Republic of Latvia

Cabinet

Regulation No. 621

Adopted 7 September 2021

**Procedures for the Implementation and Supervision of the Plan for the European Recovery and Resilience Facility**

*Issued pursuant to*

*Section 19.3, Paragraph two of the Law on Budgetary and Financial Management*

**I. General Provisions**

1. This Regulation prescribes:

1.1. the procedures for the implementation and supervision of the plan for the European Recovery and Resilience Facility (hereinafter – the Recovery Fund Plan);

1.2. the procedures for the establishment and use of the necessary information system;

1.3. the right of the authorities involved in the implementation of the Recovery Fund Plan to request and receive direct access to the data in the State information systems in such amount which is necessary for the performance of the relevant duties.

2. The following authorities shall ensure the implementation and supervision of the Recovery Fund Plan:

2.1. the Ministry of Finance:

2.1.1. shall perform the functions of the coordinator of the Recovery Fund Plan;

2.1.2. shall perform the functions of the audit institution of the Recovery Fund Plan;

2.2. the sectoral ministry and the State Chancellery – shall ensure and implement the reforms and investments planned in the department within the scope of the Recovery Fund Plan;

2.3. the Central Finance and Contracting Agency:

2.3.1. shall ensure inspections of the implementation of the reforms and investments planned within the scope of the Recovery Fund Plan and selection of investment project applications if it is provided by the relevant Cabinet regulations regarding the implementation of investments of the Recovery Fund Plan;

2.3.2. shall adapt the management information system of the Cohesion Policy Funds (hereinafter – the management information system) for the needs of the implementation of the Recovery Fund Plan and maintain such system in order to ensure unified compilation of the data and information related to the implementation and supervision of the Recovery Fund Plan and requested from the European Commission;

2.4. the Procurement Monitoring Bureau – shall ensure pre-controls of procurements planned within the scope of the Recovery Fund Plan.

3. Within the meaning of this Regulation, a recipient of the financing of the Recovery Fund Plan (hereinafter – the recipient of the financing) shall be a natural or legal person, including an institution of direct or indirect administration, a derived public person, or another State institution which, in accordance with the laws and regulations governing the implementation and supervision of the Recovery Fund Plan, receives financing of the European Union Recovery and Resilience Facility.

4. The institutions referred to in Paragraph 2 of this Regulation shall ensure the implementation and supervision of the Recovery Fund Plan in accordance with this Regulation, relevant Cabinet regulations regarding the implementation of the investments of the Recovery Fund Plan, and other legal acts in the field of the implementation and supervision of the Recovery Fund Plan in conformity with the financing agreement of the Republic of Latvia and the European Commission on the Recovery and Resilience Facility.

5. The institutions referred to in Paragraph 2 of this Regulation shall have access to the documentation related to implementation of the Recovery Fund Plan in order to ensure reliable and traceable fulfilment of the implementation and supervision functions of the Recovery Fund Plan referred to in this Regulation.

**II. Competence of the Authorities in the Implementation and Supervision of the Recovery Fund Plan**

6. The Ministry of Finance as the coordinator of the Recovery Fund Plan shall ensure the performance of the following tasks:

6.1. prepare and submit a half-year report to the European Commission on the progress in the implementation of the Recovery Fund Plan in accordance with Article 27 of Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (hereinafter – Regulation No 2021/241) and a payment request in accordance with Article 22 of Regulation No 2021/241 (with accompanying documents);

6.2. coordinate information requests received from the European Commission on the issues related to the implementation of the Recovery Fund Plan;

6.3. coordinate unified implementation of the publicity requirements laid down in Article 34 of Regulation No 2021/241 and brought forward by the European Commission;

6.4. in cooperation with other institutions referred to in Paragraph 2 of this Regulation, develop new or adapt existing guidelines of the European Union Structural Funds and Cohesion Fund for the performance of the implementation and supervision tasks of the Recovery Fund Plan;

6.5. provide support to the sectoral ministry referred to in Sub-paragraph 2.2 of this Regulation and the State Chancellery in the issues related to the conditions for the control of aid for commercial activity, ensuring the function of the control authority of the aid for commercial activity – to carry out initial assessment of the projects of aid programmes or *ad hoc* aid prepared by the responsible institutions in accordance with Section 9 of the Law on Control of Aid for Commercial Activity;

6.6. to perform the function of a decision contestation institution in respect of the decisions to grant financing of the Recovery Fund Plan which the Central Finance and Contracting Agency has taken within the scope of the selection of investment project applications in accordance with Sub-paragraph 9.3 of this Regulation.

7. The Ministry of Finance as the audit institution of the Recovery Fund Plan shall ensure the performance of the following tasks:

7.1. develop the audit strategy for the Recovery Fund Plan for the implementation period of the Recovery Fund Plan and an annual system audit and activity audit plan based on the risk assessment;

7.2. perform system audits and activity audits in accordance with the plan referred to in Sub-paragraph 7.1 of this Regulation in order to provide an opinion on the internal control system established for the implementation of the Recovery Fund Plan (where applicable) and the measures taken for the reduction of the double financing risk, the conflict of interest risk, and the corruption and fraud risk, and also perform data reliability assessment on the achieved reference points and objectives. If the audit institution identifies deficiencies, it shall provide proposals according to its competence for the improvement of the management and control system of the Recovery Fund Plan;

7.3. according to the identified risks, may perform additional audit tasks, and also other inspections in accordance with the indications provided by the European Commission in the implementation of the Recovery Fund Plan;

7.4. ensure continuous entry of the audit results referred to in Sub-paragraphs 7.2 and 7.3 of this Regulation in the management information system;

7.5. on the basis of the conclusions obtained from the audits referred to in this Paragraph and the results of the abovementioned inspections, and also other objective and available information, prepare a summary of the audits performed and add it to management information system within the time period referred to in Paragraph 16 of this Regulation.

8. The sectoral ministry and the State Chancellery:

8.1. shall ensure an appropriate implementation of the reforms and investments specified within the scope of the Recovery Fund Plan of its department (including the supervision and risk management thereof) and perform the development, implementation, supervision of the internal control system (including internal audit) and improvement according to the implementation requirements of the Recovery Fund Plan. The achievement of the reference points and objectives of the reforms and investments specified within the scope of the Recovery Fund Plan shall be ensured by the relevant sectoral ministry or the State Chancellery according to the competence specified in the Recovery Fund Plan;

8.2. shall ensure data reliability, traceability, justification of the data provided by its department, and also, where necessary, ensure access to the information related to the implementation of the Recovery Fund Plan and be able to present it to the institutions referred to in Paragraph 2 of this Regulation, and also to the institutions referred to in the financing agreement of the Republic of Latvia and the European Commission on the Recovery and Resilience Facility;

8.3. shall ensure conformity with the conditions for aid for commercial activity in the development and implementation of the Recovery Fund Plan, aid programmes, and *ad hoc* aid projects, except for supervision in cases when the aid for commercial activity is granted and the supervision of the project implementation is performed by the Central Finance and Contracting Agency;

8.4. in accordance with Article 34 of Regulation No 2021/241 and the publicity conditions provided by the European Commission, shall provide information to the society on the results of the reforms and investments of the Recovery Fund Plan;

8.5. shall enter information for the preparation of a half-year report on the progress in the implementation of the Recovery Fund Plan (in accordance with Article 27 of Regulation No 2021/241) and a payment request (in accordance with Article 22 of Regulation No 2021/241) in the management information system;

8.6. within the scope of a department, shall ensure that the recipient of the financing complies with the requirements related to the implementation of the Recovery Fund Plan. If the sectoral ministry or the State Chancellery detects that the abovementioned requirements are not complied with, it shall perform the relevant corrective activities against the recipient of the financing in conformity with the guidelines referred to in Sub-paragraph 6.4 of this Regulation.

9. The Central Finance and Contracting Agency:

9.1. shall inspect, by random inspections, whether there are signs to be detected in the implementation of the investments and reforms of the Recovery Fund Plan which attest to an admitted conflict of interest, corruption, fraud, or double financing situation;

9.2. shall inspect, by random inspections, the veracity of the reference points and objectives (including data) defined in the Recovery Fund Plan;

9.3. in accordance with the relevant Cabinet regulations regarding the implementation of investments of the Recovery Fund Plan, shall perform selection of investment project applications and enter into a contract or agreement on the implementation of investment projects;

9.4. shall ensure that the recipient of the financing complies with the requirements related to the implementation of the Recovery Fund Plan and the requirements laid down in the contract referred to in Sub-paragraph 9.3 of this Regulation or an agreement document. If the Central Finance and Contracting Agency detects that the abovementioned requirements are not complied with, it shall perform the relevant corrective activities against the recipient of the financing in conformity with the guidelines referred to in Sub-paragraph 6.4 of this Regulation;

9.5. shall ensure accumulation of data in the management information system necessary within the scope of the Recovery Fund Plan and referred to in Articles 22 and 27 of Regulation No 2021/241 for communication to the European Commission, including adaptation of the management information system for the needs of the implementation of the Recovery Fund Plan, maintenance of the management information system and granting of the necessary access rights to the management information system in accordance with the laws and regulations regarding the procedures by which the introduction of the European Union Structural Funds and Cohesion Fund shall be supervised and assessed, and also the management information system of the Cohesion Policy Funds for 2014–2020 shall be established and used;

9.6. according to the competence, shall enter information for the preparation of a half-year report on the progress in the implementation of the Recovery Fund Plan (in accordance with Article 27 of Regulation No 2021/241) and a payment request (in accordance with Article 22 of Regulation No 2021/241) in the management information system;

9.7. where necessary, may perform other inspections within the cope of the implementation of the Recovery Fund Plan in order to ascertain that the funds of the Recovery Fund are used in conformity with the intended purpose. Recommendations regarding the results of the abovementioned inspections shall be prepared, according to the competence, for the sectoral ministry and the State Chancellery;

9.8. if the the aid for commercial activity has been granted, shall ensure compliance with the conditions for the granted aid for commercial activity in the implementation and supervision of projects.

10. The recipient of the financing shall ensure the use of the financing granted within the scope of the implementation of the Recovery Fund Plan in conformity with the conditions and time periods, including:

10.1. shall ensure appropriate achievement of the reference points and objectives, data reliability and traceability, and also, where necessary, ensure access to the information related to the implementation of the Recovery Fund Plan and be able to present it to the institutions referred to in Paragraph 2 of this Regulation, and also to the institutions referred to in the financing agreement of the Republic of Latvia and the European Commission on the Recovery and Resilience Facility;

10.2. according to the competence and in conformity with the specified time periods and procedures, shall enter information for the preparation of a half-year report on the progress in the implementation of the Recovery Fund Plan (in accordance with Article 27 of Regulation No 2021/241) and a payment request (in accordance with Article 22 of Regulation No 2021/241) in the management information system;

10.3. shall ensure compliance with the conditions for aid for commercial activity (where applicable);

10.4. shall comply with the publicity requirements of the Recovery Fund Plan;

10.5. shall carry out the improvement or development (where applicable) of the internal control system necessary for the implementation of the Recovery Fund Plan;

10.6. according to the contract or the procedures laid down in the agreement, shall repay the financing granted within the scope of the Recovery Fund Plan if it has not been used according to the terms and conditions laid down in the contract or agreement document.

11. The Procurement Monitoring Bureau shall ensure random pre-controls of the procurements performed within the scope of the implementation of the Recovery Fund Plan, supervision of the introduction of the recommendations expressed within the scope of the abovementioned inspections, and also entering of the status of the abovementioned inspections and recommendations in the management information system.

**III. Planning of the State Budget Resources within the Scope of the Introduction of the Recovery Fund Plan**

12. The funds from the State budget for the implementation of the Recovery Fund Plan shall be planned as a grant from general revenues according to the amount of the financing of the European Union approved in the Recovery Fund Plan by adopting relevant legal acts of the Cabinet regarding the implementation of the investments of the Recovery Fund Plan.

13. A sectoral ministry or the State Chancellery, according to the competence thereof, and also the recipient of the financing shall ensure that the financing of the Recovery Fund Plan is used in accordance with the legal acts of the European Union and the Republic of Latvia without causing grounds for taking the decision of the European Commission not to make expenditures eligible for financing from the financial resources provided for in the Recovery Fund Plan.

**IV. Preparation and Submission of Reports and Payment Requests to the Cabinet and the European Commission**

14. The Central Finance and Contracting Agency shall perform permanent supervision of the implementation of the Recovery Fund Plan in accordance with Sub-paragraph 2.3.1 of this Regulation, ensure that current information is available in the management information system on the progress of the implementation of the Recovery Fund Plan, and also perform random inspections in accordance with Paragraph 9 of this Regulation. The information on the abovementioned inspections shall be entered in the management information system not later than:

14.1. by January 10 – on the inspections which have been performed by the end of the previous year;

14.2. by July 10 – on the inspections which have been performed by 30 June of the current year.

15. The Central Finance and Contracting Agency shall, within the time period referred to in Sub-paragraph 14.1 of this Regulation, ensure that appropriate documentation is available in the management information system which justifies achievement of the reference points and objectives, and also add the following documents in the management information system in accordance with Article 22 of Regulation No 2021/241:

15.1. a summary on inspections performed by the Central Finance and Contracting Agency, including on the deficiencies detected in the implementation of the Recovery Fund Plan, corrective activities (where applicable) performed, and procurement pre-controls ensured by the Procurement Monitoring Bureau;

15.2. information approved by the Central Finance and Contracting Agency for the preparation of the management declaration.

16. The Ministry of Finance as the audit institution of the Recovery Fund Plan shall perform inspections in accordance with the plan referred to in Sub-paragraph 7.1 of this Regulation, regularly enter information in the management information system thereon, and also prepare a summary on the inspections performed (i.e., by 10 January of the current year – on the audits which have been performed by the end of the previous year), and add it in the management information system.

17. Taking into account the results of the inspections referred to in this Regulation and the information which has been entered in the management information system by the recipient of the financing, a sectoral ministry and the State Chancellery shall enter information on the progress of the implementation of the Recovery Fund Plan and the reference points and objectives achieved within the scope thereof according to the competence referred to in Paragraph 8 of this Regulation by 25 January and 25 July of the current year respectively. The following documents shall be appended, in conformity with Article 22 of Regulation No 2021/241, to the information which is entered by 25 January of the current year:

17.1. a summary on the inspections performed within the scope of the implementation the Recovery Fund Plan, including on the deficiencies detected, corrective activities (where applicable) performed, and procurement pre-controls ensured by the Procurement Monitoring Bureau;

17.2. information approved by the relevant sectoral ministry or the State Chancellery for the preparation of the management declaration.

18. The Ministry of Finance as the coordinator of the Recovery Fund Plan shall compile the information entered in the management information system in accordance with Paragraphs 14, 15, 16, and 17 of this Regulation and, by 1 March and 1 September respectively, submit a half-year report where the information on the progress of the implementation of the Recovery Fund Plan is included for examination by the Cabinet.

19. After examination of the report referred to in Paragraph 18 of this Regulation by the Cabinet, the Ministry of Finance as the coordinator of the Recovery Fund Plan shall, in accordance with Article 27 of Regulation No 2021/241, submit a half-year report to the European Commission on the progress of the implementation of the Recovery Fund Plan by 30 April or 15 October of the current year respectively, including on the progress of joint indicators.

20. The Ministry of Finance as the coordinator of the Recovery Fund Plan shall, on the basis of the information entered into the management information system and in accordance with the indicative payment schedule specified in the implementation decision of the Council and Article 22 of Regulation No 2021/241, prepare and submit the following documents to the European Commission:

20.1. the payment request and documentation which justifies achievement of the reference points and objectives;

20.2. the summary on inspections performed (including deficiencies detected and corrective activities performed), including the summary of the Ministry of Finance as the audit institution on the audits performed;

20.3. the management declaration on the fact that resources have been used for the intended purpose, that the information submitted is complete, correct, and credible, and that the control systems introduced provide the necessary guarantees, that the resources have been administered according to the principle of sound financial management and in accordance with all the applicable regulations, especially regulations regarding avoidance of a conflict of interest, fraud, corruption, and double financing situation.

21. The Ministry of Finance as the coordinator of the Recovery Fund Plan shall inform the Cabinet in the next half-year report of the changes in the progress report of the Recovery Fund Plan, the payment request, and the related information which were made or are necessary, taking into account the indications provided by the European Commission.

**V. Closing Provision**

22. The Ministry of Finance as the coordinator of the Recovery Fund Plan shall separately inform the institutions involved in the development of a progress report of the Recovery Fund Plan of the procedures for the development of the final progress report of the Recovery Fund Plan on the activities performed in 2026 (including of the time periods, taking into account the eligibility time period referred to in Article 20(4)(d) of Regulation No 2021/241), and the time schedule for the preparation of the final progress report of the Recovery Fund Plan.

Prime Minister A. K. Kariņš

Minister for Finance J. Reirs