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ANNEX 4

ANNEX

to the

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on the implementation of the Recovery and Resilience Facility

Annex IV: The concept of double funding under the Recovery and Resilience Facility

Complementarity between Union funds maximises the value added of the Union budget, allowing for additional synergies to be achieved compared to an isolated approach to each Union programme or instrument. The European Parliament and Council have introduced requirements in many Union programmes and instruments to ensure that they complement each other, including by allowing individual projects to receive support from more than one Union programme or instrument. Provisions to this effect can be found in several basic acts such as the Common Provisions Regulation[1], Digital Europe[2], Horizon[3], or CEF[4].

Combining support under the Recovery and Resilience Facility (RRF) with financial support from other EU funds is provided for under the RRF Regulation. To ensure an efficient and complementary implementation of Union funds, Article 9 of the RRF Regulation specifically envisages that "*reforms and investment projects may receive support from other Union programmes and instruments provided that such support does not cover the same cost.*"

While the RRF is a performance-based instrument, Article 9 of the RRF Regulation introduces a cost-based approach for the assessment of double funding. The RRF is a performance-based instrument under which financing is linked to results achieved, not costs incurred. Disbursements are made based on the satisfactory fulfilment of a set of milestones and targets. Payments to the Member States are therefore not subject to EU-level controls on the costs incurred to fulfil those milestones and targets. The estimated costs of all measures under each recovery and resilience plan (RRP) are assessed ex-ante for the sole purpose of setting the financial contribution to be committed for each Member State. In this estimate, the Member State indicates which costs it expects to be covered by the RRF and which costs by other Union programmes or instruments. The concept of incurred eligible costs, which is applied under most cost-based EU funding programmes, is not applicable under the RRF. However, both in the Financial Regulation[5] and the RRF Regulation, the concept of double funding is linked to

[1] Article 63(9) of 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.

[2] Article 23(1) of Regulation (EU) 2021/694 of the European Parliament and of the Council of 29 April 2021 establishing the Digital Europe Programme.

[3] Article 15(4) of Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe.

[4] Article 19(1) Regulation (EU) 2021/1153 of the European Parliament and of the Council of 7 July 2021 establishing the Connecting Europe Facility.

[5] Article 191 of Regulation (EU) 2018/1046 if the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.

costs. The Commission has provided guidance[6], explaining how to apply the cost-based concept of double funding to the performance-based implementation logic of the RRF.

Under the RRF, double funding can occur at two levels:

- At Member State level: Member States are required to identify in their RRPs "*information on existing or planned Union financing*" (Article 18, paragraph 4, point (l) of the RRF Regulation) to be taken into account in the ex-ante estimation of costs. After the approval of the RRP and the adoption of the relevant Council implementing decision (CID), any additional support by other Union funds to cover costs that were part of the cost estimate carried out for the RRP would result in the Member State receiving support from two different Union funding sources to cover the same costs.
- At final recipient level: a final recipient should not receive support to cover the same costs both from the RRF – through the Member State – and from other Union funds.

Due to the performance-based nature of the RRF, when combining RRF support with support from other EU funds, a clear ex-ante cost delineation is the default approach to avoid double funding. For measures that are only partially funded from the RRF, Member States should clearly delineate between project parts that are funded from the RRF and those that are funded from other EU funds. For the RRF, Member States must indicate this delineation when they submit their *ex-ante* cost estimates. An *ex-ante* cost delineation can be established, for instance, by identifying distinct implementation phases of a co-funded project, or by separating different cost items and attributing them to the respective EU funding instruments.

However, a split of costs on a pro-rata basis is allowed under certain conditions. In exceptional circumstances, where a clear cost delineation is not feasible or excessively burdensome[7], measures can be supported on a pro-rata basis. Under this approach, each EU fund finances a pre-defined share of the total costs. Specific conditions laid down in Commission's guidance to Member States ensure that the output/result measured under, and funded from, the RRF is aligned with the cost estimated ex-ante, that no cost is covered twice, and that overall EU support does not exceed 100% of the eligible costs actually incurred. These five conditions require that:

(i) the measure description in the relevant CID indicates clearly that the RRF is financing only a part of the project in combination with other Union programmes or instruments;

(ii) the ex-ante cost estimates provided by the Member State for the entire project lay out which amount is financed by the RRF and taken into account for the costing of

[6] This includes Commission services guidance to Member States on their Recovery and Resilience Plans, SWD (2021) 12 (https://commission.europa.eu/publications/guidance-member-states-recovery-and-resilience-plans-part-1_en), C/2024/4618 Commission Notice – Guidance on recovery and resilience plans (http://data.europa.eu/eli/C/2024/4618/oj).

[7] See Part II.V section on "Complementarity of funding and avoidance of double funding" in C/2024/4990.

the RRP, while noting that other costs could be supported by other Union programmes or instruments (if possible, with an indicative amount for such Union programmes or instruments);

(iii) the relevant milestones/targets concerned are drafted in a manner that only measures the RRF contribution, possibly through a budgetary execution target;

(iv) the Member State notifies the final recipient of the amount of the RRF contribution, which the final recipient has to declare to the entity implementing the Union programme or instrument complementing RRF support;

(v) the entity implementing any other Union programme or instrument complementing RRF support is able to verify, at project level, that the final recipients of funding under the RRF do not receive Union support for more than 100 % of the total eligible cost[8].

In addition to the conditions outlined above, this approach must be in line with the provisions of the other EU funding instrument concerned and comply with State aid rules including provisions on cumulation. This approach does not apply to the funds governed by the Common Provisions Regulation given that condition (v) is difficult to apply in their context.

As double funding is defined as covering the same cost by the RRF and another Union programme or instrument, no double funding can occur where a Member State has not put forward an estimated cost for a particular measure, as the RRF is not covering any cost. Many RRPs contain measures for which the Member State has not put forward any estimated cost, so-called "zero-cost measures". While the inclusion of zero-cost measures does not increase the Member State's financial allocation, it ties the disbursement of RRF support to the achievement of the milestones and targets linked to the implementation of these measures. Since the RRF does not cover any costs for such measures, there cannot be double funding, even if another EU fund finances their implementation in part or in full.

The RRF Regulation provides that Member States should put in place a control system to avoid double funding, where the Commission assesses the arrangements described in the recovery and resilience plan. In practice, this means that Member States are required to avoid double funding when implementing the RRF by:

- Including in their RRP sufficient information and evidence clearly demonstrating that the amount of the estimated total cost of each reform and each investment is not covered by existing or planned Union financing. In cases where RRF funding is combined with other EU funds to support a measure, this needs to be clearly identified in the estimated costs, setting out the part of the estimated costs financed by the RRF and the part financed by other EU funds;

[8] In cases where the other EU funding does not reimburse cost (Innovation Fund) but also operates on an ex-ante cost estimate basis, this check is replaced by a comparison of the two ex-ante cost estimates from RRF and other EU fund side to ensure that no more than 100 % of the total ex-ante cost estimate has been allocated.

- Detailing the procedures, structures and arrangements set up at national and regional levels aiming to ensure the avoidance of double funding; and
- Referring in their RRP to the arrangements for monitoring the implementation of the RRF.

The adequacy of controls intended to prevent, detect and correct double funding is monitored throughout the assessment and implementation of RRPs. During the assessment of the plans, the Commission assesses the absence of double funding for all RRF measures as well as the control arrangements described by Member States. Where relevant, specific audit and control milestones to address weaknesses in the national systems are set and must be complied with as a prerequisite to unlock subsequent disbursements. A Member State's control system is assessed again in case of an amendment of the RRP. If the original arrangements of the system contain deficiencies, audit and control milestones are established in the respective Council implementing decision, including for issues related to double funding. During the implementation of the plans, the Commission verifies the management declarations and summaries of audits submitted by Member States along with payment requests, covering also the checks carried out by national authorities to avoid double funding. This assessment is complemented by system and ex-post audits conducted by the Commission, including on double funding. Ultimately, where double funding is identified but not corrected by the Member State, the Commission can recover RRF funds directly from the Member State. As the prevention of double funding is a key element of the Commission's and Member States' control and audit strategies, the Commission and its services have provided relevant guidance and tools since the early stages of the RRF[9] to support national authorities in exercising their responsibility to prevent and detect double funding.

[9] See for example Commission guidance to Member States on their Recovery and Resilience Plans, SWD (2021) 12 (https://commission.europa.eu/publications/guidance-member-states-recovery-and-resilience-plans-part-1_en).