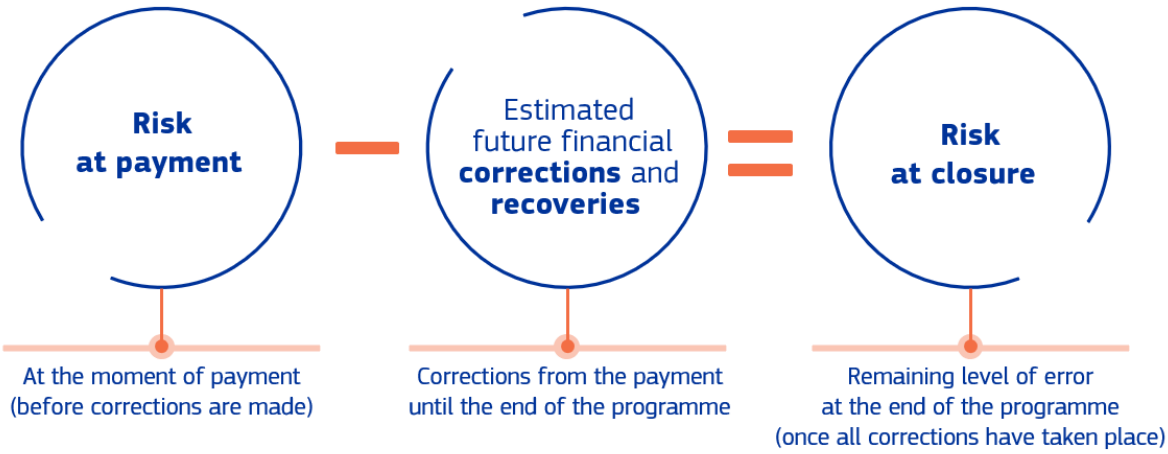
2.1. The Commission's control results confirm that the EU budget is well protected

2.1.1. Overall results for 2024

In 2024, with most of the common agricultural policy expenditure implemented under a performance-based policy framework, the Commission used a new indicator for the control results for this type of expenditure: the share of low-risk expenditure.

In addition, and as a consequence of the change for agriculture, control results are now presented at the level of the individual multiannual financial framework headings and not for the entire EU budget, and there is no longer an indicator at the level of the Commission as a whole.

For cost-based payments, the Commission considers that the budget is effectively protected when, at the latest by the closure of the programmes (i.e. when all controls, corrections and recoveries have been implemented), the risk at closure is below 2%. This is the same materiality threshold as used by the Court of Auditors. For more details on these concepts and the methodology used to determine these estimates, along with the control results for each policy area, see Annex 5. Based on the audits and controls carried out, each year the Commission departments estimate the level of risk for the legality and regularity of EU spending at two stages of the multiannual control cycle: at payment and at closure of the programmes.

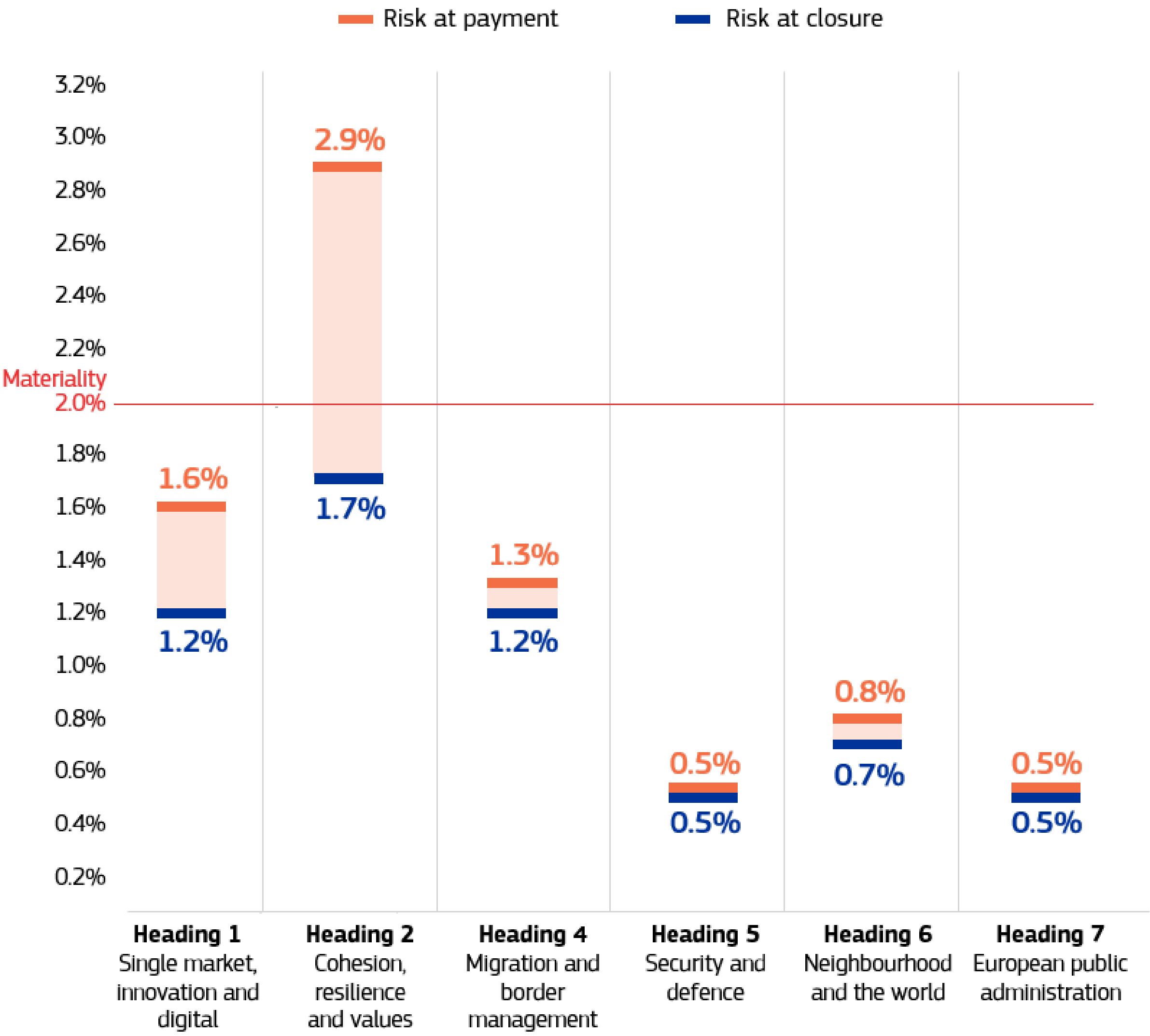


Source: European Commission.

Until 2023, this was the only indicator used to measure the level of protection of the EU budget that was also used for the entire Commission. This indicator will continue to be applied wherever payments are cost based and for those headings under which payments are cost based, thus for 2024 headings 1, 2, 4, 5, 6 and 7.

Regarding the new CAP 2023-2027, for performance-based expenditure, the focus is on performance, based on the achievement of results, and on the proper functioning of the governance systems in the Member States. Member States no longer report to the Commission on control statistics at the beneficiaries' level. Instead of determining an error rate and a risk at payment, the Commission groups the corresponding expenditure in three categories of risk (low, medium and high), based on the assessment of the functioning of the systems in place in the Member States to ensure both the legality and regularity of the underlying transactions and the quality of performance results. Because of this new approach, no risk at payment can be determined for the multiannual financial framework heading 'natural resources and environment', since 74.8% of the expenditure of the heading now corresponds to performance-based expenditure. Also, because of this change, no risk at payment may be determined for the whole Commission anymore. The reporting is done per multiannual financial framework heading.

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



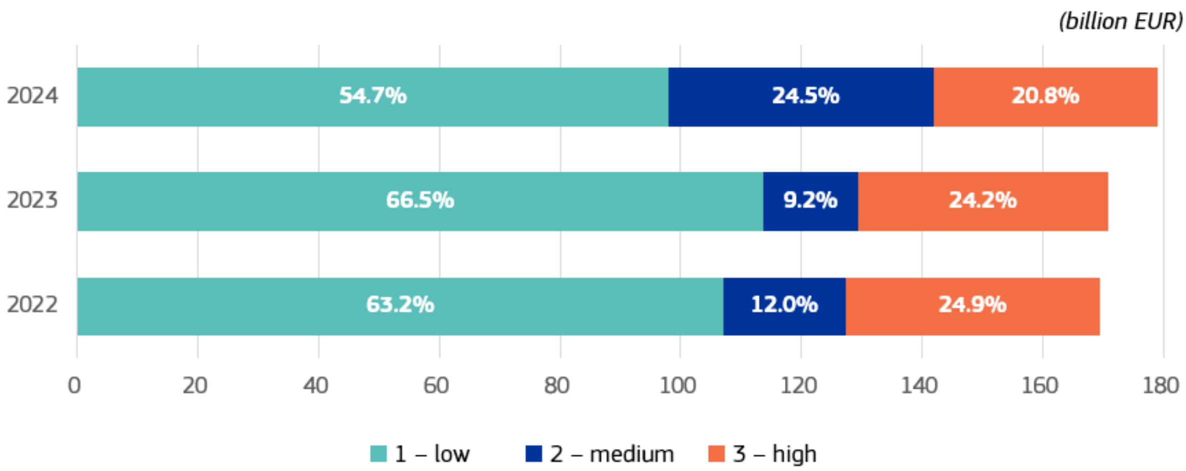
Source: European Commission annual activity reports for 2024.

For 2024, all headings, except for cohesion, have a risk at payment and a risk at closure below 2%, and heading 3 on natural resources and environment, including the agriculture payments, has a share of low-risk payments of 77%, above the average for 2018-2023 of 64%. The corresponding expenditure is thus well protected.

The cohesion heading has a risk at payment above 2% and a risk at closure below 2%. For this heading, the Commission is continuing its efforts to further reduce the level of risk at the time of payment.

To allow for comparability and to have an overview, the information is presented for each heading by level of risk (low, medium or high – see Section 2.1.2), and for the entire Commission (see next visual).

Overview of expenditure per risk category



Source: European Commission annual activity reports for 2024.

This new approach has no impact on preventive and corrective measures that continue to be applied.

Total preventive and corrective measures (Commission and Member States): EUR 2.6 billion (EUR 3.8 billion in 2023).

Reservations: 18 (14 in 2023), of which 17 related to expenditure from the EU budget with a total financial impact of EUR 330.9 million (EUR 1 290.6 million in 2023) and one related to expenditure from the Resilience and Recovery Facility with a financial impact of EUR 17.5 million. See Section 3.1 and Annex 5, Section 5.3 for more details.

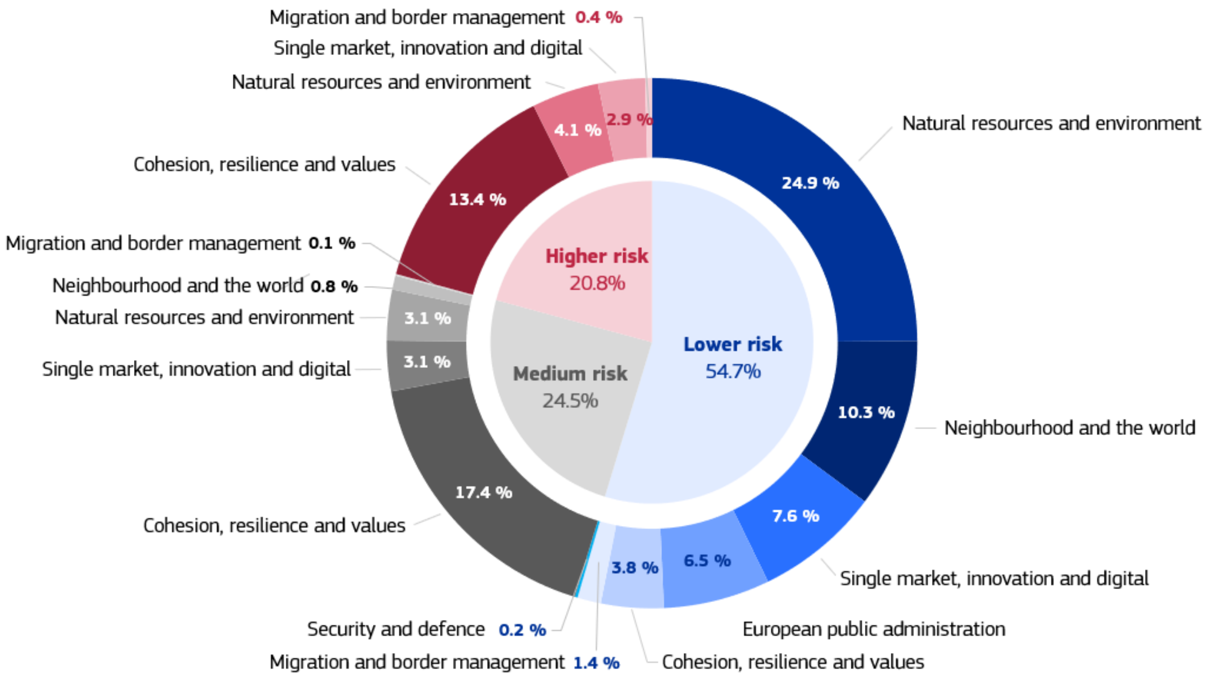
2.1.2. Control results by lower-, medium- and higher-risk programme segments

The Commission has reliable, evidence-based information showing the diversified situation of the funds it manages. It identifies which programmes or segments of expenditure are higher risk, allowing it to efficiently provide its support and address specific weaknesses even for policies that, taken globally, are lower risk, such as the common agricultural policy.

For cost-based expenditure, the split between the categories of risk is based on the risk at payment (i.e. before any future correction is implemented): lower risk – risk at payment below 2.0%; medium risk – risk at payment between 2.0% and 2.5%; and higher risk – risk at payment above 2.5%. For cohesion, this analysis is also applied at the level of the individual programmes in the Member States.

Performance-based expenditure is split between the low-, medium- and high-risk categories according to the assessment of the functioning of the systems in the paying agencies at the intervention level. As a result, the new approach for common agricultural policy expenditure allows for an enhanced granularity of the control results for this expenditure, since information on the weaknesses and deficiencies is at a lower than paying-agency level.

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



Source: European Commission annual activity reports for 2024.

- **Lower risk.** Expenditure in this category amounted to EUR 97.2 billion in 2024 representing 54.8% of the total expenditure, compared to 66.6% of expenditure in 2023). The decrease of the amount in the lower risk category compared with 2023 is related to cohesion programmes that have been, conservatively, set at a medium risk (2%) even when their error rates were lower. This prudent approach was taken due to Member States using the possibility to deliver their final assurance after 2024 (see below). This lower risk category includes the majority of expenditure managed under the new performance-based model in place for the common agricultural policy 2023-2027 (1 306 interventions out of a total of 1 526) and, outside the new common agricultural policy, expenditure managed by 50 out of 70 paying agencies for rural development. Similarly to previous years, it also includes expenditure relating to the European Research Council grants under Horizon 2020 and the Connecting Europe Facility – transport and Connecting Europe Facility – energy programmes; Erasmus+; the Marie Skłodowska-Curie actions; contributions to other EU bodies (the European Union Agency for the Space Programme, the European Space Agency, Fusion for Energy joint undertaking, etc.); the Asylum Migration and Integration Fund; the Internal Security Fund;

humanitarian aid; Horizon Europe financial instruments; expenditure in the neighbourhood and the world policy area; and administrative expenditure in general.

- **Medium risk.** Expenditure in this category amounted to EUR 43.7 billion in 2024 (24.4% of expenditure compared with 9.2% in 2023). This increase is mainly due to the cohesion policy funds, where a conservative flat rate of 2% was applied for many programmes, even if the estimated error rates were lower. This was done as a prudent approach, in response to the fact that only a limited number of assurance packages for the 2014-2020 period were received (as Member States were granted an extra year to submit them by the Strategic Technologies for Europe Platform Regulation), as well as for the 2021-2027 period, where programmes are still in the early stages of implementation. This category also included expenditure in research and innovation in particular in relation to grants under the new Horizon Europe, and under the Connecting Europe Facility – transport programme for the 2021-2027 period, expenditure from the European Maritime and Fisheries Fund (six programmes out of 27), as well as expenditure related to the common agricultural policy (152 interventions out of a total of 1 526 for performance-based expenditure).
- **Higher risk**. Expenditure in this category amounted to EUR 38.2 billion in 2024 (21.3% of expenditure, similar to 2023, 24.2%). This includes mainly and some expenditure declared under cohesion policy funds with a higher risk at payment or with serious deficiencies ([77]) and some expenditure declared under the common agricultural policy.

The Commission's detailed analysis confirms that the level of error and share of high-risk expenditure are closely related to the nature of the funding. Most programmes or segments of expenditure, corresponding to more than 50% of the year's relevant expenditure, are estimated in the lower-risk category because they encompass more entitlement-based payments. On the other hand, some programmes or segments of expenditure with complex reimbursement-based rules appear to have a relatively higher risk at payment (as is typically the case under cohesion policy, with many applicable national, regional or programme rules in addition to EU rules). Nevertheless, the control systems in place allow the risks related to some of the more complex programmes to be mitigated and, as a result, the level of risk at payment to be reduced.

The Commission is closely monitoring the risks at payment and at closure for the various programmes and segments of expenditure and is taking further action to reduce them. For the medium- and higher-risk categories in particular, the Commission is continually looking for ways to further decrease them by raising beneficiaries' and implementing partners' awareness of issues, adjusting the control strategies where necessary, applying the lessons learned to future programmes and simplifying rules wherever possible.

([77]) In the case of the European Regional Development Fund, the Cohesion Fund and the European Maritime and Fisheries Fund, the level of risk has also been considered high, irrespective of the risk at payment, when the audit opinion issued in the annual activity reports on the functioning of the management and control system of the programmes was either adverse or qualified.

2.1.3. Control results by policy area

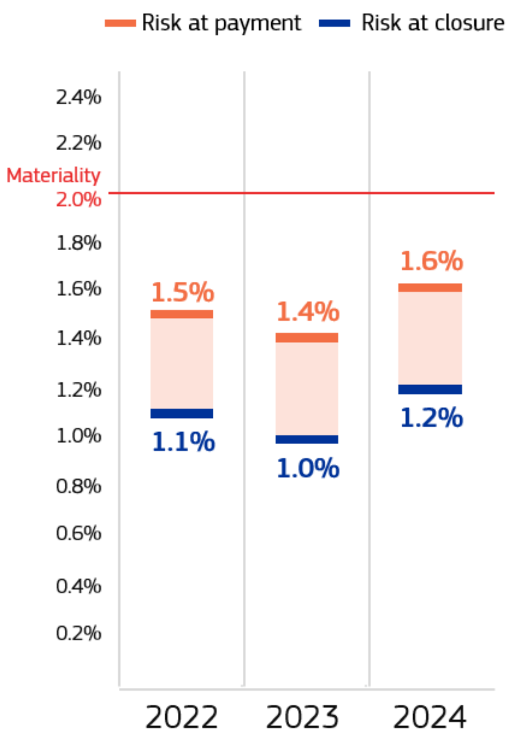
The *Annual Management and Performance Report for the EU Budget* is a summary of the annual activity reports of the 51 Commission departments. The spending covered in each of these reports is allocated in full to one of the seven headings of the multiannual financial framework. Since 2022, considering its size, the spending for 'security and defence' of DG Defence Industry and Space was divided between heading 1 and heading 5. The situation for each policy area is described below.

Heading 1 – single market, innovation and digital

Total relevant expenditure: EUR 24.2 billion (2022: EUR 19.1 billion).
Risk at payment: 1.6% (2023: 1.4%).
Risk at closure: 1.2% (2023: 1.0%).
Total preventive and corrective measures: EUR 348.5 million (2023: EUR 149.8 million):

- *preventive measures: EUR 244.7 million (2023: EUR 121.1 million);*
- *corrective measures: EUR 103.8 million (2023: EUR 28.6 million).*

Reservation: one reputational reservation without financial impact (same as in 2023) ([78]).



In 2024, the risks at both payment and closure **increased slightly, by 0.2 percentage points**, compared to 2023, to reach 1.6% for the risk at payment and 1.2% for risk at closure. This is due to the increase in the risk at payment for grants under Horizon 2020, from 2.57% in 2023 to 3.55% in 2024, as the corresponding expenditure still represents one third of the total expenditure under this heading, even if the share of expenditure from the 2014-2020 multiannual programming period (all programmes together) is decreasing (from 56% in 2023 to almost 40% in 2024). The risk at closure for this expenditure remains below the 2% materiality threshold (at 1.59%).

It should be noted that the increase in the risk at payment for this heading is also explained by the **increase in the share of expenditure from the 2021-2027 programming period** (from less than 6% in 2023 to more than 21% in 2024), and **in particular of Horizon Europe** (from 1.9% in 2023 to 17.8% in 2024). For this expenditure there was no representative error rate for 2024 as the *ex post* audit campaign was only launched in the second half of 2024, once a meaningful number of payments was available. As a result, **the conservative approach applied in 2023 was maintained in 2024 by using a flat rate of 2% for the risk at payment**. To a lesser extent, the same holds true for the digital Europe programme. The incidence of this approach is particularly visible in the graph below, with an increase of the share of the medium-risk segment of expenditure in 2024 (segment between 2% and below 2.5%).

([78]) The concerned programme (The Promotion of Agricultural products) is funded by European Agricultural Guarantee Fund which is currently under Budget Heading 3 – Natural resources and environment, however it is reported under Heading 1 – Single market, innovation and digital for consistency with previous reports.

For Horizon 2020, as in previous years, and despite ongoing efforts and improvements, the risk at payment remained above 2% because of the inherent complexity of the rules. More specifically, in 2024, there was an increasing share of final payments for Horizon 2020, which are more error prone than interim payments as they often correspond to larger and more complex projects. Similar to previous years, the research departments did not qualify their declarations of assurance with a reservation in relation to the Horizon 2020 programme ([79]).

For Horizon Europe, structural improvements leading to fewer errors are expected in the medium term from the a higher share of grants using lump sums or simplified cost options. The objective is to use lump-sum funding for 50% of the budget for calls for proposals by the end of 2027. Given the cycle of payments, it is likely that the impact on the level of risk at payment will start to show modestly in the coming years and will be more significant as from 2029.

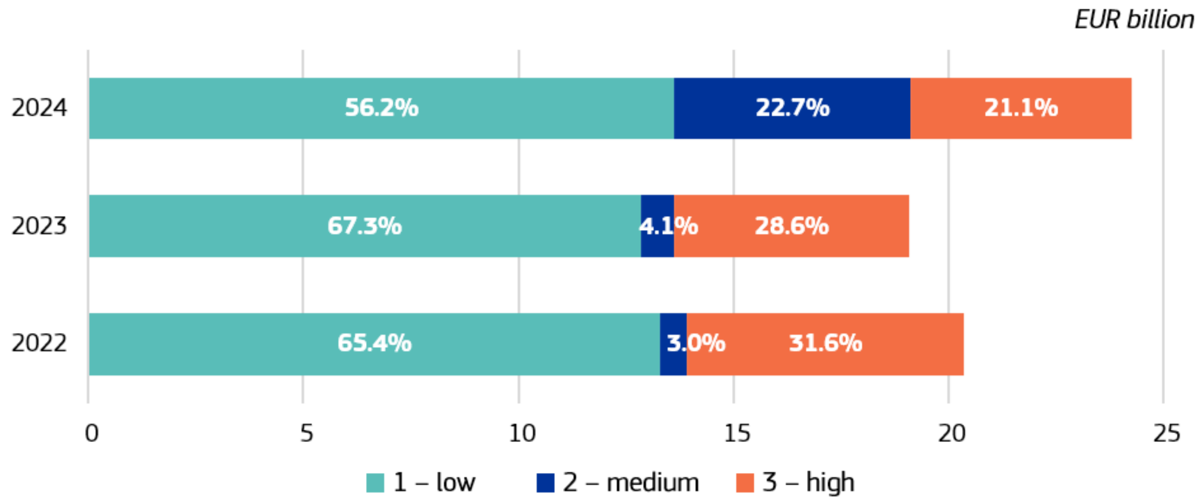
The Commission has defined and is implementing other measures to simplify the rules with a view to reducing the error rates in Horizon Europe. Beyond the use of simplified forms of funding (lump sums and unit costs), these measures include targeting more 'error-prone' types of beneficiaries (such as small and medium-sized enterprises and newcomers) with communication campaigns and improving the training provided to external audit firms performing audits on behalf of the Commission. By focusing on the most common errors, these measures should have a positive impact while remaining cost-effective.

The only reservation issued in 2023 was maintained in 2024. This reservation concerns the promotion of agricultural products programmes and was issued due to irregularities in the subcontracting process. As anticipated in 2023, the financial risk has now materialised, as shown in the control results with an error rate of 3.89% (2.32% after deduction of the corrections already made). Additional audits and European Anti-Fraud Office investigations are ongoing. Mitigating measures have been taken and are being implemented to prevent similar situations from happening in the future. However, it will still take time for the all the necessary corrections to be implemented.

As far as preventive and corrective measures are concerned, the increase is mainly due to the increased number and amount of interim and final payments, and to a limited number of high-value cases, notably a one-off, particularly important recovery in the Connection Europe Facility programme following a Commission audit.

([79]) Proposal for a Council decision establishing the specific programme implementing Horizon 2020 – The framework programme for research and innovation (2014-2020), COM(2011) 811 final, 30 November 2011, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52011PC0811&qid=1747145040788.
The risk at payment minus corrections implemented remains within the agreed materiality threshold of between 2% and 5% envisaged in the legislative financial statement accompanying the Commission's proposal, which states that 'The Commission considers therefore that, for research spending under Horizon 2020, a risk of error, on an annual basis, within a range between 2-5 % is a realistic objective taking into account the costs of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated to the reimbursement of costs of the research project. The ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, correction and recovery measures will have been taken into account is to achieve a level as close as possible to 2 %.'

Multiannual financial framework heading 1 – single market, innovation and digital – overview of risk segmentation for 2022-2024



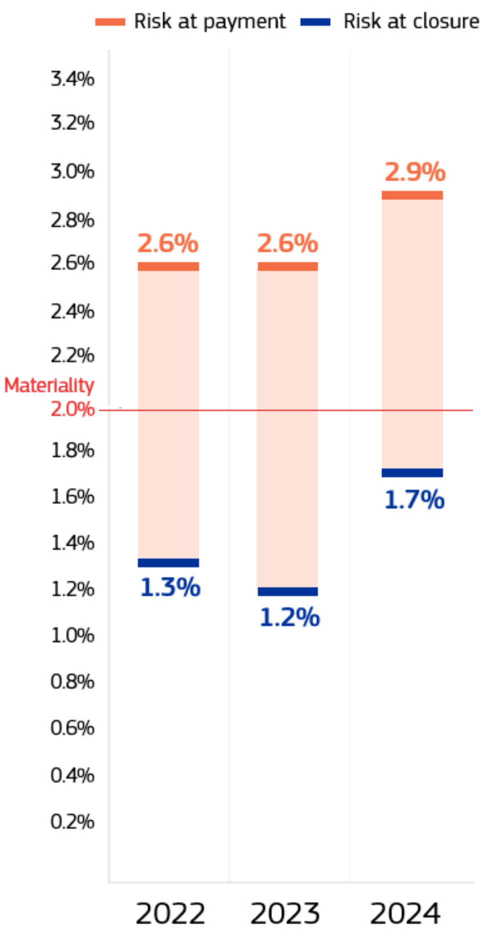
Source: European Commission annual activity reports for 2024.

Heading 2 – cohesion, resilience and values

Total relevant expenditure: EUR 62.0 billion (2023: EUR 67.3 billion).
Risk at payment: 2.9% (2023: 2.6%).
Risk at closure: 1.7% (2023: 1.2%).
Total preventive and corrective measures (Commission and Member States): EUR 1 028.6 million (2023: EUR 2 370.9 million):

- *preventive measures: EUR 579.9 million (2023: EUR 1 643.7 million);*
- *corrective measures: EUR 448.7 million (2023: EUR 727.2 million).*

Reservations: five reservations with a financial impact of EUR 73 million (2023: three reservations with a financial impact of EUR 583 million).



The risk at payment for this heading increased from 2.6% to 2.9%, while the risk at closure increased from 1.2% to 1.7%. The risk at payment and risk at closure were mostly driven by the amounts paid for the cohesion policy funds ([80]) managed under shared management, which represented around 92% of the total relevant expenditure for this heading.

For all the cohesion policy funds, the risk at payment remained material in the range of 2.3% to 3.2% ([81]), an increase from the range observed in 2023 of 1.9% to 2.8%. The increase is mainly due to the prudent approach taken by the Commission for expenditure corresponding to the 2014-2020 programming period (still comprising 80% of the total payments in 2024), in response to the fact that only a limited number of assurance packages were received by 1 March 2025, following the amendment of the Common Provisions Regulation by the Strategic Technologies for Europe Platform Regulation, which extended the submission period for the final assurance packages (and therefore the audit results) to

([80]) These include the European Regional Development Fund, the Cohesion Fund, the European Social Fund, the youth employment initiative and the Fund for European Aid to the Most Deprived. See detail in Volume III, Annex 5, Section 5.2.2.

([81]) For the second consecutive year, the Commission's risk at payment is outside the error-level range of between 6.4% and 12.2%, estimated by the Court of Auditors in its *2023 – Annual reports on the implementation of the EU budget for the 2023 financial year and on the activities funded by the 9th, 10th and 11th European Development Funds (EDFs) for the 2023 financial year* (p. 238). The higher level of error estimated by the Court can be explained by divergences in the interpretation of breaches of applicable rules that, in some cases, do not constitute irregularities in the sense of the Common Provisions Regulation, for which the Commission has assessed that it would not have legal grounds to impose financial corrections, and by differences in the methods used to quantify some errors.

15 February 2026 ([82]). As a result, the Commission used a flat rate of 2% for all the programmes where an assurance package was not submitted and the estimated error rate, based on incomplete audit results, was under 2%. Similarly, a flat rate of 2% was used for the lower value of the risk at payment for all 2021-2027 programmes, due to the very limited audit results received for the accounting year 2022-2023 ([83]).

Overall, the Commission has reasonable assurance that the management and control systems function sufficiently well for 91.5% of the programmes ([84])**. Nevertheless, the risk at payment for cohesion remained above the 2% materiality threshold.** This is mainly due to the inherent complexity of the projects financed by these funds, the variety of actors concerned and the difficulty of tackling some complex rules at both the national and the EU level, in particular those related to public procurement and State aid. Weaknesses remain mainly at the level of managing authorities or their intermediate bodies. The main categories of irregularities identified by the Member States' audit authorities and the Commission are similar to those identified by the Court of Auditors: ineligible expenditure, ineligible projects or beneficiaries, errors in public procurement procedures and missing supporting information or documentation.

In 2022 and 2023, the difference between the Commission's risk at payment and the Court of Auditors' estimated level of error has significantly increased. This is mostly explained by divergences in the interpretation of breaches of applicable rules. Following this growing difference, a study has been commissioned by the Committee on Budgetary Control of the European Parliament to compare the Commission's risk at payment and closure and the Court of Auditors' estimated level of error, focusing on cohesion funds. The recently published study makes a balanced and factual assessment of respective methodologies, and the reasons why they lead to different outcomes in the reporting of error rates by both institutions, notably for cohesion. It fairly reflects the work performed by both institutions, the respective expectations their roles entail and the usefulness of the two approaches. It states that both the Commission and the Court of Auditors use state-of-the-art methodologies, based on international audit standards. Each methodology satisfies each institution's needs and expectations. The study concludes that the error rate and risk at payment are not directly comparable.

For the cohesion funds, the Commission applied additional financial corrections for those programmes where it confirmed individual error rates above 2%, so that the risk at closure will be ultimately below 2% for all the programmes. Estimated future corrections corresponded to a range of 0.5-1.4%, leading to an estimated risk at closure of 1.8%.

Preventive measures were mostly driven by operational programmes under the 2021-2027 programming period and corrective measures by operational programmes under the 2014-2020 programming period. In relation to the cohesion funds for the 2014-2020 programming period, Member States implemented preventive and corrective measures ([85]) attributed to the Member States' own controls for a total amount of EUR 211 million, which is much lower than the amount for those implemented last year, at EUR 598 million. This is explained by the limited number (i.e. 96 out of 431) of final assurance packages submitted by the Member States to the Commission by 1 March 2025. For the same programming period, the Member States also implemented corrective measures attributed to the Commission's controls, follow-ups to investigations of the European Anti-Fraud Office and audits of the Court of Auditors for an amount of EUR 70 million. In addition, for the 2007-2013 programming period, the Commission implemented corrective measures for an amount of EUR 154 million. The implementation of the operational programmes for 2021-

([82]) Article 14(4) 'Amendments to Regulation (EU) No 1303/2013' of Regulation (EU) 2024/795: 'in Article 138, the following subparagraph is added: "By way of derogation from the deadline set out in the first subparagraph, Member States may submit the documents referred to under points (a), (b) and (c) for the final accounting year by 15 February 2026.".'

([83]) A total of 11 packages for cohesion.

([84]) This concerns 398 out of 435 programmes for the 2014-2020 programming period.

([85]) For the last accounting year, the corrections cannot be classified as preventive or corrective, as this distinction cannot be made in the final accounts (no further action possible after the submission of the final accounts in next payment applications or subsequent accounts).

2027 programming period accelerated in 2024, reaching EUR 8 368 million, or 15% of the total expenditure for cohesion funds. As such, it was the first year in which the Member States implemented preventive measures for this programming period, for a total value of EUR 565 million. As it is still early, the corrective measures for 2021-2027 were rather low (EUR 8 million).

One specific feature of the 2021-2027 multiannual financial framework for the programmes under the European Regional Development Fund, Cohesion Fund and European Social Fund Plus is the need for Member States to comply with a set of thematic and horizontal enabling conditions to allow for the effective implementation of the funds**. At the end of 2024, around 96% of the applicable thematic enabling conditions were assessed as fulfilled for the European Regional Development Fund, Cohesion Fund and European Social Fund Plus programmes that had been adopted.** By the end of April 2024, all Member States except Hungary fulfilled the horizontal enabling conditions ([86]).

At the end of 2024, four reservations were issued in relation to cohesion policy funds (two per programming period): one for the European Regional Development Fund and Cohesion Fund and one for the European Social Fund, the youth employment initiative and the Fund for European Aid to the Most Deprived. These reservations concern operational programmes that presented significant weaknesses in their management and control systems or for which the error rate was above the materiality threshold, or, less frequently, for which the audit work at the Member State level was deemed insufficient or unsatisfactory.

- Two reservations for the 2014-2020 period: the number of programmes under reservation (26) was lower than the number of programmes under reservation in 2023 (53). The financial impact decreased from EUR 583 million to EUR 68 million because only 20% of the final assurance packages had been submitted by 1 March 2025. As a result, fewer cases met the criteria for issuing reservations. To prevent any assurance gap, the Commission applied appropriate flat rates and qualifications to relevant cases. These include situations where no assurance package was submitted, but where deficiencies in the functioning of the management and control systems were already known to the Commission from the prior years' exercise or through its own audit work. Furthermore, the absence of accounts for 80% of the 2014-2020 programmes has impacted the relevant expenditure (the basis under which the financial impact is calculated). This resulted in non-quantified reservations and a corresponding reduction in the financial impact of the reservations.
- Two reservations for the 2021-2027 period, in relation to seven programmes, with a total financial impact of EUR 3 million.

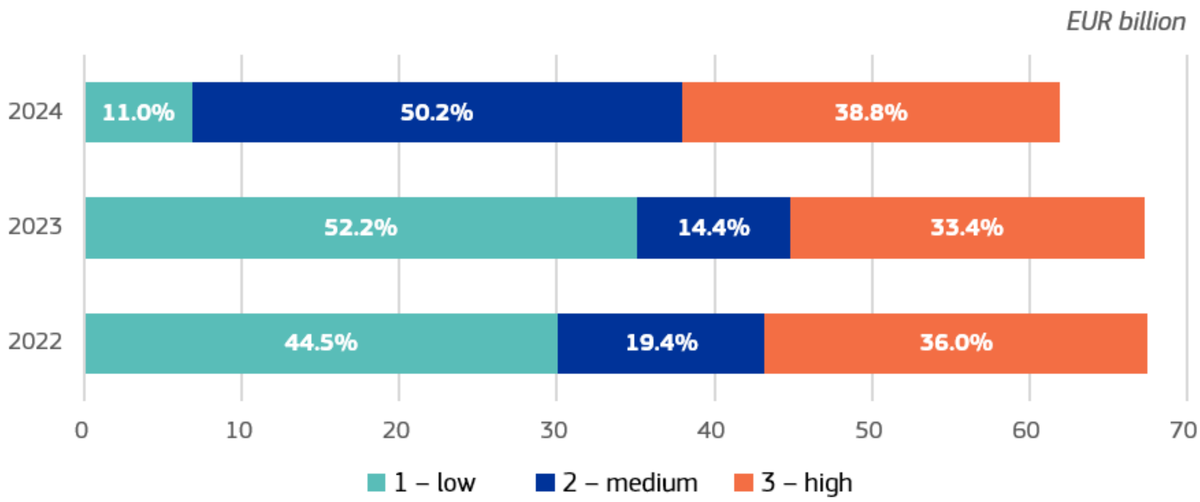
Reservations are only lifted once the system weaknesses have been addressed and the error rate is below 2%. Usually, the reasons for the reservations are not structural, and it takes one to two years for a reservation to be lifted. For more details on reservations, see Volume III, Annex 5.

The Commission continues to take action to support programme authorities in improving their management and control systems and to bring the risk at closure for cohesion below 2%. In December 2024, following a participative debate with both audit and managing authorities, the **Commission established a jointly agreed action plan comprising 22 measures** covering the following categories: dissemination of information to beneficiaries to improve their understanding of their obligations and rules; analysis of errors detected, and in particular additional errors reported by EU audits; enhanced use of information technology tools; staff training; enhanced preventive role of auditing; use of complete and updated audit checklists; and effective audit practices in line with audit standards (e.g. documentation of

([86]) There are four horizontal enabling conditions linked to overarching, horizontal aspects of programme implementation, ensuring compliance with general EU principles and effective programme management (Annex 3 to the Common Provisions Regulation).

verifications/checks done). The implementation of these measures will be subject to continuous monitoring by the Commission, along with each Member State's audit authority.

Multiannual financial framework heading 2 – cohesion, resilience and values – overview of risk segmentation for 2022-2024



Note: In 2024, for cohesion, no programme is in the low-risk segment following the prudent approach of using flat rates of 2% for both programming periods.

Source: European Commission annual activity reports for 2024.

Heading 3 – natural resources and environment

Total amount of relevant expenditure: EUR 57.4 billion (2023: EUR 58.3 billion).

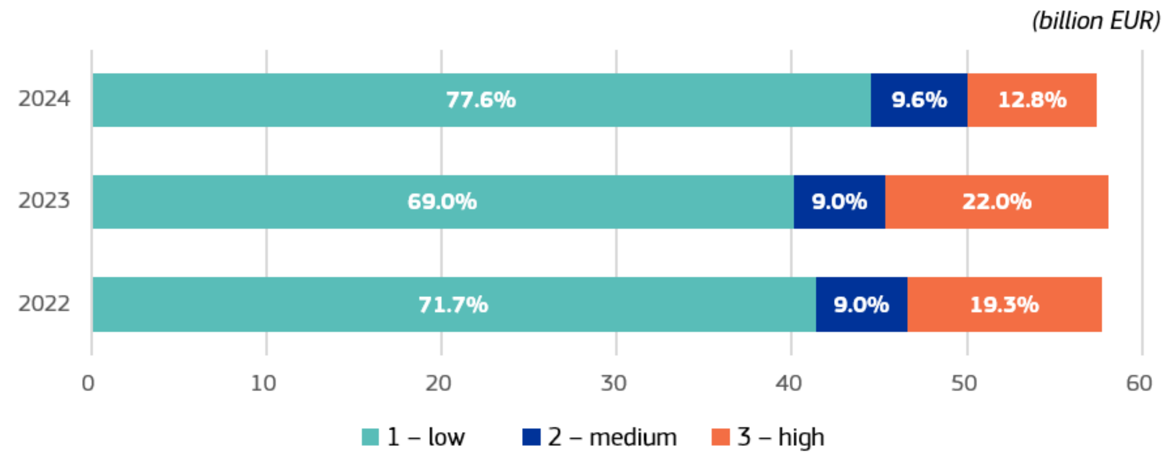
- *Compliance-based assurance model: EUR 14.5 billion (2023: EUR 58.1 billion).*
- *Performance-based assurance model: EUR 42.9 billion (2023: EUR 0.2 billion).*

Share of low-risk expenditure: 77 % (2024), 69% (2023).
Total preventive and corrective measures (Commission and Member States): EUR 1 069.8 million (2023: EUR 1 157.6 million).

- *preventive measures: EUR 178.4 million ([87]) (2023: EUR 490.3 million);*
- *corrective measures: EUR 891.4 million (2023: EUR 667.4 million).*

Reservations: seven reservations with a financial impact of EUR 254 million (2023: five reservations with a financial impact of EUR 705 million).

Multiannual financial framework heading 3 – natural resources and environment – overview of risk segmentation for 2022-2024



Source: European Commission annual activity reports for 2024.

In 2024, for natural resources and environment, 77.7 % of the expenditure was considered low risk. This corresponds to expenditure with a risk at payment below 2%, for compliance-based payments, and expenditure for which the systems in place in the Member States have been assessed as low risk, functioning well or at least functioning, for performance-based payments. This is very similar to the share of low-risk expenditure for agriculture (77,4 %), which represents the bulk of the expenditure in this policy area (97%), the rest corresponding to maritime and fisheries ([88]), environment and climate expenditure. This is an increase compared to the share of low-risk expenditure in 2023 (69%), in 2022 (72%) and for 2018-2023 (an average of 64%).

([87]) Preventive measures for performance-based expenditure are not included in 2024 amounts.
([88]) European Maritime and Fisheries Fund expenditure, although included under the natural resources and environment heading, follows the same delivery mechanism as cohesion expenditure.

The CAP 2023-2027 represents a shift from a compliance-based policy to a greater focus on performance and results achieved. The new CAP confers more flexibility, but also more responsibility, on Member States. In general, Member States set the rules to be complied with by final beneficiaries in their National Plans, in accordance with the EU general framework. The Commission focuses on evaluating the progress towards the achievement of the results and on the functioning of the systems Member States put in place to ensure the respect of those conditions. The Commission no longer looks at individual transactions benefitting individual recipients. The reporting obligations for the Member States reflect these changes: in contrast to the previous programming period, the Member States no longer report to the Commission control statistics at the beneficiary level. Without receiving control statistics established at the beneficiary level, the Commission is not in a position to establish an error rate at paying agency level and thus neither for the whole CAP.

Accordingly, the Commission's new assurance model concentrates on performance and on the proper functioning of the Member States' governance systems set up to ensure both the legality and regularity of the underlying transactions and the quality of performance results. To conclude on the proper functioning of the Member States' governance systems, the Commission considers all available relevant information, notably the assessment by the Certification Bodies, resulting in a grading of the governance systems at paying agency and intervention level, as well as the results of its own audit findings and those of the Court of Auditors. This may prompt the Commission to adjust the Certification Bodies' gradings on a case-by-case basis at the appropriate level (Paying Agency and intervention level). In parallel, risks of serious deficiencies in the Member States' governance systems are identified and reported.

Governance systems are the governance bodies, including competent authorities, paying agencies, coordinating bodies and certification bodies, that manage the common agricultural policy in the Member States. These systems include the basic EU requirements, Member States' obligations to protect EU financial interests, the implementation of approved common agricultural policy strategic plans and a reliable reporting system to monitor performance.

Intervention refers to a specific support instrument with defined eligibility conditions, outlined in a Member State's common agricultural policy strategic plan, which covers interventions under both the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development. These interventions include a range of support types, such as basic income support for sustainability, complementary income support for young farmers, eco-schemes, and sectoral support for fruit and vegetables, apiculture and wine, along with environmental, climate-related and other management commitments, and support for natural or area-specific constraints, among other things.

For the expenditure under the new assurance model, the Commission groups the corresponding expenditure into three categories of risk – low, medium and high – based on the final grading (see box below) of the systems put in place by the Member States. Certification bodies determine the grading annually based on their qualitative assessment of the proper functioning of the systems in place (governance systems) per intervention per paying agency to ensure that final beneficiaries comply with the applicable rules. This grading may be adjusted by the Commission on a case-by-case basis, taking into account its own audit findings and those of the Court of Auditors. Based on the above, expenditure is grouped into low risk, where the final, adjusted grading is 3 or 4; medium risk, where the final, adjusted grading is 2; and high risk, where the final, adjusted grading is 1. The Commission will issue reservations either where risks of serious deficiencies in the Member States' governance systems have been identified (grading 1) or where a Member State is behind on its milestones.

There are four grades describing the functioning of the governance systems of the interventions:

- 4 – functioning well, for governance systems for which no or very few exceptions in the tests of controls were found;
- 3 – functioning, for governance systems for which few exceptions in the tests of controls were found;
- 2 – partially functioning, for governance systems for which some exceptions in the tests of controls were found;
- 1 – not functioning, for governance systems for which several systemic exceptions in the tests of controls were found, substantially affecting the effectiveness of controls

Reliance on the certification bodies plays a crucial role under the single audit principle that is applied by the Commission. As a result, it only audits paying agencies if the work of the certification bodies cannot be relied upon. In 2024, the Commission performed 48 audits, targeting the governance systems in place in the Member States. The same audits, where relevant, also covered the legality and regularity of expenditure under the 2014-2022 programming period.

The corrective measures implemented in 2024, amounting to EUR 891 million, still relate to the previous common agricultural policy system. No net financial corrections have yet been decided for expenditure under the common agricultural policy strategic plans. The 2024 audits showed that Member States generally established proper governance systems for the new common agricultural policy. Some potentially serious deficiencies were found for which conformity procedures have been opened to confirm the deficiencies and to assess the risk to the EU budget. Conformity procedures need time to offer the Member States the opportunity to contradict the Commission's findings. As of the end of 2024, no conformity procedures had been finalised for the expenditure under the common agricultural policy strategic plans.

For the expenditure implemented outside the strategic plans for rural development, market measures and direct payments (22% of this heading's expenditure), the risk at payment was similar to that in 2023, with 2.79% for rural development, 1.99% for market measures and 5.95% for direct payments. The higher rates in line with the historical rates for the measures with expenditure in 2024 are due to the higher complexity of the rules.

Expenditure relating to fisheries, the environment and climate initiatives – 3% of this heading's expenditure – continued to be low risk. The estimated risk at payment for the European Maritime and Fisheries Fund, for the 2014-2020 programming period, is 0.59% (compared to 1.37% in 2023). Although one programme is currently under reservation, the corresponding financial corrections and safeguard measures are being implemented. The estimated risk at payment for the 2021-2027 European Maritime, Fisheries and Aquaculture Fund was 1.11%. Overall, the risk level has remained stable since 2021, at around 1%, which is considered a low-risk type of expenditure. Similarly, DG Environment and DG Climate Action, with risks at payment of 0.25% and 0.40% respectively, have low-risk expenditure profiles. Both departments mostly have inherently low-risk types of payments (e.g. procurements, subsidies to decentralised agencies, contribution agreements with international organisations).

At the end of 2024, there were seven reservations for this heading, as described below.

Five recurrent reservations for segments of expenditure or programmes where control weaknesses and/or error rates are above 2%:

- European Agricultural Guarantee Fund market measures in relation to six aid schemes in four Member States, quantified;
- direct payments (programme of options specifically relating to remoteness and insularity) in relation to one Member State, quantified;
- European Agricultural Fund for Rural Development measures in relation to 12 paying agencies in 10 Member States, quantified;
- European Maritime and Fisheries Fund, for management and control system weaknesses in one Member State, non-quantified;
- EU emissions trading system registry, reservation related to IT risks, non-quantified.

Two new reservations for expenditure under the common agricultural policy strategic plans for interventions in Member States where potential serious deficiencies were identified in the functioning of the governance systems. Given the qualitative assessment, no financial impact can be determined, and the reservations are not quantified. This lack of quantification explains the significant decrease in the financial impact compared to 2023:

- for expenditure that falls under the integrated administration and control system (10 reservations in 10 paying agencies for nine Member States affecting 28 interventions);
- for expenditure that does not fall under the integrated administration and control system (six reservations in six paying agencies for five Member States affecting nine interventions).

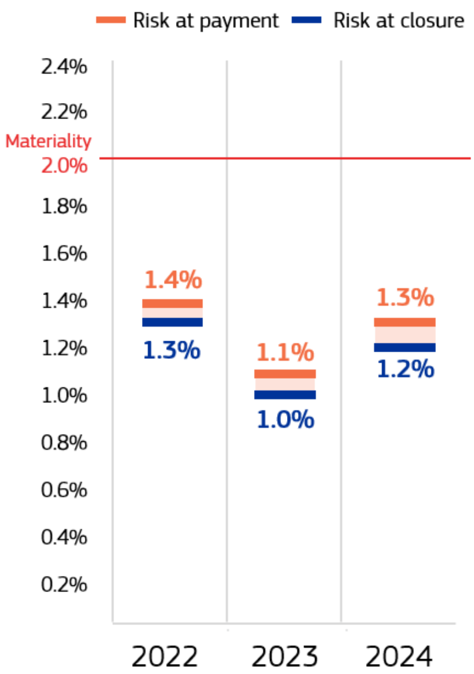
In all cases where the deficiencies identified have led to reservations, close follow-up measures are in place, including conformity clearance procedures to ultimately protect the EU budget, monitoring of the implementation of remedial measures taken by Member States and, where necessary, interruption or reduction/suspension of payments to the Member States (for more details, see Volume III, Annex 5).

Heading 4 – migration and border management

Total amount of relevant expenditure: EUR 3.5 billion (2023: EUR 3.0 billion).
Risk at payment: 1.3% (2023: 1.1%).
Risk at closure: 1.2% (2023: 1.0%).
Total corrective and preventive measures (Commission and Member States): EUR 45.5 million (2023: EUR 2.5 million):

- *preventive measures implemented by the Commission: EUR 13.6 million (2023: EUR 1.3 million);*
- *corrective measures implemented by the Commission: EUR 1.1 million (2023: EUR 1.1 million).*

Reservations: two reservations with a financial impact of EUR 3.4 million (2023: two reservations with a financial impact of EUR 0.8 million).



For migration and border management ([89]), the risk at payment (1.3%) and the risk at closure (1.2%) increased slightly compared to 2023, with both remaining below 2%. In 2024, the amount of corrective measures remained stable, while the amount of preventive measures was significantly higher compared to 2023, at EUR 13.6 million. This is partially explained by the time gap between decisions taken in 2023 but implemented in the Commission's accounting system in 2024 for an amount of EUR 5.3 million.

This policy area consisted mostly of low-risk segments of expenditure. For a share of 87% of the relevant expenditure, the risk at payment is below 2%. These include the payments to decentralised agencies voted by the budgetary authority, which were considered an error-free type of expenditure and represented 40%. The implementation of the Internal Security Fund, the Asylum, Migration and Integration Fund and the Border Management and Visa Policy Instrument, under the shared management mode, representing 44% of the relevant expenditure, is also low risk, with an overall risk at payment of 1.1% and 0.8%, respectively, for the programmes in the 2014-2020 and 2021-2027 periods.

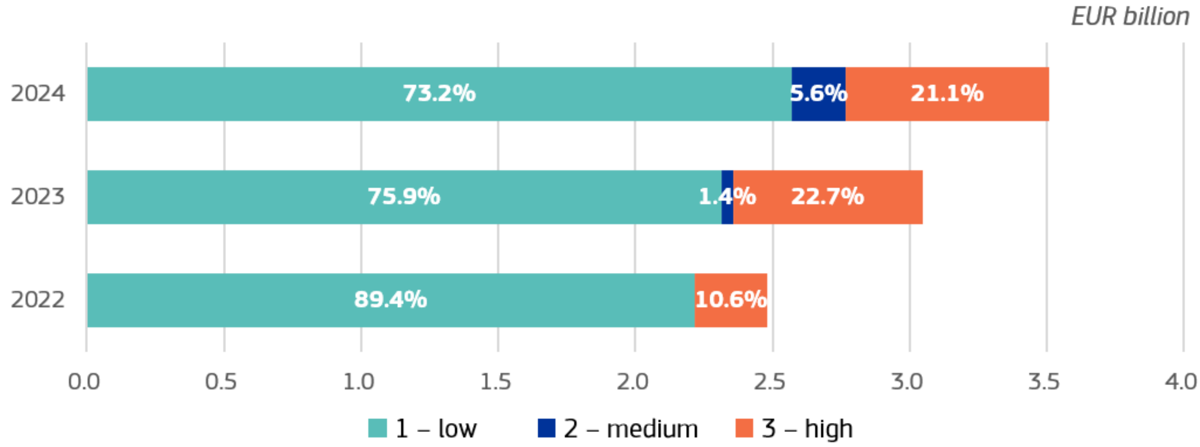
([89]) Heading 4 also includes the Internal Security Fund of heading 5, since all the funds managed by DG Migration and Home Affairs are audited and controlled on the basis of the management mode and the type of payment, and the risks thus determined cannot be split between the budget headings.

The only high-risk expenditure segment that was implemented directly by the Commission reached a risk at payment of 6.64% in 2024 (up from 4.04% in 2023). This segment represented only 13% of the relevant expenditure for 2024 and corresponded to grants for EU actions and emergency assistance to support Member States in the fields of migration and border management.

At the end of 2024, two reservations were identified:

- one reservation concerning the Border Management and Visa Policy Instrument, Asylum, Migration and Integration Fund and the Internal Security Fund for the 2021-2027 programming period, quantified for two Member States and non-quantified for one Member State.
- one reservation concerning the Asylum, Migration and Integration Fund and the Internal Security Fund for the 2014-2020 programming period, quantified for one Member State and one Schengen-associated country and non-quantified for six Member States.

Multiannual financial framework heading 4 – migration and border management – overview of risk segmentation for 2022-2024



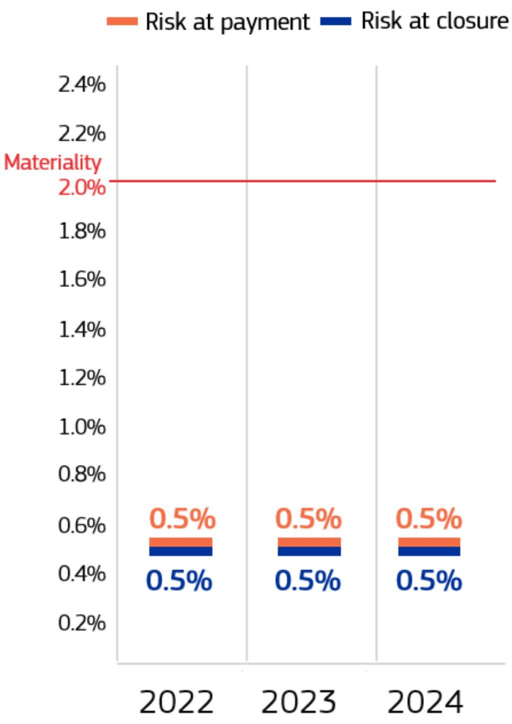
Source: European Commission annual activity reports for 2024.

Heading 5 – security and defence

Total amount of relevant expenditure: EUR 318.7 million (2023: EUR 136.7 million).
Risk at payment: 0.5% (2023: 0.5%).
Risk at closure: 0.5% (2023: 0.5%).
Total corrective and preventive measures: EUR 7.5 million (2023: EUR 1.9 million):

- *preventive measures: EUR 7.2 million (2023: EUR 1.9 million);*
- *corrective measures: EUR 0.3 million (2023: EUR 0 million).*

Reservations: none (2023: none).

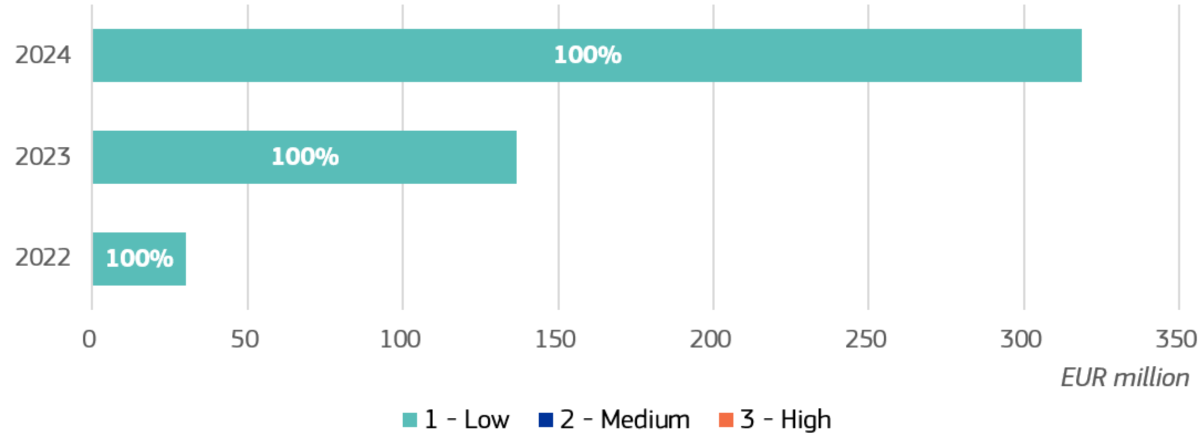


Under this heading, the risk at payment remained stable, and very low, between 2023 and 2024. This is explained by the low inherent risk profile of the beneficiaries, the means of funding of the different programmes and the performance of the related control systems. Overall, the relevant expenditure increased by 133% from 2023 to 2024. This is mostly due to the advancement of projects under the European Defence Funds and the ammunition production programme that have started since the beginning of the programming period, leading to more payment after a few years.

Almost 76% of the expenditure is linked to defence initiatives (i.e. the European Defence Fund and its precursor programmes, the Act in Support of Ammunition Production programme and the European defence industrial development programme) that are largely implemented through direct management by the Commission, through grants and procurement. The remaining expenditure, including part of the preparatory action on defence research, was implemented through indirect management by the European Defence Agency and the Organisation for Joint Armament Cooperation.

The increase in preventive measures, resulting from *ex ante* controls that are carried out before the payments take place, is mostly explained by the increase in payments that are checked *ex ante*. Very few errors were detected post-payment as a result of *ex post* controls, and thus corrective measures remained low, which is consistent with the inherent low risk for this expenditure.

Multiannual financial framework heading 5 – security and defence – overview of risk segmentation for 2022-2024



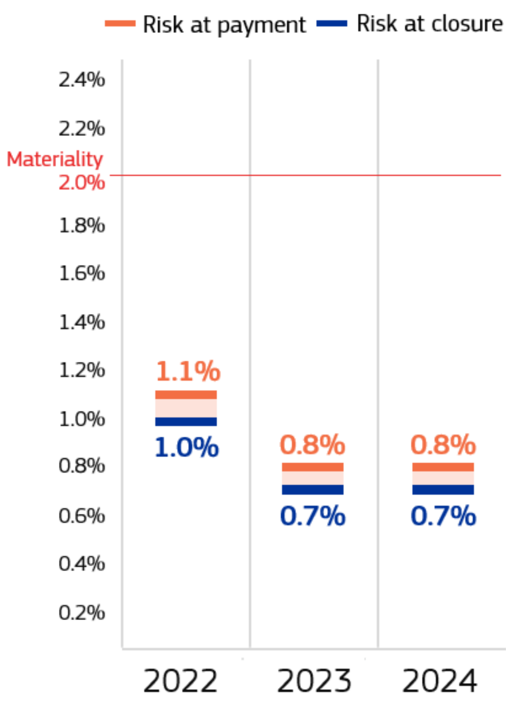
Source: European Commission annual activity reports for 2024.

Heading 6 – neighbourhood and the world

Total amount of relevant expenditure: EUR 20.0 billion (2023: EUR 14.2 billion).
Risk at payment: 0.8% (2023: 0.8%).
Risk at closure: 0.7% (2023: 0.7%).
Total corrective and preventive measures: EUR 153.1 million (2023: EUR 150.5 million):

- *preventive measures: EUR 125.5 million (2023: EUR 138.1 million);*
- *corrective measures: EUR 27.6 million (2023: EUR 12.4 million).*

Reservations: one reservation without financial impact (2023: one reservation).



In 2024, the risk at payment (0.8%) and the risk at closure (0.7%) remained stable compared to 2023 and were well below 2%. The expenditure increased by EUR 5.8 billion – more than 30% compared to 2023 – mostly relating to the Ukraine Facility, which started in 2024 (EUR 3.6 billion under the EU budget and EUR 13.1 billion of loans outside the EU budget), and the contributions to the Global Fund (EUR 1.16 billion).

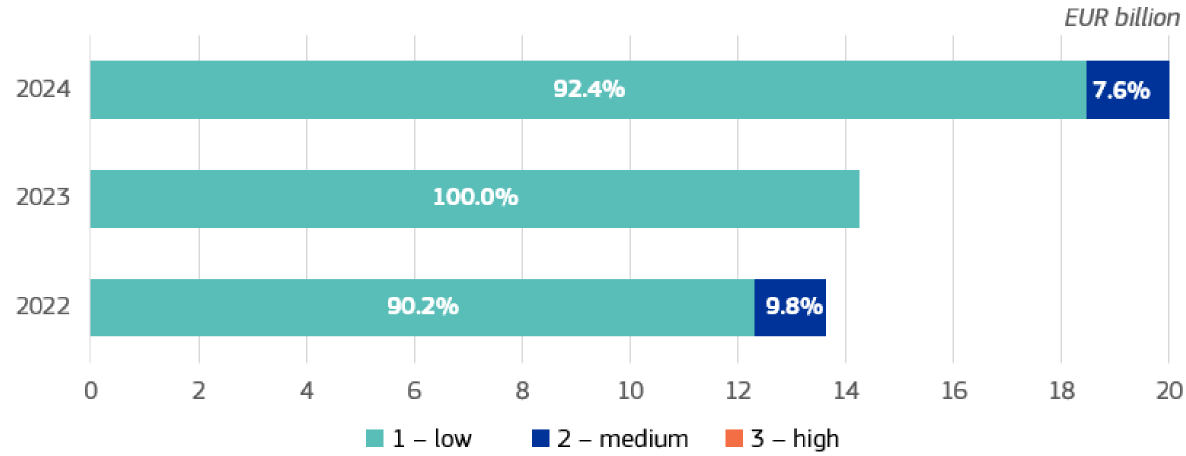
The new Ukraine Facility was launched in March 2024. In total, it will provide EUR 50 billion of financial support to Ukraine over the 2024-2027 period, combining non-repayable support (borne by the EU budget) and highly concessional loans (from borrowings). Payments are performance based and depend on the achievement of predefined steps.

Despite the low level of error in most of the expenditure segments, the Commission continued to look into possibilities to improve its financial management of programmes that are sometimes governed by complex funding procedures. This is also necessitated by the complex operational environment, characterised by unpredictability, volatility and insecurity.

The main causes for errors in grants and indirect management are missing supporting documents, procurement issues and excess clearing. The Court of Auditors concludes that there is excess clearing when the Commission pays for more than the actual cost incurred by the implementing partners. Commission services do not consider such a situation to be an error since this is in any case regularised at the end of the project, where the final payment is based on the actual costs incurred. Still, Commission services have taken mitigation measures, such as strengthening the dialogue and verification processes to increase transparency in cooperation with international organisations, to address the weaknesses and deficiencies. Moreover, DG International Partnerships concluded the review of its control strategy in 2024, and is now considering the measures to be taken as a follow-up. The report recommends enhancing the effectiveness of controls and simplifying and reducing the administrative burden, and suggests measures in indirect management and grants to prevent and reduce errors.

The reservation concerning projects in Libya, Syria and Ukraine was maintained in 2024. In these countries, the EU delegations cannot implement standard monitoring and control activities due to security and political constraints on the ground. Mitigating measures have been put in place, including remote monitoring and cross-checking information from various sources. Still, they do not allow to fully address the impact on the assurance of the corresponding expenditure. Without a Commission presence on the ground, the objective of these measures is to mitigate the systemic risks related to the operations to the extent possible, even if the countries remain active conflict zones.

Multiannual financial framework heading 6 – neighbourhood and the world – overview of risk segmentation for 2022-2024



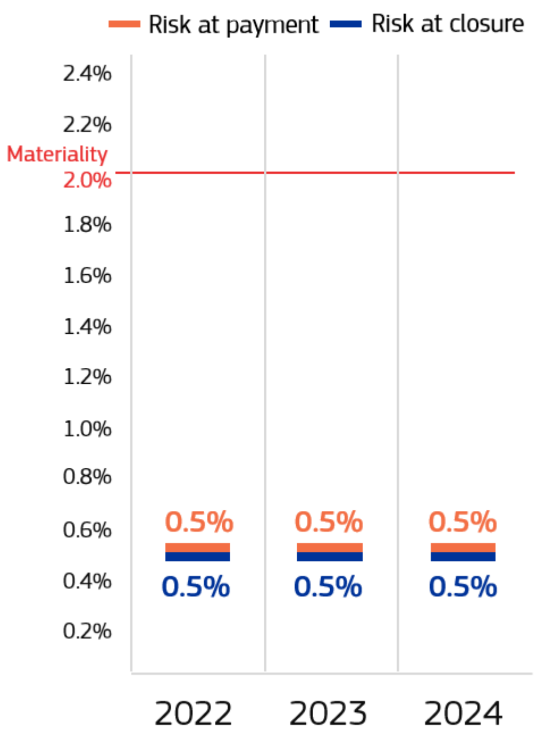
Source: European Commission annual activity reports for 2024.

Heading 7 – European public administration

Total amount of relevant expenditure: EUR 11.6 billion (2023: EUR 8.9 billion).
Risk at payment: 0.5% (2023: 0.5%).
Risk at closure: 0.5% (2023: 0.5%).
Total corrective and preventive measures: EUR 5.9 million (2023: EUR 3.5 million):

- *preventive measures: EUR 4.3 million (2023: EUR 2.7 million);*
- *corrective measures: EUR 1.6 million (2023: 0.8 EUR million).*

Reservations: one reputational reservation (2023: one reputational reservation).

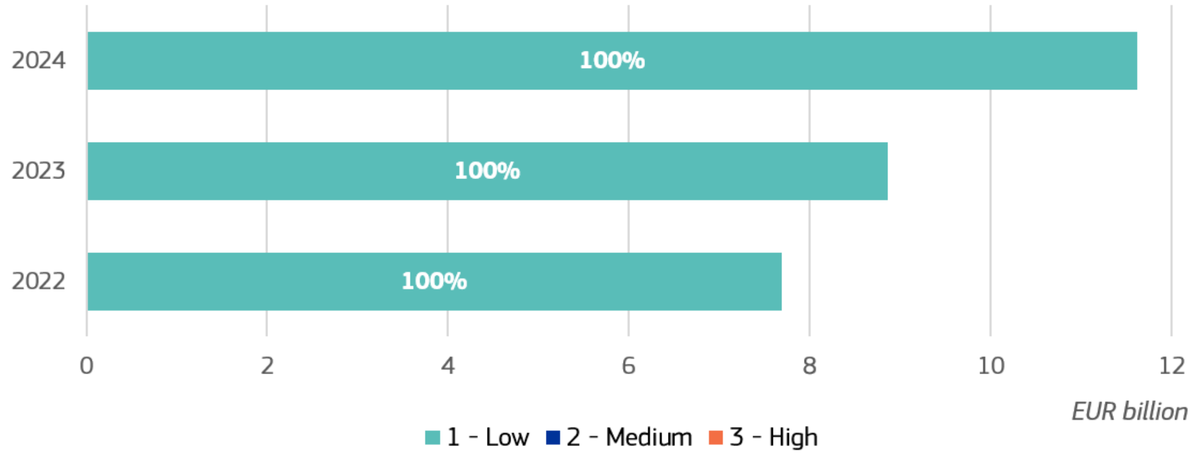


This heading groups together all of the Commission services and departments that mostly provide services to other Commission services and departments but have no operational policy objectives. These entities thus mostly manage administrative expenditure under the direct management mode, such as the Office for the Administration and Payment of Individual Entitlements, which represents approximately 61% of the expenditure for this heading. The increase in the relevant expenditure compared to 2023 corresponds mainly (EUR 2.54 billion) to the interest rate subsidy paid under the European Union Recovery Instrument and the Ukraine macrofinancial assistance plus programme.

The risk at payment was prudently set at 0.5% for this low-risk type of expenditure. As most of the corresponding control systems involve predominantly *ex ante* controls, the estimated future corrections were often set at a prudent 0.0%. Thus, the risk at closure is equal to the risk at payment, and remained very low at 0.5%. In 2024, the Commission's preventive measures amounted to EUR 4.3 million, more than last year's EUR 2.7 million. The corrective measures amounted to EUR 1.6 million (EUR 0.8 million in 2023). For heading 7, the increase in recoveries reflects the adjustment of advance payments following the first full year of implementation of a new contractual framework. Similar to previous years, these recoveries are related to the standard regularisation of payments and do not correspond to the correction of irregularities.

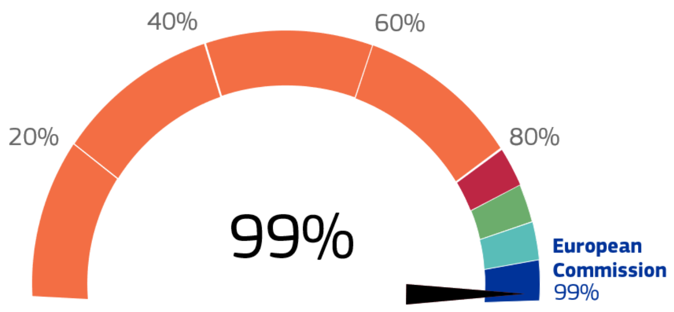
In this policy area, the European Personnel Selection Office maintained the reputational reservation that was raised in 2023 on the issues encountered in implementing new selection procedures and competitions. The measures taken starting in 2023 have not yet delivered their full mitigating impact.

Multiannual financial framework heading 7 – European public administration – overview of risk segmentation for 2022-2024



Source: European Commission annual activity reports for 2024.

2.1.4. Efficiency measures have been taken



One indicator used to measure the efficiency of procedures and controls in place for making payments is the time to pay. In 2024, 99% of payments (in value) were made within the legal payment deadline (see graph), despite the fact that the working environment was still significantly impacted by various crises. This is of paramount importance, as many beneficiaries rely on these payments to carry out their activities and projects, which, in turn, contribute to the Commission's objectives.

The Commission is continually striving to improve the efficiency of its operations so as to deliver on its objectives under tight budgetary constraints and to achieve the objectives set in its digital agenda. Processes are being streamlined to ensure the most efficient use of limited resources.

Against a backdrop of unprecedented challenges, **the Commission's digital transformation is moving forward** by continuing the development of more efficient corporate information technology tools to increase the efficiency of its business processes and offering increasing data management and reporting capabilities.

An important milestone in the business-driven digital transformation is the go-live of the Commission's new financial and accounting system (SUMMA) (see box below).

SUMMA – the go-live of the Commission's new-generation corporate financial system

In 2024, in line with the EU's digital strategy, the Commission continued to implement and deploy its new corporate financial platform, SUMMA. The platform went live in the Commission departments and executive agencies in January 2025, fully replacing the former central accounting, budgetary and treasury system, and will be further deployed to all the entities using it by 2027. This offers a significant increase in business efficiency, along with flexibility through integrated real-time analytics and decreased costs relating to ownership and future maintenance.

SUMMA is a modern financial system, designed in close cooperation with the business owners, based on the best industry standards and fully integrated into the Commission's corporate information technology landscape.

The integration with the main corporate and local systems during 2024 increased the overall level of automation of the Commission's operations. The SUMMA program has a strong governance framework and uses a thorough quality assurance system, based on regular tests on SUMMA processes and integrations. Following a comprehensive assessment, which confirmed the readiness of SUMMA and the integrated systems, along with the organisational readiness to go live, the SUMMA Supervisory Board agreed to deploy the platform in November 2024, starting with the operations on the anticipated budget for 2025. Since January 2025, SUMMA has been used for all financial operations by the Commission and the executive agencies.

Other examples of economy and efficiency are presented in the box below.

Examples of economy and efficiency

- One of the measures that is expected to have the widest and longest-term effect is the **increased use of simplified cost options funding, in particular lump sums and unit costs**, in several policy areas. **In the area of research**, the use of lump sums is increasingly important, with an additional significant wave of lump-sum funding in the work programmes for 2024 accounting for 27% of the total call budget, with an objective of 50% of the total call budget by 2027. Also, since May 2024, optional unit costs for personnel have been introduced. Following an in-depth analysis of lump-sum grants, they continue to be popular with users and are perceived as reducing the administrative burden.
- Still in the same area, the European Research Executive Agency has developed **automated checks for lump-sum proposals**. These checks help evaluators in assessing budgets. This pre-analysis has helped pinpoint key budget items requiring further attention.
- **In external action policies** during 2024, the **number of indicators** for the Service for Foreign Policy Instruments' results framework **was reduced by 68%** (from 512 to 166 indicators). This concrete work on simplification was inspired by the better regulation process, responding to an Internal Audit Service recommendation on the performance management framework of 2020. With this revised performance framework, implementing partners will have clearer, more streamlined and more transparent means of reporting on the results of EU investment in external action in the coming years. This will thus also contribute to reducing their administrative burden.
- Several Commission departments continued to report in 2024 on significant progress made in the eProcurement programmes. An important milestone was achieved by the Joint Research Centre at the end of September 2024 with the complete phase-out of eTendering, which has been replaced by the Public Procurement Management Tool and the Funding and Tenders Portal. Practically all Commission departments have at least one of their framework contracts fully onboarded on **eContracting** or are able to use the framework contracts of another department. A full solution has been put into production that can now also be used by all Commission departments for their new direct contracts . The eProcurement solution is undergoing continual improvement, and this will continue in 2025. These improvements aim to give users more flexibility and greater efficiency.
- DG Digital Services provides the **Reusable Solutions Platform**, a set of software building blocks, to other Commission departments so that they do not have to procure or develop the respective functionality themselves. This platform avoids cost and improves the economy and efficiency of information technology activities at the corporate level. It also improves information technology security and fosters the principle of reuse across the institution.
- Kohesio, the public platform for the visibility and transparency of cohesion-policy-funded projects, was further updated and enriched in 2024. It covers data from all Member States and is available in all 24 EU languages. At the end of the year, Kohesio contained nearly 2 million projects and 630 000 beneficiaries supported by the European Regional Development Fund, the Cohesion Fund and the European Social Fund, including Interreg. Projects from the 2021-2027 programming period have started to arrive, and a new map is being developed to enhance the exploration of thematic fields across geographic dimensions. The EU Knowledge Graph continues to serve as the backbone of Kohesio, publishing all data in a linked and open format. It allows researchers and citizens to export data, promoting transparency on cohesion funds.

The impact of artificial intelligence

in January 2024, the Commission issued its **communication on artificial intelligence in the Commission** (AI@EC) ([90]), laying down a strategic vision to foster the development and use of lawful, safe and trustworthy AI systems in the Commission. With this, the Commission anticipated and prepared internally for the implementation of the EU AI Act ([91]), which was adopted and entered into force in August 2024. This act is the world's first comprehensive law on AI. It includes concrete measures about how the Commission will build institutional and operational capacity to ensure safe, transparent and human-centred use of AI in its work. It also bans certain AI practices that pose **significant threats and sets strict obligations for high-risk AI systems. This has been accompanied by the launching of GPT@EC, an AI platform for use within the Commission.**

In research and innovation, a substantial increase in the number of proposals received for many calls has been noted, which is likely due, at least in part, to the rapid adoption of generative AI by applicants. This has increased the workload and the pressure on resources during the evaluation and selection of proposals. There are also risks associated with the use of AI tools by experts and Commission staff, along with the ethical implications of using AI tool within projects. Examples are as follows: a possible positive bias in evaluations towards AI-assisted proposals due to better drafting quality, at the cost of overlooking scientific excellence in other proposals; possible manipulation of researchers' CVs, requiring an increase in checks and verifications by evaluation experts; lower quality and success rates of AI-drafted projects; and project reports and deliverables with unreliable content. To address both these risks and the increase in applications, an AI Task Force is exploring emerging issues and designing measures to address them, collated into the 'Guidance note – Use of artificial intelligence tools in the submission and evaluation of HE proposals'.

Regarding the new European approach to AI, guidelines on the use of generative AI in science were published in 2024 through the European Research Area Forum, in collaboration with Member States and relevant stakeholders, to support the European research community in their responsible use of generative AI and research integrity ([92]).

2.1.5. The costs of controls are proportionate to the associated risks

In 2024, following the combined assessment of their effectiveness, efficiency and economy, all Commission departments reached a positive conclusion on the cost-effectiveness of their controls. The resources allocated to controls are aligned with the risks relating to the nature of the programmes and/or the context in which they are implemented. The cost of controls remains generally stable over time. The variety of spending

([90]) Communication to the Commission – Artificial intelligence in the European Commission (AI@EC) – A strategic vision to foster the development and use of lawful, safe and trustworthy artificial intelligence systems in the European Commission, C(2024) 380 final, 21 January 2024, https://commission.europa.eu/system/files/2024-01/EN%20Artificial%20Intelligence%20in%20the%20European%20Commission.PDF.

([91]) Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence and amending Regulations (EC) No 300/2008, (EU) No 167/2013, (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1139 and (EU) 2019/2144 and Directives 2014/90/EU, (EU) 2016/797 and (EU) 2020/1828 (Artificial Intelligence Act), OJ L, 2024/1689, 12.7.2024, ELI: http://data.europa.eu/eli/reg/2024/1689/oj.

([92]) European Commission: Directorate-General for Research and Innovation, 'Guidelines on the responsible use of generative AI in research developed by the European Research Area Forum', European Commission website, 20 March 2024, https://research-and-innovation.ec.europa.eu/news/all-research-and-innovation-news/guidelines-responsible-use-generative-ai-research-developed-european-research-area-forum-2024-03-20_en.

programmes and their different features do not allow for a meaningful comparison of their control costs. However, some common cost drivers can be identified, as shown in the following text box.

Examples of common cost drivers

The intrinsic complexity of the programmes managed. Grants based on the reimbursement of real costs imply labour-intensive controls as opposed to financing based on lump sums, simplified cost options or financing not linked to costs, such as performance-based instruments.

The complexity of the environment in which programmes are implemented. The cost of controls is likely to be higher in the case of a multisite organisational structure or when partners and/or beneficiaries are located outside the EU's jurisdiction.

The volumes and amounts to be processed. A high number of low-value payments will generate higher control costs than recurrent mass payments, while the regulatory framework requires certain incompressible controls. This results in diseconomies of scale.

The type of budget implementation mode. Under indirect and shared management mode, the cost of controls is shared between the Commission and its implementing partners, while for direct management mode the burden is entirely borne by the Commission.

The life cycle of the programme: Towards the final stage of programmes (e.g. in direct management mode), despite the low level of expenditure, a minimum level of controls still has to be carried out, which results in an increase in the ratio of cost of controls to expenditure controlled.

The increase in the average standard staff costs, driven by salary adjustments and fluctuations in currency exchange rates. In the last several years, inflation has led to significant increases in staff costs, whereas the overall budget managed and controlled every year has remained stable. In external action, an additional factor relates to currency exchange rates.

For the sake of transparency and completeness, departments dealing with shared and/or indirect management have also reported on the cost of controls in Member States and entrusted entities separately from the Commission's own cost of controls in their annual activity reports.

3. Management assurance

As part of the governance system explained above, overall management assurance is ensured through the assurance given by the Directors-General, the Internal Audit Service and the Audit Progress Committee. It is supplemented by the opinion of the Court of Auditors and points on the 2023 discharge given by the budgetary authority and the follow-up of the discharge and external audit recommendations.

3.1. Assessments, assurance and reservations declared by authorising officers

For the 2024 reporting year, in their respective annual activity reports (93), all 51 authorising officers by delegation (94) declared they had reasonable assurance that (1) the information contained in their reports presents a 'true and fair view' (i.e. reliable, complete and correct) of the state of affairs in their departments; (2) the resources assigned to their activities were used for their intended purpose and in accordance with the principle of sound financial management; and (3) the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions, taking into account the multiannual character of some programmes and the nature of the payments concerned.

Within their overall assurance-building process, and from their management perspective, the authorising officers by delegation use all information available during the year, especially the results of their controls, to spot any potential significant weakness in quantitative or qualitative terms for each programme or segment of their portfolio. At the end of each financial year, they determine whether the financial impact of such a weakness is likely be above the materiality threshold of 2% and/or whether the reputational impact is significant. If so, they qualify their declaration of assurance with a reservation for the specific segment affected.

For 2024, 11 authorising officers issued a qualified declaration of assurance, resulting in a total of 18 reservations, as follows. Similarly, in 2023, 10 authorising officers had reported 14 reservations.

- A total of **14 reservations have been maintained** from previous years, six of which are entirely or partially non-quantified. These reservations have been maintained mainly because the root causes of the material level of error can be partially mitigated but not fully eradicated under the current programmes' legal frameworks. Most of the recurrent reservations concern segments under shared management covering weaknesses that are identified at the level of a Member State, paying agency or programme and usually vary every year.
- **Four reservations are new**, three not quantified concerning programmes under the 2021-2027 multiannual financial framework and one quantified 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.
- **In nine further cases**, a reservation was not issued by virtue of the *de minimis* rule, whereby cases with a residual error rate above the 2% materiality threshold for segments that represent less than 5% of the department's total payments and have a financial impact of less than EUR 5 million are deemed not substantial enough to issue a reservation. The total financial impact of these cases

(93) European Commission, 'Annual activity reports', European Commission website, https://commission.europa.eu/strategy-and-policy/strategy-documents/annual-activity-reports_en.

(94) The term 'authorising officer by delegation' covers Directors-General of Commission departments and heads of executive agencies, offices, services and task forces.

in 2024 was very limited, at EUR 8.6 million ([95]), though it had increased compared to 2023 (EUR 6.4 million).

For reservations related to expenditure from the EU budget, the total financial impact was EUR 330.9 million for 2024, representing 0.2 % of the relevant expenditure, and had decreased. This is a decrease compared to 2023's EUR 1 290.6 million which is partially linked to the implementation of the 2023-2027 common agricultural policy. For this expenditure, in the case of serious deficiencies in governance systems leading to a reservation, it is not possible to determine the amount of the financial impact because it is the result of a qualitative assessment and not based on an error rate. The decrease in the financial impact is also linked to the policy areas of cohesion, where only a limited number of assurance packages were submitted by the Member States by 1 March 2025, since the amendment of the Common Provisions Regulation by the Strategic Technologies for Europe Platform Regulation allows Member States' final assurance packages to be submitted by 15 February 2026.

Annex 5 in Volume III provides a complete list of the reservations for 2024, along with further explanations and details.

([95]) It should be noted that the *de minimis* rule for reservations is not applied to cohesion policy funds, since reservations are made for individual (parts of) programmes and then aggregated by programming period.

3.2. Work of the Internal Audit Service and overall conclusion

The Commission's Directorates-General and services also base their assurance on the work done by the Internal Audit Service.

As required by its mission charter, the Internal Audit Service issues an annual overall conclusion on the Commission's financial management. This is based on the audit work in the area of financial management in the Commission covering the past three years (2022 to 2024). The overall conclusion also takes into account information from other sources, namely the reports of the European Court of Auditors. The overall conclusion is issued at the same time as this report and covers the same year.

Based on this audit information, the Internal Auditor 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 declaration of assurance as listed in the annex.

Without further qualifying the overall conclusion for 2024, the Internal Audit Service drew the attention of the Commission to the need to respond to the high cross-cutting risks for the institution and the EU budget by building on the lessons learned from managing its financial resources in a challenging context. This is further detailed in Annex 6 to this report.

The Internal Audit Service audits the management and control systems within the Commission and the executive agencies, providing independent and objective assurance on their adequacy and effectiveness. The resulting recommendations concern aspects relating to performance management, EU policy implementation, legality and regularity in relation to internal control systems, preparedness for and early implementation of the EU budget, cooperation with third parties implementing policies and programmes, and information technology. For all accepted recommendations, the auditees drafted action plans that were submitted to the Internal Audit Service, which subsequently assessed them as being satisfactory or requested a revised action plan. Finally, the Internal Audit Service pursued its strict follow-up policy and assessed the actual implementation of its recommendations by the Commission's departments on a regular basis. The audit work confirmed that almost all of the recommendations issued between 2020 and 2024 and followed up by the Internal Audit Service had been adequately and effectively implemented by the auditees. This result indicates that the Commission services are diligent in implementing the recommendations and mitigating the risks identified by the Internal Audit Service.

Annex 6 includes more information on the assurance provided by the Internal Audit Service. In addition, a report on the internal auditor's work is forwarded by the Commission to the discharge authority, in accordance with Article 118(4) of the Financial Regulation, as part of the integrated financial and accountability reporting package.

3.3. Assurance obtained through the work of the Audit Progress Committee

The Audit Progress Committee oversees audit matters within the Commission and reports annually to the College of Commissioners. It ensures the independence of the Internal Audit Service, monitors the quality of internal audit work, and ensures that internal and external (i.e. from the European Court of Auditors) audit recommendations are properly taken into account by the Commission's Directorates-General and services and that they receive appropriate follow-up.

During this reporting period, which continued to be affected by the consequences of the **succession of unprecedented challenges** impacting the EU since 2020, the committee maintained its important role in enhancing governance, organisational performance and accountability across the entire organisation. Despite the time required for the appointment of new internal members to the Audit Progress Committee following the transition period between the two Commission mandates, it held four rounds of meetings, focusing on the key objectives set out in the 2024 and 2025 work programmes. The committee also welcomed the broad convergence between the critical risks identified by management and the high risks identified by the Internal Audit Service.

The committee discussed very important audit findings raised by the Internal Audit Service with relevant auditees and urged the completion of mitigating actions as soon as possible. The committee held discussions on important topics such as data protection, HR and IT security, especially relevant in the current cybersecurity environment.

The committee was satisfied with the independence and quality of the internal audit work and welcomed the internal auditor's reassurances that the planning provides sufficient coverage for delivering the overall conclusion on the Commission's financial management. The effective implementation rate of the internal auditor's recommendations remained very high (i.e. covering 95% of recommendations issued and followed up during 2020-2024), and only six very important audit recommendations were overdue by more than 6 months as of January 2025.

The committee continued its exchanges with the European Court of Auditors and held a discussion with the external auditor on its annual work programme for 2025. The committee also continued to monitor the progress in implementing the Court's recommendations, and was satisfied when, for the 17th time in a row, the Court gave a clean opinion on the reliability of the EU consolidated accounts.

Annex 7 to this annual management and performance report includes more information on the work and conclusions of the committee.

3.4. The opinions of the Court of Auditors on the 2023 accounts and on the legality and regularity of transactions

The Court of Auditors' *2023 – Annual reports on the implementation of the EU budget for the 2023 financial year and on the activities funded by the 9th, 10th and 11th European Development Funds (EDFs) for the 2023 financial year*, published in October 2024, gave a clean opinion on the EU accounts for the 17th year in a row. Revenue also continued to be free from material error.

As regards the legality and regularity of expenditure, under the multiannual financial framework, the Court maintained its adverse opinion. It estimated the overall level of error for the EU budget to have increased (5.6% compared to 4.2% in 2022).

The Court explains its adverse opinion through both the reported level of error and the fact that material errors remain in what the Court considers to be high-risk expenditure. The Court considers as such expenditure that is often subject to complex rules and is mainly based on reimbursement of costs, in particular in the areas of cohesion, research, rural development, market measures under the European Agricultural Guarantee Fund and some parts of external initiatives. It concludes that high-risk expenditure represented 64% of the audited population for 2023 (against 66% in 2022).

On the other hand, the Court confirmed again that the risk of error is lower for expenditure subject to simpler rules, mainly entitlement-based payments (as opposed to reimbursement-based payments). This concerns, for instance, direct payments to farmers, but also administrative expenditure (mostly salaries and pensions in the EU civil service). Both these types of expenditure continue to be free from material error.

The Court also issued an audit opinion on the Recovery and Resilience Facility for the third time. It considered that the overall effects of its findings are material but not pervasive to this year's Recovery and Resilience Facility expenditure. Based on these quantitative and other qualitative findings, the Court of Auditors issued a qualified opinion ([96]).

([96]) Where the Court of Auditors finds a material level of error and determines its impact on a given audit opinion, the Court must determine whether the errors are 'pervasive' to the audit population. When errors are material and pervasive, the Court issues an adverse opinion. This was not the case for Recovery and Resilience Facility, where the overall effects of findings are material, but not pervasive to the year's accepted Recovery and Resilience Facility expenditure, thus leading to a qualified opinion.
See European Court of Auditors, *2023 annual reports on the implementation of the EU budget for the 2023 financial year and on activities funded by the 9th, 10th and 11th European Development Funds (EDFs) for the 2023 financial year*, p. 51.

3.5. Discharge of the budget for 2023

The Parliament granted the discharge to the Commission for the 2023 financial year on 7 May 2025, after having examined the reports of the Court of Auditors, the Commission's integrated financial and accountability reporting package and the Council's discharge recommendation. The Parliament's Committee on Budgetary Control also invited selected Commissioners and Executive Vice-Presidents for discharge hearings structured according to the headings of the multiannual financial framework, after having held exchanges of views with selected Directors-General (focused on the respective annual activity reports).

During the procedure, the key stakeholders – the Parliament, the Council and the Court of Auditors – focused on how to ensure transparency in the use of the EU budget, how to improve its results and how to further reduce the level of errors. The Recovery and Resilience Facility was again one of the key elements of the discharge discussions due to its financial magnitude and the specific nature of its delivery mode, which is performance based rather than based on costs incurred. Importantly, the 2023 financial year marked the midpoint of the Recovery and Resilience Facility's delivery period.

The discussions on discharge also touched upon issues such as:

- the financing of non-governmental organisations;
- the rule of law and fundamental rights;
- the importance of the EU budget in achieving the EU's priorities and responding to crises;
- the need for smoother implementation and absorption of EU funds and for the simplification of rules and procedures;
- the growing cost of repayment of the debt under NextGenerationEU,
- drawing conclusions from the implementation of the Recovery and Resilience Facility in the light of the next multiannual financial framework;
- cooperation among various stakeholders in the EU anti-fraud architecture;
- the methodologies to estimate the level of error and the level of risk, and cases where the Court of Auditors and the Commission reached different conclusions on the eligibility of expenditure;
- the review of the funding provided to Palestine ([97]) and to the United Nations Relief and Works Agency for Palestine Refugees;
- the use of information technology tools for the management, control and audit of EU funds.

Within the annual discharge procedure, the Commission informs the Parliament and the Council (as the two arms of the budgetary and discharge authorities) about the implementation of their recommendations through two reports: (1) an overview follow-up report (published in the summer); and (2) a more detailed report with replies to specific requests from the Parliament and the Council (sent in the autumn).

Regarding recommendations issued by the Court of Auditors, the Commission's replies are published together with the Court's reports, stating which recommendations are accepted, partially accepted or rejected. The follow-up to the accepted recommendations is tracked in an information technology tool, ensuring the traceability of each step of the implementation. Each Commission department reports on the implementation of these recommendations in its annual activity report. Moreover, the state of play of the implementation of these recommendations is presented on a regular basis to the Audit Progress Committee in the context of its mandate.

The Court of Auditors also monitors the Commission's implementation of its recommendations and provides feedback, helping the Commission to enhance its follow-up activities. In its 2023 annual report, the Court of Auditors reviewed the extent to which the Commission had pursued the implementation of 185 audit

([97]) This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

recommendations addressed to it in 26 special reports published in 2020. Eight recommendations were not yet due for implementation at the time of the Court's follow-up review. Of the remaining 177 recommendations, the Commission had implemented 92 (52%) in full, 27 (16%) in most respects and 34 (19%) in some respects. In two cases (1%), no assessment of the implementation status was required, as the Court of Auditors considered the recommendation no longer relevant. In two other cases (1%), the Court was unable to reach a conclusion as it was too early to assess the recommendation's level of implementation. Of the 20 recommendations (11%) that the Court considered not to have been implemented, the Commission had not accepted nine, whereas it had partially accepted four. These results were similar to those of previous years.

4. Outlook for 2025 and beyond

4.1. A new strategic planning and programming cycle for 2025-2029

The Commission has streamlined its strategic planning and programming for 2025-2029, moving from one strategic plan per department towards a single strategic plan for the whole organisation. This new single strategic plan will cover a period of five years (2025-2029), and will include, among other things, the Commission's general objectives, based on the 2024-2029 political guidelines, along with long-term impact indicators. In addition to a single strategic plan, the departments' management plans will be shortened and more focused on the outputs and deliverables planned by the Commission departments for the year ahead.

4.2. The preparation of the post-2027 multiannual financial framework

With a view to the next multiannual financial framework – the EU's long-term budget – that will start in 2028, the Commission launched in 2024 the preparatory work for the proposals due in 2025.

This next long-term budget needs to square the circle: the expectations on the EU to act are steadily increasing. For the EU budget to be fit for its ambitions, ensure the repayment of the borrowing for NextGenerationEU and, at the same time, provide stable national financial contributions from Member States, the EU needs to introduce new own resources. **The status quo is not an option.** The EU must maximise the impact of every euro it spends, focusing on EU priorities and objectives where EU action is most needed.

As far as internal control and financial management are concerned, particular attention is being paid to striking the right balance between the administrative burden for the beneficiaries and the added value of strong controls and audits to preserve the EU's financial interests and to prevent fraud.

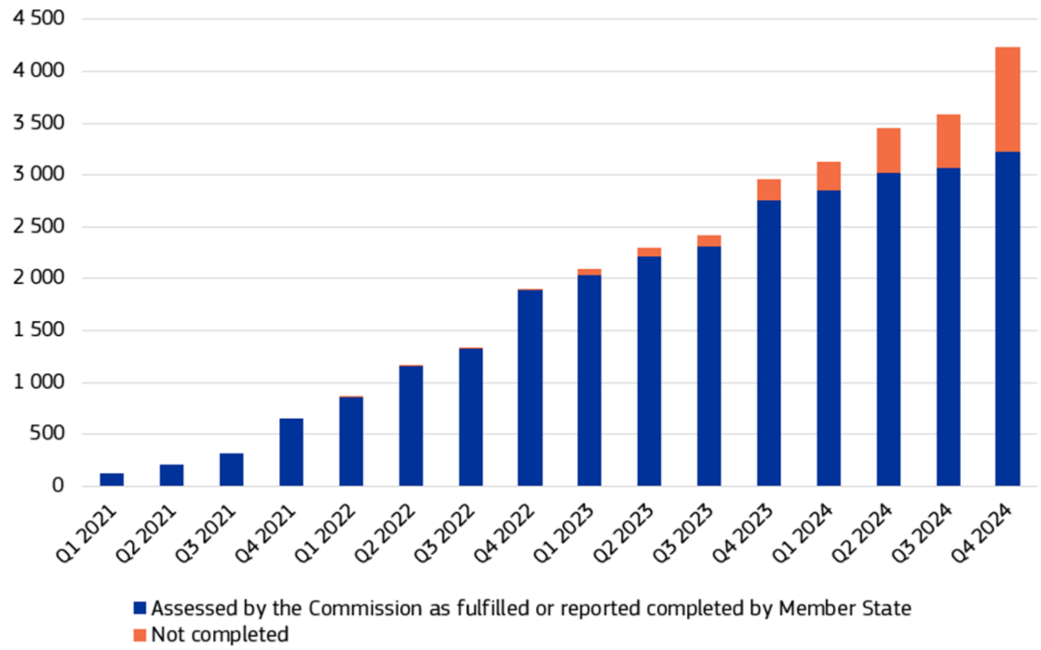
Annex 3 –The Recovery and Resilience Facility under NextGenerationEU

1. The Recovery and Resilience Facility under NextGenerationEU – an innovative and successful crisis and recovery response tool

The Recovery and Resilience Facility ([98]) is the centrepiece of the **NextGenerationEU** recovery plan for the EU and was established in the midst of the COVID-19 pandemic to help EU Member States recover faster and become more resilient. It provides a powerful tool at the EU level to support an accelerated and ambitious green and digital transition. In 2022, it was expanded to accommodate the REPowerEU plan, the European Commission's response to the economic hardship, high inflation and energy crisis triggered by Russia's unprovoked full-scale invasion of Ukraine. The discussions on the revision of the national plans, most of which were targeted amendments, continued in 2024.

The implementation had made progress as of end-2024, most milestones and targets planned to be achieved by the end of 2024 were either assessed as fulfilled by the Commission (47%) or reported by the Member States to be completed (29%). A minor part was marked as not complete (24%) ([99]).

Implementation of Recovery and Resilience Facility milestones and targets



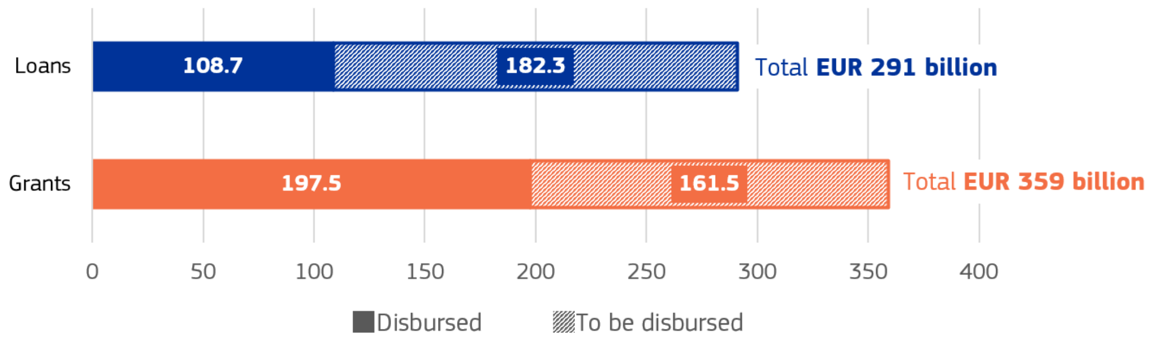
Source: European Commission.

([98]) 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, p. 1, ELI: http://data.europa.eu/eli/reg/2021/241/oj (Recovery and Resilience Facility Regulation).

([99]) This includes milestones and targets reported as delayed, on track or not completed based on October 2024 Member State reporting.

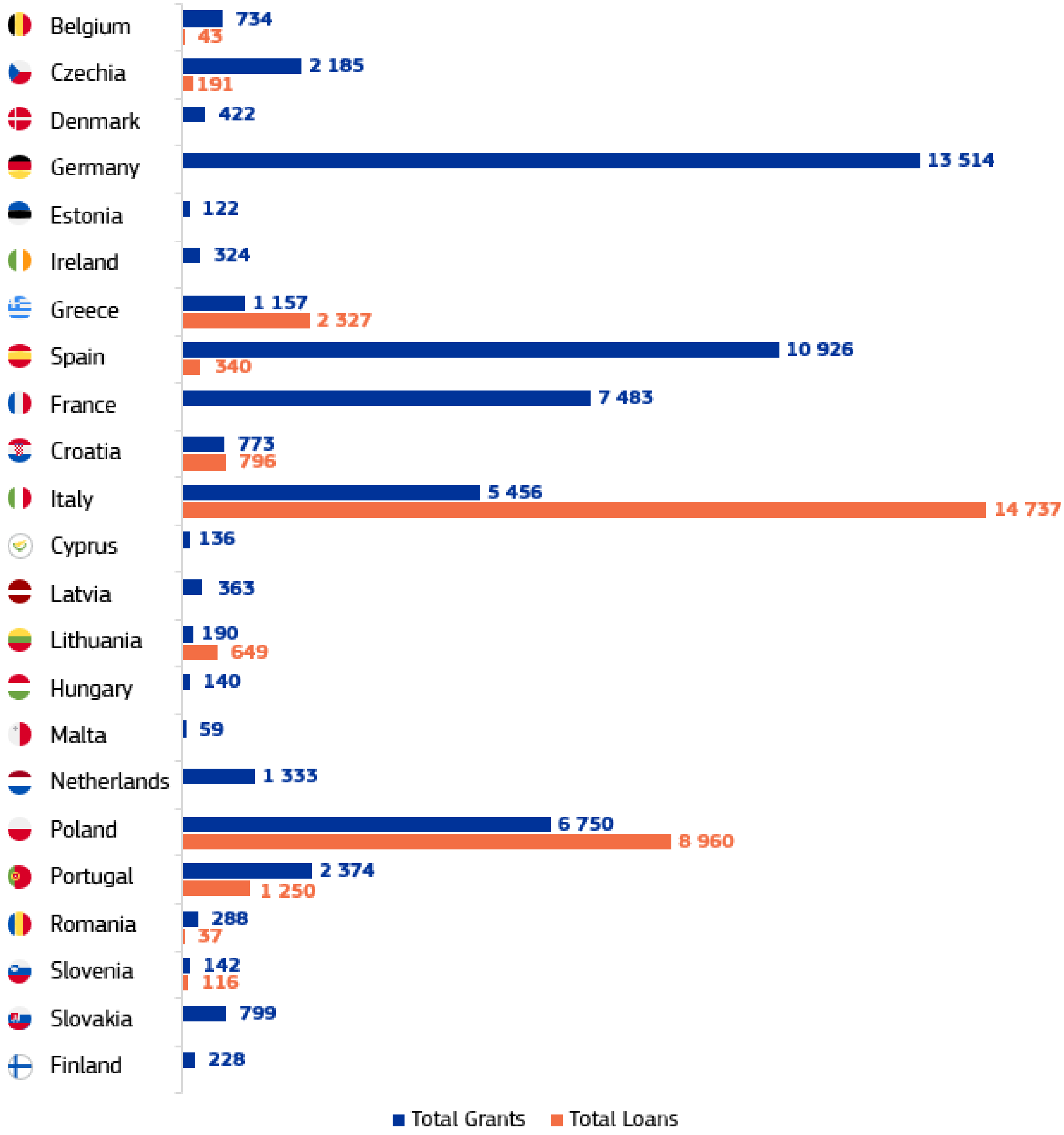
In 2024 the Commission disbursed a total amount of EUR 85.3 billion (out of which EUR 29.4 billion was in loans), including additional prefinancing payments of EUR 3.32 billion. This brings the total disbursements by the end of 2024 to EUR 306.1 billion, divided into EUR 197.5 billion in grants (55% of the total EUR 359 billion Recovery and Resilience Facility envelope) and EUR 108.7 billion in loans (37% of the total EUR 291 billion Recovery and Resilience Facility envelope). The milestones and targets related to the disbursements pertain to a large range of measures covering the six pillars of the Recovery and Resilience Facility Regulation.

Total Recovery and Resilience Facility disbursements made and amounts to be disbursed



Source: Recovery and resilience scoreboard.

Disbursements made in 2024 per Member State for grants and loans, including pre-financing



Source: European Commission.

1.1. Future-proofing through revised plans

In 2024 the implementation of the plans continued to progress on the ground, and the Commission focused on facilitating and accelerating the implementation of recovery and resilience plans. **There were 17 revised plans submitted to and assessed by the Commission.** The amendments were primarily based on Article 21 of the Recovery and Resilience Facility Regulation, which allows for revisions when objective circumstances render it impossible to achieve milestones and targets. Most of the revisions were targeted amendments where commitments that were no longer achievable due to objective circumstances were adjusted and, in many cases, replaced by more suitable alternatives, while maintaining the original ambition of the recovery and resilience plans. In revising their recovery and resilience plans, Member States paid particular attention not only to the quality of the measures but also to their degree of maturity and their implementation horizon, given the time-bound nature of the Recovery and Resilience Facility (until 2026). The Recovery and Resilience Facility's broad scope has provided the necessary flexibility for Member States to allocate resources in accordance with their evolving priorities, in line with the Recovery and Resilience Facility objectives.

The Commission adopted an updated guidance on recovery and resilience plans, to enhance the efficiency of implementing the facility and simplify the reporting requirements for Member States ([100]). The updated guidance further clarifies the scope for amendments that can be made to a recovery and resilience plan in case of objective circumstances, including to provide support to measures addressing the objectives of the strategic technologies in Europe platform (STEP) ([101]). The guidance also simplifies reporting requirements for Member States and provides greater clarity regarding the conditions under which support from the Recovery and Resilience Facility and other EU funds can be combined to enhance synergies.

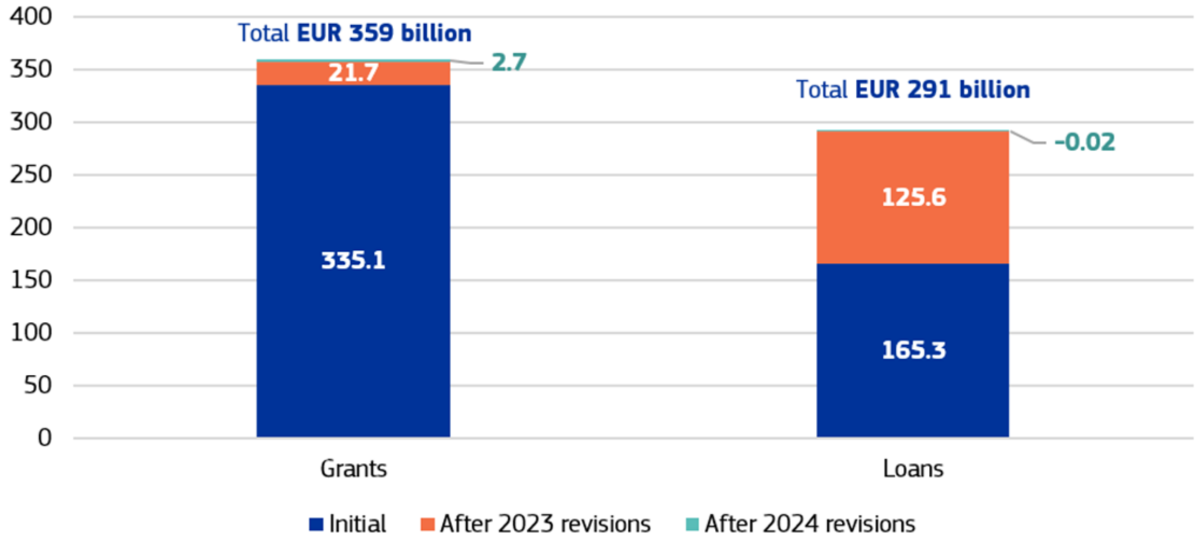
In 2024 three more Member States (Germany, Ireland and Luxembourg) introduced REPowerEU chapters into their recovery and resilience plans, thus benefiting from additional resources and boosting reforms and investment that diversify the EU's energy supplies, accelerate the green transition and support vulnerable households. In total, 26 Member States now have REPowerEU chapters in their plans, accounting for a total amount of additional funding of EUR 64.75 billion for all plans, rising from EUR 62 billion at the end of 2023. The last outstanding REPowerEU chapter (for Bulgaria) is currently under assessment and the adoption is planned for 2025.

The REPowerEU chapters further increased the ambitions in the green dimension. As of the end of 2024, more than 42.6% (EUR 277 billion) of the total Recovery and Resilience Facility allocation was set to finance investment and reforms supporting the green transition, including energy efficiency, renewable energy, electricity grids and other green investment.

([100]) Commission notice – Guidance on recovery and resilience plans, C/2024/4618 of 22 July 2024, https://commission.europa.eu/publications/updated-guidance-recovery-and-resilience-plans_en.

([101]) Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), OJ L 2024/795, 29.2.2024, p. 1, ELI: http://data.europa.eu/eli/reg/2024/795/oj (STEP Regulation). The STEP Regulation allows Member States to introduce measures supporting investment operations that contribute to the objectives of STEP in their recovery and resilience plans.

Evolution of Recovery and Resilience Facility funding ([102])



Source: European Commission.

The total financial envelope under the Recovery and Resilience Facility has stood at EUR 650 billion, split into EUR 359 billion in grants and EUR 291 billion in loans. Of this, NextGenerationEU supports EUR 338 billion of Recovery and Resilience Facility grants and the entirety of the loan support. Additional grant support of EUR 19.5 billion from auctions of emissions trading system allowances and EUR 2 billion in voluntary transfers from the Brexit Adjustment Reserve have been made available to Member States to fund the measures included in the REPowerEU chapters.

1.2. Achieving performance results

Member States use the funds provided by the Recovery and Resilience Facility to implement ambitious reforms and investment that will make their economies and societies more sustainable, resilient and prepared for the green and digital transitions.

The results obtained by the end of 2024 indicate that the facility is making a key difference in the lives of EU citizens. The common indicators demonstrate the progress of the implementation of the recovery and resilience plans towards common objectives and the overall performance of the facility.

Common indicator	Results by end 2024
Savings in annual primary energy consumption	**33 388 511 MWh/year**
Additional operational capacity installed for renewable energy	**110 655 MW and 18 MW for hydrogen**
Alternative fuels infrastructure (refuelling/recharging points)	**915 995**
Population benefiting from protection measures against floods, wildfires and other climate-related natural disasters	**31.1 million**
Additional dwellings with internet access provided via very-high-capacity networks	**16.2 million**
Enterprises supported for developing or adopting digital products, services and application processes	**1.2 million**

([102]) For the loans part, the impact of the 2024 revisions is limited to a EUR 20 million reduction for Belgium.

Common indicator	Results by end 2024
Users of new and upgraded public digital services, products and processes	**1 584 million** [103]
Researchers working in supported research facilities	**164 000**
Enterprises supported (small (including micro), medium and large)	**4.5 million**
Number of participants in education or training	**29.0 million**
Number of people in employment or engaged in job-searching activities	**2.8 million**
Capacity of new or modernised healthcare facilities	**49.8 million**
Classroom capacity of new or modernised childcare and education facilities	**2.7 million**
Number of young people aged 15–29 receiving support	**10.7 million**

Furthermore, the Recovery and Resilience Facility helped to deliver some key reforms during the first three years of implementation, including reforms:

- adopting the Report on Green Budget to map green expenses in the annual budget law, facilitating building renovation works and improving access to finance (Spain) and facilitating the use of energy performance contracts to promote energy efficiency investment in public and private projects (Poland);
- implementing a new framework law to improve the living conditions of non-self-sufficient elderly people (Italy) and supporting universal free access to quality mental health units (Greece);
- implementing the Open Government Act that helped enhance the transparency and accessibility of public administrations' information (the Netherlands) and adopting the digital health strategy to help develop and implement digital solutions in the healthcare sector (Latvia);
- connecting companies with regulatory bodies through a certification platform for the medical devices and aerospace industries (Czechia) and expanding upskilling and reskilling opportunities for all adults via an e-college (Malta);
- setting higher, modernised standards for key learning goals in primary and lower-secondary schools (Slovakia) and strengthening the educational system by tackling learning disparities created by the COVID-19 crisis (Germany);
- utilising a funding model supporting equal chances for all kids and helping carers to find full-time jobs (Croatia) and developing a digital gender pay-gap tool for employers (Estonia);
- simplifying administrative rules and procedures linked to public action (France) and creating a growth-friendly business environment through the De-bureaucratisation Act (Slovenia).

In addition, the Recovery and Resilience Facility has contributed to unlocking the full potential of structural reforms by complementing them with key investment. Some of the major investment, which is part of the measures, with key steps already completed, includes:

- improving the resilience of more than 172 out of 1 162 km of railways in the south, which includes the renewal of railway lines on six different routes (Italy, EUR 2.4 billion [104]);
- at least 3 500 households and businesses gaining access to high-speed internet (Denmark, EUR 13.5 million);

[103] The indicator counts the total number of uses rather than the number of unique individuals.
[104] The cost refers to the measure, while the completion refers to key steps (milestone or target level). One measure (reform or investment) is usually composed of numerous milestones and targets.

- funding granted to EU-wide research projects carried out by universities and research institutes that have agreed to focus on results, changing the way public research is funded towards rewarding successful outcomes (Croatia, EUR 59 million);
- accelerating healthcare digital infrastructure and tools by improving the interoperability of information systems and software with at least 30.5 million electronic health records, an enhancement of 'My health space' with 12 million new digital documents and the establishment of 410 000 active electronic medico-social records (France, EUR 2 billion);
- awarding contracts for the procurement of an e-pharmacy system and building and configuring an integrated financial management system for hospitals (Ireland, EUR 75 million);
- providing 600 000 laptops to pupils and teachers in primary and secondary public schools on a lending basis, supporting digital education and teaching (Portugal, EUR 609 million).

An overview of how the implementation of the Recovery and Resilience Facility and the national recovery and resilience plans are progressing is provided through the recovery and resilience scoreboard and the map of projects supported by the Facility.

Each recovery and resilience plan is required to contribute at least 37% and 20%, respectively, to climate and digital objectives. This is reflected in the significant budgetary contribution to both the green and digital transitions of the facility.

- **Climate contribution**: EUR 276.6 billion from 2021 to 2024 (42.6% of the total envelope, including grants and loans).
- **Digital contribution**: EUR 149.2 billion from 2021 to 2024 (25.45% of the total envelope, including grants and loans).

2. Control results confirm the satisfactory fulfilment of all milestones and targets for payments made in 2024

2.1. A dedicated control environment to ensure the protection of EU funds

The Recovery and Resilience Facility Regulation sets out the respective roles and responsibilities of Member States and of the Commission for protecting the EU budget. The facility is a fully performance-based instrument, and, unlike the majority of other EU funding programmes, the Commission does not reimburse Member States based on actual costs incurred for the reforms and investment included in their recovery and resilience plans. Instead, the Commission pays pre-defined instalments solely when agreed milestones and targets are satisfactorily fulfilled. The funds of the Recovery and Resilience Facility, once disbursed, enter each national budget with no direct link to the expenditure incurred to finance the reforms and investment. As per the regulation, Member States are responsible for ensuring that the facility is implemented in compliance with EU and national rules and with the principles of sound financial management. The Commission should be able to receive sufficient assurance from them in that regard.

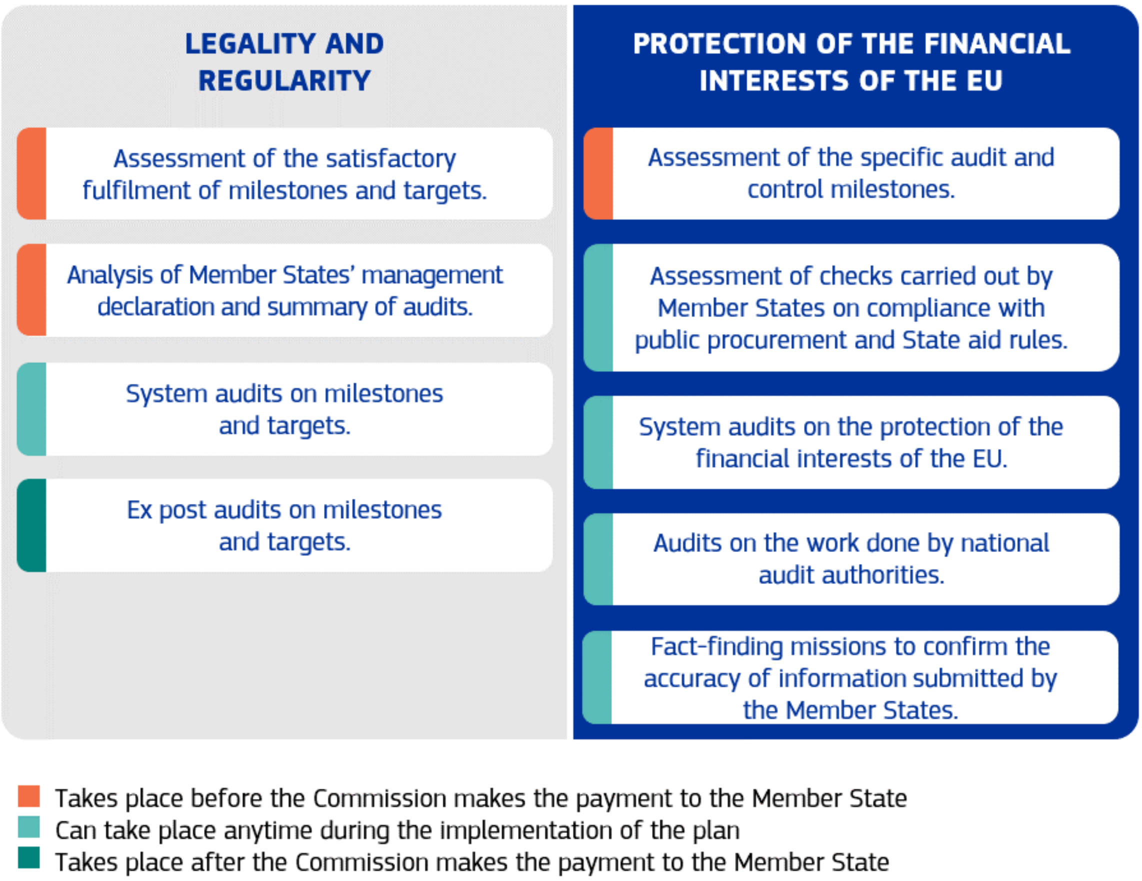
Member States must put in place suitable monitoring and control systems to protect the financial interests of the EU and to ensure that the use of funds complies with EU and national law. These systems are described in detail in the recovery and resilience plans and were assessed by the Commission before each plan was adopted. During the lifetime of the facility, Member States must ensure the effectiveness of these control systems. Notably, they must undertake systematic work to ensure that the systems prevent, detect and correct irregularities. If a Member State detects any specific irregularities, it must take action to correct them and inform the Commission of them. If a Member State does not undertake the necessary corrections in cases of fraud, corruption or conflict of interest, the Commission will reduce or recover the affected amounts from the Member State. Moreover, if a Member State seriously breaches its obligations under the financing or loan agreements, the Commission will reduce or recover funds depending on the circumstances of the case (for example, the Commission may apply a flat-rate correction of that Member State's facility funds). **The Commission has designed its control strategy to fully comply with its responsibilities stemming from the Recovery and Resilience Facility Regulation.**

- **The Commission must ensure the legality and regularity of payments to the Member States, which are solely linked to the satisfactory fulfilment of the milestones and targets.** For this purpose, the Commission carries out ***ex ante* assessments of all the payment requests** received from the Member States; on-the-spot ***ex post* audits** for a selection of payment requests, milestones and targets; **system audits on milestones and targets**; and the **analysis of the Member States' management declarations and summaries of audits**
- **The Commission has the right to reduce and recover any amount, or ask for early repayment of the loan**, in cases of fraud, corruption or conflicts of interest affecting the financial interests of the EU that have not been corrected and recovered by the Member State, or for a serious breach of an obligation resulting from the financing and/or loan agreement signed with the Member State. For this purpose, the Commission makes an **assessment of the control systems described in the plans** (and subsequent revisions) submitted to the Commission before their adoption. In addition, the Commission carries out **system audits on the protection of the financial interests of the EU** in the Member States over the entire duration of the facility and

audits on the work done by the national audit authorities. It also assesses the checks carried out by the Member States on compliance with public procurement rules and State aid rules including the effectiveness of these checks.

The figure below presents an overview of the Commission's control strategy regarding the facility.

Overview of the Recovery and Resilience Facility control environment at the Commission level



Source: European Commission.

The Commission makes a qualitative assessment of the control results and the level of risk associated with the operations. Unlike other EU programmes, this assessment cannot be quantified with an error rate. Error rates reflect a quantitative assessment, which is pertinent when the expenditure can be directly attributed to a quantitative criterion. Payments in the context of the Recovery and Resilience Facility are based on a qualitative assessment of the fulfilment of milestones and targets, which is difficult to translate into quantitative terms. Even when milestones and targets have not been satisfactorily fulfilled and a reduction will be made, this reduction cannot correspond to an amount of ineligible expenditure. In addition, the investments and reforms included in the recovery and resilience plans are very diverse, both within a Member State and between Member States, which prevents any statistical extrapolation. In this context, a meaningful error rate cannot be determined.

Following the recommendations from the Internal Audit Service, the Court of Auditors and the European Parliament, the Commission has continued to strengthen its audit and control framework for the Recovery and Resilience Facility in 2024 with a view to making qualitative improvements, namely by:

- implementing **enhanced** controls on how Member States' internal control systems ensure compliance with EU and national rules through the use of comprehensive checks on public procurement and State aid, **including the effectiveness of such checks; in all types of Commission audits;**
- **further refining the approach on how to address risks of reversals during *ex post* audits on milestones and targets;**
- **increasing the number of compliance audits** to get further assurance that it can rely on the audits conducted by national audit authorities;
- **revising the methodology for the selection of additional audit work regarding the protection of the financial interests of the EU to ensure that risks are adequately monitored and addressed throughout the lifetime of the Recovery and Resilience Facility**.

In 2024 the Commission continued to bring improvements and clarifications to the way the design of the facility is interpreted with its 'Guidance on recovery and resilience plans', entailing the following main points ([105]).

- A **framework for reductions and recoveries under the Recovery and Resilience Facility** that covers the grounds for reductions and recoveries under the Recovery and Resilience Facility Regulation, including three different situations: (1) cases of fraud, corruption or conflict of interests affecting the financial interests of the Union not corrected by the Member State; (2) cases of a serious breach of an obligation of the financing agreement or loan agreement; (3) cases where the information and justification underlying a payment request is found to be incorrect (for example during ex post audits).
- **A guidance on how to identify and avoid any risk of double funding** was provided to ensure the continued adequacy of controls. This clarified that, where it is established that an ex-ante cost delineation is not feasible or excessively burdensome, combining support from the Recovery and Resilience Facility and other EU funds on a pro-rata basis is possible as a last resort and in exceptional cases, provided specific conditions are met.

In Annex II to the Recovery and Resilience Facility 2024 annual report ([106]), the Commission provided more precision regarding the **eligibility of measures under the Recovery and Resilience Facility and specifically the application of the retroactivity clauses included in the Recovery and Resilience Facility Regulation** (Article 17(2)). The Commission clarified the rationale underpinning the guidance already provided by the Commission to Member States on how to determine, during the assessment of the recovery and resilience plans, when a measure has started. In Annex V of the report, the Commission gave clarifications on the provisions regarding reporting on the 100 largest final recipients that aim at further strengthening transparency thanks to the REPowerEU regulation, which introduced a requirement for the

([105]) Commission notice – Guidance on recovery and resilience plans, C/2024/4618 of 22 July 2024, https://commission.europa.eu/publications/updated-guidance-recovery-and-resilience-plans_en.

([106]) Report from the Commission to the European Parliament and the Council on the implementation of the Recovery and Resilience Facility, COM(2024) 474 final of 10 October 2024, https://commission.europa.eu/publications/recovery-and-resilience-facility-annual-report-2024_en.

Member States to publish information on the 100 final recipients receiving the highest amounts of Recovery and Resilience Facility funding.

2.2. Control results are predominantly positive

2.2.1. Full approval of the revised plans following their assessment

In the context of the revision of the recovery and resilience plans, the audit and control system of the respective Member States were reassessed in 2024, taking into account all the new and additional information obtained since the original assessment took place through the different audits carried out by the Commission. In light of this information, the Commission considered whether the arrangements for the audit and control system put forward by the Member States in the modified recovery and resilience plans were (still) adequate. The Commission did not propose further audit and control milestones in the 2024 revisions ([107]). In 2025, to date one additional audit and control milestone was proposed. All 17 plan revisions submitted in 2024 were adopted.

2.2.2. *Ex ante* controls at the payment stage

Positive assessment before payment of the satisfactory fulfilment of milestones and targets

In 2024 the Commission assessed and paid 27 payment requests submitted by 22 Member States, corresponding to 839 milestones and targets (600 milestones, 239 targets) ([108]). Based on these assessments, 6 milestones and targets, out of 839 in total, were assessed as not satisfactorily fulfilled and resulted in a suspension decision. These concerned the payment requests submitted by Belgium, Czechia, Spain, Italy and Cyprus. In the cases of Belgium and Italy, while a suspension decision was adopted, no suspensions occurred as the recovery and resilience plan was subsequently revised.

In 2024, the Commission partly lifted the suspensions of payments to Lithuania and Romania and fully lifted that of Portugal in recognition of the progress made in the corresponding non-fulfilled milestones.

In the context of the assessment of milestones and targets the Commission has systematically introduced checks regarding eligibility when approving the plans, where doubts arise regarding individual pieces of evidence submitted by Member States, and when assessing payment requests. In order to further clarify the application of the current provisions ([109]), in Annex II to the Recovery and Resilience Facility 2024 annual report, the Commission provided more precision regarding the eligibility of measures under the Recovery and Resilience Facility ([110]) and specifically the application of the retroactivity clauses included in the Recovery and Resilience Facility Regulation ([111]).

([107]) Seventeen recovery and resilience plan revisions were adopted, three of which included REPowerEU chapters

([108]) In 2024, the Commission disbursed 41 payments, comprising 27 payments following a payment request, three resulting from the lifting of previously suspended amounts, and 11 pre-financing. In the context of ex ante controls, it is more relevant to refer to the 27 payments made following a payment request.

([109]) Commission staff working document – Guidance to Member States – Recovery and resilience plans, SWD(2021) 12 final of 22 January 2021, https://data.consilium.europa.eu/doc/document/ST-5538-2021-INIT/en/pdf.

([110]) Report from the Commission to the European Parliament and the Council on the implementation of the Recovery and Resilience Facility, COM(2024) 474 final of 10 October 2024, https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52024DC0474.

([111]) Article 17(2) of the Recovery and Resilience Facility Regulation.

Positive assessment of the specific milestones on audit and control for all Member States

Since the beginning of the Recovery and Resilience Facility implementation, a total of 83 audit and control milestones have been incorporated into the recovery and resilience plans for 24 Member States. Out of these 83 audit and control milestones (out of which 10 were added in the revisions that took place in 2023 and one in 2025), **50 were assessed by the Commission as satisfactorily fulfilled**, (by end of May 2025), in the context of the assessment of the payment requests submitted by 21 Member States. The Commission assessed the achievement of these milestones based on desk reviews and in-depth analysis of the evidence provided by the Member States. Still, by end of May 2025, five audit and control milestones for three Member States were under assessment as part of either the first or second payment request submission. The recently added milestone in 2025 will be assessed as part of the next payment request. The remaining 27 audit and control milestones were related to Hungary, which has yet to submit its first payment request.

Examples of such milestones are:

- putting in place and implementing a repository system for monitoring the implementation of the Recovery and Resilience Facility before the first payment is made;
- entry into force of laws or decrees setting out legal mandates or defining audit and control procedures;
- creating and implementing an action plan regarding the prevention of conflict of interest in the context of the Recovery and Resilience Facility and adopting an audit strategy ensuring independent and effective auditing of the Recovery and Resilience Facility implementation.

In addition, as a follow-up to the positive assessment of the implemented audit and control milestones, thirteen commitments were made by eleven Member States (Belgium, Ireland, Spain, France, Italy, Greece, Lithuania, Luxembourg, Poland, Romania and Finland) to ensure continuous fulfilment of the related audit and control milestones. The Commission assessed the implementation of those commitments when assessing the next payment request made after the expiration of the timeline for the commitment. To date, 11 of the 13 commitments have been implemented – three in 2022, two in 2023, three in 2024, and three in 2025, based on the Commission's preliminary assessment published alongside the respective payment requests. Two remaining commitments are under assessment, as the related payment requests are under analysis.

Analysis of management and audit summaries confirms the Commission's initial assessment

The Commission reviewed the management declarations and audit summaries accompanying the payment requests submitted in 2024. For the five payments where funding was suspended in 2024 due to milestones and targets not satisfactorily fulfilled, the review of management declarations and summaries of audits had previously raised doubts about their fulfilment, which were then confirmed by the assessment of the Commission.

2.2.3. *Ex post* audits on milestones and targets confirm the satisfactory fulfilment of milestones and targets

In 2024, the Commission carried out 17 audits ([112]) on milestones and targets.

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. The payment requests not audited included milestones and

([112]) The first payment for Belgium, the Netherlands and Poland; the second payment for Denmark, Germany, Estonia, Cyprus, Latvia and Malta; the third payment for Czechia, France and Lithuania; the fourth payment for Greece (grants) and Spain; the fifth payment for Portugal; and the fifth and sixth payments for Italy.

targets that were either low risk, related to measures audited in previous years, and/or had been audited by national audit authorities providing reasonable assurance to the Commission. By end of May 2025, the Commission had audited 60 milestones and targets in total, comprising of 46 high-risk milestones and targets included in payment requests paid out in 2024, 13 medium-risk ones, and one with a low-risk.

In addition to verifying whether the respective milestone or target was satisfactorily fulfilled at the time of the payment request assessment, ex-post audits also served to verify, when applicable, whether Member States regularly check compliance with public procurement and State aid rules, including the effectiveness of such checks. To this end, the Commission continued to use the enhanced comprehensive checklists on public procurement and State aid which were rolled out since April 2023 ([113]).

Based on its audit work, for the payments assessed in 2024 the Commission found no evidence that the audited milestones and targets were not satisfactorily fulfilled. Any other discrepancies identified between the data declared and the data audited remained within the margin of 5% considered by the Commission for its assessment ([114]). In case the Commission considers *ex post* that a milestone or a target was not reached, it will initiate financial corrections to recover the undue part of the payment made. This has not happened for the payments made in 2024.

2.2.4. System audits on the protection of the financial interests of the EU confirm the adequacy of systems in place

By the end of 2023, the Commission had audited all Member States through system audits on the protection of the financial interests of the EU. In 2024, the Commission carried out two additional system audits on Protection of Financial Interests of the Union (Belgium ([115]) and Lithuania ([116])).

In line with its revised Audit Strategy, the Commission has developed a risk assessment methodology to be applied annually to select Member States for further system audits on PFIU. Priority was given to Member States where controls on public procurement and State aid were not carried out using the new comprehensive checklists. On this basis, the Commission aims to carry out system audits on PFIU in six Member States in 2025. By end of May 2025, two audits were already performed (in France and Ireland).

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 and other audit work, the Commission notably verified whether the Member States regularly check compliance with State aid and public procurement rules, including the effectiveness of such checks. System audits also covered procedures to avoid double funding between the Recovery and Resilience Facility and other EU programmes.

Based on its ongoing audit work, the Commission observes a gradual overall improvement in the implementation of the internal control systems across the audited implementing and coordinating bodies. Member States are taking corrective measures in response to audit findings at the implementing body level and the Commission continues to monitor its implementation. Good practices were identified, such as procedures for the detection of possible fraud, corruption, conflict of interest and double funding, often supported by the use of data mining tools such as ARACHNE. Other positive examples include staff training programmes designed to raise awareness of fraud and corruption risks. Notable progress has also been made regarding data collection in line with Article 22(2)(d) of the RRF Regulation. Nevertheless, areas for further improvement remain, including strengthening fraud risk assessment, improving *ex ante* controls

([113]) Approved in September 2023.
([114]) A minimal deviation from amounts specified in a milestone/target is defined as around 5% or less.
([115]) The system audit in Belgium specifically concerned the system of a particular federated entity that was not covered by the first system audit on the PFIU.
([116]) The main objective of the system audit performed in Lithuania was to follow-up on the PFIU audit already made in 2022, and assess additional elements of the Member States' internal control systems in their capacity to ensure compliance with EU and national law, as well as to prevent, detect and correct cases of conflict of interest, fraud, corruption, and double funding.

aimed at preventing conflicts of interest, reinforcing procedures for verifying the absence of double funding, compliance with publicity obligations, increasing participation in fraud-awareness training and enhancing the reporting of irregularities to the European Anti-Fraud Office.

The Commission can give reasonable assurance regarding the protection of the EU's financial interests from fraud, corruption and conflicts of interest based on the outcomes of the system audit work carried out in 2024 and considering the results of the analysis of the management declarations and audit summaries mentioned above, with the exception of one Member State ([117]).

2.2.5. Controls on Member State obligation to ensure compliance with public procurement and state aid rules

In line with the expanded scope of its audit work in response to the Court of Auditors 2023 Annual Report (Chapter 11), the Commission has verified in all types of audits, where applicable, Member States' compliance with their obligation under Article 22(2)(a) of the Recovery and Resilience Facility regulation. This includes ensuring that the financing provided is properly used in accordance with all applicable EU and national rules, particularly in the areas of public procurement and State aid, including the effectiveness of such checks. To support this work, the Commission has applied comprehensive checklists on public procurement and State aid across all its audit activities. These checklists were introduced in April 2023 ([118]). Furthermore, in September 2024, the Commission enhanced its audit methodology by introducing specific sampling requirements for procurement procedures to be reviewed during audits, per implementing body.

In March 2025, the Court of Auditors issued its Special report 09/2025 on systems for ensuring compliance of Recovery and Resilience Facility spending with public procurement and State aid rules. The Court of Auditors acknowledged the positive developments as regards the enhanced checks on public procurement and State aid with the use of comprehensive checklists and provided some targeted recommendations for further improvement. The Commission is further finetuning its audit work in accordance with the accepted recommendations. So far, the Commission has already implemented five out of the nine accepted or partially accepted sub-recommendations.

With respect to State aid, checks on compliance remain the primary responsibility of Member States through their internal control systems. The Commission's audits assess whether Member States have verified compliance with the conditions of relevant schemes, such as the General Block Exemption Regulation (GBER) or State aid framework for Research and Development and Innovation (RDI), and whether such schemes have been properly notified to the relevant Commission services. To address the Court of Auditors' observations, the Commissions audit checklist on state aid was amended in early 2025 to reflect this more clearly and rolled out immediately.

The Commission builds its assurance on Member States' compliance with their obligation under Article 22(2)(a) of the Recovery and Resilience Facility regulation through its own audit work. In 2024 and the first quarter of 2025, the audit work performed by the Commission included checks on public procurement and State aid, where relevant, for all Member States that received a payment during 2024. These checks were performed across all audit activities (system audits, mainly PFIU, compliance audits of national audit bodies, ex-post audits on milestones and targets).

([117]) Two individual cases of conflict of interests identified in Czechia.
([118]) And they were formally approved in September 2023

2.2.6. Audits of the national audit authorities

In 2024, the Commission performed an increasing number of compliance audits , which assess the reliability of the work performed by the national audit authorities ([119]), encompassing two key areas: 1) the audits of national control systems, to ensure that national and EU rules are complied with, including public procurement and State aid rules, and that the Union budget is protected, and (2) the audits of milestones and targets. Furthermore, these audits include checks to verify that the national audit authorities are adequately addressing the risk of double funding. This effort is aimed to strengthen further the effectiveness of the audit work performed at national level while, in the spirit of the single audit approach, minimising the duplication of audits and increasing the audit work efficiency overall.

Since January 2024, the Commission has conducted twelve compliance audits or combined audits with compliance parts. Since the start of the facility to date, 20 Member States have undergone a compliance audit or have been subject to an audit that included a compliance dimension. By the end of 2025, the Commission plans to conduct compliance audits in the remaining Member States, with the objective of achieving coverage of all Member States by year-end.

In many instances, findings regarding the work of the audit authorities identified areas for further improvements. Examples of recommendations addressed to the national audit bodies relate to the need of including deadlines for the implementation of their recommendations, better defining follow-up procedures, improving audit manuals, checklists or documentation, improving verifications on public procurement procedures or State aid rules and addressing staffing issues or issues with the assignment of audit staff.

In early 2025, the methodological framework defining the conditions under which the Commission can rely on national audit work for ex-post audits of milestones and targets was refined. Under this framework, reliance by the Commission on the work of national audit bodies is possible where Commission compliance audits result in either an unqualified opinion or a qualified opinion with limited impact. In such cases, Commission auditors may rely on the national audit bodies' assessments and are not required to include in their *ex post* audit selection any high-risk milestones and targets already assessed as satisfactorily fulfilled by those national bodies.

2.2.7. Annual audit and management opinions

Based on the audit work described above, the Commission issued 22 annual audit opinions for the 22 Member States that received payments, following the submission of a payment request in 2024 ([120]). These audit opinions were then used in addition to any other available information to issue a management opinion for each of the payments made in 2024 ([121]).

([119]) Four dedicated compliance audits were conducted to Czechia, Bulgaria, Poland, and Finland. Additionally, compliance audit parts were integrated in a system audit to Cyprus and in audits on milestones and targets to Germany, Estonia, Greece, Croatia, Italy, Lithuania, and Latvia.

([120]) The audit opinion is a formal assessment by the Commission's responsible audit units on the Commission's internal control systems for the Recovery and Resilience Facility and is supported by detailed assessments per Member State containing a summary of the information from the Commission's own audits, the audits of other bodies, national audit bodies, the Court of Auditors and the results of enquiries by the European Anti-Fraud Office.

([121]) The audit opinions are used by the Commission's operational units together with other sources of information at their disposal (such as annual implementation meetings and reports) as a basis for the management opinion, which they are required to provide to the authorising officer by delegation in charge of the Recovery and Resilience Facility.

Both audit opinions and management opinions are used to support the conclusion on the overall declaration of assurance. The audit opinions provide an opinion on the level of risk in relation to the legality and regularity of the payment, on compliance with Article 22(2)a ([122]) and Article 22(5) ([123]) of the Recovery and Resilience Facility Regulation. The management opinions give an opinion on the level of risk in relation to the legality and regularity of the payments. Detailed information on the level of risk of each payment request is presented in the table of Section 2.2.9.

2.2.8. Ongoing work of the Court of Auditors in the context of the 2024 statement of assurance

The Commission's assessment of the Court's findings to conclude on the level of risk for the payments made in 2024 is currently ongoing. By 30 April 2025, the Commission had received the clearing letters from the Court of Auditors covering the 27 grant payments ([124]) made to 21 Member States in 2024. Since the Court of Auditor's findings may be used to determine the level of risk of the payments, the Commission assessed them when determining the level of risk for each payment made in 2024.

With respect to the concerned clearing letters, the Commission, after careful analysis, maintained its position (based on its *ex ante* and *ex post* controls) that the milestones and targets included in the corresponding payment requests had been satisfactorily achieved. Following one of these clearing letters, the Commission sent a draft review report to a Member State on 20 May 2025 requesting additional information and justification regarding the satisfactory fulfilment of the milestones and targets in a payment request, pursuant to Article 12 of the RRF Financing Agreement.

2.2.9. Qualitative assessment of the legality and regularity of payments and of compliance with art. 22(2)(a) and art. 22(5) of the Recovery and Resilience Facility Regulation indicates generally low/medium risk

The Commission's qualitative assessment as regards the legality and regularity of the payments is based on a combination of results from: (1) the Commission's ex ante assessment of the payment requests; (2) the Commission's ex post audits on milestones and targets taking into account the risk profile of the milestones and targets submitted; and (3) the European Court of Auditors' findings, if deemed acceptable.

As a result, the Commission determines a level of risk to the legality and regularity of each payment, and, for each Member State, a level of risk to compliance with art. 22(2)(a) and art. 22(5) of the RRF Regulation. The level of risk can be classified as low, medium or high.

The Commission's conclusions per payment request received are summarised in the following table:

([122]) In accordance with Article 22(2)(a) of the Recovery and Resilience Facility Regulation, the Member State shall check that the financing provided has been properly used in accordance with all applicable rules and that any measure for the implementation of reforms and investment projects under the recovery and resilience plan has been properly implemented in accordance with all applicable rules in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interests.

([123]) In accordance with Article 22(5) of the Recovery and Resilience Facility Regulation, the Commission may reduce proportionately the non-repayable support under the Recovery and Resilience Facility and, where applicable, recover any amount due to the EU budget in cases of fraud, corruption or conflicts of interest affecting the financial interests of the EU that have not been corrected by the Member State, or a serious breach of an obligation resulting from this agreement.

([124]) The Court of Auditors does not select loans in their sample.

Qualitative assessment payments made in 2024

		Level of risk				
		Legality and regularity			Compliance with	
					Applicable rules (a)	Obligation to correct (b)
Member State	Payment request	Audit opinion	Manage-ment opinion	Overall	Audit opinion	Audit opinion
Belgium	First	Low	Low	Low	Low	Medium
Czechia	Second	Low	Low	Low	Medium	High
Czechia	Third	Low	Low	Low	Medium	High
Denmark	Second	Low	Low	Low	Medium	Medium
Germany	Second	Low	Low	Low	Medium	Medium
Estonia	Second	Low	Low	Low	Low	Low
Ireland	First	Low	Low	Low	Low	Medium
Greece	Fourth (Loans)	Low	Low	Low	Low	Low
Greece	Fourth (Grants)	Low	Low	Low	Low	Medium
Spain	Fourth	Low	Low	Low	Low	Medium
France	Third	Low	Low	Low	Medium	Medium
Croatia	Fourth	Low	Low	Low	Low	Low
Croatia	Fifth	Low	Low	Low	Low	Low
Italy	Fifth	Low	Low	Low	Medium	Medium
Italy	Sixth	Low	Low	Low	Medium	Medium
Cyprus	Second	Low	Low	Low	Low	Low
Latvia	Second	Low	Low	Low	Low	Low
Lithuania	First	Low	Low	Low	Medium	Medium
Lithuania	Second	Low	Low	Low	Medium	Medium
Lithuania	Third	Low	Low	Low	Medium	Medium
Malta	Second	Low	Low	Low	Medium	Medium
Netherlands	First	Low	Low	Low	Low	Medium
Poland	First	Low	Low	Low	Medium	Medium
Poland	Second	Low	Low	Low	Medium	Medium
Portugal	Third/Fourth	Low	Low	Low	Medium	Medium
Portugal	Fifth	Low	Low	Low	Medium	Medium
Romania	First	Low	Low	Low	Medium	Medium
Slovenia	Third	Low	Low	Low	Medium	Medium
Slovakia	Fourth	Low	Low	Low	Medium	Medium
Finland	First	Low	Low	Low	Medium	Medium

Notes to the table:
Applicable rules: Article 22(2)a of the Recovery and Resilience Facility regulation.
Obligation to correct: Article 22(5) of the Recovery and Resilience Facility regulation.
Source: European Commission.

Overall, the Commission concludes the following.

- Regarding legality and regularity: the level of risk is low for all the payments made. Based on the audits and controls carried out, none of the milestones and targets included in the payments made were assessed as not satisfactorily fulfilled. The Commission carefully analysed the results of the Court of Auditors audits for payments made in 2024 available as of the cut-off date of 27 May 2025 and maintained its position that the milestones and targets included in the corresponding payment requests were satisfactorily achieved.
- Regarding compliance with all applicable rules, namely public procurement and State aid ([125]) the risk is medium level for 13 Member States ([126]) and a low level for the other Member States ([127]). Regarding the obligation to make corrections in cases of fraud, corruption or conflict of interest or a serious breach of obligations resulting from the financing and loan agreements ([128]) the level of risk is medium for 17 Member States ([129]) and a low level of risk for the other Member States ([130]) except for Czechia for which the level of risk is high, on the basis of the audit results obtained which identified two individual cases of conflict of interests. A financial reservation was therefore introduced. The financial amount at risk for the two concerned projects amounts to EUR 17.5 million, representing 0.74% of the payments made to Czechia in 2024.

2.2.10. The authorising officer by delegation for the facility confirmed they had reasonable assurance

In their conclusions on the assurance for the Recovery and Resilience Facility, the officer ([131]) confirmed they had reasonable assurance on:

- the legality and regularity of the payments made in 2024 for the Recovery and Resilience Facility , based on the positive assessment of the evidence of the satisfactory fulfilment of the milestones and targets provided in the payment requests, on *ex post* audit work on the milestones and targets and also considering the outcomes of the audit work carried out by the Court of Auditors in the context of its statement of assurance 2024 (for clearing letters received and assessed by 27 May 2025);
- public procurement and State aid, the respect of the obligation of Member States laid down in Article 22(2)(a) of the RRF Regulation to regularly check that the financing provided in the context of the underlying transactions has been properly used in accordance with all applicable rules, including the effectiveness of these checks, and that any measure for the implementation of reforms and investment projects under the recovery and resilience plan has been properly implemented in accordance with all applicable rules in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interests; and
- the implementation of Article 22(5) of the RRF Regulation on the proportionate reduction of the support under the Recovery and Resilience Facility and recovery of any amount due to the Union budget or the request for early repayment of the loan, in cases of fraud, corruption, and conflicts of interests affecting the financial interests of the Union that have not been corrected by the Member State, or a serious breach of an obligation resulting from the agreements referred to in Articles 15(2) and 23(1) of the RRF Regulation with the exception of one Member State , as described in Section 2.2.9 for which a reservation was issued.

(125) Article 22(2)(a) of the Recovery and Resilience Facility Regulation.
(126) Czechia, Denmark, Finland, France, Germany, Italy, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia.
(127) Belgium, Croatia, Cyprus, Estonia, Greece, Ireland, Latvia, Netherlands and Spain.
(128) Article 22(5) of the Recovery and Resilience Facility Regulation.
(129) Belgium, Denmark, Finland, France, Germany, Greece (grants), Ireland, Italy, Lithuania, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, and Spain.
(130) Croatia, Cyprus, Estonia, Greece (loans), and Latvia.
(131) The Director-General for Economic and Financial Affairs has been designated as the authorising officer by delegation for the Recovery and Resilience Facility.