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Portugal

Control and audit of the Recovery and Resilience Facility (RRF)

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RRF specifics



Performance-based (payments in instalments, upon fulfilment of milestones and targets set in RRP);



Front-loaded (70% committed by the end of 2022 and the remaining 30% by the end of 2023);



Following a different **allocation mechanism** (based on population, the inverse of per capita GDP and relative unemployment rate 2015–2019 for the 70% of funds; + change in real GDP for the remaining 30%);

Partly **retroactive** (eligibility from February 2020);



Country-specific (reflecting country-specific recommendations);



Loan-funded (€360 billion available, in 2018 prices);



Largest instrument in EU history (with an envelope of €672.5 billion (in 2018 prices) it makes more than half of the new MFF and almost 90% of the NGEU).



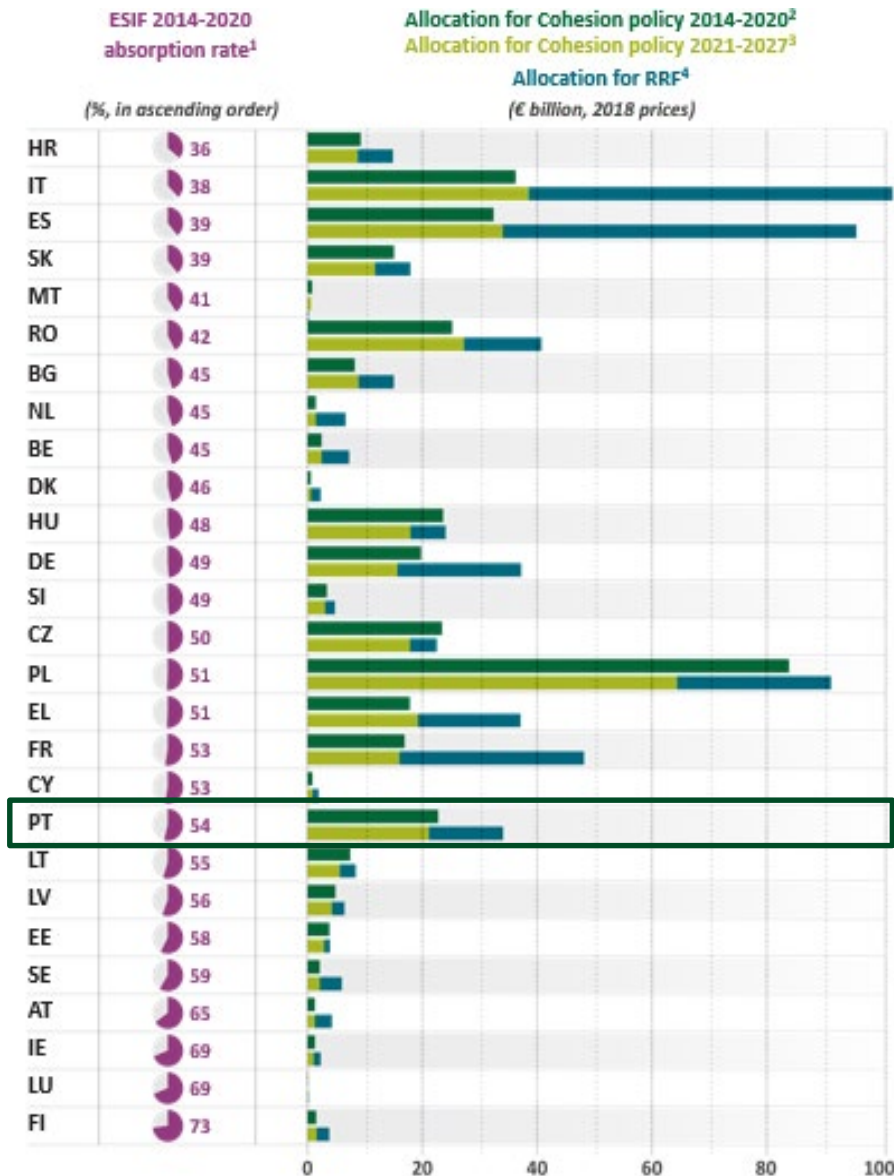
Comparison of the RRF and ESI Funds



Coordination is key.

Instrument	RRF	ESIF
Feature		
Preparation	RRP in addition to the National Reform Program prepared in the framework of the European Semester. The Plan sets out the main objectives and expected results.	Member State prepares a Partnership Agreement and operational programs defining the priorities and objectives to be met.
Objective	<ul style="list-style-type: none"> • General objectives – to promote economic, social and territorial cohesion by: improving the resilience, crisis preparedness, adjustment capacity and growth potential of the Member States; mitigating the social and economic impact of that crisis, in particular on women; contributing to the implementation of the European Pillar of Social Rights; supporting the green transition and digital transition. • Specific objectives – to provide Member States with financial support to achieve the milestones and targets as set out in the RRP. 	To strengthen economic, social and territorial cohesion by reducing disparities in development between Member States.
Financial instruments	Grants and loans.	Grants and other financial instruments (loans, guarantees, interest subsidies).
Management	Direct management.	Shared management.
Financing	Upon fulfilment of milestones and targets agreed in the RRP, the Member State submits a request for reimbursement (twice a year).	Member State applies for reimbursement of eligible and certified costs on the basis of projects carried out and funds paid.

Absorption capacity will be a challenge



Levels of controls/audits in the RRF



Three levels of control:

- **Level 1: Member States**

- **Internal control systems**, which must be sufficiently robust to protect the financial interests of the Union and in particular to prevent, detect, report and correct fraud, corruption, conflict of interests and double-funding;
- If the arrangements proposed are deemed insufficient, the RRP cannot be approved.

- **Level 2: European Commission**

- Ex-ante, during implementation and ex-post controls for **achievement of milestones and targets**;
- Controls for **protection of Union financial interests**.

- **Level 3: ECA**

- Ex-ante, during implementation and ex-post audits on **performance and legality and regularity of payments** within the RRF.

Portugal – RRF governance and control system

Political level

Policy coordination

Interministerial Commission – strategic political management of the RRP, ensuring that its implementation is **consistent** with the national and European strategic guidelines and the articulation and deepening of **synergies** with other public policies.

Monitoring

National Monitoring Committee – **verifying** the implementation of the RRP and its results, **promoting** the RRP to citizens, businesses and other organisations, and analysing the **factors affecting the performance** of implementation, and may propose recommendations.

Technical level

Coordination and monitoring

Mission structure “Recovery Portugal” – **centralized management of the RRP: operationalisation** of the RRP, **monitoring, evaluation, interaction with the EC** (including bi-annual disbursement requests), **audit and control, anti-fraud measures**. Working in conjunction with the Agency for Development and Cohesion, and Planning, Strategy, Evaluation and International Relations Office of the Ministry of Finance.

Audit and control

Audit and Control Committee – **overseeing** the internal control system of the “Recovery Portugal”, giving a **prior opinion on the requests for disbursement** and carrying out **audits** on the functioning of the RRP management and control system.

Controls by the Commission



- **Ex-ante:**
 - Plans must detail **national systems** and concrete measures to prevent, detect and correct conflict of interest, corruption and fraud (eligibility criteria).
- **During implementation:**
 - **Payment requests** upon the fulfilment of milestones and targets to include reliable data.
 - The Commission will only approve requests that include the necessary information, accompanied by a management declaration confirming effective implementation and a summary of the audits and controls carried out.
- **Ex-post:**
 - **Verifications** of the achievement of milestones and targets, including on-the-spot checks.
 - The Commission will **audit** spending and **reduce or recover** amounts if serious irregularities arise.

ECA auditing the RRF (1)

Audit scope will depend on the availability of resources:

- Auditing **performance** on different levels:
 1. Performance of individual (thematic) components;
 2. Performance of each RRP overall;
 3. Performance of the RRF as a whole.
- Auditing **legality and regularity** of payments:
 - Interconnectedness with performance.
 - Payments are based on milestones and targets.
 - There is **no link between costs and payments**.
 - Some reforms will have no costs at all.
- Holistic and comprehensive approach.



ECA auditing the RRF (2)

Horizontal aspects to be taken into account as well:

- Level-playing field;
- Role of the Council;
- Additionality and complementarity;
- Management and control framework;
- Absorption;
- Treasury management;
- Reliability of data;
- Other conditions (DNSH principle or the rule of law).



ECA opinions on the MFF 2021 – 2027 and NGEU

- Opinion No 1/2018: Rule of law
- Opinion No 2/2018: European Monetary Fund
- Opinion No 3/2018: 11th European Development Fund
- Opinion No 4/2018: Protection of persons reporting on breaches of Union law
- Opinion No 5/2018: Own resources
- Opinion No 6/2018: Common Provisions Regulation
- Opinion No 7/2018: CAP
- Opinion No 8/2018: OLAF
- Opinion No 9/2018: Anti-Fraud Programme
- Opinion No 10/2018: Neighbourhood, Development and International Cooperation Instrument
- Opinion No 2/2020: Amended proposal on the CPR
- Opinion No 4/2020: REACT-EU regulation and Common Provisions Regulation
- Opinion No 5/2020: Just Transition Fund
- Opinion No 6/2020: Proposal for a regulation establishing a Recovery and Resilience Facility

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