

Background information for the CONT public hearing on **‘Cohesion policy investments and Next Generation EU recovery fund: state of play of the monitoring and controls’**

The Committee on Budgetary Control (CONT) held a public hearing on 23 January 2023, with the aim to analyse whether the delays with cohesion partnership agreements have affected the level of monitoring and controls of the spending in Member States. The topic of this public hearing was broad and encompassed concepts of two policy areas/instruments that are both unique and very complex in themselves. This briefing provided background information about key concepts and elements (including monitoring, reporting and control) that had been found to be relevant during the preparatory phase of the hearing, to facilitate the debate and help better understand both the similarities and the differences between these instruments.

The paper is organised in separate but interlinked thematic sections addressing: planning/programming documents (and the state of play of implementation), the novel elements in the RRF, result/performance orientation in cohesion policy, authorities/arrangements for implementation, monitoring and control (including fraud prevention), reporting/transparency and the role of the European Parliament (EP). Chapters first address the specificities of cohesion policy instruments, followed by those of the RRF.

1. Introduction

Cohesion policy and the RRF are both based on Article 175 of the Treaty on the Functioning of the European Union, and thus both contribute to the pursuit of **economic, social and territorial cohesion** in the European Union (EU), as well as to the thematic (political) priorities of the **green and digital transition**. The former is a **‘historical’¹ EU policy**, falling under shared management with a budget of EUR 392 billion (current prices) in the 2021-27 period (part of the current MFF), disbursed through the Structural Funds (European Regional Development Fund and the European Social Fund) and the Cohesion Fund. The **RRF is a new instrument** directly managed by the Commission, which aims to provide financing to Member States, through grants and loans, to finance reforms and investments. It was created in 2021 to tackle the effects of the COVID-19 crisis (through Regulation (EU) 2021/241, hereinafter referred to as the RRF Regulation)²; its grant component (EUR 338 billion in current prices) is part of the MFF, whereas RRF loans (EUR 385.8 billion) are not. The RRF is a temporary instrument that ends in 2026³.

This analysis has its limitations, given the novelty of the RRF and the **slow start of the 2021-27 cohesion policy cycle**. Even in the case of the RRF, where implementation is more advanced and some milestones and targets are reported to have been achieved, the actual quality and effect of those EU-financed interventions can only be analysed in-depth at a later stage.

¹ A useful web resource on this policy are the [Info regio website](#), and there is also an [ESF+ webpage](#).

² [Regulation \(EU\) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility](#), OJ L 57, 18.2.2021, p. 17.

³ RRF websites have been set up by the [EP](#), the [Council](#) and the [Commission](#). In its ‘Documents & Links’ section, the EP webpage provides the general public with a wide range of documents and links on the instrument.



2. Basis for implementation: planning documents

Once the legislative framework is in place, the first phase of the cohesion policy cycle is about **programming**, drawing up the **Partnership Agreement (PA)** and the **Operational Programmes (OPs)**. (The key regulation is the so called Common Provisions Regulation⁴, hereinafter referred to as CPR 21-27.) The PA gives strategic orientation for programming, and sets out the arrangements for using the funds (Article 10 of CPR 21-27). OPs are more detailed documents, setting out how the national allocation will be spent during the period and which policy objectives will be pursued (Article 22 of CPR 21-27). They can cover a specific theme or a geographical area. Member States are obliged to involve partners in the preparation of the PA and throughout the preparation, implementation and evaluation of OPs. The CPR 21-27 has detailed provisions about the content and also provides templates for both the PA and the OPs. The approval of the PA is laid down in Article 11: after an assessment by the Commission the approval follows by means of an implementing act. The Commission assessments are not available online.

Similarly, to have access to the resources under the RRF, Member States have to prepare (requirements are outlined in Article 18 of the RRF Regulation) so-called **recovery and resilience plans (RRPs)**:

‘These plans should address the objectives set out in the RRF Regulation and the challenges identified in the European Semester, particularly the 2019 and 2020 country-specific recommendations [...]. The Commission assesses Member States’ plans and submits its assessment for Council’s approval. [...] RRP should contain the expected milestones (qualitative), targets (quantitative) and a timetable for the implementation of the reforms and investments, with a deadline of 31 August 2026.’

Source: [The main building blocks of the Recovery and Resilience Facility](#), EGOV, EP, Author: Cristina Dias, October 2022

Following approval of the RRP, so-called **operational arrangements** can be concluded between the Member State concerned and the Commission. As explained in Recital 70 of the RRF Regulation, these are of ‘a technical nature, detailing aspects of the implementation with respect to timelines, indicators for the milestones and targets, and access to underlying data.’ (There are no detailed provisions on these arrangements in the RRF Regulation.) An [in-depth analysis provided by the Economic Governance Support Unit \(EGOV\)](#)⁵ includes in its annex a detailed overview of planning documents per country, including links to operational arrangements (in cases where the Member State opted to publish it).

The European Court of Auditors (ECA) published a special report on ‘The Commission’s assessment of national recovery and resilience plans’⁶. A summary of the ECA findings can be found in an earlier [EGOV and Policy Department D paper](#)⁶: overall, the ECA noted that ‘the Commission’s assessment process was appropriate, given the complexity of the process and the time constraints’, and that ‘the Commission’s assessment improved the quality of milestones and targets’. Nevertheless, the ECA considered that some important issues remained unaddressed, that in several cases milestones and targets lack clarity, and that even though in Commission guidance preference was given to output indicators, at least half the sampled RRP had measures with input indicators.

2.1 State of play of the programming/planning phase

Apart from the late adoption of the legislative framework for cohesion policy (mid-2021, which was also due to the late adoption of the MFF), the **parallel planning process** with the RRF also contributed to the slow start of implementation. The RRP were advancing relatively fast; according to the [ECA review on “EU financing through cohesion policy and the Recovery and Resilience Facility: A comparative analysis”](#) (hereinafter referred to as ECA comparative analysis), two thirds (18) of the RRP were adopted within six months after adoption of the RRF Regulation. It should be noted, however, that cohesion policy programming is time consuming as it means the

⁴ Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy

⁵ The adoption of the Recovery and Resilience Plans - public documents, Economic Governance Support Unit (EGOV), EP, Authors: Adriana Hecser, Ovidiu Turcu, November 2022

⁶ Recovery and Resilience Dialogue with the European Commission BUDG-ECON Committee meeting on 21 November 2022, Economic Governance Support Unit (EGOV), Policy Department for Budgetary Affairs, EP, Authors: Authors: Marcel Magnus, Samuel de Lemos Peixoto, Francisco Javier Padilla Olivares, Alix Delasnerie, 17 November 2022

drawing up of several programmes, taking into account diverse territorial specificities and respecting the (mandatory) partnership principle throughout the process. According to a Commission document⁷ on the state of execution of payments and the state of play of implementation, sent regularly to Parliament (primarily to the Committee on Budgets (BUDG) but also to the Committee on Regional Development (REGI)): 23 PAs were adopted and the Commission expects 416 programmes for the 2021-27 period. The document reports 140 European Regional Development Fund (ERDF)/ European Social Fund Plus (ESF+) programmes, 51 European Territorial Cooperation (so called Interreg) programmes and 6 European Maritime, Fisheries and Aquaculture Fund (EMFAF) programmes to have been adopted.

At the time of writing, **all RRP**s have been adopted. According to the [RRF Scoreboard](#)⁸ grant disbursements amounted to EUR 93.54 billion and loan disbursements to EUR 45.16 billion (see more details about the Scoreboard in Section 7 – Reporting and transparency. The [EGOV - Policy Department D briefing prepared for the latest RRF Dialogue](#) states that 'Ireland has not requested pre-financing. Pre-financing is no longer available, as the RRF Regulation provides the option of pre-financing only for plans adopted by the Council until 31 December 2021.' For disbursements made so far, [a regularly updated EGOV briefing](#)⁹ can also be consulted.

Further insight can be gained from the 2021 Commission annual activity reports (AARs). The AARs of both the Directorate-General for Regional and Urban Policy (DG REGIO) and the Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) mention their contribution to assessing all RRP, with a view to ensuring complementarities between the instruments. According to the [DG REGIO's 2021 annual activity report](#):

- The first 2021-27 programmes were adopted in 2022, thus no payments were made in 2021. Unallocated 2021 amounts for the 2021-2027 programmes under the ERDF, the Cohesion Fund and the Just Transition Fund (JTF) will be reprogrammed (in equal proportions) over 2022, 2023, 2024 and 2025. The delivery of investments can start upon programme adoption and as soon as management and control systems are established and running.
- Internal audit found some weaknesses with regard to preparation for the 2021-2027 programming period (both for DG REGIO and DG EMPL): even though there are adequate processes to support the start of the 2021-2027 period, procedures to provide guidance for Member States and the timing of the preparation and operational start of the programming period have deficiencies (delays and internal reporting). The AAR states that: 'REGIO is preparing a clear procedure for issuing (non-) guidance documents and creating a common repository of documents on the REGIO Wiki extranet accessible for the national authorities implementing the policy. In addition, REGIO further improved the communication and coordination [...] and increased reporting to senior management, including on country specific issues'.

According to the [Annual Activity Report 2021 of DG EMPL](#):

- The adoption of ESF+ programmes was delayed to 2022 due to the late adoption of the ESF+ Regulation (June 2021) and to Member State authorities giving priority to other instruments to tackle the immediate consequences of the COVID-19 outbreak (REACT-EU, the RRF and Coronavirus Response Investment Initiative CRII and CRII+). Therefore, as for the instruments managed by DG REGIO, no ESF+ payment was made in 2021 for the 2021-2027 period.
- With regard to the abovementioned internal audit, (similarly to DG REGIO actions) DG EMPL has reported that it has agreed an action plan and that all important recommendations have been implemented, including improvements to communication, coordination and the internal system for reporting to senior management, and the production of financial checklists.

According to the [2021 annual activity report of the Secretariat-General](#) of the Commission, which harbours the Recovery and Resilience Task Force (RECOVER) created within the Secretariat-General in 2020 to steer the implementation of the RRF alongside the Directorate-General for Economic and Financial Affairs (DG ECFIN):

- RECOVER and DG ECFIN steered work across the Commission on the assessment of the national plans. In most cases, the Commission had to seek additional information for a comprehensive assessment.

⁷ Reference is made to the version of November 2022.

⁸ Accessed: 12 January 2022

⁹ Recovery and Resilience Plans: Payment requests and disbursements made so far, EGOV, EP, Author: Adriana Hecser, 16 November 2022

- 22 RRFs were approved by the Council in 2021 accounting for a total allocation of EUR 291 billion in non-repayable financing and EUR 154 billion in loans. Seven Member States requested loans in 2021 (Cyprus, Greece, Italy, Poland, Portugal, Romania, and Slovenia).
- Some RRFs are 'front-loaded' with milestones and targets concentrated at the beginning of the period, while others are 'back-loaded' with milestones and targets concentrated in the second half of the RRF timeline. The same applies to the payment profile, which has been agreed according to each Member State's specific circumstances.

3. Novel element of the RRF

As a reminder: in cohesion policy expenditure is reimbursed mostly based on **costs incurred by the beneficiary**. In the 2021-27 period, for payments to be authorised, relevant enabling conditions first need to be met, and the Member State needs to submit an assurance package (accounts, management declaration, annual audit opinion and control report, see Article 98 of CPR 21-27) about the regularity of the expenditure declared. Further to that, expenditure needs to meet the eligibility criteria (Article 65 CPR 21-27). This approach is used in all types of financing, including when simplified cost options or the 'financing not linked to costs' method are used.

In the RRF, the financing is not linked to real costs, but is tied to the achievement of milestones and targets. The individual operations chosen under the RRFs by the Member State are not bound by this method though: Member States use their national rules and can choose the financing method, but need to respect the principle of sound financial management. In other words:

'Member States are the beneficiaries of the RRF funds, which, once disbursed, become national funds. Any reforms and investments implemented by the Member States as part of their plan are therefore financed from national funds. This also means that the Commission can only control elements that pertain to the relation between itself and the Member States, and not what happens when the funds are disbursed by the Member States.'

Source: [2021 annual activity report of DG ECFIN](#)

A management declaration needs to accompany a payment request in both cases, to certify the completeness, accuracy and reliability of the accounts submitted, the legality of the expenditure and that it was used for the intended purpose, the reliability of data used for indicators, the effectiveness of anti-fraud measures, etc. (see template included in Annex XVIII of CPR 21-27; see also Article 22 of the RRF Regulation). The provisions for the management declaration are similar in both cases – those of the RRF emphasise the verification of no double funding. Finally, it has to be noted:

'[...] that only a small part of 2014-2020 cohesion spending had been reimbursed using performance-based funding models, almost entirely through SCOs under ESF. So far, almost all ERDF and CF programmes were exclusively implemented based on the reimbursement of incurred costs. The FNLTC model was piloted for just one ERDF project in Austria. For the 2021-2027 period, SCOs have become mandatory for ERDF and ESF+ funded operations up to €200 000. The Commission also expects that the FNLTC model will be used more than in previous programming periods.'

Source: ECA Review 01/2023: EU financing through cohesion policy and the Recovery and Resilience Facility: A comparative analysis (Author's note: SCO stands for 'simplified cost options', FNLTC for 'financing not linked to costs')

4. Result/performance orientation in cohesion policy

As mentioned above, the RRF has brought about **a radical paradigm shift with it being performance based**; however, as also pointed out by the ECA in the ECA comparative analysis, it remains to be seen whether the RRF is truly more performance based than cohesion policy in practice.

A shift towards performance orientation and a focus on results is not new to cohesion policy: emphasis had already been placed on the result orientation of programmes in the 2014-20 programming period. As outlined in Recital 23 of CPR 21-27: 'Member States should establish a performance framework for each programme covering all indicators, milestones and targets to monitor, report on and evaluate programme performance. This should

allow monitoring, reporting on and evaluating performance during implementation, and contribute to measuring the overall performance of the Funds.’

Result orientation is now embedded in the legislative framework and is built around several elements¹⁰:

- enabling conditions (earlier called ex ante conditionalities) ensure that necessary conditions for successful programme implementation are in place before or shortly after programme launch;
- moving programme design away from resource-based (traditional, input-driven) thinking towards assessing needs and results to be achieved with clear articulation of objectives;
- more emphasis on monitoring, reporting and evaluation during and after implementation.

In this context, the main tasks as regards monitoring are to set up a system that tracks progress towards target values of output and result indicators (for more on monitoring and indicators, see Section 6 – Monitoring and control).

Enabling conditions (ex ante conditionalities) were an innovation introduced in the 2014-20 period. Overall, they are **factors that should be in place before programme implementation starts, so that investments can be effective**, for example by putting strategic policy frameworks in place before selecting operations for support. Thematic enabling conditions are linked to specific objectives chosen by a programme, thus only the relevant ones need to be fulfilled for that programme. Horizontal enabling conditions apply to all specific objectives. A [Commission study](#)¹¹ found that ex ante conditionalities were useful overall, also confirmed by the ECA in a [2021 special report](#)¹². The mechanism was continued in the 2021-27 legislative framework, with adjustments made addressing weaknesses also mentioned in the aforementioned documents, and in an earlier [EP study](#)¹³.

In the 2021-27 period, [the case of Poland received attention](#), as the country indicates¹⁴ in its operational programmes the non-fulfilment of one of the horizontal enabling conditions (‘Effective application and implementation of the Charter of Fundamental Rights’, see Annex III of CPR 21-27). This means that a prerequisite for the effective roll-out of investments linked to a specific objective of a programme is not in place, and thus even if the operational programme is adopted and the selection of operations is underway, expenditure can be included in the payment applications of Poland, but cannot be reimbursed by the Commission until the fulfilment criteria are met. Details are outlined in Article 15 of CPR 21-27, including the deadlines for the Commission and the Member State to negotiate ways to provide for the fulfilment of the enabling condition in question. At the time of writing, the Commission is in discussions with Poland to find ways to ensure that the fulfilment requirements are fully met.

5. Authorities and arrangements for implementation

In the case of cohesion policy, programme authorities and their role and functions are defined in the CPR. Member States must identify for each programme **a managing and an audit authority**, as laid down in Article 71 of the CPR 21-27. **Managing authorities** manage all aspects of the programme(s) they are responsible for, including assessing whether the programme has produced the desired effects (Articles 49, 72-75 of CPR 21-27). The **audit authority** is responsible for the audit strategy, an annual audit opinion (legality and regularity of the declared expenditure, effective functioning of the management and control systems and the completeness, accuracy and veracity of the accounts) and an annual control report (Article 77 CPR 21-27). Member States also appoint a **monitoring committee** (Article 38-39 CPR 21-27) that oversees the correct implementation and examines the performance of programmes (the Commission participates in an advisory and monitoring capacity). The programme authorities and the body (bodies) which receive payments from the Commission are set out in the OPs.

¹⁰ Source used for this summary: [Polverari L. \(2015\) The monitoring and evaluation of the 2014-20 Cohesion policy programmes, IQ-Net Thematic Paper 36\(2\), European Policies research Centre, University of Strathclyde, Glasgow](#)

¹¹ The implementation of the provisions in relation to the ex-ante conditionalities during the programming phase of the European Structural and Investment (ESI) Funds, 2016

¹² Performance-based financing in Cohesion policy, 2021

¹³ Research for REGI Committee - Conditionalities in Cohesion Policy, Author: European University Institute, Law Department: Viorica VIȚĂ, September 2018

¹⁴ See: https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7413

The **implementation of the RRF relies on national systems that** can vary considerably across Member States. The authority dealing with the RRF on the national level is decided under the competence of the Member State, and there is a lot of heterogeneity, depending on various factors, such as the political structure of the Member State. **National arrangements are described in the RRP and in the operational arrangements.** Annex V outlines that the Commission assesses whether the arrangements proposed by the Member State in their RRP ensure effective monitoring and implementation, and are credible (also in terms of staff allocation) when it comes to the organisation of the implementation of reforms and investments. The level of detail/granularity of the description of governance and monitoring structures in said assessments varies from very detailed descriptions to shorter ones mostly referring to existing structures¹⁵.

6. Monitoring and control

Ensuring democratic accountability and the transparency of EU spending requires in-depth and timely information about the different steps involved in policy implementation, relating both to the progress towards objectives/targets and the regularity of spending. **To this end, complex systems of monitoring, control and evaluation have been put in place, in particular in EU cohesion policy, and the design of the RRF follows this schema.**

There are distinct but interrelated policy processes that deliver information to policymakers about the implementation of the policy at different stages of the policy cycle: monitoring, audit and evaluation¹⁶. **Monitoring and evaluation** serve the broader pursuit of ensuring that **spending is effective and delivers results in line with pre-agreed criteria.** **Control and audit** focuses on **sound financial management and the effectiveness of spending in accordance with the rules laid down in the legislative framework** (i.e. the legality and regularity of spending, and the protection of the EU's financial interests). Figure 1 further clarifies the differences among these notions:

Figure 1. Distinction between evaluation, monitoring and audit

EVALUATION	MONITORING	AUDIT
Empirical inquiry with a normative judgment on a policy or intervention, mainly on its design and implementation	Continuous generation of data tracking the progress of implementation or results of a policy or intervention	Examination of the budgetary management (compliance with legal rules, irregularities) and/or the performance of a policy or intervention
Operational goals: to measure (attribution to the policy/intervention), to understand (mechanisms at play), to learn (improve skills, policy/intervention...)	Operational goals: to observe (collect data without attribution requirements) and retrieve rapid feedback	Operational goals: to check (detect and prevent irregularities)

Source: Pellegrin, J & Colnot, L 2020, Research for REGI Committee – The Role of Evaluation In Cohesion Policy, study for the European Parliament, Policy Department for Structural and Cohesion Policies, Figure 2, p. 5.

According to the study referenced in Figure 1, **the distinction between these three processes is becoming more blurred with the rise of result/performance orientation.** Monitoring is not undertaken simply to satisfy formal reporting requirements: data produced by monitoring can be used by evaluators, especially if the monitoring system is geared towards results. Progress-oriented evaluations track and critically analyse progress towards targets, and are on the borderline between monitoring and evaluation. Performance auditing, looking at the effectiveness and efficiency of spending, blurs the distinction between audit and evaluation.

¹⁵ This paragraph is partially based on the in depth-analysis: [The Recovery and Resilience Plans: governance at national level](#), EGOV, EP, Author: Cristina Dias, October 2021

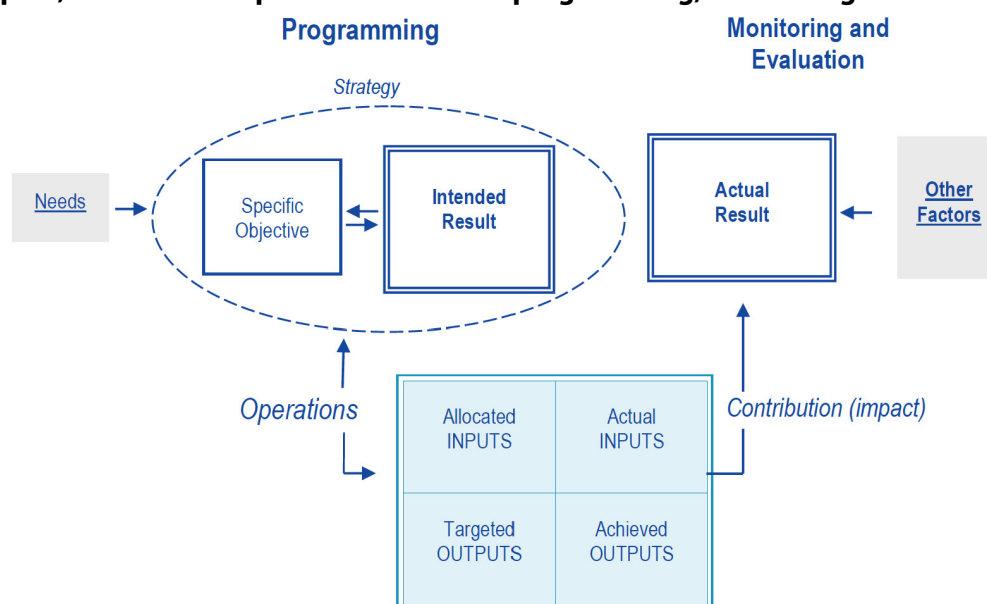
¹⁶ Discussing evaluation goes beyond the scope of this briefing.

Here, a few words need to be said about indicators, the main tools of monitoring. Indicators can be financial or can capture outputs and results. Indicators serve to monitor programme performance as they allow for the measuring of progress towards defined objectives. They need to be carefully designed and must meet several criteria¹⁷. In line with the explanation above, **monitoring of outputs means the observation of the delivery of products and whether implementation is on track, whereas monitoring of results means observing changes in the result indicators** (whether or not they move in the desired direction). A robust monitoring system is able to provide for adequate data and is often underpinned by cooperation with national statistics offices (for example for result indicators, or to obtain data on individuals and firms).

6.1 Cohesion policy

All three processes described above are well defined in the cohesion policy legislative framework. As explained earlier, each programme has a selected policy objective (of the 5 defined in the CPR) and corresponding priorities; for each priority a specific objective must also be set. **Output indicators and result indicators are then defined for each specific objective, with the corresponding milestones and targets.** The CPR provides a definition for 'milestone', 'target', 'output indicator' and 'result indicator'. Common indicators are also defined, allowing for aggregation.

Figure 2. Outputs, results and impact¹⁸ in relation to programming, monitoring and evaluation



Source: The Programming Period 2014-2020 Guidance Document on Monitoring and Evaluation— European Regional Development Fund and Cohesion Fund, Directorate General Regional and Urban Policy, European Commission, EGESIF_18-0032-00, 17/09/2018

Under the CPR 21-27, data collected at programme level is made available to the Commission through **electronic reporting**. Financial data is transmitted five times a year and data on output and result indicators twice a year to the Commission by the Member State (managing authority) (Article 42 of CPR 21-27). The reported Member State-level monitoring data can then be used (in the case of common indicators aggregated to show EU level achievements) by the Commission to draw up reports (and feed visual tools and data portals).

Monitoring is carried out on both project/operation and programme level. (While Member States are to do checks (and audits) of supported projects, the Commission can make on-the-spot inspections.) The Commission provides help to Member States in designing their monitoring systems; for example in the case of the ESF+, there are a Common Indicators' Toolbox, methodological notes and an FAQ with a view to collecting and reporting consistent, comparable and good quality data¹⁹.

¹⁷ Discussing indicators in detail goes beyond the scope of this briefing.

¹⁸ Please note that "impact" in this schema means the change that can credibly be attributed to the policy intervention, thus actual results "minus" other factors than the supported operations that might have influenced the result indicator.

¹⁹ Source: [ESF+ monitoring and evaluation](#), DG EMPL website, accessed: 4 January 2023

It has to be noted that the actors at different levels of governance (managing authorities, and national and EU level policymakers) have **different information needs from monitoring systems**. On the one hand, at EU level certain information needs to be aggregated (by using common indicators defined at EU level) so as to be accountable to the Council, Parliament, the ECA and EU citizens. On the other hand, monitoring data also has to be made regularly available to managing authorities that oversee programme implementation: the data supports day-to-day programme management and may point to weaknesses in implementation that require corrective measures.

Further policy tools to follow up implementation:

- **Annual review meeting between the Commission and the Member State to examine the performance of all programmes:** Member States are obliged to follow up on the findings that affect the implementation of the programmes (Article 41 CPR 21-27).
- **Mid-term review**, coupled to the allocation of part of the national envelope ('flexibility amount' as referred to in Article 86 of CPR 21-27). The mid-term review is to be conducted at national level with an assessment submitted to the Commission by 31 March 2025. The Commission will prepare a report and submit it to Parliament and the Council by end 2026.
- **Mid-term evaluation** by the Commission, by the end of 2024, to evaluate the effectiveness, efficiency, relevance, coherence and Union added value of each Fund. (Article 45 of CPR 21-27).

Control and audit in cohesion policy have a strong focus on ensuring the regularity of expenditure (in line with the feature of reimbursing costs actually incurred by beneficiaries). Member States must ensure reliable accounting, monitoring and financial reporting systems and an adequate audit trail (their responsibilities are detailed in Article 69 CPR 21-27). **Each Member State must have, by 30 June 2023 at the latest, a description of the management and control system** in accordance with the template set out in Annex XVI of CPR 21-27. In turn, the Commission 'shall satisfy itself that Member States have management and control systems that comply with this Regulation and that these systems function effectively and efficiently during the implementation of the programmes' (Article 70 CPR 21-27). As part of simplification efforts, the **reliance on national systems (proportionately lighter control and audit procedures)** is clearly embedded in the 2021-27 framework, namely for programmes that function effectively and have a low error rate (see conditions in Articles 83-84 of CPR 21-27).

Finally, the management and control system is also tied to **correction mechanisms**. Serious deficiencies (as defined in Article 2 CPR 21-27) in the system may lead to the suspension of payments by the Commission (Article 97 CPR 21-27).

6.2 RRF

Rules on monitoring and implementation are set out in Article 29 of the RRF Regulation: the Commission is responsible for monitoring and measuring the achievement of the objectives of the regulation. **Monitoring of individual RRFs is based on milestones and targets and the overall implementation of the RRF is to be monitored and evaluated through common indicators**, defined in the [Commission Delegated Regulation](#)²⁰ (very similar to common indicators defined under cohesion policy). Member States have to report on the common indicators to the Commission. The regulation also mentions the important issue of data collection, by outlining that data collection for the monitoring of activities and results should be timely, efficient and effective. The Commission is to report ex post on the expenditure financed under each pillar.

Article 22 of the RRF Regulation specifically requires Member States, as beneficiaries of the RRF, to 'protect the financial interests of the Union and to ensure that the use of funds [...] complies with the applicable Union and national law, in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interests'. Member States have to ensure that an **effective and efficient internal control system is in place**

²⁰ Commission Delegated Regulation (EU) 2021/2106 of 28 September 2021 on supplementing Regulation (EU) 2021/241 of the European Parliament and of the Council establishing the Recovery and Resilience Facility by setting out the common indicators and the detailed elements of the recovery and resilience scoreboard

and that amounts wrongly paid or incorrectly used can be recovered. In doing so they can rely on their national budget management systems.

'As a performance based programme, the reference point for Member States' control obligations are the supported investments and reforms rather than the funds used, as it is Member States funds that are being used to pay for the investments and reforms. Union funds are payments for the completion of associated milestones and targets and, given their fungible nature, cannot be directly traced to specific projects.'

Source: [2021 annual activity report of DG ECFIN](#)

Further to the above, during the implementation of the RRF, national audit and control systems are continuously involved, as payment requests must be accompanied by a management declaration, a summary of conducted audits and proof of the achievement of milestones and targets. When assessing evidence on milestones and targets, the Commission may conduct on-site visits. It also continues to assess whether the control systems described in the RRFs comply with the RRF Regulation.

In some cases, when assessing their RRFs, the Commission found that the described audit and control systems were not sufficiently robust and some Member States therefore have specific milestones and targets in relation to the reinforcement of their audit and control systems. This means that these milestones and targets need to be fulfilled by the time the first payment requests are submitted by the Member State in question.

The EGOV paper mentioned earlier and prepared for the latest RRF Dialogue analysed the findings of the recent ECA Special Report on the Commission's assessment of monitoring and control arrangements:

'The ECA finally highlights that the Commission's assessment of monitoring and control arrangements was comprehensive but partly based on systems not yet in place. (...) the Commission argues in its reply to the ECA's Special report that additional milestones agreed for control systems relate to elements which can be strengthened but do not put the adequacy of the control systems in doubt. Replying to related written questions by the CONT committee in the context of the 2021 discharge procedure, the Commission further writes that "where the systems were overall adequate, but small (possible) deficiencies remained, an additional milestone on audit and control matters was agreed, which must be fulfilled early during the implementation of the RRF. The Commission will not make any disbursement (excluding pre-financing) until such milestones are indeed satisfactorily fulfilled.'

Source: Recovery and Resilience Dialogue with the European Commission BUDG-ECON Committee meeting on 21 November 2022, Economic Governance Support Unit (EGOV), Policy Department for Budgetary Affairs, EP, Authors: Authors: Marcel Magnus, Samuel de Lemos Peixoto, Francisco Javier Padilla Olivares, Alix Delasnerie, 17 November 2022

Moreover, the ECA comparative analysis notes that the Commission is still to clarify the method to calculate the suspension or reduction of payments should one or more milestones/targets not be achieved.

6.3 Fraud prevention

In cohesion policy, Member States are obliged to ensure the legality and regularity of expenditure included in the accounts and to prevent, detect, correct and report on irregularities, including fraud (Article 69 of CPR 21-27). To this end, **the managing authority of a programme must have effective and proportionate anti-fraud measures and procedures in place, based on the risks identified** by the audit risk assessment that is part of the audit strategy prepared by each audit authority (Article 74 of CPR 21-27)²¹.

In a [2019 special report](#)²², the ECA found that there was improvement in the 2014-20 period in how managing authorities assess fraud and in fraud prevention measures overall; however, no real progress had been made towards proactive fraud detection. When it comes to the response to cases of fraud, managing authorities were found not to be sufficiently reactive to all detected cases (the ECA found reporting arrangements unsatisfactory). The recommendations issued in the ECA report included the establishment by all Member States of a national anti-fraud strategy, and the development by managing authorities of formal strategies and policies to combat fraud as well as make risk assessment more robust.

²¹ See this Article for a detailed account of the 2014-20 measures in place: [Implementation of Effective Measures against Fraud and Illegal Activities in Cohesion Policies](#), Author: Dr Lothar Kuhl

²² Tackling fraud in EU cohesion spending: managing authorities need to strengthen detection, response and coordination

According to an [IQ-Net paper](#)²³, as a consequence of the changes in the legislative framework of 2014-20, **fraud risk management started to be seen as a strategic function**, 'requiring stronger ex-ante and ongoing assessment to underpin effective and proportionate anti-fraud measures, a clear specification of institutional responsibilities and coordination, along with resources and tools.' The paper looked into how the provisions were translated into practice, and found that (in line with Commission guidance) a number of authorities created specific anti-fraud policy statements and strategies or have included cohesion policy in wider national anti-fraud strategies.

In the case of the RRF, **the RRFs have to explain** 'the Member State's system to prevent, detect and correct corruption, fraud and conflicts of interests, when using the funds provided under the Facility' (Article 18). Every request for payment must also be accompanied by a management declaration stating that the fund management under the RRF respected all applicable rules, among others those linked to fraud prevention, corruption and double funding.

7. Reporting and transparency

The 2014-20 practice of annual implementation reports has been discontinued under the 2021-27 CPR; instead there is a **final performance report for programmes** under cohesion policy funds that Member States have to submit to the Commission by 15 February 2031 (Article 43 CPR 21-27). As mentioned in Section 6 – Monitoring and control, Member States regularly transmit data electronically to the Commission on programme implementation, and also have to report on irregularities and fraud (see Article 69 CPR 21-27). As part of the assurance package, audit authorities have to draw up annual audit opinion and an annual control report. These reports have to be published online by the managing authority.

The CPR 21-27 foresees several **instances of reporting from the Commission to the EP and the Council**, on:

- the outcome of annual consultations with umbrella organisations representing partners (Article 8);
- the outcome of the mid-term review, by the end of 2026 (Article 18);
- the application of measures in the context of sound economic governance and exceptional or unusual circumstances, especially in the case of proposed suspensions (Articles 19 and 20). Parliament may invite the Commission for a structured dialogue on the application of these measures. A review clause is also included (Article 20) with a deadline for submitting its outcome to the EP and the Council by 31 December 2025;
- the results of the ex post evaluation (these will also be available online), by 31 December 2031 (Article 45).

The managing authority is responsible for setting up **a website for programmes** covering programme objectives, activities, available funding opportunities and achievements, including the list of operations selected for support (Article 49 of CPR 21-27). The rules of procedure of the monitoring committee, the data and information shared with the monitoring committee, and all the data transmitted to the Commission will also be published on the website. The Member State or the managing authority shall publish or provide a link to all the data transmitted to the Commission on the website mentioned before or on a single website portal (an example from Austria, an ERDF/JTF co-financed programme website, can be consulted [here](#)).

The Commission maintains the [Cohesion Open Data Platform](#), on which data generated from the monitoring of ESI Funds in Member States has been shared since 2015 (mainly planned and financial input data, as well as data related to outputs and results)²⁴. As detailed in the [2021 DG REGIO Annual Activity Report](#): 'Since 2020, the platform also includes a specific section on CRII(+) and REACT-EU support to counter the COVID-19 crisis. [...] REGIO continued with updates of the Open Data Platform to make it more reliable, transparent and user friendly. The platform now includes more visualisation and data stories on topical issues (such as climate change tracking), bringing cohesion policy achievements closer to EU citizens.' A [comparison with the Italian national open data portal](#) reveals interesting details. DG EMPL's [2021 annual activity report](#) also highlights [the new European Social Fund Plus website](#), which became the main external communication channel in 2021, thanks to news and human stories, besides a more effective use of social media.

²³ Dozhdeva V and Mendez C (2020) Is Fraud Risk Management in Cohesion Policy Effective and Proportionate? IQ-Net Thematic Paper 47(2), European Policies Research Centre Delft.

²⁴ See: [Users Guide to the Cohesion Open Data Platform](#)

Under Article 27 of the RRF Regulation, Member States have to report twice a year on the progress made in the implementation of their RRFs, in the context of the European Semester (they also report on the operational arrangements and the common indicators). The RRF Regulation foresees in several instances **reporting by the Commission to the Parliament and the Council**:

- an [annual report](#) on the implementation (Article 31);
- [implementation review report](#) (the regulatory deadline was 31 July 2022) under Article 16. (An [EGOV briefing](#) provides in-depth analysis of this report, matching it to the [EP resolution](#) of 23 June 2022²⁵);
- an evaluation report during the implementation period, by 20 February 2024, and an ex post evaluation report, by 31 December 2028 (Article 32);
- (similar both in spirit and wording to the CPR 21-27 text) reporting provisions are foreseen under Article 10 – Measures linking the Facility to sound economic governance. The Commission must keep the EP informed of the implementation of this article, and can be invited to a structured dialogue by the competent committee of the EP. A review is also foreseen by 31 December 2024, with a report to be transmitted to the co-legislators.

A special element under the RRF (Article 26) is the so called **recovery and resilience dialogue**, between the Union institutions, in particular the EP, the Council and the Commission, which allows the (competent committee of the) EP to invite the Commission every two months to discuss matters (in a joint BUDG-ECON meeting). It has to be noted that such dialogues are without prejudice to Parliament and its competent committees inviting the other institutions to exchanges of views and debates. At the time of writing, the latest (8th in a row) dialogue took place on 21 November 2022.

Similarly to the Cohesion Open Data Portal, a [Recovery and Resilience Scoreboard](#) has been established by the Commission, based, in this case however, on a regulatory obligation (Article 30 of the RRF Regulation). The scoreboard is to display the progress of the implementation, in relation to the six pillars of the RRF and to the common indicators.

On a final note, the ability to **track beneficiaries and final recipients** of EU funds and programmes is an important element of transparency. In the case of cohesion policy, ‘beneficiary’ is defined in detail in Article 2(9) of CPR 21-27, the most relevant part of the definition being ‘a public or private body, an entity with or without legal personality, or a natural person, responsible for initiating or both initiating and implementing operations’. The notion of ‘final recipient’ is also defined (Article 2(18)), although it is applied in a limited context: ‘a legal or natural person receiving support from the Funds through a beneficiary of a small project fund or from a financial instrument’. As for the 2014-20 period, a [study requested by CONT committee](#)²⁶ has shown that despite the evolution of the regulatory environment, there remain limitations in terms of having a complete EU-wide overview of beneficiaries, not to mention other ‘indirect’ beneficiaries, recipients of funds who receive funding due to being contracted to deliver certain outputs, or through ownership/control of beneficiary organisations. At EU level, the [Kohesio website](#) was set up and is managed by DG REGIO; it is a database including data on projects and beneficiaries in the 2014-20 period co-financed by ERDF, ESF and the Cohesion Fund (around 500 000 beneficiaries and 1.5 million projects²⁷). (It will continue to be enriched by data on the 2021-27 period.)

As mentioned in Sections 3. and 6.2, and pointed out in Article 22(1) of the RRF Regulation, **in the case of the RRF, Member States are the beneficiaries**²⁸. In fact, the RRF Regulation does not give a definition either of ‘beneficiary’, or of ‘final recipient’, but it outlines the obligations of Member States to collect and ensure access to the names of the final recipients of funds, the names of contractors/subcontractors, and data on the beneficial owner(s) or contractors. It remains to be seen in what detail information on final recipients will be available to the general public.

²⁵ European Parliament resolution of 23 June 2022 on the implementation of the Recovery and Resilience Facility,

²⁶ The Largest 50 Beneficiaries in each EU Member State of CAP and Cohesion Funds, Policy Department for Budgetary Affairs, EP, Authors: Willem Pieter DE Groen, CEPS, Roberto Musmeci, CEPS, Damir Gojsic, CEPS, Jorge Nunez, CEPS, Daina Belicka, CSE COE, May 2021

²⁷ Accessed: 16 January 2023

²⁸ See more on this in a Eurostat methodological note: [Guidance Note on the Statistical Recording of the Recovery and Resilience Facility](#), September 2021

8. Role of the European Parliament

Both areas are governed by regulations adopted under the ordinary legislative procedure. REGI is the leader on cohesion policy, but the ESF+ is 'owned' by the Committee on Employment and Social Affairs (EMPL). The RRF falls under the competence of BUDG and the Committee on Economic and Monetary Affairs (ECON). (Similarly, in the European Commission, DG REGIO and DG EMPL are the relevant DGs for cohesion policy, and the RRF is managed by DG ECFIN and the RECOVER service in the Secretariat-General.)

The EP can exercise scrutiny as for other policy areas by exercising its role in adopting delegated regulations and debating reports prepared by the Commission (see Section 7 – Reporting and transparency), and through the work of the competent committees. A special element giving Parliament more presence and the possibility of more visible debates is the RRF Dialogue mentioned earlier. A standing Working Group was set up on 4 March 2021 for the scrutiny of the RRF (composed of BUDG and ECON members, involving also EMPL, ENVI, ITRE and TRAN that were associated to the RRF Regulation). There is no similar working group or standing informal structure in the REGI Committee. A regularly updated [calendar briefing](#)²⁹, showing policy actions on a monthly basis over the years, has been provided to REGI since 2014 to assist scrutiny of implementation; it has now been extended with policy elements also relevant for CONT and BUDG.

In this respect, CONT has a limited role in overseeing the RRF, but, similarly to what is being done in the area of cohesion policy, it can exercise its core competence through the budgetary [discharge on the grant component](#) or through committee work on specific control-related aspects of the instruments ([for example based on an ECA special report](#)).

Further information about the EP's role can be found in the [relevant section](#) of the dedicated EP RRF website. Moreover, an [EGOV briefing](#)³⁰ provides a detailed overview of the EP's role in scrutinising the RRF.

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Administrator responsible: Diána HAASE Editorial assistant: Adrienn BORKA
Contact: Poldep-Budg@ep.europa.eu

This document is available on the internet at: www.europarl.europa.eu/supporting-analyses

Print ISBN 978-92-848-0156-5 | doi:10.2861/794749 | QA-09-23-024-EN-C

PDF ISBN 978-92-848-0157-2 | doi:10.2861/89231 | QA-09-23-024-EN-N

²⁹ Cohesion Policy Calendar (2021-2027 and 2014-2020 Programming Periods), Policy Department for Structural and Cohesion Policies, Policy Department for Budgetary Affairs, Author: Diána Haase, July 2022

³⁰ European Parliament involvement in scrutinising the Recovery and Resilience Facility, EGOV, EP, Author: Cristina DIAS, October 2022