



2021/2251(INI)

28.4.2022

OPINION

of the Committee on Budgetary Control

for the Committee on Budgets and the Committee on Economic and Monetary Affairs

on the implementation report on the Recovery and Resilience Facility
(2021/2251(INI))

Rapporteur for opinion: Isabel García Muñoz

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SUGGESTIONS

The Committee on Budgetary Control calls on the Committee on Budgets and the Committee on Economic and Monetary Affairs, as the committees responsible, to incorporate the following suggestions into their motion for a resolution:

- A. whereas the COVID-19 outbreak in early 2020 changed the economic, social and budgetary outlook in the Union and in the world, calling for an urgent and coordinated response both at Union and national level in order to cope with the enormous economic and social consequences, as well as the asymmetrical effects on Member States;
 - B. whereas the NextGenerationEU ('NGEU') stimulus package was designed during these extraordinary circumstances as an unprecedented and unique opportunity for the Union that needs to prove a success, not only for EU citizens and businesses, but also for the Union's reputation as a whole;
 - C. whereas the Recovery and Resilience Facility ('the Facility'), as set up by Regulation 2021/241, is the cornerstone of NGEU and aims to provide funding to Member States through grants and loans, in order to finance reforms and investments, helping citizens and economies to cope with the impact of the COVID-19 pandemic and laying the foundations for sustainable recovery;
 - D. whereas the Facility is a performance-based instrument, which means that the payments are conditional upon the fulfilment of the milestones and targets underpinning the reforms and investments in the respective national recovery and resilience plans (NRRPs);
 - E. whereas the implementation of the Facility should be carried out in line with the principle of sound financial management and ensuring that the financial interests of the Union are effectively protected;
 - F. whereas on 1 March 2022, the Commission published its report on the implementation of the Facility as required under Article 31 of Regulation (EU) 2021/241;
- 1. Recalls that the specific objective of the Facility is to provide financial support with a view to achieving the milestones and targets for reforms and investments set out in the respective NRRPs aimed at coping with the impact of the COVID-19 pandemic and laying the foundations for sustainable recovery;
 - 2. Underlines that the Commission assesses the Member States' disbursement requests upon achievement of the agreed milestones and targets, while respecting the national ownership of the NRRPs and the choice of the Member States of the relevant types of financing and the methods of implementation; reiterates Parliament's role of supervising the work of the Commission with regard to the Facility's implementation in the framework of the 'recovery and resilience dialogue';
 - 3. Notes that by mid-February 2022, all Member States but one had submitted their NRRPs, requesting in total EUR 337.5 billion in grants and EUR 166 billion in loans;

welcomes the fact that the Commission has approved 22 NRRPs, followed by the adoption of the 22 respective Council Implementing Decisions (thereby leaving four plans pending for assessment by the Commission), and that the Commission has agreed on operational arrangements with eight Member States, which set out the framework for monitoring the implementation of the plans; expresses its concern that one Member State has not yet submitted its NRRP;

4. Notes that by mid-March, the Commission had received five payment requests and had made the first payment in December 2021; notes that also by mid-March, the Commission had disbursed¹ EUR 54.05 billion in grants (16 % of the EUR 338 billion available) and EUR 19.9 billion on loans (5 % of the EUR 385.8 billion available); welcomes the fact that the calendar of payments is in line with the expected implementation rate of the Facility and encourages the Commission to continue to work closely with the Member States to maintain this positive development, as well as to report any significant difficulty in its future implementation reports; recalls that the benefits of economic recovery will only be achieved if the sustainability of public finances is in balance in the long term;
5. Notes that of the total of EUR 385.8 billion available for loans, seven Member States have requested loans amounting EUR 166 billion, leaving a considerable amount available for Member States to request loans at a later stage if needed; urges the Commission to explore ways in which unused loans could address the economic, social and energy consequences impacting Member States, following Russia's invasion of Ukraine;
6. Notes that the Commission concluded in its assessments that all NRRPs comply with the 11 criteria provided for in Regulation (EU) 2021/241 and therefore gave an A-rating for most criteria based on the information provided in the NRRPs; is concerned, however, about the fact that all Member States have received a B-rating for the criteria evaluating whether the estimated total costs of the NRRPs are reasonable; calls on the Commission to develop criteria which will enable evaluations across the entire spectrum of costs available in the future;
7. Observes that because of the nature of the Facility, monitoring, implementation and control focus on the achievement of results which can simplify implementation and contribute to the achievement of the desired outcome; is nevertheless worried that this can also make the detection of abuse of EU funds more difficult; calls on the Commission to ensure that proper cost analyses are being conducted in order to tackle fraud and corruption; stresses that the swift implementation of NRRPs is crucial not only for economic recovery, but also to stimulate growth and therefore achieve their intended purpose;
8. Welcomes the large number of documents that have been published on the Facility's website, as well as the Recovery and Resilience Scoreboard that provides a visual and user-friendly overview of the progress made in the implementation of the NRRPs and thereby fosters the transparency, public scrutiny and accountability of the Facility; calls on the Commission to maintain or further increase this level of transparency and data

¹ European Commission, retrieved on 16 March 2022, https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/disbursements.html?lang=en

visualisation in the future; reiterates the importance both of the continuous monitoring of the Facility's expenditure and full transparency from the Member States regarding implementation and management data, in order for the results of the Facility to be analysed and possible shortcomings identified;

9. Appreciates in particular the publication of the preliminary assessments of the satisfactory fulfilment of the milestones and targets related to each Member State's payment request for the instalments of grants under the Facility; notes the detailed analysis carried out by the Commission, which includes the evidence provided by the Member State concerned;
10. Welcomes the development of other monitoring tools on implementation at national level that include more detailed and regional information about the implementation of the milestones and targets, and calls on the Commission to consider the integration of these datasets into the Scoreboard;
11. Considers that the reliability of the performance data concerning the targets and milestones of the Facility is of the utmost importance; urges the Member States to publicly provide detailed and timely information in order to ensure effective reporting of the impact of the Facility; calls on the Commission to provide a statement of assurance on the performance data for the implementation of the Facility in its Annual Management and Performance Report;
12. Emphasises that the implementation of the Facility should be carried out in line with the principle of sound financial management, which includes the effective prevention, detection and correction of fraud, corruption and conflicts of interest, as well as avoiding double funding; calls on the Commission, therefore, to be particularly strict with the Member States in complying with the protection of the financial interests of the Union, as enshrined in Article 22 of Regulation (EU) 2021/241, as a key element of the EU's policy agenda to strengthen and increase the confidence of the public and ensure that taxpayers' money is used properly;
13. Recalls that an unsatisfactory implementation of NRRPs, double funding and serious irregularities (such as fraud, corruption and conflicts of interest) should lead to the suspension or termination of financial support agreements and delays in disbursement of funds, as well as the reduction and recovery of financial contributions by the Commission; calls on the Commission to make full use of the provisions of the Facility's Regulation in the event of a breach of the obligations of Member States under the financing agreements; calls on the Commission to set out in its future implementation reports whether any such case has occurred, its causes and the remedial actions taken by the Commission or the Member State concerned;
14. Calls on the Commission to ensure that adequate control capacities are in place and stresses that the Commission, the European Anti-Fraud Office (OLAF), the Court of Auditors and the European Public Prosecutor's Office (EPPO), the European Union Agency for Law Enforcement Cooperation (Europol) and the European Union Agency for Criminal Justice Cooperation (Eurojust) must exercise their rights laid down in Article 129(1) of the Financial Regulation with regard to the Facility and, in particular, should be able to use the information and monitoring system made available by the

Commission within their competences and rights, in order to prevent, detect, correct and investigate fraud, corruption, conflicts of interest and, where applicable, to impose administrative penalties, as well as to avoid double funding; asks the Commission to inform Parliament about any specific obstacle to the full exercise of those rights that NRRPs may contain;

15. Asks the Commission to provide information about the measures ensuring the early detection of abuse of the funds under the Facility, as well as to report on the result of any relevant investigation or prosecution concluded on the use of funds at national or EU level, including, where applicable, the actions to recover the affected funds;
16. Insists on the necessity of close cooperation between the aforementioned EU institutions and bodies, as well as with national authorities, to ensure the efficient and proper use of funds under the Facility; commends the invaluable work carried out by OLAF and the EPPO; highlights the NGEU Law Enforcement Forum, as well as Operation Sentinel, which must help in a cooperative manner to prevent and counter threats against the funds under the Facility and map vulnerabilities in national allocation systems;
17. Notes with satisfaction from the Commission's assessments of NRRPs that Member States' plans adopted in 2021 have adequate control systems which ensure the prevention of double funding and arrangements to correct serious irregularities, and the recovery of funds; notes that the Commission also identified some deficiencies in 16 NRRPs and welcomes the fact that the Member States concerned agreed to take additional remedial measures before sending the first payment request; asks the Commission to clearly indicate in its future implementation reports whether the agreed remedial measures were effectively implemented and any eventual impact of the identified deficiencies on the implementation of the relevant NRRP; underlines that sufficient resources and capacities need to be directed by the Commission towards the thorough scrutiny of the implementation of the plans and the fulfilment of the milestones and targets, including identifying synergies to achieve the best possible outcome;
18. Notes the guidance provided by the Commission to Member States to avoid double funding of the same costs by the Facility and other EU funds, as well as the support to identify suitable instruments at Union level to create synergies with the measures financed under the Facility;
19. Reiterates that the use of a single data-mining and risk-scoring tool, such as ARACHNE, is essential to protect the EU budget by means of preventing conflicts of interest, fraud, corruption and double funding; welcomes the fact that several Member States aim to use ARACHNE in the implementation of the Facility; calls on the Commission to encourage all other Member States to use ARACHNE and, in the meantime, to make sure that the alternative measures to risk-score the entities and individuals involved in implementation of the Facility are equivalent to ARACHNE; highlights the need to ensure a harmonised data collection process and the interoperability of ARACHNE with national and local databases;
20. Calls on the Commission to inform the budgetary authority about the use of FENIX, the IT system set up for Member States to report the relevant information on the

implementation of the NRRPs, and, in particular, about the interoperability of this system with the ARACHNE data-mining tool; calls on the Commission to make sure that, in addition to the information on the recipients, final recipients, contractors and sub-contractors of the Facility, data on beneficial owners is also collected by the Member States in an electronic standardised and interoperable format;

21. Calls for maximum interoperability between ARACHNE, EDES and other software to simplify data entry and keep the administrative burden as low as possible; recalls its call on the Commission to establish an integrated, interoperable system which contains information on all EU co-financed projects, beneficiaries and beneficial owners, and is able to aggregate all amounts received by the same beneficiary or beneficial owner;
22. Welcomes the fact that most Member States have followed the Commission's recommendations by designing specific websites where Facility-related information is displayed, but regrets the fact that there are major differences in the level and breadth of the available information made public on them; asks the Commission to include recommendations and best practices in communication about, and the visibility of, NGEU funding, allowing for the progress of their implementation to be monitored in its future implementation reports, with a particular focus on the harmonisation of the information available to citizens in order to foster transparency, public scrutiny and accountability;
23. Recalls that on the basis of Article 22 of Regulation (EU) 2021/241, Member States are primarily responsible for ensuring the protection of the financial interests of the Union; calls on the Commission to report on its assessment of the capacity of national internal control systems (particularly audit capacity, beneficiary data storage and audit plans) to prevent, detect and correct double funding, corruption, fraud and conflicts of interest, and to ensure compliance with national and Union rules; stresses that, in the event of inadequacies in the national internal control systems, the milestones or targets suggested by the Commission to address these inadequacies must be appropriately explained in the annual report on the implementation of the Facility; notes that the requests for the first payment submitted by Member States so far have milestones related to the national audit and control systems;
24. Calls on the Commission to include in its annual report on the protection of the Union's financial interests information about the prevention, detection and correction of irregularities, as well as on the implementation of the Facility; calls on the Commission to assess the information collected by the Member States allowing the prevention, detection and correction of serious irregularities in relation to the measures supported by the Facility and to report about the measures undertaken by the Commission and the Member States to remedy weaknesses in the Member States' internal control systems;
25. Reiterates its concern that the Commission only audits the achievement of milestones and targets before paying out the Facility's funds, while leaving it to the Member States to ensure that public procurement or State aid rules have been complied with; notes that the Commission will carry out system audits to ensure that the Member States have put in place strong controls for the protection of the Union's financial interests against conflicts of interest or serious irregularities; is, however, of the opinion that the Commission as guardian of the Treaties should not only rely on Member States' audits

on compliance with applicable rules to ensure a level playing field for investments under the Facility; calls, therefore, on the Commission to extend its audit activities beyond system audits to include checks on public procurement and State aid rules, following its risk-based approach, particularly in Member States where severe or systemic weaknesses have repeatedly been detected; recalls, in this regard, the serious loopholes in the national legislation in certain Member States regarding efficient controls and prevention of conflicts of interest;

26. Notes that the absorption of grants under the Facility is projected to be front-loaded with 42 % of the total amount of allocated grants to euro area Member States to be spent by the end of 2022; notes that most grants are geared towards funding private and public investments; calls on the Commission to be vigilant, especially for payment requests from Member States where systematic failures in the national internal control systems exist;
27. Calls on the Commission to make approval of the NRRPs, the disbursement of funds and all measures set out in the NRRPs conditional on full compliance with the Union's values enshrined in Article 2 of the Treaty on European Union, including the rule of law, and the prevention and detection of, and the fight against, fraud, conflicts of interest, corruption and double funding;
28. Considers that the observance of these values and the principle of sound financial management are to be monitored throughout the life cycle of the Facility and therefore that the Commission must refrain from the disbursements of funds and, where applicable, recover funds, in the event that these conditions are no longer fulfilled, without affecting the final beneficiaries;
29. Emphasises that in the event of a serious breach of the rule of law, the Conditionality Mechanism can be triggered in relation to the NGEU stimulus package, and therefore to the Facility; stresses that democracy, the rule of law and fundamental rights, as well as the implementation of the relevant rulings of the Court of Justice of the European Union, are not negotiable and calls, therefore, on the Commission to implement the Conditionality Regulation without any further delay;
30. Reiterates its concerns expressed in its resolution of 10 June 2021 on the views of Parliament on the ongoing assessment by the Commission and the Council of the national recovery and resilience plans² that many Member States have not, or have only inadequately, involved regional and local authorities in the drafting process of the NRRPs; is concerned about reports³ that the requirement for broad and transparent consultation with the local authorities and the relevant stakeholders in drafting the recovery plan has not been met by the Member State that has not yet submitted its plan;
31. Recalls that the social partners, local and regional authorities, and civil society organisations such as youth organisations are at the forefront of NRRPs' implementation and are therefore key stakeholders in achieving a sustainable recovery from the pandemic; calls on the Commission and the Member States to appropriately

² OJ C 67, 8.2.2022, p. 90.

³ <https://www.ftm.nl/artikelen/oude-kabinet-knutselde-met-private-partijen-toch-aan-nationaal-plan-eu-herstelfonds>

consult and involve them in the implementation of the reforms and investments within the Facility, as well as to ensure effective coordination between the relevant levels of governance; asks the Commission to further develop its assessment of the consultation of the relevant stakeholders in its future implementation reports, with an identification of best practises that can be implemented by other Member States such as governance systems that involve the central and regional authorities competent for a given area;

32. Reaffirms that democratic control over the implementation of the Facility is only possible with the full involvement of Parliament and the consideration of its recommendations at all stages, which lays the foundation for the Facility's democratic accountability, also through the annual discharge procedure; recalls that Article 25 of Regulation (EU) 2021/241 requires the Commission to transmit the relevant documents and information simultaneously and on equal terms to the European Parliament and to the Council, whose involvement is crucial to ensure democratic oversight; reminds the Commission of its obligations in terms of transparency and dialogue with Parliament under Chapter V of Regulation (EU) 2021/241;
33. Recalls that in the framework of the discharge procedure to the Commission, in accordance with Article 319 of the Treaty on the Functioning of the European Union, the Facility is subject to reporting requirements under the integrated financial and accountability reporting rules.

INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

Date adopted	20.4.2022
Result of final vote	+ : 22 - : 1 0 : 6
Members present for the final vote	Matteo Adinolfi, Gilles Boyer, Olivier Chastel, Caterina Chinnici, Corina Crețu, Ryszard Czarnecki, José Manuel Fernandes, Luke Ming Flanagan, Daniel Freund, Isabel García Muñoz, Monika Hohlmeier, Jean-François Jalkh, Pierre Karleskind, Mislav Kolakušić, Joachim Kuhs, Claudiu Manda, Alin Mituța, Jan Olbrycht, Younous Omarjee, Markus Pieper, Sándor Rónai, Petri Sarvamaa, Angelika Winzig, Lara Wolters, Tomáš Zdechovský
Substitutes present for the final vote	Andrey Novakov, Mikuláš Peksa, Elżbieta Rafalska, Viola Von Cramon-Taubadel

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

22	+
PPE	José Manuel Fernandes, Monika Hohlmeier, Andrey Novakov, Jan Olbrycht, Petri Sarvamaa, Angelika Winzig, Tomáš Zdechovský
Renew	Gilles Boyer, Olivier Chastel, Pierre Karleskind, Alin Mituța
S&D	Caterina Chinnici, Corina Crețu, Isabel García Muñoz, Claudiu Manda, Sándor Rónai, Lara Wolters
The Left	Luke Ming Flanagan, Younous Omarjee
Verts/ALE	Daniel Freund, Mikuláš Peksa, Viola Von Cramon-Taubadel

1	-
NI	Mislav Kolakušić

6	0
ECR	Ryszard Czarnecki, Elżbieta Rafalska
ID	Matteo Adinolfi, Jean-François Jalkh, Joachim Kuhs
PPE	Markus Pieper

Key to symbols:

+ : in favour

- : against

0 : abstention