

European Parliament involvement in scrutinising the Recovery and Resilience Facility



This note provides a brief overview of Parliament involvement in scrutinising the Recovery and Resilience Facility (and the European Union Recovery Instrument). It is based on Regulation 2021/241 of 21 February, setting out the Recovery and Resilience Facility, and the relevant parts of the new Interinstitutional Agreement on budgetary matters established between the Parliament, the Council and the Commission. It does not cover nor discusses in detail other instruments or frameworks for scrutiny, namely those relating to the European Semester, EU budgetary procedures, written or oral questions or any discharge procedures.

I. Introduction

So far, the European Parliament has been scrutinising the EU economic governance framework mostly through regular economic dialogues with the Commission, Council, Eurogroup and the Member States. Scrutiny relies mostly on public information. This is commensurate with Member States retaining the core powers of defining and implementing their economic policies.

The Recovery and Resilience Facility (RRF) sets a new paradigm: it relies on EU funding (based on new EU bond issuance under the novel [European Union Recovery Instrument](#) - EURI) for financing Member States' national projects and investments. The [RRF Regulation](#) is based on article 175 of the Treaty on Functioning of the European Union (TFEU), thus linking the RRF to achieving Member States' objectives of economic, social and territorial cohesion as set out in article 174 of TFEU. The instrument is also strongly interlinked with the European Semester for economic policy coordination (see [here](#), [here](#) and [here](#)) and with meeting Member States' objectives under article 148 of the TFEU (on employment policies).

To ensure the European value added of such national projects and investments, the agreed RRF Regulation spells out the policy areas of European interest to be covered by the instrument, and associated financing, structured around six pillars, namely: green transition; digital transformation; smart, sustainable and inclusive growth; social and territorial cohesion; health, and economic, social and institutional resilience; and policies for the next generation i.e. children and youth.

Member States reform and investment agendas are to be spelled out in national Recovery and Resilience Plans (RRPs) drawn up in accordance with detailed criteria (namely those set out in article 18 and Annex V of the RRF Regulation and bearing in mind [Commission guidance](#)).

The RRF Regulation also includes detailed conditions to be met by the Member States in order to benefit from the funds available. Such conditions refer, notably, to the alignment of Member States proposals with



their National Reform Programmes and with the horizontal principles underpinning the Regulation, the Country Specific Recommendations, the Euro Area Recommendation for euro area Member States, and additional qualitative benchmarks as set out in the Regulation, notably in articles 17 and 19¹.

The introduction of the RRF will alter the European Semester configuration as the RRFs will be at the centre of the multilateral and bilateral surveillance of Member States economic and social policies for the coming year(s). The instruments under the RRF will temporarily replace some of the steps of the European Semester cycle. The RRFs will be evaluated (article 18) against detailed and specified criteria (article 19) in the context of the European Semester and Member States will report progress in meeting their milestones and targets also in the context of the Semester.

The need for guaranteeing a European approach in implementing the RRF is both recognised in the Regulation and in the [Interinstitutional Agreement](#)² (IIA) on budgetary matters³, which grant the European Parliament enhanced scrutiny responsibilities.

This note provides a brief overview of Parliament involvement in scrutinising the RRF (and the EURI), based on the RRF Regulation and the new IIA. The instruments of such scrutiny role are the provision of information, dialogues and reviews. The following sections focus on each of these. This note does not cover in detail other instruments or frameworks for scrutiny, namely those relating to the European Semester, EU budgetary procedures, written or oral questions or any discharge procedures.

In addition, under the agreed RRF Regulation, the Parliament and the Council will be also involved in scrutinising a number of delegated acts that the Commission is empowered to adopt (article 33).

II. Provision of information

Effective scrutiny requires timely access to the relevant information. Recognising that, the Regulation refers (as requested by the Parliament) to various instances where Parliament is to receive information, to allow it to exercise its scrutiny mandate.

The so-called “Recovery and Resilience Dialogue” (article 26) is noteworthy in this respect. It mainly results from a [Parliament proposal](#) for a provision that foresaw the need for full access of information to be made available to Parliament. The provision has been split into two parts, one addressing the “Recovery and Resilience Dialogue” (article 26) and the other compiling provisions on transparency, mostly inspired by the Parliament proposal for article 20a (currently, article 25).

The agreed regulation provides for Parliament being informed of and/or receiving:

- The national RRFs submitted by the Member States⁴ and the proposals for Council decisions made public (not draft RRFs or draft Council decisions eventually being discussed) (article 25(1); recital 60⁵);
- All information transmitted by the Commission to the Council (article 25(2));

¹ Articles 17 and 19 set out a number of requirements for eligibility of projects and reforms and on criteria the Commission is to consider when assessing the RRFs. Such criteria are clustered around the “relevance”, “effectiveness”, “efficiency” and “coherence” of the projects. Annex V complements such lists. Article 18 deals with the content of the RRFs.

² Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources, of 16 December 2020.

³ The IIA notably sets out provisions allowing furthering Parliament’s oversight and control, as budgetary authority, of the RRF and of the EURI. Point P in the Parliament [resolution](#) on such agreement reads: “Whereas the European Union Recovery Instrument includes a new Recovery and Resilience Facility; whereas it is appropriate, in the context of the political agreement reached on the European Union Recovery Instrument and the involvement of the budgetary authority in the governance of external assigned revenue under this instrument, to recall the need for an objective, fair and transparent legal framework for the selection of the projects that will be funded under the Recovery and Resilience Facility, as well as to highlight the role of regional and local authorities in helping to achieve a recovery that is symmetrical not only between Member States but also between regions.”.

⁴ This refers to the official submissions, not the drafts possibly submitted earlier than 30 April.

⁵ Recitals do not create legally binding obligations. Nevertheless, the lists referred to some recitals, as manifestation of a certain political will.

- Confidential information from the Commission, if a Member State requires its information to be redacted, and articulate with the Commission on how to receive redacted information (article 25(3));
- Submissions to the European Council of possible disagreements in the Economic and Financial Committee (EFC) regarding the disbursement of funds (disagreement on whether milestones and targets are being complied with) - recital 51;
- An overview from the Commission of its preliminary findings concerning satisfactory fulfilment of relevant Member States' milestones and targets (article 25(4));
- All information submitted to Member States' experts, at the same time as Council, regarding the Commission exercise of delegated powers (recital 66);
- Systematic access to Commission meetings with national experts on implementation of delegated powers (recital 66);
- Access to the recovery and resilience scoreboard (article 30), a dedicated website to be made available by the Commission.

It is particularly relevant to note that article 25(2) (and recital 60) requires that Parliament and Council will be simultaneously provided with the same level of information⁶. Parliament will also be informed of relevant outcomes of discussions held in Council preparatory bodies.

Additionally, the Commission is required to present structured reports on a number of issues. These are, namely:

- A report on the breakdown of expenditure financed through the RRF in accordance with the six priorities/pillars (article 29(3));
- An annual report on the implementation of the RRF (article 31, recital 67). The annual report shall include information on the progress made with the RRFs of the Member States, on the status of implementation of milestones and targets, the status of disbursements and suspensions, the contribution of the Facility for the climate and digital targets, the performance of the Facility based on the common indicators referred to in Article 29(4) and the expenditure financed under the pillars set out in Article 3 (including on social, youth and children expenditures, as referred to in Article 29(4));
- Based on Article 22(3) RRF spending will feature separately in the Commission Annual Management and Performance Report reports the [Financial Regulation](#) (article 247) requires.
- Under the [IIA](#) (Part II, A, point 16), an annual report covering, inter alia, *"the revenue, expenditure, assets and liabilities of the European Development Fund, the European Financial Stability Facility, the European Stability Mechanism, and other possible future mechanisms;" (...)* climate expenditure (...) taking into consideration the effects of the phasing out of the funding under the European Union Recovery Instrument and differentiating between climate change mitigation and adaptation, where feasible;" and, *"the implementation of the United Nations Sustainable Development Goals in all relevant Union programmes of the MFF 2021-2027."*
- Under the [IIA](#) (Part II, A, point 17) an annual report on EURI covering:
 - Assets and liabilities arising from borrowing and lending operations carried out under Article 5 of the [Own Resources Decision](#);
 - The aggregate amount of proceeds assigned to Union programmes in the implementation of the European Union Recovery Instrument in the previous year, broken down by programme and budget line;
 - The contribution of the borrowed funds to the achievements of the objectives of the EURI and the specific Union programmes.

⁶ The recital reads: *"In order to ensure transparency and accountability in the implementation of the Facility, the Commission should transmit, subject to clearance of sensitive or confidential information, or to appropriate confidentiality arrangements if necessary, relevant documents and information simultaneously and on equal terms to the Council and the European Parliament (...)"*.

Annex I of the [IIA](#) (part H) presents the agreement between the three institutions to deepen transparency and ensure proper oversight, and the involvement of the European Parliament and of the Council in the use, of external assigned revenues under EURI. The Commission will provide detailed information on usage of funds under EURI, on loans given to Member States and detailed estimates of commitment appropriations and payment appropriations, as well as of legal commitments, broken down by heading and by programme that receives assigned revenue under EURI. The Commission will in particular inform about any significant deviations from initial forecasts. The Union budget will display transparently (in an Annex and in budgetary remarks) the external assigned revenues received by relevant budget lines.

Additionally, Annex II to the [IIA](#) establishes a roadmap for introducing new own resources⁷, and makes reference to a [Joint Declaration](#) by the three institutions establishing that further new instruments proposed by the Commission under article 122 TFEU will be subject to stronger oversight by Parliament and Council (see Part H of Annex I of the IIA).

III. Dialogues

Following a proposal by the Parliament, the agreed regulation foresees structured “Recovery and Resilience Dialogue” (RRD) somehow inspired by the Economic Dialogues under the European Semester (see below). Such dialogues take place at Parliament’s request⁸.

The RRD provides that:

- The Competent committee of the European Parliament may invite the Commission every two months to discuss (article 26; recital 61):

- (a) The state of recovery, resilience and adjustment capacity in the Union, as well as the measures adopted under the RRF;
- (b) The RRFs of the Member States;
- (c) The Commission’s assessment of Member States’ RRFs and information on the state of play of the assessment of RRFs (article 25(5));
- (d) The main findings of the review report referred to in Article 16(2);
- (e) The status of fulfilment of the milestones and targets of the Member States RRFs;
- (f) Payment, suspension and termination procedures, including any observation presented and remedial measures taken by the Member States to ensure a satisfactory fulfilment of the milestones and targets;
- (g) Any other relevant information and documentation provided by the Commission to the competent committee of the European Parliament in relation to the implementation of the Facility.

Other provisions in the agreed regulation also refer to the dialogue, namely:

- The competent committee may invite the Commission to present the main findings of its implementation assessment of the Facility (article 16(4));

- The competent committee may invite the COM to discuss the application of article 10 (measures linking the Facility to sound economic governance) [structured dialogue] to allow Parliament to express its views (article 10(7)). The Commission shall give due consideration to the views expressed by Parliament. The

⁷ It should be noted, however, that the IIA binds Council, not the Member States, and renewing the available basket of own resources requires unanimous support of all Member States through adoption of new own resources decisions. Therefore, whilst important and relevant in the context of the principle of sincere cooperation, introduction of new own resources as foreseen in the IIA remains a national competence.

⁸ It should be noted that despite specific dialogues foreseen in the legislation, the European Parliament can always invite representatives from the other institutions for discussions and exchanges of views. The Economic Dialogue and the Recovery and Resilience Dialogue provide structured frameworks and specific legal bases for discussions at specific moments or with specific backgrounds.

European Parliament may also invite the Commission to explain the reasons of its proposal for suspension or for lifting a suspension on disbursements (article 10(7)). Recital 29 specifies that the structured dialogue to discuss such Commission proposals should take place within a period of four weeks following Parliament being informed that conditions for suspending payments or commitments are met.

Article 26(3) (and recital 61) notes that the Commission “shall take into account elements arising from the views expressed through the recovery and resilience dialogue, including the Resolutions from the European Parliament, if provided.”, even if the exact terms of such “taking into account” remain indefinite. Such consideration is notably consistent with the [Commission President](#) commitment to give a stronger voice to Parliament on economic governance⁹.

The RRDs with the Commission will complement the Economic Dialogues that the Parliament can organise under the EU economic governance framework currently in force. Such Economic Dialogues may involve, in addition to the Commission, the Presidency of the Council and, where appropriate, the Presidents of the Eurogroup and of the European Council (see [here](#) for more details). Member States can also be invited an Economic Dialogue with Parliament in the context of the European Semester (see [here](#) for more details).

Furthermore, in the context of the EURI as a whole, the [IIA](#) provides that the Institutions will hold interinstitutional meetings at least three times a year, soon before or after the budgetary trilogues and on an ad hoc basis if one institution provides a reasoned request. Those meetings may address significant deviations in EURI expenditure.

The European Parliament will incorporate the scrutiny of RRF spending in the normal [discharge procedure](#). The discharge procedure starts in the autumn of the year following the financial year in question. During this procedure, the Budgetary Control committee prepares [reports](#) based on the Commission report and the Annual report of the European Court of Auditors (ECA) on the implementation of the budget¹⁰. It may hold [hearings](#) with ECA members, Commissioners and other responsible EU officials (e.g. director-general of the European Anti-Fraud Office).

IV. Reviews

The regulation contains a number of provisions foreseeing reviews, mostly incumbent on the Commission. These are, namely:

- A review report on implementation of the RRF by 31 July 2022 (article 16(1); recital 31). Such report shall include an assessment on the extent to which the implementation of the RRFs contributes to scope and the general objectives of the program, to the attainment of the climate and digital targets and the six identified priorities, and information on the state of the implementation of the RRFs and observations and guidance to the Member States¹¹. Such report may be presented in the context of a dialogue (see above);
- In 2024, a review of application of article 10 on conditionality; the Commission report may include legislative proposals for amending such provisions (article 10(8)). In parallel, the Commission may submit a proposal for review of article 10, in case of major changes in the social or economic situation of the Union. The European Parliament and Council may request the Commission to come forward with such a review (article 10(9));
- An independent evaluation report to be provided by the Commission by three years after entry into force of the Facility (article 32(1));

⁹ Article 26(4) foresees that information contained in the Recovery and Resilience Scoreboard (Article 30) will serve as a basis for the recovery and resilience dialogue.

¹⁰ See Article 261 of the [Financial Regulation](#).

¹¹ The regulation foresees the Commission will take into account the Scoreboard referred to in Article 30, the bi-annual reports of the Member States referred to in Article 27, and relevant information on the fulfilment of the milestones and targets of the recovery and resilience plans as available from the payment, suspension and termination procedures referred to in article 24.

- An ex post independent evaluation report on RRF implementation to be presented by the Commission by 31 December 2028 (article 32(1)). Such report shall include information on its impact in the long-term and shall be accompanied by legislative proposals where appropriate.

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