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General Secretariat

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MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Budget Committee
Subject:	Draft Council conclusions on ECA special report No 03/2024: The rule of law in the EU – An improved framework to protect the EU’s financial interests, but risks remain: Presidency proposal

In view of the Budget Committee meeting on 8 March 2024, delegations will find attached the Presidency's proposal for the draft Council conclusions on ECA special report No 03/2024.

**Draft Council conclusions on special report No 3/2024 by the European Court of Auditors:
The rule of law in the EU: An improved framework to protect the EU's financial interests, but
risks remain**

PRESIDENCY PROPOSAL

THE COUNCIL OF THE EUROPEAN UNION:

1. WELCOMES the special report No 3/2024 by the European Court of Auditors (hereafter referred to as "the Court") and the replies of the Commission to the report;
2. NOTES that breaches of the principles of the rule of law in Member States can negatively affect the sound financial management of the EU budget and the protection of the EU's financial interests and, in this context, RECALLS that the Conditionality Regulation is not a rule of law instrument as such but primarily a budgetary instrument;
3. TAKES NOTE of the findings and the scope of the Court's report, in particular that:
 - the Conditionality Regulation has improved the rule of law framework, but the Court considers that certain risks remain;
 - the Commission is still developing the administrative capacity necessary to apply the Conditionality Regulation;
 - the Commission identified challenges to rule of law but did not systematically assess and document their potential impact;
 - the Commission's decision to use (or not) instruments to protect the EU's financial interests was not based on well documented criteria;
 - the handling of the Hungarian case was in line with the Conditionality Regulation;
 - the audit did not cover the implementation of the Recovery and Resilience Facility or the Funds covered by the Common Provisions Regulation;
 - the audit did not assess whether the budgetary and remedial measures imposed under the Conditionality Regulation had been effective in addressing the deficiencies identified by the Commission.

4. ACKNOWLEDGES that the protection of the EU budget and the financial interests of the Union has improved during the current Multiannual Financial Framework 2021-2027, in particular with the entry into force of the Conditionality Regulation, but also for its complementarity with other instruments such as the Recovery and Resilience Facility and the Common Provisions Regulation, contributing to a more complete framework for protecting against and preventing breaches of the principles of the rule of law.

5. STRESSES the importance of the implementation guidelines issued by the Commission as a useful tool for an objective and impartial application of the Conditionality Regulation.

6. [REDACTED]

7. [REDACTED]

8. [REDACTED]

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