



## Press Release

Luxembourg, 8 March 2023

# COVID recovery funds: auditors warn to ‘mind the gap’ in protecting EU financial interests

- *EU countries can use €724 billion to restore their economies in exchange for reforms and public investments*
- *New spending model faces an assurance and accountability gap*

In a relatively short period of time, the European Commission set up a control system of checks for the EU's main pandemic recovery fund, the €724 billion Recovery and Resilience Facility (RRF). The European Court of Auditors has examined the design of this control system and found an assurance and accountability gap in protecting the EU's financial interests. Member states are obliged to check that RRF-funded investment projects comply with EU and national rules, but the Commission has little verified information through its own work as to whether and how these national checks are carried out. Without assurance that these rules are complied with, there is a lack of accountability at EU level.

The Commission channels money through the RRF in a new way: it makes payments to EU countries after it is certain that they have fulfilled the objectives agreed upfront in their national recovery plans by achieving milestones and targets. For this purpose, the Commission has put in place an extensive set of checks to verify the data that countries provide to prove that they have achieved them. However, for RRF-funded investment projects, compliance with the relevant EU and national rules is not a condition for payment, unlike for other EU funding programmes. Nor is compliance with these rules covered by the Commission's checks of Member States' payment requests.

*“Citizens will only trust new ways of EU funding if they can be sure that their money is being spent properly,”* said ECA President Tony Murphy. *“Currently, there is a gap in terms of the assurance the Commission can provide for the EU's main pandemic recovery fund and a lack of accountability at EU level.”*

In the coming years, the Commission intends to examine whether the checks carried out by each EU country are adequate. The Commission's focus will be to assess whether the countries' own control systems are able to prevent, detect and correct fraud, corruption, conflicts of interest and double funding. The Commission is empowered to recover any amount from such illicit activities if the countries fail to do so. However, the EU's executive did not plan to examine how the countries check that RRF-funded investment projects comply with EU and national rules. As a result, the Commission has limited verified information, which affects the assurance that it can provide. The auditors warn that non-compliance with EU and national rules, including on procurement, state aid and eligibility, is widespread in other EU spending programmes and constitutes a serious

The purpose of this press release is to convey the main messages of the European Court of Auditors' special report. The full report is available at [eca.europa.eu](https://eca.europa.eu).

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risk to the EU's financial interests. They call upon the Commission to find ways to plug the EU-level assurance gap.

The Commission has not issued guidance on what to do if a funded measure backtracks, which makes it more likely that milestones and targets that have been reversed go undetected. The impact of such backtracking is unclear. In addition, it has only now worked out – almost halfway through the lifespan of this temporary instrument – how much money should be frozen or reduced if a country fails to fully deliver on a target or milestone. The auditors also noted that reporting on fraud has room for improvement and further guidance is needed relating to flat-rate corrections that should be consistently applied in respect of weaknesses found in the countries' control systems.

### **Background information**

The RRF represents the lion's share of the EU's COVID-19 recovery funding, and provides large-scale financial support (€385.8 billion in loans, €338 billion in grants) with the aim of accelerating member states' economic recovery from the consequences of the pandemic and making them more resilient. Spain and Italy are the largest recipients of the grants, together receiving 43 % of the total. The facility supports reforms and investment projects from February 2020 and will continue to do so until 31 December 2026. To finance it, the Commission borrows on capital markets and issues common EU debt. The audit comes against a backdrop of a large number of payments still to be made. The auditors' recommendations are intended to contribute at ensuring an adequate system of checks for the effective protection of the EU financial interests. In the future, the auditors plan to look also at EU countries' RRF checks.

ECA special report 07/2023 "Design of the Commission's control system for the RRF: Assurance and accountability gap remains at EU level in the new delivery model, despite extensive work being planned," is available on the ECA website [eca.europa.eu](https://eca.europa.eu).

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