2022 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER JOHANNES HAHN
Hearing on 30 November 2023

Questions on HR and internal expertise

1. How does the Commission ensure better use of its proper expertise regarding elaboration of reports, studies and surveys instead of hiring external experts? Is there information what amount of money does the Commission saved in 2022 by using its proper expertise and the expertise of relevant executive and decentralised agencies instead of paying to external companies?

Commission replies:

The Commission has considerable in-house experience but sometimes needs specialist advice from outside experts to obtain specialised expertise and knowledge, complementing in house know-how. They also provide an independent and external experts’ view on EU policy areas or programmes for which strategic decisions are to be taken by the Commission. External consultants are not part of the Commission’s workforce. Their services are procured based on an assessment of needs, risks and the available resources.

When a report, study or survey is needed, each department of the Commission needs to decide whether the knowledge and expertise needed to do this is to be found among its own staff or alternatively if external expertise will be needed. Every year the Commission prepares hundreds of reports and surveys without recourse to external experts, as well as paying contractors for analytical work, when required.

These studies and evaluations do not replace the evidence-based judgements of the Commission services. They remain responsible, as defined in the Financial Regulation, for tasks involving discretion implying political choices, involving the exercise of public authority and discretionary powers of judgement.

Following a Special Report from the European Court of Auditors on the use of external consultants, the Commission is currently finalising guidelines to support its services in deciding when to procure external consultancy services. The guidelines confirm the need to always favour the use of internal expertise.

By procuring external consultancy services, resources, made available by the budgetary authority, are efficiently distributed to ensure that the Commission can deliver on its political priorities. The recruitment of specialists and experts needed only temporarily would lead over time to passive resources, which is not possible under the tight constraints of the administrative budget.
Where it is not possible to calculate the savings made by using internal expertise, the figures available on the money spent on external consultants shows that, from 2017 onwards, the share of the annual EU budget spent on external consultants has remained consistently below 0.6% of the overall annual EU budget. More than 95% of this limited cost the Commission dedicates to consultancy services is spent on external consultants to support the implementation of operational programmes.

The Guidelines for authorising officers on recourse to external consultants (procurement of external consultancy services) are currently under preparation and will propose as a general objective, before considering procuring external consultancy services, that Directorates-General or services should prioritise using internal solutions if suitable options are available, e.g. by requesting support from relevant Commission or EU entities (such as the Joint Research Centre, EU agencies, or ESTAT) in line with their work programme and available resources.

2. How much external staff and interim workers worked for the Commission in 2022? What is their percentage from the total staff? How does the Commission ensure the fair treatment and remuneration of such staff? What does the Commission do to reduce precarious positions and increase long during contracts of its staff?

Commission replies:

To answer this question, we need to define what falls under the category of external staff. Although they are not staff members (service providers are independent providers), the Commission understands the question refers to "intra muros", i.e. service providers that work on Commission premises, occupy a workstation and have IT access.

As a result, the answer covers intra-muros workers and interim workers. The former are staff employed by service providers the Commission signed a procurement contract with. The latter are persons who are made available to the Commission by interim agencies in respect of the local legislations on interim work. On 31/12/2022 the number of intra-muros workers was 2,646 and the number of interim workers was 483. Moreover, efforts by the Commission to reduce the number of intra-muros workers resulted in a decrease of 38% compared to April 2022. This evolution continues to date, with the current total of intra-muros workers at 2,676, or 26.8% lower than in April 2022.

When signing a contract with a third party, the Commission imposes obligations to contractors to ensure fair sourcing, fight dumping and force compliance with social and labour laws. Compliance with social and labour laws through the inclusion of a specific clause in the contract signed at the end of the procurement procedure. The respect of this clause is monitored during the period of contract execution and its violation may result in early termination.
All contractual obligations, including position and duration of the labour contract, are governed by the signing parties, the contractor as the employer and his employee. The Commission has no hierarchical power over intra-muros and interim workers and has no say over these matters.

All the Commission’s contract templates, including those for the provision of external experts, require that contractors comply with applicable obligations under environmental, social and labour law established by Union law, national law and collective agreements or by the international environmental, social and labour law provisions listed in Annex X to Directive 2014/24/EU. This includes the respect of principle of equal treatment related to the basic working and employment conditions as defined by Directive 2008/104/EC of the European Parliament and of the Council of 19 November 2008 on temporary agency work.

3. What are the main lessons learned and actions implemented in the aftermath of the pandemic that have been incorporated definitively into the Commission's HR policy? What is the assessment on staff well-being in 2022? What digital developments and tools created or adapted during the pandemic are still in use?

**Commission replies:**

The Commission wants to lead by example as a modern and attractive public administration by putting people first. To that end, we have adopted policies to provide for a more flexible, collaborative, digital, inclusive, green, and efficient workplace as well as fostering staff well-being and satisfaction. In the context of well-being, the Commission adopted in year 2022, Be Well, a corporate Health and Well-being Action Plan 2022 - 2025 putting staff – our greatest asset - at its heart. It focuses on three main areas – Physical Well-being, Mental well-being and Well-being at the workplace and is a direct response to needs identified by staff in all surveys and staff consultations. Additional feedback was gathered through consultations with experts and stakeholders, meetings, workshops and working groups with well-being specialists.

Results of pulse surveys carried out during the COVID-19 pandemic were also considered. These also identified work-life balance and mental well-being as top concerns. The results of this research and stakeholder collaboration provided the main input for the action plan. The Action plan is also a key component of the Commission's new HR strategy, adopted in April 2022.

The Commission is supporting staff with several of the actions present in the Be Well Action Plan 2022 – 2025. This Action Plan continues the work carried out under previous programmes but will see a shift in emphasis in mental well-being and well-being at the workplace. It emphasises and addresses the need for a post-COVID-19 flexible way of working.
No new digital tools were created during the pandemic, however digital apps such as Where2GO, the Walking Challenge App and the Velomai Cycling Challenge were promoted extensively during the pandemic and they are very popular today.

The EU staff survey results organised in 2023 will be used to analyse well-being.

4. Based on the new 2022 system, in 2022-2023 EPSO introduced remotely proctored testing that is now being reappraised due to the numerous technical difficulties experienced by the candidates. What are the consequences for the ongoing and planned competitions? What is the cost of this reappraisal for the Commission?

Commission replies:

Regarding the question of the consequences for the ongoing and planned competitions, EPSO communicated recently about a high number of technical difficulties experienced by many candidates in our competitions (EPSO’s communiqué of 16 October 2023) affecting negatively their testing experience. This resulted in two immediate decisions:

- EPSO offered liberal retesting opportunities to those affected by such technical difficulties, whenever duly justified.
- EPSO hit the pause button temporarily as regards testing and the publication of new competitions, to reappraise automated proctoring in online testing and to come up with improved or alternative testing modes.

In parallel, EPSO continued to demand urgent and tangible improvement from its contractor on which it has an operational dependency. Regrettably, organising large-scale retesting with EPSO’s external contractor proved equally difficult leading to long time gaps between the first and second testing sessions. In view of the randomised nature of our selection tests, preventing the repetition of test items proved unattainable. The principle of equal treatment is core to EPSO’s selection procedures. For that reason, EPSO decided, in agreement with the relevant Selection Boards, to cancel the planned retesting sessions of 13 and 24 November 2023, and to offer to all candidates the option to test anew for the following competitions:

- Administrators in the field of intellectual property
- Microeconomics/macroeconomics (Administrators); Financial economics (Administrators); Industrial economics (Administrators)
- Crisis management (Administrators); Migration and internal security (Administrators)

The candidates concerned will receive a letter from EPSO in the coming weeks explaining what to expect next. Candidates who have already tested will be given the option to keep their results from the original testing.
We discuss the way forward with the relevant Selection Boards. Our assessment is that the best approach is to offer all candidates a retesting opportunity with new test content.

We propose this to the Boards. Timing depends on procurement procedures. The timelines however seem very lengthy, even in emergency situations. Therefore, we are exploring alternative contractual possibilities. The objective is to resume testing from February 2024 onwards.

EPSO understands the inconvenience caused to candidates and regrets the unfortunate events leading to this extraordinary situation. However, upholding equal treatment is core to our selection procedures. EPSO remains committed to improving its delivery methods with a view to ensuring that testing occurs under optimal testing conditions.

Regarding the cost of this reappraisal for the Commission, the direct budgetary costs of the suspension by EPSO of the external competitions for the Commission are limited since these competitions are fully organised by EPSO and are paid for under the EPSO budget. Costs incurred so far by EPSO are not of considerable magnitude for two reasons: 1) we stopped the testing as soon as we realised that the number of technical complaints was above the acceptable industry standard, and 2) the new automated proctoring system is significantly cheaper than live proctored testing per candidate.

EPSO is currently exploring all possible contractual measures, which could be used in a situation where the contractor does not meet the requirements set in the framework contract. This could include financial measures, such as recovery of costs incurred, or costs needed for retesting with another delivery mode (in case the contractor is not able to offer adequate retesting conditions).

In addition to the direct costs for EPSO, the suspension of external competitions leads to an additional effort in the Commission for the DGs and the recruiting services created through the vacant posts. The vacant posts delay the recruitment because the recruiting and selecting services have to find an adequate replacement. The vacant posts lead to additional work for the DGs because they have to manage the same workload with less personnel.

The Commission is relying on external competitions in a substantial way and it regrets the difficulties encountered by EPSO with the recent external competitions.

The Commission intends to partly offset the suspension of these external competitions through the organisation of internal competitions open to temporary and contract agents.

Internal competitions are important instruments of the Commission’s HR policy and provide positive results both for staff and the Institution. However, as set out in the HR Strategy, the Commission does not solely rely on internal competitions for covering its recruitment needs for officials; this fact is confirmed by the figures – the number of
officials possibly “generated” via internal competitions is by far lower than the Commission’s recruitment needs due to turn-over.

5. What progress has been made in 2022 regarding the creation of a correction coefficient for EU staff salaries in Luxembourg?

**Commission replies:**

Under the Staff Regulations, no correction coefficient is applicable in Belgium and Luxembourg, given the special referential role of those places of employment as principal and original seats of most of the EU institutions.

In 2022, the Commission concluded in a report (C(2022)180) that this legislative solution remained fit for purpose. This is notably because the main difference between Brussels and Luxembourg in terms of cost of living lies with rents, whilst many staff members actually reside outside Luxembourg where the cost of living is actually lower than in Brussels.

To address this specificity in a targeted manner, the Commission together with other EU institutions present in Luxembourg launched a high-level interinstitutional working group to identify targeted measures to improve the attractiveness of the EU civil service in Luxembourg.

6. What is the impact of the COVID-19 pandemic on the Commission real state policy and in terms of organisation of the workspaces (particularly creation of new open spaces and implementation of ‘hot desking’ or similar approaches)? In what ways are you monitoring and ensuring that there is no negative impact on the well-being of workers?

**Commission replies:**

The COVID-19 pandemic resulted in European Commission staff members teleworking on a permanent basis for several months. The general conclusion from the lessons learnt analysis is that teleworking was a success, considering that business continuity was ensured, while contributing to a better balance between professional and private life. The COVID-19 pandemic also demonstrated the resilience of the Commission and its ability to quickly learn and adapt. It was, in this sense, an opportunity to implement new ways of working and flexible working.

The Commission tries to continually improve its digital infrastructures, which also improves teleworking conditions. In addition, the Commission is committed to constantly monitoring the implementation of the hybrid working and working time decision. There is still a margin to further expand work flexibility which contributes to staff wellbeing.

Already prior to Covid-19, the existing real estate had to be reassessed as it was no longer sound financially nor environmentally (as demonstrated by study of DG CLIMA.
on Feasibility and scoping for the Commission to become climate neutral by 2030). The Green Deal and the Communication Workplace of the Future have paved the way for a buildings policy strategically oriented towards the carbon neutrality objective for 2030, in line with the ‘Greening the Commission Communication’ (1st April 2022). This implies continuing to reduce the surface of office spaces, as well as transitioning to sustainable buildings, whilst getting rid of intensive energy consuming buildings. In this context, the first steps have already been taken to progressively sell 23 buildings in the coming years. A smart use of flexible workspaces (Dynamic Collaborative Spaces - DCS) also contributes to reduce under-occupied office spaces and provides more suitable areas for interaction and collaborative work. By the end of 2023, around 25% of all office spaces will be DCS or flexible workspace. Some actions are being undertaken before DGs move to flexible workspaces (DCS) in order to ensure a smooth transition, like for instance forming local change teams, informing and engaging staff, as well as shaping future layouts and ways of working in collaboration with the concerned DGs and welcoming them into their new spaces. In this frame, the Commission is of course committed to ensuring that it remains an attractive workplace by boosting existing efforts to create an inclusive, sustainable and flexible work environment with professional development perspectives and family-friendly working conditions.

Building on the positive teleworking experience during the COVID-19 pandemic, and as a contribution to its greening policy, the Commission will continue applying its flexible working policy, along with flexible technology, flexible working spaces and flexible working behaviours. After each move, lessons are drawn to feed into future moves, so that office design and accompanying change process can be continuously improved. An evaluation systematically takes place after a minimum of 100 days in flexible workspaces (DCS), in order to take stock of the DG’s experience and implement measures to adapt 3 Bs (Bricks, Bytes and Behaviours). This is a key element of adapting the use of workspaces according to staff needs and preferences to the extent possible, thus contributing to their wellbeing.

Surveys show that satisfaction with flexible workspaces is increasing over time and the most recent to move are the most satisfied. Moves towards those spaces have been going relatively smoothly, with a central team providing guidance and support to managers and staff before, during and after the move. The progressive improvements have proven good results.
**Questions on fight against fraud**

7. What is the total damage to Europe’s budget in 2022 due to misuse of EU funds? What amounts were recovered for the EU budget in 2022 under shared, direct and indirect management? To which extend are they result of the efforts of national authorities, Commission services and OLAF/EPPO particularly?

<table>
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<tr>
<th>Commission replies:</th>
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<tr>
<td><strong>Detected irregularities reported in the 2022 annual report on the protection of the EU financial interests</strong></td>
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<td>The Commission’s 2022 annual report on the protection of the EU’s financial interests (PIF report) indicates an estimated 1.77 billion euro of detected irregularities, including cases of suspected fraud. This covers traditional own resources (revenue), shared management, pre-accession assistance (indirect management) and direct expenditure. Neither the Recovery and Resilience Facility, nor VAT, are included in these figures. This financial amount represents the result of detections of irregularities and cases of suspected fraud reported by national authorities as well as EU institutions and bodies (in the latter case, in relation to direct management). Shared-management cases are followed-up at Member State level by national authorities.</td>
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<td>In addition, in 2022, OLAF recommended €426.8 million for recovery and prevented the loss of €197.9 million from the EU budget.</td>
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<td><strong>Recovery of amounts following OLAF’s recommendations</strong></td>
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| As part of the Commission’s initiative to reinforce the follow-up to OLAF’s recommendations, OLAF and DG Budget have been examining how financial recommendations issued since 2012 have been followed up. Around 2100 financial recommendations were issued during 2012-2022, corresponding to:
| |
| - a total amount recommended for recovery of EUR 8.229 billion |
| - a total amount\(^1\) recovered of EUR 4.895 billion. This includes recoveries related to exceptionally large customs undervaluation cases of a total value of EUR 3.370 billion. |
| OLAF investigates, recommends and follows-up with national authorities and Commission services insofar as its cases are concerned. Similarly, at Member State level, national authorities investigate and follow-up on cases under their responsibility. |
| The EPPO is mandated with the investigation and criminal prosecution of any wrongdoing to the EU budget. For further information see reply to Q 10 below. |
| **The Commission’s corrective measures in relation to expenditure presented in the Annual Management and Performance Report** |
Finally, the Commission presents its overall corrective measures in the Annual Management and Performance Report for the financial year 2022 (Volume 3, Annex 5) amounting to EUR 1.791 million. This covers all corrections implemented in relation to expenditure only, for the reporting year 2022, for the all budget headings, by the Commission and the Member States which therefore has a different scope than reporting under the Commission’s Report on the Protection of the EU’s Financial Interests.

[1] The amounts related to traditional own resources (including undervaluation cases) are gross amounts, notably they do not take into account a 20% deduction for collection costs, which Member States retain pursuant to Article 2(3) of Decision 2014/335/EU, Euratom.

8. What proportion of the recommendations made by OLAF in 2022 to Member States have led to criminal prosecution? What proportion of the amount recommended for recovery by OLAF has actually been recovered for the EU budget in 2022?

**Commission replies:**

Judicial authorities are independent, and it remains within their discretion to carry out additional investigations on their own accord or to refrain from doing so.

OLAF carries out investigations within its administrative mandate. It does not have criminal powers and conclusive evidence of a criminal offence cannot always be collected.

OLAF’s latest judicial follow-up analysis shows that national judicial authorities have, to date, taken a decision on 100 of 271 recommendations issued in the years 2018-2022. Out of 100 decisions, 34 led to an indictment (34%), and 171 are still under consideration.

OLAF judicial recommendations can lead to complex investigations on fraud and economic crimes, and objectively it may take years for the national judicial authorities to reach a decision. For this reason, OLAF generally reports on results of judicial follow-up over a period of five years.

Details on the Commission’s financial follow-up are described above under Question 7.

9. The indictment rate based on OLAF recommendations has decreased from 54 % in 2013 to 33 % in 2022. What is the Commission’s assessment of the causes and the remedial actions?

**Commission replies:**

Judicial authorities are independent, and it remains within their discretion to carry out additional investigations on their own accord or to refrain from doing so.
OLAF carries out investigations within its administrative mandate. It does not have criminal powers and conclusive evidence of a criminal offence cannot always be collected.

OLAF’s latest judicial follow-up analysis shows that national judicial authorities have, to date, taken a decision on 100 of 271 recommendations issued in the years 2018-2022. Out of 100 decisions, 34 led to an indictment (34%), and 171 are still under consideration.

When OLAF finds elements of possible criminal nature in the course of its investigations, it reports the case to the EPPO (if it concerns one of the countries that have joined it) or issues a judicial recommendation at the end of its investigation (if it concerns a country that has not joined the EPPO).

The EPPO, the Union’s independent prosecution body, ensures the investigation and prosecution of fraud with EU funds and it can act quickly across borders independently of national authorities. Within their respective mandates, OLAF’s and the EPPO’s activities are complementary in protecting the Union’s financial interests.

10. How much money has been recovered in 2022 through EPPO investigations? What is the ration between the recovered money and the EPPO annual budget?

Commission replies:

The Commission does not have the information that EU money has already been recovered further to the EPPO’s investigations, which can be explained through the duration of such court cases. The Commission takes note of the information shared by the EPPO in its 2022 Annual Report, according to which, out of the EUR 516 million it requested national courts to seize, it obtained the seizure of EUR 359.1 million. The budget of the EPPO in 2022 was of EUR 51.2 million. The Commission is not aware of whether this whole amount has eventually been confiscated by national courts. The competent Commission services are in contact with the EPPO to agree on the way to calculate the damage to the Union budget resulting from criminal offences investigated by the EPPO. In that context, further consideration could also be given to the calculation of the amounts finally recovered.

11. According to the letter of the EPPO to the Commission’s Secretary-General of 10 July 2023, there is an important discrepancy between the PIF report and the EPPO Annual report regarding the damage and it points to an information gap between national prosecution services and the Commission. What is the assessment and the answer of the Commission to the EPPO?
Commission replies:

The statements made by the EPPO that a significant portion of fraudulent irregularities goes undetected by the EU's management and control system has prompted a thorough examination of the figures in question.

Upon closer scrutiny, it appears that the perceived gap in detection is to attribute to different calculation methods rather than an actual deficiency in the detection mechanism. Ensuring the accuracy of the reported figures on the levels of fraud and providing transparent explanations of the methodologies employed is of paramount importance to the Commission.

In light of this, the Commission and the EPPO are actively cooperating to look into this issue. There are a number of reasons which could provide insights or explanations as to the diverging figures, and notably:

- different methodologies of estimations (overall estimated damage vs financial impact of fraudulent behaviour estimated by the national authorities)
- different scope (the Commission’s Report on the Protection of the EU’s Financial interest does not cover VAT or RRF)
- different time frames (2022 alone PIF; 2017 to 2022 EPPO)

While there is certainly room for improvement and work is still needed to achieve a better degree of coherence between these reports the 2022 figures published in the EPPO’s annual report are consistent with those to be published in the Commission’s Report on the Protection of the EU’s Financial Interests. Notably in 2022, participating Member States reported 960 cases of suspected fraud in shared management and traditional own resources alone, which is above the 885 investigations opened in the same year by the EPPO (including those related to VAT which are not taken into account in the above-mentioned Report figures).

The residual divergence most probably hinges for a large part on the differing valuation methodologies linked to those cases. In this context, the methodology applied to quantify the damage to the Union budget plays a crucial role. The EPPO has provided valuable insights into its methodology. The discussion points to a need for developing a standardised EU-level method, or at least commonly agreed, detailed concepts and criteria, to assess damage to the Union budget.

12. How does the Commission assess the collaboration between OLAF and EPPO?

Commission replies:

While it is not the Commission’s responsibility to assess the collaboration between the two bodies, as Commissioner for Budget and Administration I recall that all anti-fraud actors at EU and national level have a part to play in protecting the EU budget.
The co-operation between OLAF and the EPPO is crucial in this regard. Both administrative and criminal avenues should be pursued as much as possible and I trust that OLAF and EPPO will continue to work closely together, ensuring the continued highest possible level of protection of the EU’s financial interests.

13. On the same vein, how did the Commission implement the ECA’s recommendations included in its Special Report 1/2019 ‘Fighting fraud in EU spending’?

**Commission replies:**

The Commission implemented the recommendations included in the ECA Report 1/2019 by adopting the 2019 Commission Anti-Fraud Strategy (CAFS) and its accompanying Action Plan with 63 actions. The 2019 CAFS was preceded by a comprehensive analysis of fraud risks, in line with ECA’s recommendation. The two main objectives of the 2019 CAFS – to improve (i) data collection and analysis and (ii) coordination, cooperation and processes – and the corresponding actions in the 2019 action plan were set out to address ECA’s recommendations. By end of 2022, 60 out of the 63 actions had been implemented, therefore the Commission revised the Action Plan in July 2023. The Commission has reported on the progress of the CAFS Action Plan implementation in the context of the Annual Report on the Protection of the EU’s financial interests (the PIF Report).

For example, the ECA recommendations were implemented as follows:

- OLAF has worked on developing and updating the Irregularity Management System (IMS) on a continuous basis to improve data collection and analysis.
- OLAF has significantly increased its analytical input to the fight against fraud in the context of the PIF Report, and also by providing strategic analyses to feed into fraud prevention activities of Commission services, such as a fraud risk analysis on emergency spending and a fraud risk framework in relation to RRF. Such analytical work has improved the insight of the Commission into the scale, nature and causes of fraud in EU spending, in line with the ECA’s recommendations.
- To ensure leadership of the Commission’s anti-fraud actions and improve coordination, cooperation and processes, OLAF’s role in fraud prevention and detection has been strengthened. Notably, its coordinating and supervisory role has been reinforced in the context of the Fraud Prevention and Detection Network (FPDNet), which gathers anti-fraud correspondents from across the Commission and executive agencies.
- Moreover, OLAF’s role in the development and monitoring of service specific anti-fraud strategies has been strengthened, for example with an updated anti-fraud strategy methodology and peer reviews.
• To increase the use of fraud prevention tools and improve anti-fraud governance in Member States, the Commission has supported the further development of anti-fraud strategies and anti-fraud policies at national level. The Commission has also continued to encourage Member States to increase their use of specific fraud prevention tools, such as the data mining and risk scoring tool Arachne. Within the Commission, the use of the Early Detection and Exclusion System (EDES) in direct and indirect management is ensured, in line with the ECA’s recommendations.

• Vis-à-vis the Member States, OLAF also continues to perform its coordinating and advisory functions in the context of the Advisory Committee for the Coordination of Fraud Prevention (COCOLAF), which gathers anti-fraud experts from across the Member States.

Questions on RRF/NGEU

14. In the annual report 2022 on the implementation of the RRF (COM(2023) 545 final/2) you write that the RRF is 'broadly on track', which was also stated by Commissioners Dombrovskis and Gentiloni in their written answers to questions from CONT Members. The Commission however also indicates that there are delays in implementation of the RRF due to the adjustment of RRP, and therefore in the submission of payment requests to the Commission. The Commissioners felt the need to state that the approval of amended RRP by the Council "should pave the way for an acceleration of the payment requests and Commission’s disbursements in the coming months", which have fallen behind the planned payment schedules of the initial Council Implementing Decisions of these RRP. In its Amending letter N°1 to the draft general budget for 2024 (COM(2023)0531) the Commission requested for the budget 2024 a "downward revision of the needs for the interest line for NextGenerationEU, against the backdrop of a lower level of NextGenerationEU disbursements in 2023 than previously estimated", of EUR 74 million, despite higher interest rates on the borrowed amounts.

Could you please provide us for 2022 with the comparison of planned amounts to be disbursed per Member State versus the actual disbursed amounts? Could you please provide us for 2023 with the comparison of planned amounts to be disbursed per Member State versus the actual disbursed amounts? Please indicate if the planned amounts have been adjusted in the Council Implementing Decisions of amended RRP. Could you please provide us in addition for 2023 with the amounts of to be disbursed in submitted payment requests?

Commission replies:

Given the RRF’s limited lifetime, payment requests must be submitted at the latest by August 2026. The choice when to submit a payment request lies however fully with the Member States. The Council Implementing Decisions (CID) approving the Recovery and Resilience Plans provide a set of milestones and targets (each with an indicative, rather than binding date for completion), and the set of instalments with the associated milestones and targets. However, the CID does not provide any submission date for the payment requests for each instalment. There is accordingly no need to adjust any such
timing in the CIDs. Subsequent to the CID adoption, the Commission agrees with each Member State ‘operational arrangements’ (OP) (which are published and available on the RRF website), including also an indicative timeline for the submission of payment requests.

Following the submission of a payment request, the Commission assesses the satisfactory fulfilment of milestones and targets, and sets out its preliminary assessment on which the Council’s Economic and Financial Committee can express its views. Subsequently a Commission decision is prepared and, subject to scrutiny by a comitology committee, adopted by the Commission, authorising thereby the payment which is generally made within a few days of that decision.

The choice of submission date is the main factor influencing the timing of disbursements. To predict borrowing needs, the Commission forecasts payments, based on the agreed indicative calendar in the operational arrangements, which is subsequently updated based on information received by the Member States or considered otherwise relevant by the Commission staff. The forecast is hence based on likely (but not necessarily certain) payment requests by the Member States. The amending letter 1/2024 reflected a technical update based on the information available by early October, not an indication of specific amounts needed per Member State. The 2024 budget as adopted on 22 November is based on a further technical update of the expected volume of disbursements at year-end 2023.

In 2022, the Commission disbursed EUR 74.4 billion under the RRF, which was broadly in line with the initial expectations laid down in the CIDs.

For 2023, we have seen that the revisions of the RRPs and the addition of REPowerEU chapters have impacted the disbursement schedule, especially in the first semester. However, the submission of payment requests has significantly picked up pace in the second half of 2023. By the end of this year, disbursements under the RRF are expected to reach the EUR 200 billion mark.

15. What can we expect in the next years as costs of financing (interest rate) for the NGEU borrowing? Should we expect a further increase of the costs? In particular, because the ECA warned about the risk to that the increased interest rates pose to the EU Budget 2022.

**Commission replies:**

Repayment of EU debt (both principle and interests) is guaranteed by mechanisms included in the EU budget, which enable the EU to meet its obligations under all circumstances. To ensure sufficient headroom for the borrowing associated with NGEU, the EU has increased the Permanent 1.4% Own Resources Ceiling of its budget by 0.6 percentage points of the EU’s Gross National Income (GNI) until NGEU comes to an end in 2058.
The Commission closely monitors the market conditions and evolution of the interest rates. In its Communication of 20 June 2023 on the mid-term review of the 2021-2027 Multiannual Financial Framework, the Commission identified a shortfall of NextGenerationEU funding costs for the remainder of the Multiannual Financial Framework of EUR 18.9 billion arising from the worldwide increase in interest rates. Following a decision on coverage of these costs in 2024 under the annual budget for 2024, discussions continue in the context of the MFF the mid-term revision on the remainder of the MFF period. Estimates of the interest rate cost overrun are monitored on an ongoing basis so that these reflect market evolution. Based on current inflation and macroeconomic forecasts, expectations are that interest rate costs have stabilised suggesting that the interest rate cost overrun should not deteriorate further.

16. The ECA concluded in its special report 16/2023 on NGEU debt that the Commission has put in place a debt management system that has provided the funds required for NGEU in good time. ECA considers that in the first year of operation, borrowing costs reflected the Commission’s market position. The Commission also met all key regulatory requirements concerning debt portfolio and risk management. However, ECA found that NGEU’s rapidly built debt management capacities do not comply with established best practice in all respects. They also conclude that the Commission did not pay enough attention to setting clear debt management objectives and measuring and reporting on performance in debt management.

Could you please elaborate why the Commission did not comply with the established best practice and how you intend to set clear debt management objectives? How do you measure and report on debt management?

**Commission replies:**

The Commission has welcomed the Court’s special report 16/2023 on the NextGenerationEU debt management operations and has accepted the Court’s recommendations.

When setting up the debt management operations in 2021, the Commission was constrained in the implementation of best practices by the limited time available, as the staffing/funding had to be quickly deployed. However, the Commission made best efforts to replicate best practices from other sovereign and Subsovereigns, Supranationals and Agencies (SSA) issuers. The Commission has continued to enhance its debt management operations in the interim to further align with the systems and capacities used by large sovereigns.

An important improvement is that in December 2022, the Financial Regulation was revised such that it now enshrines the diversified funding strategy as the basis for all future EU borrowing and lending operations. This allowed the Commission to develop an overarching debt management strategy for all its borrowing operations, in keeping with the ECA’s recommendations. The Commission could not previously implement a single, all-encompassing debt management strategy as it was required to run the
NextGenerationEU diversified funding strategy alongside a series of programmes financed by a different method and using different techniques.

Further steps to strengthen the EU-Bond debt management infrastructure include the introduction of quoting arrangements by Primary Dealers since November 01/23 and the imminent (January 24) launch of the European Issuance Service to align the EU’s paying agent and bond settlement infrastructure on the model used by sovereigns. Therefore, since the start of 2023, the Commission uses a unified funding approach for all its borrowing operations. This also means that all borrowing under the unified funding approach is covered in the semi-annual Funding Plans and related reporting while the Chief Risk Officer now also oversees other (non-NextGenerationEU) borrowing.

In response to the Court’s recommendation, that calls for the elaboration of an overarching debt management strategy, the annex of the fourth half-yearly report on the execution of the EU borrowing and lending operations, published in July 2023, presents the overarching debt management strategy which guides the Commission in the implementation of the unified funding strategy, along with the indicators that the Commission will use to monitor its implementation. These indicators will be updated and commented upon in future editions of the half-yearly report.

17. Will the EU's borrowing approach, exemplified by NGEU, become a permanent fixture in its fiscal policy, given the projected €900bn debt by 2026? Despite the EU's AAA credit rating, its bonds are less attractive to investors than the bonds issued by France with an AA rating but higher yields, see also figure 14 of the ECA SR 16/2023. How does DG BUDG plan to address this discrepancy and enhance the appeal of EU bonds in comparison to those of individual member states?

Commission replies:

The unified funding approach that the Commission uses to finance NextGenerationEU, will continue to exist, post 2026 to support the continued efficient management of the stock of debt issued before 2026, including refinancing needs, as well as providing the financing for possible future borrowing and lending programmes.

The higher rate increases on EU-Bonds compared to those on European Government Bonds (EGBs) have been because EU debt not being traded and priced in the same way as sovereign debt. For historical reasons, EU-Bonds have been priced in the same as bonds issued by EIB, ESM and KfW (off the swap-curve). Movements in EU-Bond prices in recent times mirror those of EIB, ESM, KfW etc and reflect changes in the benchmark against which all of these issuers are priced.

1 The half-yearly report can be found here: Fourth half-yearly report on the execution of the EU borrowing and lending operations.PDF (europa.eu)
The Commission is monitoring market conditions closely and is taking steps to develop the EU-Bond ecosystem to allow EU-Bonds to be priced in a way that reflects the EU’s AAA rating, high liquidity, large volumes and predictability which are now more like the largest, most liquid EGBs. The core motivation for all of this work is to obtain the most advantageous debt issuance terms for the EU budget and Member States. For example:

- As of January 2023, the EU is using a unified funding approach. Under this approach the Commission is combining the financing of the different spending programmes under one single “EU-Bond” label.
- As of November 2023, the Commission is supporting the price transparency of EU-Bonds through a new mechanism facilitating the presence of regular quotes on EU security prices on interdealer platforms.
- In 2024, the EU will establish a repo facility to allow EU primary dealers get access to EU securities on a temporary basis in case of scarcity. This will support the secondary market liquidity of EU-Bonds.

18. How does the Commission plan to address the anticipated rise in financing costs for NGEU borrowing, particularly in light of the European Central Bank's tightening of monetary policy to combat inflation? With the need to allocate an additional €0.3 billion in the 2023 budget for interest payments related to NGEU borrowing and the use of the Single Margin Instrument, what strategies is the Commission considering to manage and mitigate the potential substantial increase in financing costs, especially given the rising trend in market yields?

**Commission replies:**

In the mid-term review of the 2021-2027 MFF the Commission proposed a means to cater for the higher NextGenerationEU funding costs due to the unprecedented global surge in interest rates. In its Communication of 20 June 2023 these amounts were estimated at EUR 18.9 billion. Estimates of the interest rate cost overrun are monitored on an ongoing basis so that these reflect market evolution. Based on current inflation and macroeconomic forecasts, expectations are that interest rate costs have stabilised suggesting that the interest rate cost overrun should not deteriorate further.

**Questions on SUMMA**

19. The Commission’s new central accounting system SUMMA is expected to replace ABAC. SUMMA was planned to go in production by the end of the year, but this seems to have changed now, as the AAR of the Secretariat-General says that SUMMA will be rolled-out ‘at the beginning of 2024’. In her hearing on 21 September the Director-General for Budget announced that it was decided in July 2023 that the deadline for implementing SUMMA, the new accounting system, would be extended by one year, despite the positive feedback from the pilot projects. The DG clarified that the implementation could not happen as planned as the integration of some specific systems into SUMMA as the overall system.
What are the reasons for the delay, the consequences for DG BUDG and in particular about the associated costs? What are the results of the 2022 pilot with the Agencies?

**Commission replies:**

SUMMA is the new corporate financial system of the Commission. It will be used by the Commission and over 50 other EU entities, for at least the next 25 years, to manage their financial processes and operations, spanning from budget management to accounting to treasury. It is built on modern, state of the art, commercial-off-the-shelf technology (SAP). As the SUMMA programme is a very large and complex project, its implementation follows a gradual rollout strategy, with the objective to minimise risks. As part of this strategy, SUMMA has already been successfully deployed for 4 pilot agencies, in January 2022 and in January 2023, with increasing complexity. These will be followed by the deployment of the SUMMA system to the Commission, which will include 1) additional functionalities developed in 2023 to cover specific Commission’s needs and 2) integration of other Commission’s IT systems with SUMMA.

A number of Commission IT systems, mainly supporting the management of operational programmes (shared management, e-grants, e-procurement, staff payments), need indeed to be integrated with the corporate financial system SUMMA. This is necessary to ensure the efficiency of the Commission’s administrative processes and the accuracy and reliability of its financial reporting.

Implementing the connections of all these systems with SUMMA simultaneously has proved to be a more complex exercise than expected, due to the required adaptations of different technologies and the need to align some of the concerned business processes. Therefore, an extension of the timeline was decided, to complete these integrations, to have a longer period for testing and minimise risks.

As a result, the SUMMA implementation activity will continue at a very sustained level in 2024, providing extra support to the finalisation of the integrations, further enriching the system with advanced functionalities, finalising the integrations testing and preparing the organisation for the transition via a comprehensive change management and training programme that will extend over most of 2024. This will require additional resources (than initially planned) in 2024, estimated at around seven million euro.

Three pilot agencies use SUMMA as their financial system since January 2022. They have completed the full yearly cycle already once and the resulting accounts have received a clean opinion from the European Court of Auditors, confirming the reliability and proper functioning of SUMMA as their financial system. Meanwhile, an additional pilot went live in January 2023, with a first integration to the corporate grant management system.
Why was the decision to delay the roll-out taken so close to the initially foreseen deadline?

**Commission replies:**

The Commission has a strong risk management approach towards the feasibility and readiness of the SUMMA deployment.

In the first phase, an initial version of SUMMA went live with three pilot agencies in January 2022, followed in January 2023 by a fourth pilot agency, which went live with also the key components of a first major integration (SUMMA/eGrants). These milestones confirmed the gradual readiness of SUMMA and the feasibility in principle of its deployment in the Commission as initially planned.

In the following phase, the Commission implemented a clear plan and strict risk management approach to timely and progressively assess the readiness of SUMMA for the go-live in the Commission. The assessment milestone of July highlighted delays in integrations that could not be easily recovered within the available timeframe and would have exposed the Commission’s processes to material risks of temporary disruption. Therefore, an extension of the timeline was decided. This decision was taken well ahead of the deadline and allowed the Commission to timely adapt the project plans. At the same time, it allowed and incentivised the services to progress at a sustained pace during the year.

What are the biggest challenges in the roll-out of SUMMA?

**Commission replies:**

SUMMA is the future corporate financial system of the Commission, which will contain all its official financial information and produce the official financial reporting of the institution.

It is the system that the Commission will use to manage all its financial processes, from budget management to accounting to treasury, and to manage a yearly volume of financial transactions exceeding EUR 210 billion and over 2.5 million payments to beneficiaries around the whole world. In addition, SUMMA will be the financial system of over 50 other EU entities and bodies. Due to these characteristics, and to the financial and accounting rules that need to be complied with, the SUMMA programme carries a very challenging intrinsic complexity, from technical, functional, and organisational perspectives. An additional key challenge is represented by the simultaneous integration with SUMMA of other corporate large Commission IT systems, supporting specific operational domains, which are based on different technologies than SUMMA and need, sometimes substantial, adaptations to be implemented within a very tight timeframe.
Which systems, concerning what kind of expenditure, could not yet be integrated into SUMMA?

**Commission replies:**

There are four main IT systems supporting corporate operational domains (eGrants, eProcurement, Shared Management, personnel entitlements) and several smaller local IT systems to be integrated with SUMMA. While the integration of one of the main corporate systems – eGrants, which supports the grants expenditure operational management – is well advanced and was expected to be ready on time, for other important systems, including those supporting shared management expenditure, electronic procurement, HR related expenditure (salaries, pensions, missions), more time is needed to finalise the implementation of fully functioning integrations and thoroughly quality-test and validate them.

The main challenge resides in the level of adjustment needed in the respective systems to be integrated taking into account the different technologies used by each of the systems.

How can the Commission have a positive feedback from pilot projects when apparently certain important systems are not yet integrated into SUMMA?

**Commission replies:**

The pilot entities were chosen to allow a progressive increase of the complexity of the SUMMA system. The first wave of pilot agencies (which went live in January 2022) had as prime objective to demonstrate the feasibility of the SUMMA core functionalities. The integration with other systems needed for these entities were limited (mainly to the basic payroll functionalities and e-invoices). The second pilot wave (which went live in January 2023) extended the core functionalities with the inclusion of the eGrants/SUMMA integration to demonstrate the ability of integrating a large corporate system. Several integrations required by the Commission (for example with the shared management systems) are not needed by the other entities (including pilot entities) to operate their business.

Can we get the evaluation report of the pilot project?

**Commission replies:**

The reports for the validation of the SUMMA system deployed to the pilot agencies, issued by the Commission’s Accounting Officers, will be made available to the CONT committee. The go-live of SUMMA for the pilot agencies was decided jointly by the corresponding agencies’ Directors and the Commission. As explained in the above replies, the first three pilot agencies have completed the full yearly cycle already once using SUMMA and the resulting accounts have received a clean opinion from the
Could you give us a timeline of the development of SUMMA, from its first inception to where the development stands now, with the (most important) milestones for the development of the system, including where the integration of these specific systems was initially envisaged to be addressed?

Commission replies:

The original SUMMA timeline (see graphic below) started in the beginning of 2018 with the setup of the project organisation, governance and definition of the project scope. The most important milestones for the development of the system were the release of the first version of SUMMA in three pilot agencies in January 2022 and the release of a second version, integrated with the Commission’s central grant management system, in a fourth pilot agency, in January 2023.

The development and testing of the SUMMA core solution for the Commission that was planned to be rolled out in January 2024 will be completed by end of 2023. The SUMMA system will further continue to be enriched with advanced functionalities in the course of 2024. The development of the integrations was initially planned to be completed and tested before the go-live in January 2024. The new deadline for completing and testing the remaining integrations is end of June 2024.

Here below two charts showing the initial high-level timeline of the programme and the new one:
What are the costs of the development SUMMA so far?

**Commission replies:**

The cost of SUMMA should be seen in relation with its role of future corporate financial system used by the Commission, and of over 50 other EU entities, for the next 20–25 years, to manage financial processes spanning from budget to accounting to treasury, and volumes of financial transactions exceeding EUR 210 billion in value yearly and over 2,5 million payments to beneficiaries around the whole world. SUMMA, in combination with the other corporate IT systems, also provides a substantial contribution to the rationalisation of the Commission’s IT landscape with the decommissioning of several IT systems, which will result in long-term savings for the institution.

The costs of the SUMMA programme since its inception until end of 2022 is around ninety-five million euro.

What will the additional costs of integrating the specific systems into SUMMA be?

**Commission replies:**

The additional costs resulting in 2024 from the extension of the timeline are explained in the above replies. While the extension need was mainly linked with the integrations, the additional cost is not only directly linked with the integrations, but covers also different services that need to be prolonged into 2024 to ensure the necessary support to the deployment process of SUMMA in the Commission.

The cost increase of the extension is to be considered in relation with additional benefits, considering that the additional time also gives the opportunity to further enrich the
system before its deployment and to better prepare the organisation for the important change it will bring about in 2025.

What are the additional costs of having two accounting systems running, SUMMA and ABAC, for one more year?

**Commission replies:**

If the pace of the SUMMA rollout stays as initially planned, and if ABAC could immediately be decommissioned once all entities are migrated to SUMMA, the additional cost on the top of the SUMMA extension would be an additional last year of maintenance and operation of ABAC. Considering that after the go-live of the Commission the maintenance of ABAC will be kept to the minimum possible, the cost of this additional year is estimated to be low.

The Commission is assessing to, if possible, accelerate the rollout of SUMMA to all remaining entities, after the go-live in the Commission, with the objective to minimise the impact of the extension on the overall plan of the SUMMA programme.

What is the impact of the delay on the protection of the financial interests of the Union?

**Commission replies:**

The decision to extend the timeline by one year was made precisely to avoid any risks to the protection of the financial interests of the Union. The corporate financial system has a central role in this respect; therefore, its proper functioning, including the integration of the other key IT systems having to communicate with it, is essential to the protection of such financial interest.

Deploying SUMMA with uncompleted or unstable integrations could have increased risks for the protection of the financial interests of the Union.

What (additional) efforts are being made to make sure that SUMMA is implemented? And what are the additional costs of these efforts (e.g. fees to (IT) consultants)?

**Commission replies:**

The SUMMA core system for the Commission is being completed according to the initial timeline by end of 2023. It will be rolled out only to pilot agencies and provide them with a new version of the SUMMA system enriched with additional functionalities. The Commission also intends to already start using from January 2024 the SUMMA component for the Financial Asset and Debt management operations and is already using the SUMMA module for the budget planning.
In parallel, the work to complete the integrations of the other systems is progressing well within the updated timeline, extended over 2024. Moreover, some intermediary pilots will be foreseen during 2024 to live-test some additional components of the integrations and so minimise risks. Further extension of the timeline is not considered.

To ensure the successful completion of all these activities, as well as the necessary preparation and support for the SUMMA go-live in January 2025, the project resources will be maintained at a higher capacity during 2024 than previously planned. This will result in extra costs as explained in the above replies.

Is the new deadline feasible?

**Commission replies:**

The new deadline was discussed and agreed by all stakeholders, including the DGs responsible for the integration of their systems, and is considered feasible.

**Questions related to control activities**

20. In the Report on the Internal Audits carried in 2022, the IAS indicates to have made recommendations to DG BUDG related to the control activities on the reliability of performance information. In particular, the IAS identified one very important weakness related to the control activities, including gaps or inconsistencies in corporate guidance in relation to assessing the reliability of performance information (which are reflected in the way related controls are reported), and quality controls at central level not always implemented as intended, in particular concerning the quality reviews and consistency checks concerning the annual activity reports. The associated recommendations require DG BUDG and SG to prepare a joint action plan for implementing the recommendation.

How is the implementation proceeding? Are you on track to deliver by mid-2024? How is the identified risk mitigated in the mean time? Given that it concerns reliability of performance information, this has potentially had consequences for the (Annual Management and Performance Report) AMPR 2022. How has the weakness identified by the IAS been addressed in the process of establishing the AMPR 2022?

**Commission replies:**

The Commission is fully committed to presenting high-quality performance information in its reporting and it has continued to strengthen the reliability and quality of the information provided, as a cornerstone of a culture of transparency and accountability for sound public spending. This has been consistently emphasised by the Commission in various internal and external communications.

The IAS report recognises that the performance framework of the EU budget builds on solid foundations, as acknowledged by the OECD which concluded that ‘The EU system
of budgeting for performance and results is advanced and highly specified, scoring more highly than any OECD country in the standard index of performance budgeting frameworks.’

The report also positively assesses the various steps that the Commission has taken to further enhance the quality of its key performance reports. These efforts were already implemented for reporting on the financial year 2022 and include:

- the use of a single report on programme performance for both the Draft Budget and the Annual Management and Performance Report;
- the development of the ‘MFF data quality control framework’;
- the implementation of a new SAP-based IT system, with embedded quality controls, for encoding and managing performance indicators; as well as
- the transparent disclosure of reliability issues.

In this context, the report identified the need to further strengthen the existing corporate guidance in relation to reliability controls, verify that the reinforced guidance is adequately implemented by the operational services and steer those services in order to strengthen (and ensure it is based on common principles) the Commission’s control approach for the reliability of performance information.

It is important to highlight that the audit did not assess the effective implementation of control activities in individual entities.

Following the results of the audit, DG BUDG and the Commission’s Secretariat-General (SG) agreed on an action plan with the Internal Audit Service to address the recommendations set out in the report. The implementation of the plan is on track. As part of this action plan, DG BUDG and the SG, in cooperation with line DGs, prepared the ‘criteria for a strengthened common control approach on the reliability of performance information on EU financial programmes. In addition, the instructions of the Annual Activity Reports for the year 2023 are being revised to contain:

- a summary description of the results of the control activity carried out by the line DG in relation to the implementation of the newly established common control approach; and
- a more comprehensive basis for a statement by the Risk Management and Internal Control (RMIC) Directors on the reliability of performance information based on the control framework, including any necessary qualification.

**Questions related to Ukraine**

21. What additional control systems is the Commission envisaging for the upcoming entry into force of the Ukraine Facility, in order to ensure that the financial interests of the EU are adequately protected, knowing that there are serious indications of a high level of
corruption in Ukraine? What will be done to specifically tackle the risk of corruption in the Facility? And as regards transparency requirements, what kind of definition of final recipient and/or final beneficiary does the Commission propose to further transparency in this regard?

**Commission replies:**

Compared to existing instruments, the proposal for the new Ukraine Facility will equip the Commission with even more robust powers to exercise audit and control. They will be made binding through a Framework agreement with the Government of Ukraine and will be a pre-condition for the release of funds under the Facility. For example, it is proposed that the Commission be able to participate as observer and perform checks during the project cycle, including on procurement processes carried out by the Ukrainian counterparts. On its side, Ukraine will also be required to upgrade its audit and control systems to increase efficiency. It is also proposed that an independent Audit Board be set-up to report to the Commission on possible mismanagement of EU funds.

Concerning the rule of law situation in Ukraine, the country has made progress in addressing impunity for high-level corruption since the Revolution of Dignity in 2014. The establishment of the independent specialised anti-corruption institutions, the National Anti-Corruption Bureau of Ukraine and the Specialised Anti-Corruption Prosecution Office, followed by the creation of the Anti-Corruption Court in 2019, were instrumental in this regard. Ukraine has also adopted an ambitious Anti-Corruption Strategy and Action Plan for 2023-2025 to further advance on its anti-corruption reform agenda. Anti-corruption measures are also a part of the reforms that Ukraine must take on its EU path.

The European Commission also continues to provide comprehensive technical assistance support to Ukraine for strengthening capacities in addressing corruption and to ensure sound public financial management and spending, including to the key anti-corruption institutions as well as the State Agency for Reconstruction, the Ministry for Communities and Territories Development and Infrastructure of Ukraine, and the State Audit Service of Ukraine.

On the protection of EU funding in Ukraine, the European Anti-Fraud Office (OLAF) is tasked with conducting administrative investigations into possible cases of fraud, corruption and other illegal activities affecting the EU’s financial interests, as in other areas of funding received by countries outside the EU. In this context, the European Commission will continue to ensure that OLAF can exert its mandate in practice, for example by including strong anti-fraud provisions in the relevant funding agreements and contracts. Moreover, OLAF cooperates with Ukraine’s national authorities to protect EU funding, notably by providing targeted anti-fraud assistance to authorities and by supporting the accession of Ukraine to the Union Anti-Fraud Programme - a line of EU funding aimed to provide financial support to strengthen a country’s operational and technical capacity in the protection of the EU’s financial interests.
Under the Financial Regulation, the notion of ‘final beneficiary’ does not exist and ‘final recipient’ is a notion applicable only to financial instruments and budgetary guarantees. Therefore, adding such definitions under the Ukraine Facility could create confusion. The Commission proposal requires Ukraine to publish information on persons and entities receiving funding under the Ukraine Facility. ‘Persons and entities’ is sufficiently broad to ensure that information will be published down to natural persons potentially receiving funds.

22. How does the Commission plan to address the risk posed to the EU budget by the MFA+ instrument, which, although approved at the end of 2022 for new loans to Ukraine with an additional €18.0 billion authorized for disbursement in 2023 under specific conditions, does not mandate any provisioning to cover the risk of default, contrary to the provisions for third countries in the Financial Regulation? Given that losses related to the MFA+ are not provisioned and would need to be covered by future EU budgets or the budgetary 'headroom' between the Multiannual Financial Framework (MFF) ceiling and own resources ceiling, what strategies or safeguards is the Commission considering to mitigate potential financial risks associated with the MFA+ instrument?

**Commission replies:**

The high creditworthiness of the protection provided by the headroom has been repeatedly recognised by rating agencies. Through this mechanism, the MFA+ avoids putting further pressure on a strained EU budget through additional provisioning requirements. It also provides a more efficient form of protection compared, for instance, to the complex arrangements, involving a multitude of ad-hoc national guarantees, that is place for the extraordinary MFA support provided to Ukraine in 2022. Moreover, the high degree of concessionality of the loans (very long maturities of up to 35 years, a grace period of 10 years, and a subsidy on the borrowing costs) provide only very limited debt service cost over an extended period of time that alleviate fiscal pressures on Ukraine before a medium-term economic recovery could take effect. These features and the exceptional size of the instrument have been made possible thanks in particular to the proposal to use the guarantees provided by the EU budget, as well as of the use of a diversified funding strategy for stable funding at optimal financial terms.

The sustainability of the headroom is constantly monitored by the Commission and it is transparently communicated on in the annual report pursuant to Article 250 of the Financial Regulation as well as in the ‘Long-term forecast of future inflows and outflows of the EU Budget’. In particular, the Article 250 report contains a detailed assessment of headroom-backed contingent liabilities, including through stress testing. The
assessment framework for this set of contingent liabilities was described in detail in the 2021 Article 250 report.

The last edition of the Article 250 report, released on 23 October 2023, concludes that the EU financial capacity under the existing legal framework (i.e. the Own Resources Decision and the MFF Regulation) is largely sufficient to cater for the materialisation of losses that may arise in respect of headroom-backed loans between now and the end of 2027. On average over the 2024-2027 period, the headroom available for covering these contingent liabilities in 2024-2027 is around EUR 97.4 billion per year in respect of the margin under the own resources ceiling of 1.40% of EU Gross National Income (GNI). This headroom can be called upon to meet extraordinary revenue calls to finance unforeseen expenditure or for honouring any existing and potential contingent liabilities should these materialise.

Under an extreme negative scenario which combines adverse impacts in respect of the economic conditions, revenue and expenditure, the remaining headroom under the own resources ceiling of 1.40% of EU GNI would amount to EUR 70.6 billion on average per year over the 2024-2027 period. These amounts represent a safety buffer against further negative economic shocks, new spending initiatives and contingent liabilities.

In addition to the budgetary construction of the support, the policy design of the MFA+ acts as primary safeguard to bolster the macro-fiscal fundamentals of the country. Most notably, the MFA+ instrument is underpinned by a set of stability-oriented policy reforms that help strengthening the countries resilience. Notably, these include reforms to solidify the institutional framework in areas such as macro-financial stability (e.g. improvements in mobilising tax revenues), structural reforms and good governance (e.g. deregulating economic activity and improving the business climate), rule of law (e.g. reinforcing anti-corruption institutions), and energy (e.g. improving the functioning of the gas system). Against the backdrop of significant international support and a strong record of judicious economic policies, the International Monetary Fund has most recently confirmed the markable resilience and further signs of stabilization with a stronger-than-expected economic recovery in 2023 shown by the Ukrainian economy. This aid thus bolsters the continuation of a functioning public sector and paves the way for future growth, which in turn boosts repayment capacity.

Additionally, since the inception of the MFA+ instrument, the country has secured in March 2023 an IMF-supported financial arrangement under the Extended Fund Facility (EFF). The existence of this IMF programme adds another layer of safeguards by further anchoring stability-oriented economic policies. The IMF is closely monitoring the country’s solvency through regular debt sustainability assessments. These assessments confirm a sustainable public debt situation in a forward-looking perspective that

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2 COM(2021) 676 final of 5.11.2021
accounts for and facilitates the framework for debt operations with external commercial and official bilateral creditors while acknowledging the EU’s status as a multilateral lender.

Questions related to EU Budget/inflation

23. Could you explain why in 2021 an amount of EUR 50 billion of commitment appropriations were lapsing, while in 2022, this amount was EUR 1.5 billion? Could you inform us what a ‘lapsing’ means and what the consequences are for the EU Budget?

Commission replies:

The Commission underlines the specific character of the financial year 2021, as the first year of a new financial framework period. The commitment appropriations remaining unused at the end of 2021 have not ‘lapsed’: due to the late adoption of the MFF Regulation and the related basic acts, the majority of the 2021 commitment appropriations under shared management were reprogrammed to the years 2022 to 2025, in accordance with Article 7 of the MFF Regulation. In cases allowed by the Financial Regulation, some amounts remaining unused at year-end 2021 were carried over to 2022.

Overall, budget implementation for 2021 in commitments was as follows:

- EUR 108,0 billion (excluding special instruments) or 67,6 % of the available commitment appropriations was implemented.
- EUR 49,0 billion was reprogrammed as presented in the Communication on the adjustment of the MFF in accordance with Article 7 of the MFF Regulation following the late adoption of the legal bases and programmes under shared management.
- EUR 799,4 million of commitment appropriations was carried over by a Commission decision to 2022. Out of this amount, EUR 686,4 million related to the EAGF appropriations and are linked to the functioning of the agricultural crisis reserve.
- EUR 1 899,6 million of commitment appropriations under heading 6, Neighbourhood and the world, were carried over automatically in accordance with Article 30 of the Neighbourhood Development and International Cooperation Instrument - Global Europe.
- EUR 1 323,5 million for Solidarity mechanisms within and outside the Union (Special instruments) commitment appropriations were carried over automatically.

Overall, budget implementation for 2022 in commitments was more ‘normal’, although some delays were still due to the late adoption of the MFF Regulation and the related basic acts. Taking into account the carry-over of appropriations from 2022 to 2023, the implementation reached 99,3 % of total available commitments (excluding other
institutions). An amount of EUR 1 310,8 million of commitment appropriations lapsed at the end of the financial year 2022. Out of this amount:

- EUR 995,8 million of commitments was suspended following the Council implementing Decision 2022/2506 of 15 December 2022 on measures for the protection of the Union budget against breaches of the principles of the rule of law in Hungary;
- EUR 96,9 million of commitment appropriations for the Just Transition Fund programme for Bulgaria;
- EUR 173,4 million for the European Globalisation Adjustment Fund;

The remaining amount was due to the typically limited amounts left after finalisation of procurement or grant procedures. In accordance with Article 6 (3) of the MFF Regulation, suspended commitments of year n may not be entered in the general budget of the Union beyond year n+2, which means that the commitments linked to rule of law in Hungary may still be used. Conversely, the JTF commitments for Bulgaria and the remaining amounts for the EGF and procurement/grant procedures can no longer be used.

24. What are the risks that high inflation create to the adequate implementation of the EU Budget, particularly since the Court of Auditors stated that EU funds may not achieve their objectives due to the ongoing inflationary situation in the EU? Will project timelines be affected?

**Commission replies:**

In the course of 2022, inflation in Europe reached levels unseen in the last 40 years. The high inflation might reduce the purchasing power of the MFF by EUR 74 billion for the seven-year period, as estimated in the SWD accompanying the mid-term revision of the Multiannual Financial Framework (MFF) for 2021-2027 presented in June 2023. As stipulated in article 4(2) of the MFF Regulation, the adjustment to current prices is done on the basis of a fixed annual deflator of 2%. This adjustment mechanism in use since 2007 has the advantage of providing predictability for the Union programme resources over the duration of the MFF. However, because of the unprecedented gap between actual and forecast inflation up to 2027 and the fixed 2% deflator, the real value of the MFF for the whole 7-year period would be substantially lower, based on the forecast of June 2023.

While the Commission actively monitors the impact of inflation and implements measures to mitigate its effects, the reduced purchasing power of the EU budget due to inflation could, in some cases, lead to lower performance outcomes or delays compared to the initial objectives. This is because the same amount of outputs now cost more than before.
The ‘programme performance statements’, attached to both the Draft Budget and Annual Management and Performance Report, provide information on relevant external factors affecting the performance of each programme, including inflation when relevant.

25. How does the Commission intend to address the substantial increase in borrowing costs for EU debt, which saw a significant rise in 2022 with the total debt (including accrued interest) reaching €344.3 billion by year-end, compared to €236.7 billion in 2021? Given that this increase is primarily attributed to new borrowing for NGEU, Temporary Support to mitigate Unemployment Risks in an Emergency (SURE), and Macro-Financial Assistance (MFA), what strategies or measures are being considered to manage and mitigate the impact of the heightened borrowing costs on the EU’s fiscal outlook? What was the methodology in 2022 to estimate interest? What were the lessons learned and how did this influence the methodology for the following years? To what extent will project timelines be impacted?

**Commission replies:**

The EU budget bears the interest rate costs for NextGenerationEU non-repayable support (RRF grants and support for EU policies) which amounted to 72.93 million at end 2022 (interest rates costs on SURE, RRF loans and repayable financial assistance are paid by the beneficiaries).

The methodology for estimating future interest costs for non-repayable support under NextGenerationEU is based on a number of uncertain elements, including disbursement needs and interest costs fluctuations. Therefore, any simulation over long time periods has been subject to high uncertainty in this period of strong macroeconomic adjustment.

The initial projects for interest costs for the period 2021-2027 were made on the basis of interest rate assumptions based on back-testing over previous two decades, in line with those used by other market participants and international organisations. However, since the start of 2022, the pace of increase in interest rates for all issuers including the EU has been one of the steepest witnessed in financial markets in the past decades.

In the mid-term review of the 2021-2027 MFF the Commission proposed a means to cater for the higher NextGenerationEU funding costs due to the unprecedented global surge in interest rates. In its Communication of 20 June 2023 these amounts were estimated at an additional EUR 18.9 billion. This is an indicative amount based on market forecasts of 16 June 2023. Based on the different assumptions for the evolution of the interest rates used by the largest European Debt Management Offices this amount could range from EUR 17 billion to EUR 27 billion. Estimates of the interest rate cost overrun are monitored on an ongoing basis so that these reflect market evolution. Based on current inflation and macroeconomic forecasts, expectations are that interest rate costs have stabilised suggesting that the interest rate cost overrun should not deteriorate further.
In parallel, the Commission is taking steps to support the efficient pricing of EU-Bonds in the market, commensurate to the characteristics of EU issuances. This includes the creation, as of January 2023, of a unified funding approach, whereby the Commission is issuing under one single “EU-Bond” label, hence reducing inefficiencies caused by fragmented market presence. In addition, the Commission is enhancing the eco-system of EU-Bonds with the establishment of pricing quoting in electronic platforms as of Q4 2024 and the creation of a repurchase facility, to support secondary market liquidity, as of mid-2024.

26. The Commission is funding the EU Business & Biodiversity Platform. Could you clarify whether the timing of establishing, and how the Commission monitors the reliability of information distributed through the platform, in particular concerning the Nature Restoration Law, that might have fostered a one-sided partisan political influence, creating an impression of the executive branch lobbying the legislative branch and potentially constituting an improper use of taxpayers’ money? Is the Commission planning to investigate conflicts of interest in this regard? How many NGOs have been 100%-financed by the Commission and by which DGs?

**Commission replies:**

The EU Business&Biodiversity Platform was established in 2008 and it is in line with the EU Biodiversity Strategy for 2020, endorsed by the European Parliament and the Council. It aims to support businesses and financial institutions interested in increasing awareness and knowledge about the impacts, risks and opportunities related to biodiversity. It also aims to strengthen the mutual understanding between policy-makers and businesses when it comes to biodiversity issues, notably by organising the annual European Business and Nature Summit. It is one of several forums supported by the Commission that bring together stakeholders on a specific topic. Other examples include the European Clean Hydrogen Alliance, Circular Economy Stakeholder Platform, Circular Plastics Alliance and European Battery Alliance. Like these platforms, the B&B platform receives administrative and financial support of the Commission including through website hosting. The Commission welcomes the strong involvement and commitment of many businesses to biodiversity and nature restoration, including through the Business and Biodiversity Platform. Their commitment and statements show that the need for nature restoration is widely recognised.

The European Commission does not run day-to-day activities of the platform and statements of members of the platform do not represent the views of the European Commission. This is made clear through a disclaimer on the platform’s website: “Members of the European Business & Biodiversity Platform can use the logo to showcase that they are committed to taking action towards a nature positive world. The European Business & Biodiversity Platform nor the European Commission are responsible for the actions and/or messages of its members. The use of the logo does not imply a recommendation or endorsement by the European Commission”). The
The platform’s secretariat, led by a partnership of private companies, produces a regular newsletter, publicly available online. The content is created by the contractor and hosted using tools put at the disposal by the Commission. The platform’s secretariat is headed by an external consultant and editorial decisions on the content are the platform’s, not the Commission’s.

The Commission’s Financial Transparency System (FTS) publishes information on the recipients of the EU budget where it is implemented directly by the European Commission (‘direct management’) or implemented indirectly by other international organisations or non-EU countries (‘indirect management’). In the case of ‘indirect management’, these are the intermediate recipients of EU funds who have signed contractual agreements with the Commission and are obliged to make public adequate information on their recipients in accordance with their rules and procedures, to the extent that those rules are deemed equivalent following an assessment carried out by the Commission. The public website allows to consult the NGOs which have been awarded such EU funding, but the Commission does not collect information if the EU funding represents the sole fund source for a given entity. Moreover, the information about the NGO status is based on self-declarations allowed for private, non-profit entities receiving funding from EU funds through grant agreements or contracts directly managed by the Commission. These self-declarations are mainly requested for statistical purposes and are not subject to a general validation by Commission services.

Finally, there are no specific eligibility criteria in the Financial Regulation or in relevant sectoral basic acts prohibiting funding to organisations involved in outreach activities. Eligibility criteria for applicants of EU funding are established focusing on the objectives of the action and in compliance with the principles of transparency and non-discrimination. More specific eligibility criteria in line with the objectives of the relevant actions may be inserted. The Financial Regulation further ensures the avoidance of conflicts of interest. Financial actors involved in budget implementation are required to take appropriate measures to prevent and address situations of conflict of interests, including for reasons involving political affinity, economic interest or any other direct or indirect personal interest.

27. In its report on final payment appropriations, the ECA highlighted that the initial budget for payment appropriations was initially established at €170.6 billion. Following several amendments in 2022, the budgetary authority ultimately revised it to €170.0 billion. This net reduction was a consequence of decreased payment requirements for the European Agricultural Fund for Rural Development (EAFRD) and the Union’s action program in the field of health (‘EU4Health’), amounting to €0.8 billion and €0.1 billion, respectively. Regarding the EAFRD, the ECA attributed the reduction in payment needs to some beneficiaries delaying or abandoning their projects due to the impact of high inflation.

What other reasons besides inflation, let beneficiaries postpone or give up their projects? Did this happen to other funding programmes and if yes which ones?
Commission replies:

Every year in early autumn, after reviewing actual implementation and expected utilisation of payment appropriations to the end of the financial year, the Commission proposes the so-called "Global Transfer", which is designed to rebalance payment appropriations for the current budget year. The Global Transfer adjusts availabilities and needs for payment appropriations across the budget. Depending on whether this exercise demonstrates a need for a net increase or a net decrease of the overall level of payments, the Commission proposes a Draft Amending Budget to adjust the overall level of payment to the expected year-end execution level.

On that basis, in October 2022 the Commission presented Draft Amending Budget 5/2022, which included reductions in the level of payments for two programmes, which could not be included in the redeployments proposed in the Global Transfer DEC 16/2022. This concerned the EAFRD and EU4Health.

With respect to the European Agricultural Fund for Rural Development (EAFRD) and as explained in the explanatory memorandum of DAB5/2022, the Commission made an analysis of the declarations of expenditure received and the Member States' most recent forecasts submitted by the end of August 2022. The expected under-implementation was due to two factors. First, some beneficiaries postponed or even had to cancel their projects because of increased costs due to high inflation. Second, the available data showed that in some Member States, the implementation of NextGenerationEU projects had accelerated, while the implementation of EAFRD-supported projects had slowed down. Consequently, a reduction of payment appropriations for the EAFRD by EUR 775 million was proposed for the 2014-2022 rural development programmes.

With respect to EU4Health, and as explained in the explanatory memorandum of DAB5/2022, the reason for the surplus of EUR 129.2 million of payment appropriations was a delay for the EUFAB project, which is a network of ever-warm facilities for the production of vaccines and therapeutics with a budget of EUR 160 million, financed by the EU4Health programme. Due to the large scale and complexity of the project, the tender procedure has taken longer than initially expected, leading to contract signature towards the very end of 2022. Therefore, corresponding payments had to be shifted to the following years.

As regards cohesion policy, where the execution of contracts within the supported operations was impeded because of the circumstances resulting from the COVID-19 pandemic or the Russian military aggression against Ukraine (e.g. due to unavailability of key staff, products, subcontracted works and services, and abnormal price increases because of the impact of the Russian military aggression, which may be regarded as force majeure), national authorities could, by invoking force majeure, exercise their discretion to adjust operations. This could be done by permitting substitute actions, others than originally planned within operations, delayed performance, or the possibility not to carry out operations that had already started. As the concept of force majeure is
of restricted scope, the possibility to exercise such discretion however had to be subject to a case-by-case assessment by the Member State and the demonstration of individual force majeure events.

28. How does the Commission plan to address the anticipated historic peak in outstanding commitments, projected to exceed €458 billion in 2023, particularly considering the significant contributions from new commitments for NGEU and the shared management funds for the 2021-2027 period? With no new NGEU commitments expected post-2023 and payments for NGEU surpassing new commitments from the EU budget until 2026, what strategies are in place to manage and decrease outstanding commitments between 2024 and 2026?

**Commission replies:**

The concept of outstanding commitments (RAL) is a natural consequence of the implementation of the budget in commitments and in payments. As the nominal size of the MFF increases, so does the nominal stock of outstanding commitments. The Commission agrees that NGEU has a very sizeable but temporary effect on RAL. All NGEU commitments will be made by end-2023 and NGEU RAL should be fully absorbed by the end-2026.

Around two thirds of the RAL (excluding RAL from NGEU) is linked to cohesion policy, and therefore Member States. The Commission proposed in 2018 to accelerate cohesion implementation by returning to ‘n+2’ de-commitment rules, which was rejected by the co-legislator. With this n+2 rule, the trend of growing RAL could have been softened. Maintaining the ‘n+3’ rules, combined with the delayed start of the 2021-2027 programming period, further backloads payments.

The Commission closely monitors the implementation of the budget and the evolution of the overall level of outstanding commitments (RAL), as well as the related underlying factors. It regularly informs the European Parliament and the Council of the forecast needs and potential risks for the future. This information is included notably in the annual report on the long-term forecast on the future inflows and outflows of the EU budget, which is part of the Integrated Financial and Accountability Reporting (IFAR). In addition, the Commission regularly informs the European Parliament and the Council in the context of dedicated interinstitutional meetings on payments, asset out in point 37 of the Annex to the Interinstitutional Agreement of 16 December 2020.

The Commission will continue to propose adequate levels of payment appropriations in the framework of the annual budgetary procedures in order to meet the payment needs, also in light of the implementing rules for specific programmes and funds, as adopted by the co-legislators. The Commission recalls that the adoption of the budget and of the related payment appropriations lies ultimately within the remit of the budgetary authority.
29. How does the Commission plan to address the challenges posed by Member States simultaneously absorbing funds from various instruments? With the need to conclude the remaining ESIF programs from the 2014-2020 MFF, initiate the implementation of the 2021-2027 shared-management funds under the CPR with some delays, and manage the implementation phase of NGEU financing, alongside measures related to Russia's war of aggression against Ukraine (such as CARE and FAST-CARE), what strategies or measures is the Commission considering to mitigate the risks of Member States not absorbing different funds such as Cohesion? Additionally, how does the Commission plan to ensure the implementation of ECA’s recommendation for providing additional advisory support to national authorities in this complex operational environment?

**Commission replies:**

The 2014-2020 was a special programming period marked by the coronavirus pandemic and the war in Ukraine to which the Commission was able to quickly and efficiently react by creating additional financial resources to support the Member States. The Commission considers the availability of a multitude of EU instruments and resources as an opportunity for potential complementarities and flexibilities to Member States. However, some challenges such as slower absorption or the risk of double funding may arise. Several provisions and mechanisms are in place to proactively mitigate these risks and challenges to the Member States.

Regarding absorption, the net payment rate currently stands at almost 88% of the combined ERDF and Cohesion Fund allocation for 2014-2020, which is comparable to the same reference period in the final year of eligibility for the previous programming period. For individual programmes, the rate of payments might further accelerate due to the ongoing SAFE reprogramming where Member States are redirecting uncommitted amounts to priorities with EU co-financing rate of 100%. The level of progress in implementation varies across Member States and programmes and many have already reached a high level of spending beyond 90%. Therefore, despite the various challenges and crisis in the last years of the implementation, including the need to implement additional EUR 50.6 billion of REACT-EU and administrative complexities, the Commission expects, based on Member State’s forecasts from July, that the absorption would reach 98.5%. The resulting risk of decommitment (expected to be around 1.5%) is comparable with the 2007-2013 programming period. Despite the delayed start, the 2021-2027 programming period already saw selection of more than 85 000 projects for all Cohesion Policy, representing 5.2% of the total allocation.

The Commission offers a close dialogue on targeted actions and tailor-made support to the national and regional authorities, including through technical assistance and advisory support, to ensure full implementation of the 2014-2020 programmes. In addition, the STEP (Strategic Technologies for Europe Platform) proposal includes a proposed extension of deadlines for submission of final payment claim and closure documents by one year to ensure robust controls at closure and to help the Member States facing additional workload.
For both programming periods, the Commission regularly monitors the progress of implementation, including through monitoring committees, annual review meetings and at working level (regular point on the agenda of the management meetings of DG REGIO). For Cohesion Policy, the Commission also provides transparent information on the absorption capacity of each Member State through its Cohesion Open data platform (online updates), as well as on its assessment of the management and control systems of programmes and audit authorities in the Annual Activity Reports.

The Commission recognises that the parallel implementation of various resources may put pressure on the Member States’ administrative capacity, it therefore undertakes each year various actions to support the programmes’ authorities to improve their administrative capacities through specific guidance, targeted support, continuous training and professional development, peer-to-peer exchanges of experience on good practices, transnational networks to share good practices, simplify procedures, promote simplified cost options and avoid gold-plating, and targeted audit recommendations to implement the necessary remedial actions when deficiencies are detected.

The Commission has been also promoting the development of roadmaps for strengthening of administrative capacity and supported Member States in their development. By the end of 2022, these roadmaps had been finalised in 14 Member States. On the audit side, the DAC continued in 2022 to carry out specific audit capacity initiatives to support audit authorities focusing on the main risks for the legality and regularity of expenditure. In cases where the Commission considered that the audit capacities in the Member States might have been insufficient to tackle additional tasks in connection with implementation of multiple funds, the Commission sent out letters to the relevant Member States, outlining the need to strengthen their human resources proportionally to the increased tasks.

In view of the 2021-27 programming period, the Commission services continue to actively support Member States to ensure they have the required additional resources and administrative capacity to ensure high quality, effectivity, and European added value of implemented programmes. For example, for Cohesion Policy Funds, managing authorities were provided with a self-assessment instrument to help them analyse their capacity building needs and assess progress over time; a competency framework to identify gaps; and a practical toolkit to develop the above-mentioned strategic roadmaps.

For further details on the technical support to Member States, the Commission would refer to its reply to question 23 of the questionnaire to Commissioner Ferreira.

The Commission is promoting exchanges of good practices among Member States regarding the implementation of the RRF in a dedicated informal expert group on the RRF, to which both Parliament and Council are observers. The discussions in this forum cover also aspects related to administrative capacity and absorption of funds. The Commission is also facilitating support to strengthen administrative capacity in national
authorities and support the implementation of specific reforms under the Technical Support Instrument. While the absorption of funds varies across Member States and is influenced by different factors such as national frameworks, maturity and type of selected investment projects, the Commission supports Member States to address bottlenecks in this regard. Please also refer to the replies provided for the written questions to Commissioner Ferreira, and those for the written questions to Executive Vice-President Dombrovskis and Commissioner Gentiloni.

Regarding the risk of double funding, legal provisions (e.g. Article 63(9) of the CPR) ensure that expenditure in a payment application for one of the Funds shall not be included elsewhere under the same Fund or another instrument; key programming documents include a description of complementarities and synergies between the various Union funds and instruments, aiming at avoiding overlaps; regular close cooperation between relevant Commission services, including audit, helps anticipate any risk of double funding of projects; and finally assurance on legality and regularity remains a joint commitment even under challenging conditions. For further details on the measures to avoid double funding, the Commission would refer to its reply to question 13 of the questionnaire to Commissioner Ferreira.

Questions related to EDES and EU financing of organisations/NGOs

30. In response to a written question regarding the financing of Islamist organizations, particularly the youth organization "Yavuz Sultan Selim" with ties to Erdogan, Commissioner Schinas stated intentions to prevent entities contradicting EU values from receiving funds. Can the Commission provide a detailed strategy outlining concrete measures and criteria to effectively screen and ensure EU funds are not allocated to organizations that oppose EU values according to Article 2 TEU in the future?

In addition to the concerns raised about the financing of Islamist organizations, it would be pertinent to inquire about the specific utilization and potential enhancements of the Early Detection and Exclusion System (EDES). Could the Commission provide insights into the current operational use of EDES in preventing funds from reaching entities contrary to EU values? Furthermore, does the Commission have plans to improve and strengthen the effectiveness of EDES in the absence of a Member State court ruling?

Commission replies:

The Commission, in accordance with the legal framework set by the Financial Regulation, continues to ensure that organisations and projects incompatible with European values do not receive support.

Prior to the award of EU funding, the Commission carries out rigorous selection processes ensuring that funding is in line with EU values, including checks on grant beneficiaries based on objective criteria. The authorising officer may include specific eligibility criteria, for example that applicants must show in their application that they...
respect ethical principles, EU values, as well as other applicable EU, international and national law, to be checked either through self-declaration or by other means.

During the implementation of grants, in accordance with the corporate model grant agreement beneficiaries must commit to and ensure the respect of basic EU values (such as freedom, democracy, equality…). Failure to comply with this obligation may lead to consequences such as reduction, suspension, termination of the grant agreement or administrative sanctions.

In addition, the Financial Regulation (Article 155) requires persons and entities implementing the EU budget in indirect management to comply with applicable Union law and agreed international and Union standards and, therefore, not support actions that contradict Union values.

Furthermore, the Early Detection and Exclusion System is a powerful tool ensuring that EU funds do not end up benefitting organisations that go against EU values through the early identification of risks and the application to unreliable entities of the administrative measures of exclusion and financial penalty and, their publication (Article 136 Financial Regulation). This includes also situations where any person which is a member of the administrative, management or supervisory body of the organisation, or person having powers of representation, decision-making or control is in breach of EU values. The exclusion grounds for applicants participating in award procedures or being selected for implementing Union funds include for example grave professional misconduct, serious breaches of obligations, terrorist financing, fraud and corruption. The system can already operate in the absence of a Member State judicial or administrative decision, based on a preliminary classification in law made by the Panel at Article 143 of the Financial Regulation. In order to further enhance the protection of the EU financial interest the Commission has also proposed as part of the revision of the Financial Regulation (recast) to specifically add into the broader notion of grave professional misconduct the exclusion situation of “incitement to discrimination, hatred or violence”.

All entities implementing EU funds are also subject to EU restrictive measures stemming from Article 215 Treaty on the Functioning of the European Union and enacted through Council decisions allowing the targeting of governments of non-EU countries, companies, groups, organisations, or individuals and prohibiting listed entities or persons from receiving EU funding.

Lastly, all relevant agreements establish various mechanisms (e.g. suspension of contract or payments and contract termination) to safeguard the proper use of EU funds in line with the Financial Regulation where controls or audits demonstrate irregularities, fraud or a breach of obligations.

31. Concerning the allocation of EU funds as part of development aid for infrastructure projects in the West Bank, how does the Commission rigorously verify the ultimate beneficiaries? Can you provide details on the specific mechanisms and processes implemented to
guarantee transparency and accountability throughout the fund disbursement process to the Palestinian authorities?

Concerning the allocation of EU funds as part of development aid for infrastructure projects in the Gaza Strip, how does the Commission rigorously verify the ultimate beneficiaries? Can you provide details on the specific mechanisms and processes implemented to guarantee transparency and accountability throughout the fund disbursement process? How does the Commission reconcile the potential risks associated with EU funding in the Gaza Strip, particularly regarding concerns about funds inadvertently supporting entities with ties to Hamas, and what specific measures are in place to ensure accountability and prevent any unintended support?

**Commission replies:**

Infrastructure projects both in the West Bank and Gaza are implemented through pillar assessed organisations. Pillar assessment ensures that the protection of the EU’s financial interests is equivalent to that provided by the EU. Framework agreements with UN and other international organisations, as well as international financial organisations, include provisions for verifications and controls to ensure compliance with EU Restrictive Measures.

Accordingly, the organisations apply due diligence appraisals to the vetting and screening of beneficiaries and have mechanisms in place to control the flow of funds and monitor compliance with restrictive measures. Procurement processes follow the well-established internal rules and payment systems of the pillar assessed organisations (e.g. payments to construction firms and consulting firms) and are executed through the banking system; they are also subject to automatic checks.

On 9 October, following the barbaric terrorist attacks carried out by Hamas against Israel on 7 October, the Commission announced its decision to review its financial assistance for the Palestinians. While the Commission has a robust system of safeguards in place, with additional safeguards already in place and tailored to the specific context of cooperation with the Palestinians, the current evolving situation on the ground requires an additional comprehensive review.

The objective of this review is three-fold: (i) first, it aims to ensure that no EU funding indirectly enables any terrorist organization to carry out attacks against Israel, (ii) second, it aims to ensure the full respect for EU legislation and policy as well as prevent the possible abuse of EU funding to incite hatred and violence, (iii) third, it aims to assess whether the support programmes to the Palestinians need to be adjusted or modified in view of the changing priorities and feasibility of projects foreseen.

32. The funding of NGOs promoting human rights and international law, yet refraining from condemning violent attacks by Hamas, raises concerns. Specifically, how does the Commission justify providing financial support to organizations like the Palestinian NGO Network (PNGO), the Palestinian Medical Relief Society, and Union of Agricultural Work...
Committees (UAWC)? Can the Commission provide a detailed explanation of the criteria used to evaluate these NGOs, ensuring alignment with EU values according to Article 2 TEU, especially in instances where refrain from condemning violent attacks from the Hamas?

**Commission replies:**

Statements made by organisations supported by the European Union and / or made by their members and affiliates are the sole responsibility of those organisations and can in no way be taken to reflect the views of the European Union. The Commission has no tolerance for incitement to hatred and violence, including antisemitism in all its forms. These principles are non-negotiable for the Commission. Incitement to hatred and violence is incompatible with advancing peace, which is what the European Union promotes and seeks to contribute to through its efforts. Specific clauses have been introduced in individual grant agreements, obliging every beneficiary managing EU funds, in the Palestinian territory, to refrain from engaging in incitement to violence or hatred. The ongoing review of EU financial assistance to Palestine takes those elements into consideration. Specific requests for clarifications are being sent out to beneficiaries of ongoing contracts facing allegations of possible incitement to violence. At this stage, the Commission is not in a position to comment on specific contracts with Civil Society Organisations.

In the attached Excel file you can find an extract from the Financial Transparency System concerning the period 2014-2022 and the listed NGOs. The extract is based on a search performed for the name of the beneficiary* resulting in projects managed by DG NEAR, DG INTPA and EACEA under programmes Neighbourhood, Development and International Cooperation Instrument (NDICI - Global Europe), European Neighbourhood Instrument (ENI), European Instrument for Democracy and Human Rights (EIDHR) and Development Cooperation Instrument (DCI). In 2022 two projects were managed by DG NEAR under the NDICI - Global Europe.

The Commission, in accordance with the legal framework set by the Financial Regulation, continues to ensure that organisations and projects incompatible with European values do not receive support, including NGOs. Please see the information on this legal framework developed in our reply to Question 30.

*The search for the Palestinian NGO Network includes also its members published on [https://www.pngo.net/en/content/pngo-members](https://www.pngo.net/en/content/pngo-members) (pages 1, 2, 3).

**Questions concerning other topics**

33. Why has the Commission approved the disbursement of EU funds under the Brexit Adjustment Reserve (BAR), including funds allocated to Hungary, as outlined on 16 June
2022? Could the Commission provide insights into the specific reasons and criteria justifying the allocation of these funds to Hungary and how it ensures that the disbursement effectively compensates for the consequences of Brexit for Hungary?

**Commission replies:**

The Brexit Adjustment Reserve (BAR) is unique short-termed, flexible and targeted instrument (mitigate solely the impact of Brexit on Member States) enabling Member States to adjust to the fact that the UK is now a third country. The budget allocated to the Reserve is to be implemented under shared management with Member States within the meaning of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council (the ‘Financial Regulation’). While the Brexit Adjustment Reserve is based on Article 175 of the Treaty on the Functioning of the EU (TFEU) it is not subject to the Common Provisions Regulation (CPR), hence the enabling conditions do not apply to BAR.

The BAR Regulation requires that disbursement should primarily compensate for the consequences of Brexit and the link to Brexit for any entity supported is a key eligibility criteria. It will be closely verified by the national authorities designated under the management and control systems in place and audited by the audit authorities as well as by the European Commission in order to have sufficient assurance on the legality and regularity of the certified expenditure.

The disbursement of the pre-financing tranches (2021, 2022 and 2023) standing for the 80% of the total BAR allocation is subject to the condition that the Commission has received a complete notification of the designated body or bodies to which the pre-financing shall be paid and confirmation that the descriptions of the management and control systems have been drawn up. The provisional allocation of the Reserve between all Member States is laid down in the BAR regulation and took into account the following criteria: the level of economic and trade integration between the Member States and the United Kingdom as well as the particular vulnerability of the fisheries sector, and the population of the maritime border regions with the United Kingdom, while ensuring that the allocation distribution mechanism is built upon reliable and official statistics.

Hungary submitted its complete notification on 22 of April 2022, following which the implementing decision was adopted on 16 of June 2022 under reference C(2022) 3921 setting out the annual pre-financing amounts allocated to Hungary from the resources of the Brexit Adjustment Reserve. Pre-financing was disbursed by 30 April 2023, amounting to EUR 45.2 million.

By 30 September 2024 Member States shall submit to the Commission an application for a financial contribution from the Reserve about the measures carried out. This will form the basis for the Commission’s assessment on eligible expenditure (i.e. whether the disbursement effectively compensates for the consequences of Brexit for Hungary).
and determine whether the Commission will recover funding from the pre-financing already paid or release (part of) the residual funding in the course of 2025 (EUR 12 million in case of Hungary).

34. What major operations have been carried out in the Commission's buildings policy after 2021? What are the main future projects or strategies?

**Commission replies:**

The Commission continues to apply its buildings policy strategically oriented towards the carbon neutrality objective for 2030 of the ‘Greening the Commission Communication’, adopted on 1st April 2022. This implies continuing to reduce the surface of office spaces, as well as transitioning to sustainable buildings, whilst getting rid of intensive energy consuming buildings (see question 6 for more details).

In comparison with 2021 which had seen many DGs move into flexible workspaces (Dynamic Collaborative Spaces (DCS)), year 2022 saw only 2 DGs complete their move into the new setting. In parallel there was significant activity in 2022 on the front of stocktaking, adaptation and adjusting of the new workspaces for DGs which moved in the previous year and on the front of preparing for moves in 2023 and 2024.

The main projects for 2023 and 2024 are:

- Moving 3 Executive Agencies towards their new building in the North Quarter
- Moving DG REFORM into flexible workspace (DCS)
- Moving DG EMPL into one new building
- Implementing flexible workspace (DCS) in the Berlaymont for SecGen
- Bringing DGT to the European quarter and closing the Evere pole

Implementing flexible workspace (DCS) reduces the number of square meters needed by the EC for its buildings. Occupied office space will have been reduced by 74,000 m² by end 2023. This corresponds to a significant reduction in our carbon footprint.

35. In its reply to the parliamentary question P-001138/2023 on the use of private jets/air taxis by the EU Commissioners, the Commission inserted a table as annex containing detailed information on the use of air taxis by the College members in 2021 and in 2022. In this reply, the Commission specifies, “the use of air taxis by Mr Breton, the Commissioner for Internal Market does not appear in that table because the Commissioner met the costs of these trips himself.” Giving the fact that the Commissioner for Internal Market travels frequently around the world (only in July 2021, the Commissioner Breton published four trips with a private jet on the transparency register), this answer to the above-mentioned parliamentary question presents us with more additional questions that it answers in the first place:
Why does the Commission not make public Mr Breton’s annual travel routes by the private jets even if the Commission does not pay for them from the EU Budget?

Giving the fact that Mr Breton is using the private jets for the official EU missions, why the Commission is not taking in charge their costs?

Does the Commission collect the copies of the invoices and passenger lists even if it does not pay for them?

On the contrary, if the Commission does not have all the invoices, how can the Commission confirm that the Commissioner Breton himself pays all these flights?

**Commission replies:**

1. *Why does the Commission not make public Mr Breton’s annual travel routes by the private jets even if the Commission does not pay for them from the EU Budget?*

The Commission does not have information about elements paid directly by the mission performer when there is no request for their reimbursement. Consequently, the Commission cannot publish such information.

2. *Giving the fact that Mr Breton is using the private jets for the official EU missions, why the Commission is not taking in charge their costs?*

The Commission was informed by Commissioner Breton that he considered that, when he used an air taxi service to fulfil his mission, the related costs should not be charged to the EU budget. Therefore, he did not ask for the reimbursement of these costs, which he decided to pay himself.

The Commission reimburses the use of air taxi service if the use is authorised by the President; the latter only happens under exceptional circumstances, either when commercial flights are not available to reach a destination or when they cannot fit with the Member of the Commission's diary, or for security reasons.

3. *Does the Commission collect the copies of the invoices and passenger lists even if it does not pay for them?*

Invoices are related to reimbursement requests. If there is no reimbursement request in a mission claim, the Commission does not collect any documents.

4. *On the Commission replies: contrary, if the Commission does not have all the invoices, how can the Commission confirm that the Commissioner Breton himself pays all these flights?*

Commissioner Breton informed the Commission that he had paid for these flights himself and has confirmed this information in relation to the present question.
\[ \text{https://www.europarl.europa.eu/doceo/document/P-9-2023-001138-ASW_EN.html} \]