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## Member states jeopardising the rule of law will risk losing EU funds

- New tool to protect EU budget and uphold EU values
- Suspension or reduction of payments
- Parliament and EU ministers may lock or unlock funding
- Protection of final beneficiaries like researchers or civil society organisations

**Governments interfering with courts or going easy on fraud and corruption will risk being stripped of EU funds, according to a draft law endorsed in committee on Thursday.**

Assisted by a panel of independent experts, the EU Commission would be tasked with establishing “generalised deficiencies as regards the rule of law” and decide on measures that could include suspending EU budget payments or reducing pre-financing. The decision would ultimately only be implemented once approved by Parliament and Council. Once the member state remedies the deficits identified by the EU Commission, Parliament and EU ministers could unlock the funds.

### Independent experts to assist the Commission

The European Commission may establish that the rule of law is under threat if one or more of the following are undermined:

- proper functioning of the authorities of the member state implementing the EU budget;
- proper functioning of the authorities carrying out financial control;
- proper investigation of fraud - including tax fraud -, corruption or other breaches affecting the implementation of the EU budget;
- effective judicial review by independent courts;
- recovery of funds unduly paid;
- preventing and penalising tax evasion and tax competition;
- cooperation with the European Anti-Fraud Office and, if applicable, the European Public Prosecutors Office.

To assist the Commission, a panel of independent experts in constitutional law and financial matters, comprising one expert appointed by the national parliament of each member state and five named by the European Parliament, would annually assess the situation in all member states and make a public summary of its findings.

### Protecting final beneficiaries

Depending on the scope of the shortcomings and the budget management procedure, the Commission can decide on one or several measures, including:

- suspending commitments,
- interrupting payment deadlines,
- reducing pre-financing and
- suspending payments.

Unless stated otherwise in the decision, the government would still have to implement the respective programme or fund and make payments to final beneficiaries, like researchers or civil society organisations. The Commission would have to assist the beneficiaries and strive to make sure they receive the due amounts.

Along with deciding on the measures, the Commission would submit a proposal to the Parliament and the Council to transfer an amount matching the value of the proposed measures to the budgetary reserve. The decision would take effect after four weeks, unless Parliament, acting by majority of votes cast, or Council, acting by [qualified majority](#), amend or reject it. Once the Commission establishes that the deficits have been lifted, the locked amount would be unfrozen using the same procedure.

### Quotes

Committee on Budgets rapporteur Eider [Gardiazabal Rubial](#) (S&D, ESP) said: “The respect of rule of law and all European Union values are core principles upon which we built the European project. No government can violate those values without suffering the consequences.”

Budgetary Control Committee rapporteur [Petri Sarvamaa](#) (EPP, FIN) said: “Proper implementation of sound financial management can only be expected from governance and judicial systems that respect the rule of law. A government inflicting this principle should not be allowed to implement the EU budget – the European taxpayers' money – as they wish. If the judicial and governance systems of a Member State cannot be trusted, why should we entrust them with the common EU budget?”

“The most important aspect of this mechanism is protecting the final beneficiaries – in our model, this is strengthened as compared to the original Commission proposal. We have also included the European Parliament in the decision-making procedure, thus strengthening the democratic accountability of any measures taken,” he added.

## Next Steps

The Budgetary Control Committee and the Budgets Committee MEPs endorsed the rules by 43 votes to 9 with 3 abstentions. Once the full House has voted, MEPs will be ready to enter negotiations on the final wording of the regulation with the EU ministers, which have not adopted their position yet.

## Background

The proposal for the regulation “On the protection of the Union’s budget in case of generalised deficiencies as regards the rule of law in the Member States” is an integral part of the EU’s long-term budget package, the 2021-2027 Multiannual Financial Framework.

## Further information

[Steps of the procedure](#)  
[Committee on Budgets](#)  
[Committee on Budgetary Control](#)  
[Eider Gardiazabal Rubial \(S&D, ES\)](#)  
[Petri Sarvamaa \(EPP, FI\)](#)

[Legislative train schedule: Protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States](#)

[EP Research Service: Protecting the EU budget against generalised rule of law deficiencies](#)

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