

ECA: Increasing Error Rate in EU Spending and Growing Debts Are Cause for Concern



News

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The rate of error in EU budget spending has again increased in 2023 compared to previous years. And the rising financial burdens due to record levels of debt, including the Russian war of aggression against Ukraine and high inflation, are a cause for concern. These are the main findings in the [European Court of Auditors' \(ECA\) annual reports on the implementation of the EU budget and on the activities funded by the European Development Funds \(EDFs\) for the 2023 financial year](#), which were presented on 10 October 2024. For the reports for 2022 →[eucrim 3/2023, 251-252](#), and for 2021, →[eucrim 3/2022, 183-184](#).

The EU auditors stated that the revenue can be considered error-free. In 2023, EU payments amounted to a total of €239.2 billion: €191.2 billion in expenditure from the EU budget and a further €48 billion in expenditure under the Recovery and Resilience Facility (RRF) - the EU's main source for recovering from the COVID-19 pandemic. The EU auditors expressed concern that the error rate for the expenditure from the EU budget had risen to 5.6% (2022: 4.2%, 2021: 3%). In conclusion, the estimated level of error was material and pervasive, and thus an adverse opinion on the EU's spending in 2023 had to be issued. The auditors emphasised that the significant increase in the estimated error rate is largely due to the errors found in cohesion expenditure (rate of 9.3% compared to 6.4% in 2022). One reason for this increase is that national administrations spend money from competing EU funds under time pressure.

The ECA also pointed out that it reported fraud cases to OLAF and the EPPO. During audits conducted in 2021 and 2022, the ECA reported 20 (in 2022: 14) cases to OLAF, and 17 to the EPPO. From these reports, OLAF opened four investigations and the EPPO nine investigations. During audits of 2023 expenditure, the ECA already identified 12 cases of suspected fraud. The most frequent grounds for the suspicion of fraud were:

- Intentional use or presentation of false, incorrect or incomplete statements or documents and/or non-disclosure of information in violation of a specific obligation, resulting in the misappropriation or wrongful retention of EU funds;
- Artificial creation of conditions necessary for EU financing;
- Use of grants for unauthorised purposes.

With regard to RRF expenditure, the ECA issued a "qualified opinion" as last year. This means that problems have been identified, but are not pervasive. It was found that around one third of the RRF grant payments in

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2023 did not comply with the rules and conditions. In addition, the RRF mechanism is still affected by system weaknesses.

Lastly, the ECA emphasised that the EU budget is coming under increasing pressure. Next to the high inflation rates and the increasing financial support to the Ukraine, growing debts are concerning: The total amount of outstanding commitments reached a record high of €543 billion by the end of 2023 (in 2022: €452.8 billion). Meanwhile, EU debt jumped to €458.5 billion in 2023 (in 2022: €348 billion, or +32 %). The main reason is the borrowing for the Next Generation EU (NGEU) of €268.4 billion. EU debt is now twice as high as in 2021 (when it stood at €236.7 billion). This means that the EU is now one of the largest debt issuers in Europe, even though it is unclear whether the Commission's own resources proposal will generate sufficient revenue to repay NGEU debt, the ECA report says.

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