

# EP Grants Discharge but Raises Concerns over Attacks to EU Budget

Thomas Wahl



News

On 10 May 2023, the European Parliament (EP) granted discharge to the EU institutions for the financial year 2021. The discharge for the European Council and the Council was postponed. The postponement continues the dispute between the EP and the Council with the latter continuously refusing parliamentary scrutiny over its annual financial implementations. The EP is set to refuse discharge for the European Council and Council for the 13th year in a row. For the first time, the EP discharged the European Public Prosecutor's Office since its operational start in June 2021.

In its discharge decision for the Commission and the executive agencies, the EP voiced numerous concerns over the effective protection of the EU's financial interests. One of the main concerns relate to the risk of misuse, fraud and organised crime within the scheme of the Recovery and Resilience Facility (RRF). MEPs pointed out that it is unclear how the money of the RRF is used; control requirements are weaker compared to traditional EU programmes and controls are more or less in the hands of national authorities whose work has proved "too error-prone and unreliable". MEPs called for "efficient internal control systems ensuring compliance with all Union and national rules, including, in particular, public procurement and state aid rules, and rules to prevent and detect fraud, corruption, conflicts of interest and double-funding".

MEPs were also concerned by "first indications" that in some EU countries RRF funds may be used to replace regular national expenditure rather than for the reforms and investments set out in national RRF plans. They also criticised that the definition of milestones and targets (a prerequisite for EU countries to receive RRF payments) was based on "political negotiations" and lack clear and fixed criteria.

MEPs stressed that the Commission must trigger without delay the application of the conditionality mechanism whenever breaches of the principles of the rule of law are identified to be affecting or are in serious risk of affecting the sound financial management of the Union budget. They welcomed the first application of the conditionality mechanism in the case of Hungary; however, facts would have justified the freezing of 100 % of EU funds instead of the freezing of 55% of three cohesion policy programmes (around €6,35 billion).

Further political priorities relate to NGOs. The EP calls for an effective mechanism to assure NGOs' activities are aligned with Union values and demand full transparency on their financing. A public black list should be created for NGOs, that have engaged in activities such as hate speech, incitement to terrorism, religious extremism supporting or glorifying violence, or have misused or misappropriated Union funds, in order to ensure they are blocked from access to Union institutions and Union funding programmes. In addition, the Commission is called to propose a new "NGO Regulation" that sets conditions for receiving EU funds and obligations to report sources of funding as well as activities performed on behalf of foreign actors.

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