

THE REFORM AND GROWTH FACILITY

MAIN REQUIREMENTS AND IMMEDIATE OPERATIONAL CONSIDERATIONS

This note highlights the key requirements arising from the **Reform and Growth Facility (RGF) Regulation, the Facility Agreement, and the Loan Agreement**.* It also includes the CEF recommendations on the key actions to be taken by the beneficiaries.

To fully benefit from the RGF funding, it is crucial to undertake several immediate and priority actions.



KEY STEPS FOR IMPLEMENTING THE REFORM AND GROWTH FACILITY

1. Promptly finalise the Reform Agenda and submit it to the European Commission.
2. Appoint the National Reform and Growth Facility Coordinator.
3. Nominate the Anti-Fraud Coordination Service.
4. Nominate Reform Agenda contact points in all relevant line ministries and entities in charge of implementing the reforms and investments listed in the Reform Agenda.
5. Establish the Reform and Growth Facility Monitoring Committee within six months of Facility Agreement's entry into force.
6. Set up a sound system of indicators to monitor the implementation of the Facility.
7. Prepare an analysis on the domestic management and control system and take necessary steps to complete the system and address any gaps.
8. Designate the authority in charge of defining the technical architecture and procedures for collecting and managing data on final recipients of more than EUR 50,000, and for gathering other required information to be sent to the European Commission.
9. Prepare a communication and visibility plan.



POLICY CONSIDERATIONS

The Reform Agenda (RA) should be submitted within three months of the entry into force of RGF, i.e., by **August 25, 2024**. Earlier submission of the RA is strongly encouraged. **The RA shall comprise measures for the implementation of reforms through a comprehensive and coherent package**, including areas fundamental to the enlargement process. **The RA shall be results-based, and include both qualitative and quantitative steps for the envisaged implementation of the reforms**, as well indicators for assessing progress towards the achievement of the general and specific objectives of the RGF. **The RA and the Economic Reform Programme (ERP) shall remain strongly linked**. In particular, the impact of the reform measures outlined in the RA on the macroeconomic and fiscal frameworks presented in the ERP must be assessed.

The European Commission (EC) will pay particular attention to whether the RA effectively reflects the input of relevant stakeholders, including beneficiaries' parliaments, local and regional representative bodies and authorities, social partners, and civil society organizations. **Beneficiaries must prepare to reach out to these stakeholders on a regular basis.**

* This document is based on the drafts of the Facility Agreement and the Loan Agreement, available in July 2024.

II.

COORDINATION AND MONITORING OF IMPLEMENTATION OF THE COMMITMENTS UNDER THE REFORM AGENDA



COORDINATION

Each beneficiary must promptly appoint a National RGF Coordinator. The Coordinator shall be a **high-ranking representative of the government or central administration** with the appropriate authority to act on behalf of the government and coordinate the work of all relevant ministries and institutions involved in the implementation of the RGF. Furthermore, the Coordinator shall coordinate a regular **high-level policy dialogue with the EC** and ensure a close link between the use of the RGF funds and the general accession process.

The Coordinator shall ensure that the implementation of the RGF is fully based on the principles of sound financial management, and **bears the responsibility to prepare and submit verified requests for the release of funds under the RGF**. Additionally, the Coordinator shall act as the interlocutor between the EC, the European Anti-Fraud Office (OLAF), the European Public Prosecutor's Office (EPPO), and the beneficiary authorities.

The CEF also recommends **nominating contact points in all line ministries and entities in charge of implementing the reforms and investments listed in the RA**.



MONITORING

The EC and the beneficiary shall set up a RGF Monitoring Committee no later than six months after the entry into force of the RGF Agreement. The Coordinator shall co-chair the Monitoring Committee, along with a representative of the EC.

The RGF Monitoring Committee shall review the overall effectiveness, efficiency, quality, coherence, coordination, and compliance of the implementation of all programmes towards meeting the objectives set out in the RGF Regulation. **The Committee shall meet at least once a year**, while meetings at the technical level should be held regularly, according to the needs.



PAYMENT CONDITIONS ON THE RELEASE OF FUNDS

The RGF payment conditions shall take the form of observable and measurable qualitative or quantitative steps set in the RA. The beneficiary shall **submit a request for the release of funds twice a year**, along with detailed supporting documentation to justify that the relevant conditions for the qualitative and quantitative steps have been met.



PRE-FINANCING

Each beneficiary can access pre-financing of up to 7% of the total amount provided for in the RGF (including both loans and grants), subject to compliance with the preconditions for support under the RGF. Pre-financing is available only after the EC adopts an Implementing Decision on the submitted RA. **The CEF recommends that beneficiaries should already start preparing and collecting all supportive evidence for pre-financing.**

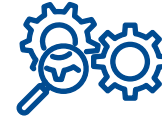


INDICATORS

The RA shall include indicators for assessing progress towards the achievement of the general and specific objectives of the RGF. **The CEF recommends that beneficiaries set up a system for the regular update of data related to these indicators.**



MANAGEMENT AND CONTROL SYSTEM



A major novelty of the RGF is that beneficiaries will be required to use their **national budget management systems** for funds provided in the form of loans to their national treasuries. The RGF Regulation and draft Facility Agreement lay down several clear obligations regarding the management and control systems for these RGF funds. Failure to comply with these provisions could result in the EC reclaiming RGF funds.

For **funds provided to the Western Balkans Investment Framework**, the EC will rely on the management and control systems of the financial institutions implementing these funds.

Those already managing IPA funds under the Indirect Management by Beneficiary Countries (IMBC) should already have all the main elements in place. If not, they will receive recommendations from regular audits conducted by the EC on the necessary steps to be taken. This information is typically available at the National IPA Coordinator (NIPAC) office. For these beneficiaries, the same management and control system applied to IPA III funds under the IMBC should be applied and implemented across all entities responsible for executing reforms and investments supported by the loan component of the RGF.

For beneficiaries without experience in managing EU funds under the IMBC, compliance with the provisions of the RGF requires an **immediate analysis of missing elements and the urgent implementation of legislative and adminis-**

trative measures. Beneficiaries should review Section II of the Draft Financial Framework Partnership Agreement under IPA III, which outlines the rules for the IMBC in detail.

Beneficiaries must **submit a full description of their management and control system to the EC** in conjunction with the first release of funds, i.e. by mid-2025 at the latest.

Beneficiaries should designate a National Anti-Fraud Coordination Service (AFCOS) as soon as possible. Information about this service must be provided to the EC in conjunction with the first release of funds, i.e. by mid-2025 at the latest. The AFCOS will be responsible for reporting cases of fraud to the EU and acting as the liaison with relevant EU institutions. Beneficiaries that have already established an AFCOS should use it, while those that have not yet set up an AFCOS should urgently nominate a qualified anti-fraud coordinator and provide the necessary authority and staffing.

IV.

REPORTING AND VISIBILITY REQUIREMENTS; DATA AND DOCUMENT MANAGEMENT



1. REPORTING TO THE EC ON THE RA IMPLEMENTATION

All beneficiaries are required to prepare an **annual report on the implementation of the RA**. This report should be submitted preferably by 15 January each year, and no later than 1 March. The National RGF Coordinator is in charge of preparing this annual report, which should focus on progress in reforms and investments in relation to the RGF's objectives. In addition, beneficiaries must **report to the EC twice a year on progress in implementing the RA**. These reports should include quantitative data on the indicators selected for the Scoreboard and information on the overall progress of implementation of the RA. This report will be the same one submitted with requests for payments, which are also due every six months.



2. TRANSPARENCY OF THE RGF FUNDING

All beneficiaries are required to **publish on a dedicated webpage the list of final recipients of RGF funding exceeding EUR 50,000** cumulatively over a period of four years. The full dataset must be transmitted electronically to the EC at least once a year.

In addition, beneficiaries **must provide the EC, every six months**, with the following information:

- The name of the recipient of funds for measures to implement reforms and investments specified in the RA
- The name of the contractor and sub-contractor
- The first name(s), last name(s), and date of birth of the beneficial owner(s) of the recipient of funds or contractor or sub-contractor
- A list of measures under the RA, including the total amount of public funding for those measures and the beneficiary's authority responsible for their implementation.

It is important for the National RGF Coordinator to **designate the relevant authority responsible for collecting these data and setting up the necessary webpage and technical setup**.



3. VISIBILITY REQUIREMENTS

Beneficiaries need to ensure the visibility of RGF funding. This includes **preparing a communication and visibility plan**, which must be incorporated into the RA.

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