

Cohesion and RRF (Recovery & Resilience Facility): financial management, control & audit differences

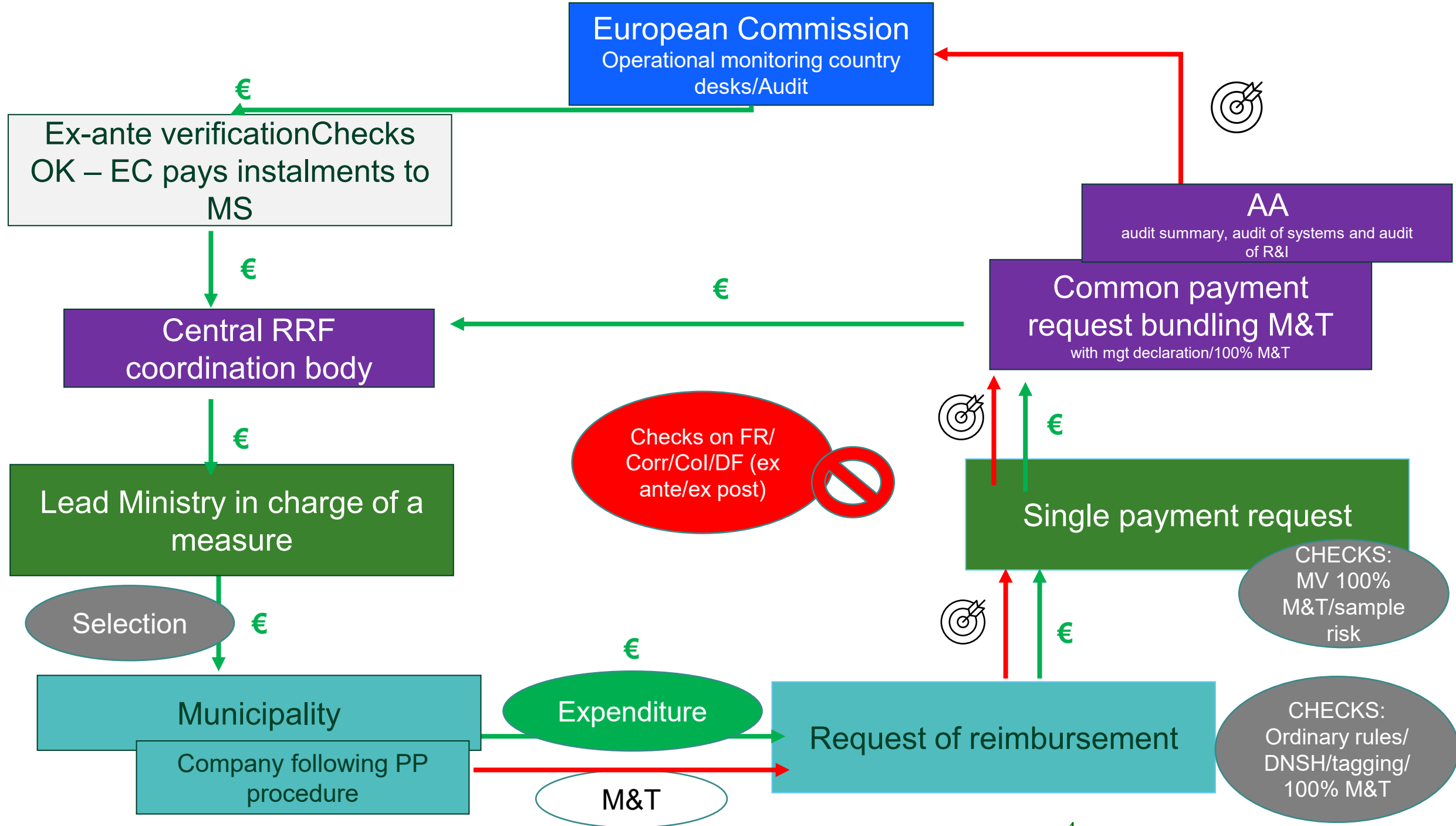
What is innovative about RRF?

	Multi-annual Financial Framework 2021-2027	Recovery & Resilience Facility (RRF) NGEU
Beneficiaries	Public and private bodies	Member States (beneficiary/borrower) for investments and reforms
Management	Direct, shared or indirect	direct management
Support	Grants + FI	Grants (Loans)
Payment	Compliance based reimbursement of costs (Partly on SCO/FNLC)	Performance based Fully FNLC “cash for result”
Funding	EU budget + MS co-financing	EU debt funded and No co-financing
Controls	Checks on costs	Checks on achieving milestones/targets Check Col/Fraud/Corruption/DF

- *Different compliance criteria require different checks and audits*

RRF Grant allocation

EU Member State	Total grants and loans (June 2022) € billion	RRP Total Grant allocation (based on November 2020 forecast), € billion	30% component of RRP Grant allocation (indicative value based on November 2020 forecast), € billion	30% component of RRP Grant allocation (based on June 2022 update), € billion	RRP Total Grant allocation (June 2022 update), € billion	Change due to revision from November 2020 to June 2022, € billion
Austria	3.75	3.46	1.23	1.52	3.75	0.29
Belgium	4.52	5.93	2.28	0.88	4.52	-1.41
Bulgaria	5.69	6.27	1.63	1.05	5.69	-0.58
Croatia	5.51	6.30	1.66	0.88	5.51	-0.79
Cyprus	1.15	1.01	0.19	0.1	0.92	-0.09
Czechia	7.68	7.07	3.53	4.14	7.68	0.61
Denmark	1.43	1.55	0.25	0.13	1.43	-0.12
Estonia	0.86	0.97	0.21	0.1	0.86	-0.11
Finland	1.82	2.09	0.42	0.16	1.82	-0.27
France	37.46	39.38	15.05	13.13	37.46	-1.92
Germany	28.03	25.62	9.32	11.73	28.03	2.41
Greece	29.83	17.77	4.26	3.91	17.43	-0.34
Hungary	5.81	7.18	2.54	1.17	5.81	-1.37
Ireland	0.91	0.99	0.07	0	0.91	-0.08
Italy	191.84	68.90	20.96	21.11	69.04	0.14
Latvia	1.83	1.96	0.32	0.19	1.83	-0.13
Lithuania	2.10	2.22	0.13	0.01	2.1	-0.12
Luxembourg	0.08	0.09	0.02	0.01	0.08	-0.01
Malta	0.26	0.32	0.15	0.09	0.26	-0.06
Netherlands	4.71	5.96	2.03	0.78	4.71	-1.25
Poland	34.63	23.86	3.58	2.25	22.53	-1.33
Portugal	18.24	13.91	4.15	5.78	15.54	1.63
Romania	27.13	14.25	4.03	1.92	12.13	-2.12
Slovakia	6.01	6.33	1.69	1.36	6.01	-0.32
Slovenia	2.19	1.78	0.50	0.21	1.49	-0.29
Spain	77.23	69.53	22.92	30.63	77.23	7.70
Sweden	3.18	3.29	0.38	0.27	3.18	-0.11



RRF v. Cohesion: principles and some rules

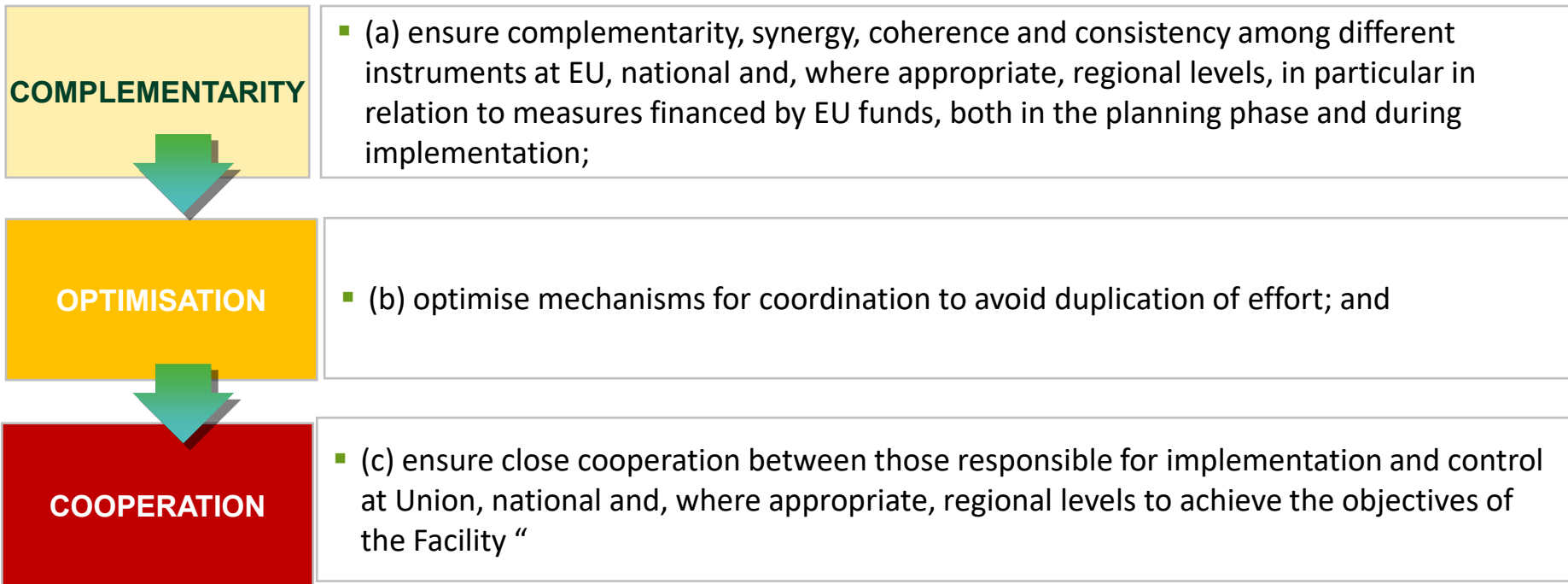
RRF facility	Cohesion Policy
6 pillars (green, digital, smart, cohesion, health, youth)	5 Policy Objectives (smart, green, connected, social, citizens) and Specific Objectives: 23 for ERDF/CF and 13 for ESF+
No co-financing principle (M&T in each instalment 2x/year)	Co-financing principle/N+3 and N+2
Reforms identified within the Recovery plans aligned with CSRs	Enabling conditions: 4 horizontal and 17 thematic
Obligation to fulfil M&T (or else reduction of support)	Performance Framework but no Performance Reserve
Reforms and investments within the Components of each NRRP	Interventions within each Specific Objective
Strict compliance with DNSH for both R&I (some NRRP have additional cross-cutting rules ex: quota-sud and quota-rosa in Italian NRRP)	Compliance with DNSH and horizontal principles in CPR/ESF+ (FR, GE)
37% Green and 20% digital tagging (see Annex VI and VII Reg 2021/241)	More detailed earmarking PO 1&2 and category of regions
Additionality condition	No additionality condition
Partnership required (but no strict rules)	ECCP European Code of Conduct on partnership
5 Visibility rules for NGEU	Visibility rules with 3% correction

Management, audit & control differences

CPR/ERDF/CF/ESF+ Regulations	Recovery & Resilience Facility Reg.
FNCL/SCO optional	FNLC mandatory at level 1
MA/Accounting function/AA; designation procedure discontinued and rolling over from 2014-2020	Own MS management structure separate from MA AA often same as in CPR
Public Webpage with list of operations (49.3) Storing of data contractors, beneficial owners with VAT and tax identification codes (annex XVII)	No obligation to disclose full list of operations but MS must collect data on final beneficiaries, contractor and <u>sub-contractors</u> , beneficial owners (Art.22.2.d)
IMS reporting Art 69.12 Reporting irregularities to EC above 10 000€	No IMS reporting ; <u>no specific thresholds for reporting irregularities</u> . Rely on OLAF own initiative
Payments by EC only if you continue fulfilling enabling conditions	<u>Suspension if M&T no satisfactorily achievement of milestones/targets</u> (Art.24.6)
Durability check (art 65)	No durability but measures linked to milestones/targets <u>shall not be reversed</u> (art 24.3)

Demarcation RRF and Cohesion policy(and REACT...)

Art 28 RRF “EC and MS shall, in a measure commensurate to their respective responsibilities, foster synergies and ensure effective coordination between RRF and other EU programmes, including TSI, and in particular with measures financed by EU funds”



Horizontal principles and transfers in RRF

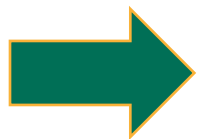
Art 5: unless duly justified, RRF shall not substitute recurring national budgetary expenditure

Transfers (art 7):

- From Cohesion Policy 2021-2027 to NRRP
- From RRF to TSI instrument or InvestEU but max 4% of NRRP

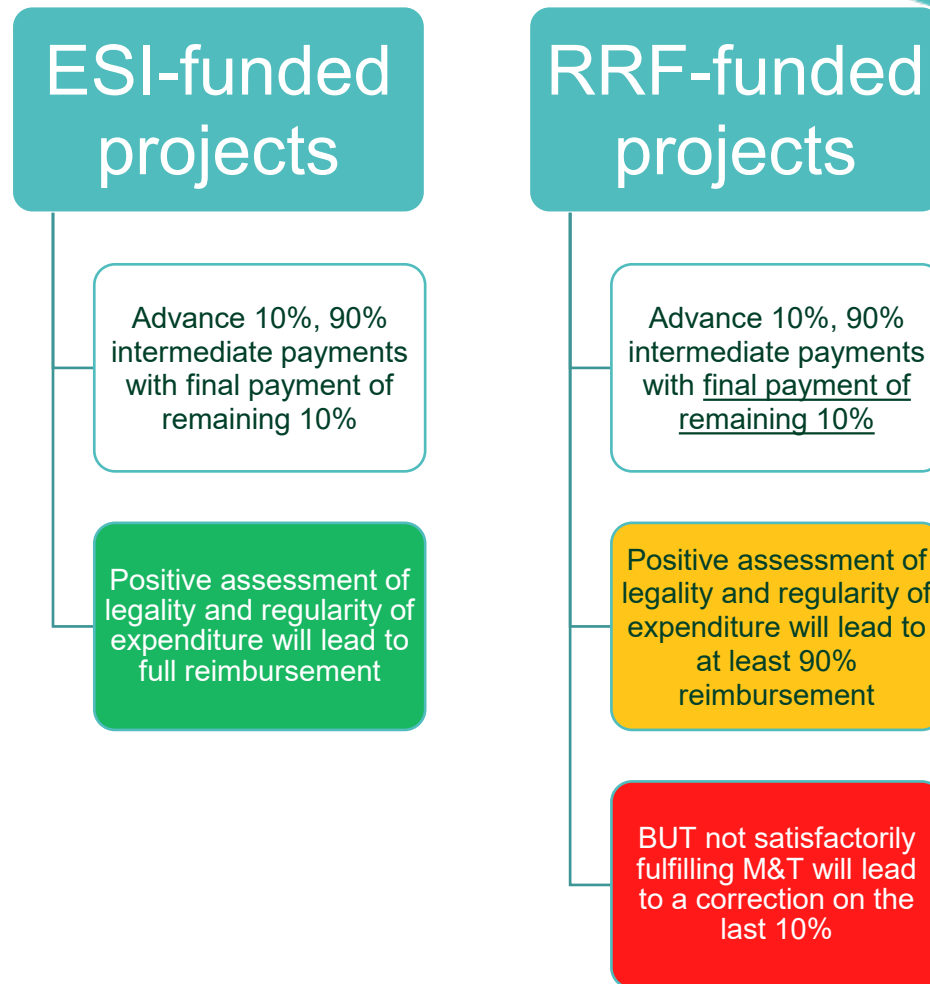
Provisions RRF and Cohesion for operations

Art 9 RRF 	▪ “Support under the RRF shall be additional to the support provided under other EU funds and programmes. Reform and investment projects <u>may receive support from other EU programmes and instruments provided that such support does not cover the same cost.</u>”
Art 65.11 CPR 2014-2020 	▪ “An operation may receive support from one or more ESI Funds or from one or more programmes and from other EU instruments, provided that the expenditure item included in a request for payment for reimbursement by one of the ESI Funds does not receive support from another Fund or EU instrument.”
Art 63.9 CPR 2021-2027	▪ “An operation may receive support from one or more Funds or from one or more programmes and from other EU instruments. In such cases expenditure declared in a payment application for one of the Funds shall not be declared for either of the following: (a) support from another Fund or EU instrument;”



support from different instruments is possible; no double funding needs to be ensured!
RRF cannot cover the minimum national co-financing of CPR funds

Financial flows in Cohesion and RRF projects



Conflict of interest: Slovakia case in R&D



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(Information)

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EUROPEAN COMMISSION

COMMISSION NOTICE

Guidance on the avoidance and management of conflicts of interest under the Financial Regulation

(2021/C 121/01)

DISCLAIMER: 'On the basis of applicable EU law, this document provides technical guidance for staff and bodies involved in implementing, monitoring and controlling the EU Budget on how to interpret and apply the EU rules in order to facilitate implementation and to encourage good practice(s). The examples provided in the document merely aim at illustrating the specific concepts presented in each chapter. Only the Court of Justice of the European Union is competent to authoritatively interpret Union law.'

EC assessment of a Cypriot Milestone

- M189 “Entry into force of the law to protect whistle-blowers”: entry into force of a law to protect whistle-blowers reporting fraud and corruption from internal sanctions, and EC assessment concludes evidence allows to conclude that the milestone has been satisfactorily fulfilled.
- However, while the law has undoubtedly been adopted, the law itself is **unlikely to sufficiently protect whistleblowers**, given that **neither officials nor potential whistleblowers could enjoy the anonymity** that is taken for granted in larger countries.

Protection financial interest EU (art 22)

RRF Audit and control systems

- MS effective and efficient internal control system to prevent, correct and detect fraud, corruption and Col
- collection of data & monitoring of achievement of milestones/ targets
- collect and store data on final recipients, contractors, subcontractors, **and beneficial owners** (before the first payment request is made)
- List of measures to ensure prevention/detection/correction
- legal action for recovery of funds
- (payments alongside) management declarations with summary of audits and controls carried out (weaknesses/corrective actions)
- *Art 132 FR: Record keeping for 5 year (or less for small projects)*

Spanish IT information system

Milestone 173

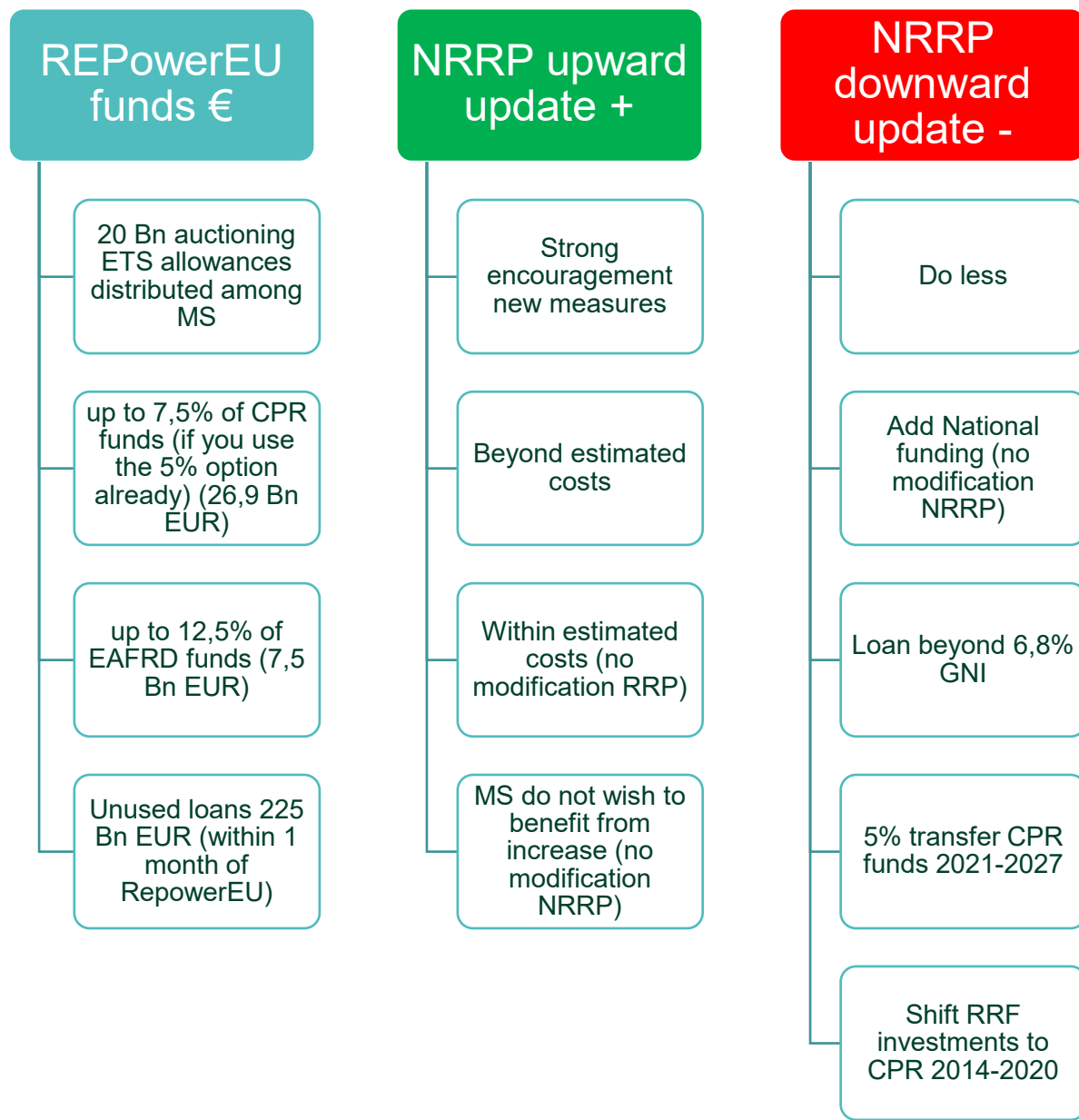
- EC Weakness: collecting info on beneficial owners in case of foreign companies without a registered representative in Spain

#	Related measure (reform or investment)	M/T	Name	Qualitative indicators (for milestones)	Quantitative indicators (for targets)			Date for completion		Responsibility for reporting and implementation	Further specification (if necessary)	Verification mechanism	Milestone and target description
					Unit	Base -line	Goal	Q	Year				
173	C11.I5 Transformation of the administration for the implementation of the Spanish Recovery and Resilience Plan	M	Recovery and Resilience Facility Integrated Information System	Audit report				Q3	2021	MHFP		A copy of the audit report on the system shall be made available. The report shall clearly indicate a) the auditor/responsible body signing the report; b) the date on which the report is signed; c) confirmation that the system allows to perform the task listed in the description of the milestone; and d) any weaknesses of the system identified by the report and any corrective actions recommended to address them.	Implementation of a system that shall allow (a) for the upload of the recovery and resilience plan and of the information on implementation and monitoring of the achievement of milestones and targets; (b) for the preparation of management declarations and the audit summary as well as payment claims and (c) to collect and store data on beneficiaries, contractors, subcontractors, and beneficial owners in accordance with Art 22 of the Recovery and Resilience Facility Regulation. A dedicated audit report on the system used shall be undertaken. In case that the report identifies any weaknesses, the audit report shall recommend corrective actions.

Check list for contracts checks and data related to final recipients, contractors, subcontractors and beneficial owners

General identification data of the contract and final recipient			
Identification code of the related milestone or target in the system			
Responsible entity for reporting and implementation according to the OA (if different from above)			
Implementing authority attributing the contract			
Contract/project Number:			
Final recipient/contractor Name:			
Grant awarded/total value of the contract			
Contract Start Date:		Contract Expiry Date:	





Implementation issues

- Inflation, supply side costs, costing of measures in NRRP
- RRF covers capital investment not the current expenditures
- Very tight deadlines 2026
- Administrative capacity
- Low involvement of LRA
- How strict will the EC monitor RRF?

