



DELIVERING ON RESULTS AND PROTECTING THE EU BUDGET IN 2021



October 2022

The EU budget supporting the post-pandemic recovery and long-term resilience

SUCCESS STORIES IN 2021:

- **Launch of NextGenerationEU (NGEU): €148.6 billion** raised in long-term funding by end-September 2022, of which **€71 billion** in 2021. Funds were used to support the recovery: **€113 billion** was already disbursed under the Recovery and Resilience Facility by end-September 2022, of which **€64 billion** in 2021.
- **Delivering on our climate commitments: €137 billion** dedicated to climate objectives, or 32% of the overall funds (EU budget and NGEU) committed in 2021. Climate commitments have been boosted by the issuance of NGEU Green Bonds (€28 billion raised by end September 2022), significantly expanding the sustainable finance market.
- **European solidarity:** Next to the COVID-19 pandemic, natural disasters such as drought-driven forest fires and severe floods have taken a large toll on many EU countries. Through the **EU Civil Protection Mechanism** - activated 114 times in 2021 - the EU has provided **€332 million** in immediate disaster relief to its member countries.

Crises are no excuse for relaxing controls

In these exceptional times, the Commission continued to make sure that the EU budget is spent responsibly and correctly, by working closely with all EU countries and other partners.

The Commission applies controls to the budget both before and after payments have been made, and makes corrections if and when necessary. This is reflected in both the 'risk at payment' and the 'risk at closure' (of the programme).



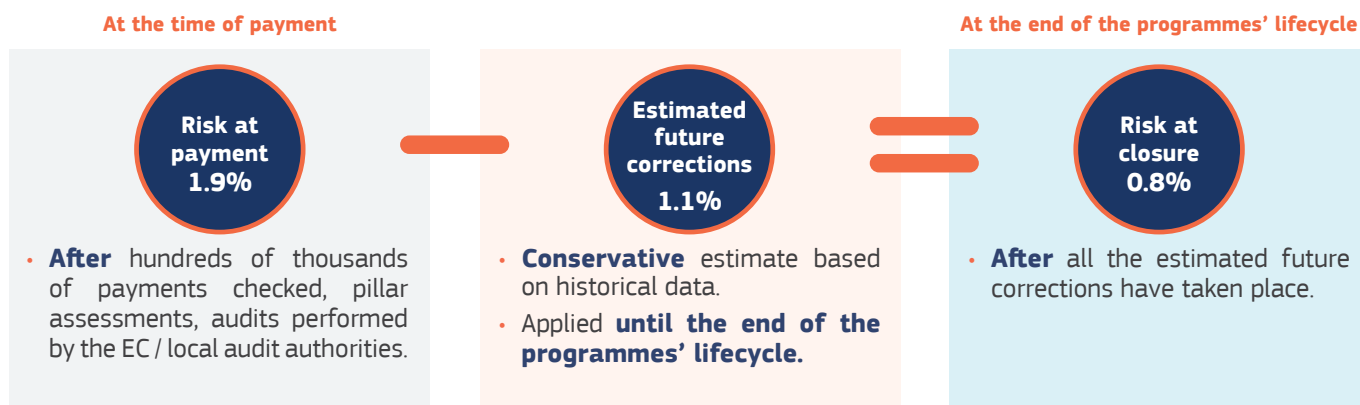


Chart: Risks at payment and closure for the European Commission for 2021.

i RISK AT PAYMENT: estimation of the level of expenditure that is not in compliance with the applicable rules and regulations at the time of the payment.

RISK AT CLOSURE: estimation of the level of expenditure that is not in compliance when all controls and related corrections have been completed and, legally, no further action can be taken.

Main conclusions from the 2021 Annual Report of the European Court of Auditors

✓ Clean accounts for the 15th year in a row

✓ Revenue free from material error

✓ No material error in payments under the Recovery and Resilience Facility & administrative expenditures; low error rate in the chapter "Natural Resources": 1.8%, below the 2% considered by the Court of Auditors as material.

✗ Increased spending in areas where the level of error is considered "high-risk" by the Court of Auditors - such as research and innovation, cohesion and rural development - has pushed the overall error rate up to 3% (from 2.7% in 2020).

i WHAT IS A SPENDING ERROR?

Spending errors should not be confused with fraud. An example of spending error is when a beneficiary of a grant under the Horizon programme declares, by mistake, costs that are not eligible for reimbursement. This happens for instance when beneficiaries use their internal rules to calculate personnel costs eligible for reimbursement, without adapting their calculation to the legal requirements of the Horizon programme.

The Commission's analysis of where the risks are

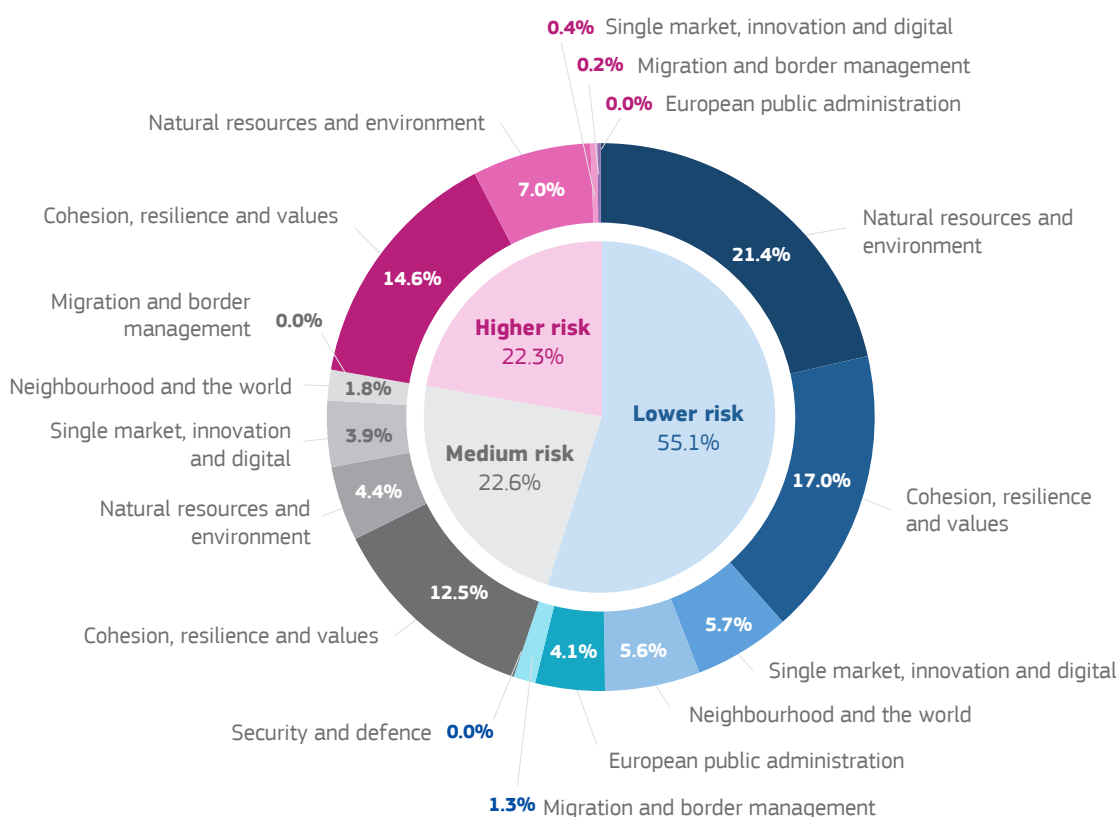
The implementation of the EU budget varies across countries, regions, programmes, and management modes. Thanks to the hundreds of thousands of checks performed by national authorities, other partners and the Commission itself every year, the Commission knows where the risks are for the EU budget, and it takes action accordingly. On this basis, the Commission found that over 55% of its expenditure presents a low risk of error.

Work is constantly ongoing to further increase this share, by simplifying rules and helping our partners and beneficiaries protect the budget.

The Commission endeavours to strike the right balance between a low level of errors, prompt payments and reasonable costs for controls.

❗ WHY HAS THE SHARE OF WHAT THE EUROPEAN COURT OF AUDITORS CONSIDERS HIGH-RISK EXPENDITURE INCREASED IN RECENT YEARS?

Payments under the EU budget are cyclical. They generally pick up at the end of a programming period and continue at the beginning of the next one. 2021 was a peak year for payments under the 2014-20 long-term budget, especially for payments in areas where there is a higher risk of error due to more complex rules (e.g. research, cohesion policy). This has mechanically increased the share of higher risk payments, relative to other types of payments.



Higher risk: Risk at payment above 2.5% of expenditure

Medium risk: Risk at payment between 1.9% and 2.5%

Lower risk: Risk at payment below 1.9%

Chart: The European Commission categorisation of expenditure into higher-, medium- and lower-risk segments as percentages of the total of relevant expenditure for 2021.

All graphs source: European Commission.

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