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ECONOMIC GOVERNANCE AND EMU SCRUTINY UNIT

ECONOMIC GOVERNANCE

Recovery and Resilience Dialogue with the European Commission

BUDG-ECON Committee meeting on 2 October 2023

Executive Vice-President Dombrovskis and Commissioner Gentiloni are invited to the 12th Recovery and Resilience Dialogue (RRD) under the Recovery and Resilience Facility (RRF) Regulation. The previous RRD took place on 10 July.

*This briefing first focusses on the **Commission's Annual Report on the implementation of the RRF** published on 19 September (i.e. 18 months after the previous report), summarising the information presented therein and commenting it when considered necessary.*

The second part of this briefing comments on the Commission's latest preliminary assessment of milestones and targets included in Italy's third payment request.

1. The Commission's Annual Report on the implementation of the RRF

1.1 State of play on implementation of RRF payment requests

The Commission's Annual Report points out that important procedural steps were completed since the publication of its previous version: The five remaining Council Implementing Decisions for the national Recovery and Resilience Plans (RRPs) of Bulgaria, Sweden, Poland, the Netherlands and Hungary were adopted, and the Commission signed operational arrangements - which lay out the verification mechanism for each milestone and target in more detail - with 24 Member States, while three Member States were still in the process of finalising their operational arrangements or about to sign them, namely DE, NL, and HU (**comment**: DE and the Commission actually signed the Operational Arrangements on 4 September). Signed operational arrangements are a pre-condition for the submission of the first payment request.

The Commission's Annual Report furthermore sets out that by 1 September 2023, the Commission has received 31 payment requests from 19 Member States and disbursed a total amount of EUR 153.4 billion, and summarises the state of play on the implementation of RRF payment requests a table (see **Table 1**).

Economic Governance and EMU Scrutiny Unit (EGOV)
Policy Department for Budgetary Affairs
PE 741.521 - 28 September 2023

Table 1: State of play on implementation of RRF payment requests, as presented in the Annual Report**

	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE
27 plans approved by the Commission and adopted by the Council																											
21 pre-financing disbursed (EUR 56.6 billion)		▲					*										▲		▲		▲						▲
24 Operational Arrangements signed																											
31 payment requests submitted to the Commission								3x	3x	2x	3x	3x										2x	2x		2x		
25 payments disbursed (EUR 96.8 billion)								2x	3x		2x	2x										2x			2x		

Note: * No pre-financing was requested by Ireland. ▲ As prerequisite for pre-financing, the CID had to be adopted by 31 December 2021.

Source: European Commission

** The table does not include the latest information; operational agreements were since signed with DE and IE, and further payment requests were sent by IE, SI, DE, IT, and SK

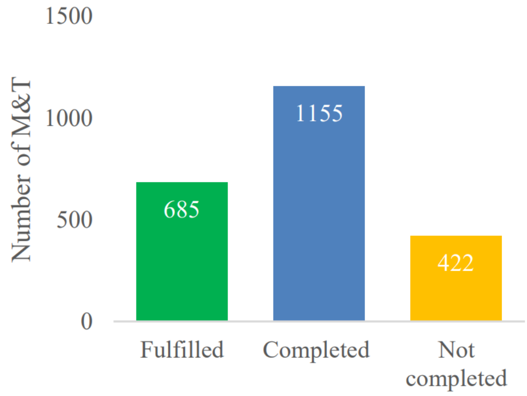
Comment:

While the Annual Report highlights that the Commission has so far disbursed a total amount of EUR 153.4 billion, the fact that more than 1/3 thereof (EUR 56.6 billion) has been disbursed as RRF pre-financing is given less prominence; **only EUR 96.8 billion has actually been disbursed based on preliminary assessments** of evidence that the agreed milestones and targets have been fulfilled. Considering that the RRF will soon enter the **second half of its lifetime**, **the amount to be disbursed** during that period will be **approximately 6 times as large**, which indicates that the Commission will in future have a heavy workload to do the required preliminary assessments in due time. In that vein, the Annual Report explicitly cautions that "*a challenging implementing period lies ahead*".

One may note in this context that already now **some preliminary assessments seem to be overdue**, as there are no preliminary assessments publicly available for the requests that Greece submitted on 17 May, Estonia on 30 June, and Croatia on 24 July. The RRF Regulation stipulates in Art. 24 that "*The Commission shall assess on a preliminary basis without undue delay, and **at the latest within two months** of receiving the request, whether the relevant milestones and targets [...] have been satisfactorily fulfilled*" (the assessment of more recent payment requests is not yet due, namely for those sent by France on 1 August, Ireland on 8 September, Germany on 15 September, and Italy on 22 September; a separate EGOV document lists all related procedural steps).

The Annual Report sets out that Member States continue to report good progress in their implementation of RRPs, with a minority of milestones and targets reported as not yet complete or delayed (Member States report twice a year, as part of the European Semester, on their progress in achieving their milestones and targets due in the past and due twelve months into the future; whilst the data is self-reported and not verified, the Commission considers it a comprehensive stocktaking of the situation). The **Commission writes** that the bi-annual reporting round indicates that "*the **vast majority** of milestones and targets due by April 2023 **are either fulfilled or reported as completed***" (see **Figure 1**; 'fulfilled' in this context means that the Commission has already assessed and approved them, whereas 'completed' just reflects a Member State's assessment).

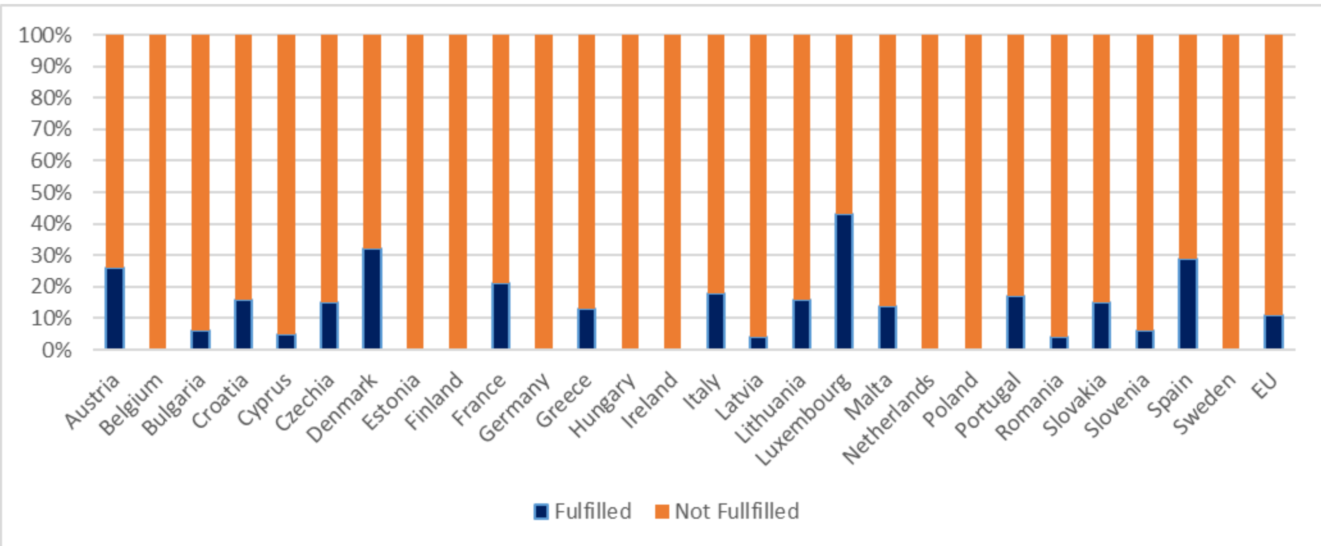
Figure 1: Progress of milestones and targets due in the past, for Q1 2020 to Q1 2023



Source: European Commission

The Commission's interpretation of the situation seems to be **very (or overly) optimistic**: Assuming that the Member States' description of the situation is correct, nearly a fifth of the milestones and targets due in the past are not (yet) completed. The Commission's preliminary assessment of payment request was initially geared to check whether all milestones and targets listed for a certain payment tranche are fulfilled. **A single missing milestone or target can potentially block any further progress** with the payment procedure; that situation has become somewhat more manageable when the Commission published its methodology for partial payments in February 2023 (see annex to this Communication). However, as Member States report a considerable number of milestones and targets to be overdue, that suggests that the preparation and processing of future payment requests faces some challenges. The fulfilment status of milestones and targets as per RRF scoreboard likewise suggests that a lot of work still lies ahead (see **Figure 2**).

Figure 2: Milestones and targets fulfilment status (as at 13.09.2023)



Source: European Commission, RRF scoreboard

1.2 Additional loan requests

The Commission reiterates in the Annual Report the information it already shared with the Parliament and the Council on 1 September 2023 (see Final Overview) about additional loan requests meant to finance new investments and reforms included in the REPowerEU chapter.

As part of the revised RRPs, ten Member States made loan requests in the total amount of EUR 127.2 billion. Six countries – Belgium, Czechia, Spain, Croatia, Lithuania and Hungary – requested loan support for the first time, while the other four – Greece, Poland, Portugal and Slovenia – aim to increase the amount of RRF loans that they already hold (see **Table 2**).

In case all those requests are positively assessed by the Commission and approved by the Council, the total volume of RRF loans would be equal to around EUR 292.6 billion, representing close to 76% of the total amount available (EUR 385.8 billion), and leaving around EUR 93 billion in loan support untapped.

Table 2: Committed loans, additional loan requests, and total loans (preliminary overview)

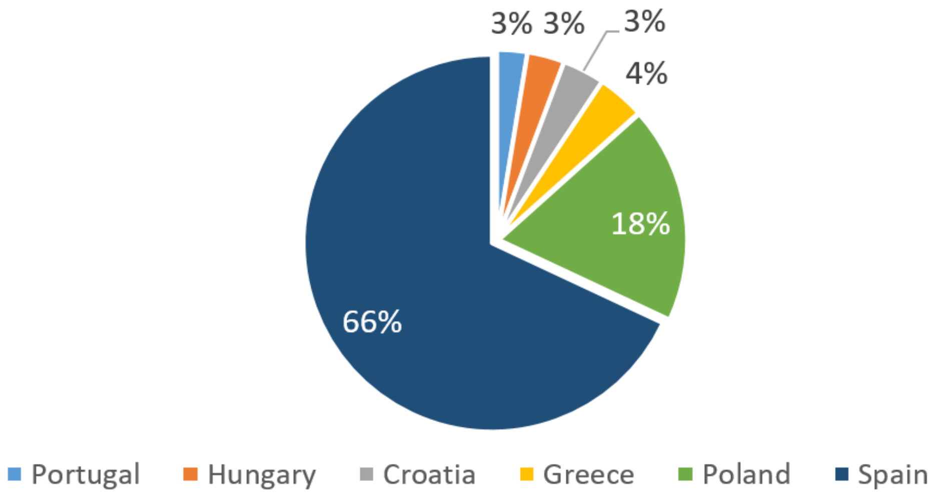
Member State	Committed loans under first RRPs (in EUR million)	New loans (under revised RRPs) (in EUR million)	Total loans (in EUR million)	Meeting or exceeding the 6.8% of GNI ceiling
Belgium	0	264	264	NO
Czechia	0	818	818	NO
Greece	12.728	5.000	17.728	**YES**
Spain	0	84.267	84.267	NO
Croatia	0	4.443	4.443	**YES**
Italy	122.602	0	122.602	**YES**
Cyprus	200	0	200	NO
Lithuania	0	1.722	1.722	NO
Hungary	0	3.920	3.920	NO
Poland	11.507	23.035	34.541	**YES**
Portugal	2.699	3.192	5.891	NO
Romania	14.942	0	14.942	**YES**
Slovenia	705	587	1.292	NO
EU 27	165.383	127.247	292.630	

Source: Based on European Commission

The loan requests submitted by 31 August 2023 are still to be assessed by the Commission and the revised plans to be approved by the Council, the overview therefore notably only gives a **preliminary view** of what the total amount of loans committed under the RRF could be.

Comment:
As regards the question whether the Member States' requests meet or exceed the 6.8% of **GNI ceiling**, the Commission's **documents** only show a classification but **do not show exact percentages**. According to our calculations, most cases seem rather clear cut, i.e. Member States seem to either stay well below the threshold (Belgium, Czechia, Lithuania, Hungary, and Portugal), or clearly exceed it (Greece and Croatia). However, three countries – Italy, Poland, and Spain – seem to be close to the threshold, but are in different categories; additional information could foster clarity about the Commission's related assessments.
The largest share of additional loans will presumably be given to **Spain and Portugal**, **which combined account for 84% of the (preliminary) allocation** in this additional round (see **Figure 3**).

Figure 3: Preliminary allocation of additional loans by Member State



Belgium, Slovenia, Czechia, and Lithuania each account for less than 2% of the new loan allocation

As regards the funding of the NextGenerationEU, the Annual Report sets out that the Commission can raise up to EUR 806.9 billion between mid-2021 and 2026 through the **issuance of EU-Bonds**, making the EU one of the largest issuers of euro-denominated debt in this period. However, the Annual Report does not elaborate on the drivers for taking up RRF loans. An analysis of national refinancing conditions suggests that RRF loans have only been requested by Member States whose refinancing conditions are more costly than those of the EU bonds (see **Table 3**).

As regards macroeconomic effects of RRF-related spending, an issue not covered in the Commission's Annual Report, see Box 1 that summarises recent related reflections by the OECD.

Table 3: National refinancing conditions and intentions to request RRF loans

Country (10y benchmark bond)	Yield	Spread	Loan request
Germany (2.60% 15 Aug 2033)	2,74	-58	No
Denmark (2.25% 15 Nov 2033)	3,01	-30	No
Netherlands (2.5% 15 Jul 2033)	3,07	-25	No
Ireland (0.35% 18 Oct 2032)	3,13	-18	No
France (3.0% 25 May 2033)	3,28	-3	No
Finland (3.0% 15 Sep 2033)	3,29	-3	No
EU Next Gen (1% 06 Jul 2032)	**3,32**	**0**	
Austria (2.90% 20 Feb 2033)	3,32	1	No
Belgium (3.0% 22 Jun 2033)	3,38	6	Yes
Slovenia (3.625% 11 Mar 2033)	3,58	26	Yes
Portugal (2.25% 18 Apr 2034)	3,62	30	Yes
Spain (3.55% 31 Oct 2033)	3,81	49	Yes
Slovakia (3.625% 8 Jun 2033)	4,21	90	No
Italy (4.35% 01 Nov 2033)	4,58	126	Yes
Czech Republic (4.90% 14 Apr 2034)	4,71	140	Yes
Hungary (4.75% 24 Nov 2032)	7,09	377	Yes

Source: EGOV, based on MTS market data on spreads and yields of European bonds as per 22 September 2023 (no data by MTS for Croatia, Greece, Lithuania and Poland).

Box 1: Some key message by the OECD on RRF implementation

The latest [OECD Economic Survey of the European Union and the euro area](#) provides a critical view on the state of play on the implementation of the RRF. ***The report recalls that several euro area countries have postponed their disbursement requests, and some required structural reforms needed further clarification to avoid ambiguities.*** *In some cases, procurement contracts have needed revision due to high inflation, raw material shortages, and labour shortages. These delays have resulted in underspending of funds in 2021 and 2022 compared to the initial NRRPs, posing challenges to the absorption capacity of recipient countries.*

Past experience with the absorption of EU funds from the Multiannual Financial Framework (MFF) suggests caution. By the end of 2020, only 60% of EU funds allocated under the 2014-20 MFF had been absorbed in the four largest euro area countries. It took an additional three years in the previous budget period (2007-13) to achieve close to 100% absorption rates. ***Given that the NGEU funds, including RRF, are nearly four times the funding available under the regular MFF 2021-27, the six-year horizon of the RRF may not be sufficient according to the OECD.***

Furthermore, the OECD underscores that ***the definition of milestones and targets in the RRF Regulation focuses more on inputs and outputs, such as specific reforms and investment plans, rather than result indicators. This raises for example concerns about whether the positive impact of the RRF on the green transition will be adequately assured through existing milestones and targets [on that point, the OECD refers to a paper by Darvas and Welslau as commissioned by the ECON Committee].***

The OECD recommends that the disbursement of the RRF needs to minimise the risk of overstimulating the economy and fuelling inflation in the short term. The short-term effect of additional public expenditure will add to inflation, which will only be contained in the medium-term, as inflationary pressures associated with the NGEU are offset by the disinflationary effect of greater productive capacity. However, inflationary effects may be more noticeable in some countries. ***The OECD concludes that to avoid short-term inflation and support monetary policy tightening, the fiscal policy stance should remain sufficiently restrictive.***

1.3 The lists of the 100 largest final recipients - a preliminary analysis

Article 25a of the REPowerEU regulation requires each Member State to '*create an easy-to-use public portal containing data on the 100 final recipients receiving the highest amount of funding for the implementation of measures under the Facility*' and also the Commission to '*centralise the Member States' public portals and publish the data*'[1].

By September 2023, information from 19 Member States was published on the Commission's RRF Scoreboard. However, the variety in presenting the data by the Member States is very significant. Beneficiary information from 16 Member States is available in a summary table on the Scoreboard, while also 16 made the relevant data available on national websites (details and links available in **Table 4**).

Some Member States provide lists with fewer than 100 recipients, which may be due to the fact that disbursements to final recipients have not yet progressed far, as recipients need to be entered into the database only when they receive payments. Some Member States, on the other hand, provide data on more than the required 100, and some just provide a complete list of all recipients of RRF or even all EU programmes. The databases of Estonia and Finland contain all RRF projects, with the 100 largest RRF recipients at the top the list. It has to be noted that these lists are preliminary in every Member States and will change as the disbursement of funds progresses.

The user-friendliness of the public portals varies: some provide tables in html format, some in xls, and others provide pdf documents or database visualisations. These formats differ significantly in the ease of searching, downloading, reuse and comparison.

[1] Regulation 2021/241 establishing the Recovery and Resilience Facility, as amended by Regulation (EU) 2023/435

Table 4: Final recipient data made available by Member States (as of 21.09.2023)

	Member State	**Data available on**		**Comment**
		Scoreboard	National portal	
1	Austria	+	link	Data available on Scoreboard and on national portal differs. National portal provides html table with 10 recipient per page. Not downloadable.
2	Belgium	+	link	National portal provides html table of 100 recipients, not downloadable.
3	Croatia	+	link	National portal provides downloadable xls list of 123 recipients.
4	Cyprus	+	link	National portal provides html list, where number of recipients per page can be set, downloadable in xls and csv.
5	Czechia	+	link	National portal provides downloadable xls list.
6	Estonia		link	National portal provides unconsolidated list of all RRF recipients. Data downloadable.
7	Finland		link	National portal provides list of all RRF recipients. Data downloadable.
8	Germany	+	link	National portal provides html table of 100 recipients, not downloadable.
9	Greece	+		List of 778 recipients available on the RRF Scoreboard.
10	Hungary	+	link	Data on national portal available in pdf to be downloaded in a zip file
11	Italy	+	link	National portal provides list of 100 recipients with sums from each measure without totals, downloadable in xls and csv.
12	Latvia	+	link	List of 18 recipients in Scoreboard list. Link to national portal is incorrect (error 404).
13	Lithuania	+	link	List of 41 recipients on national portal, 39 in Scoreboard list
14	Malta	+		List of 16 recipients in Scoreboard list
15	Poland		link	National portal provides list of 66 recipients in html and a downloadable xls with 64 recipients.
16	Portugal	+	link	On national portal a database visualisation of all recipients above EUR 1m is available, data is not downloadable.
17	Slovakia	+	link	List of 50 recipients. Data on national portal downloadable in pdf.
18	Slovenia	+	link	National portal provides downloadable xls list of 103 recipients.
19	Sweden	+	link	National portal provides list of 100 recipients in html, not downloadable.

As according to Article 22 (1) of the RRF Regulation, the beneficiaries of RRF funds are the Member States, a Commission Guidance defines a final recipient as '*the last entity receiving funds that is not a contractor or a subcontractor*'. The final recipients can be legal or natural persons, private or public entities, commercial companies, non-profit organisations or consortia.

As recipients are entered into the database when they receive payments, the list of the 100 largest recipients per Member State will be changing until the full execution of all measures included in the national plans. Also, more Member States will gradually make their lists available. Therefore, for the time being only a very preliminary analysis is possible. Based on the data currently available on the **100 largest** final recipients from 19 Member States shows that:

- Altogether the top 100 recipients received around 21 per cent of the funds (grants and loans) requested by the relevant Member States, EUR 80.4 billion. The percentage of funds paid to the 100 largest recipients varies, in some Member States (Croatia, Poland and Slovakia) it is under 2%, while in others (Austria, Greece, Finland and Sweden) it is above 30%.
- The vast majority (over 80%) of the disbursements went to public entities, including national and sub-national administration, central and decentralised agencies and publicly owned companies, however the proportion varies significantly among Member States from less than half to nearly 100%.

- Around 15% of the funds was absorbed by private, for-profit companies, while the remaining 4% by non-profit organisations and mixed entities. In Austria more than half of the funds were allocated to private enterprises, so far, while in Latvia, none.
- Only a handful of natural persons benefited sufficient amounts from the RRF to be listed among the 100 largest recipients.
- The largest recipient in each Member State where data is available is a public entity: part of the national or regional government, a national or regional government agency or a public infrastructure company.
- More than a quarter of the recipients received funds connected to multiple measures, some of them from more than ten (up to 22). However, the number of measures available also depends on the size, structure and focus of the NRRP. Nearly all (31 of 33) recipients benefiting from more than 10 measures were Italian municipalities.

More analysis of the **10 largest** final recipients is available in the Commission's second Annual Report on the implementation of the RRF. They found that almost two-thirds were public entities and a good quarter of them were private, they received 12.7% of funds paid, that is 1.9% of all RRF funds available to the Member States analysed. The distribution of the 10 largest recipients per Member State was rather balanced across RRF policy pillars, similarly to that of the top 100. The largest sums received were related to 'investments in territorial infrastructure and services, e-government and digital public services, and sustainable mobility', while the measures most often financed were in training and education, e-government and digital public services, human capital, and energy efficiency[2].

It is important to note that this list does not provide information of the final beneficiaries of funds, such as contractors, subcontractors, beneficial owners, etc.

1.4 Modified RRPs and REPowerEU chapters

Member States can request to amend or replace their RRPs under four grounds for revisions:

- to propose energy-related reforms and investments in a specific 'REPowerEU chapter';
- to adjust for the updated maximum financial contribution;
- to adjust if milestones and targets are no longer achievable due to objective circumstances;
- or to adjust for additional funding in form of loans.

According to the Annual Report, the Commission had received by 1 September modified RRPs from 24 countries (Italy submitted two revised RRPs), 20 thereof contained REPowerEU chapters. By the same date, BG, LV, and RO had not (yet) submitted revised RRPs.

Apart from new REPowerEU chapters and funding-related changes, most Member States (except for DK, LU, FI, and SE) asked for changes on the grounds that milestones and targets were considered no longer achievable due to objective circumstances, in line with Article 21 of the RRF regulation.

Comment:

From a scrutiny perspective, it would be interesting to know more about those "objective circumstances". However, the Annual Report does not further elaborate thereon.

In some cases, one can take related information from the Commission Staff Working documents, provided they are publicly available (the Commission's RRF country pages do not list all Staff Working Documents, the respective documents were for example missing for IT, IE, and DE).

2 Report on the implementation of the Recovery and Resilience Facility: Moving forward, COM(2023) 545, 19.09.2023, pp. 34-36

Some Commission Staff Working documents actually give the reader a good understanding of what the nature of the changes was, others are not as clear. The Commission Staff Working Document for PT, for example, is quite precise about the scope, nature and effect of the changes under Article 21: "*The modifications submitted by Portugal under Article 14(2), Article 18(2) and Article 21(1) of Regulation (EU) 2021/241 affect 17 out of the 20 components of the initial plan. [...] No investment or reform has been removed from the initial recovery and resilience plan. [...] Under Article 21(1), Portugal proposes to modify several investments to factor in the effects of supply chain disruptions and higher costs. Amendments relate notably to the postponement of the timeline for completion of milestone and targets*."

In comparison, the Commission Staff Working Document for SK, for example, mentions a "reduction in ambition" of the revised plan, but does not disclose many additional details: "*The new Slovak RRP includes amendments introduced due to objective circumstances based on Article 21 of Regulation (EU) 2021/241. The modifications concern 36 measures, which Slovakia has identified as being at high risk of not meeting the targets, in particular because of a substantial increase in construction costs caused by previously unexpected inflation pressures and construction-sector specific shortages. In addition, several milestones and targets were adjusted for instance by reducing their ambition, modifying the scope or postponing the timeline*."

In sum, given that the Commission Staff Working documents are not always available or elaborate, the Annual Report could have provided a more meaningful analysis of changes due to objective circumstances, to counter the view that some changes might only "shift the goalpost" and could have been achieved despite the challenges put forward.

As regards specifically the targeted revision of the RRF plan requested by Italy in order to achieve greenlight for its third payment request, please see section 2 of this briefing for more details.

2. Latest Commission's preliminary assessment of milestones and targets

On 28 July 2023, **the Commission endorsed a positive preliminary assessment of 54 out of 55 milestones and targets covered in Italy's third payment request** equivalent to EUR 18.5 billion. Italy had originally submitted its payment request on 30 December 2022 and an assessment by the Commission was expected at the end of March 2023. The positive preliminary assessment follows a long interlocution[3] with the Italian government on the actual satisfactorily fulfilment of the measures.

The positive preliminary assessment regards 39 milestones and 15 targets. Out of them, 38 measures relate the grant component of the tranche, while the remaining 16 measures are linked to the loan support. The assessment covers reforms in "key policy areas" of competition law, justice system, the labour market (undeclared work), education, and healthcare as well as public and tax administration. Investments are focused on the digital and green transition (e.g. investments in smart grids, efficient district heating networks, and digitalisation of the public administration), as well as railways, tourism, education, innovation, urban regeneration and social policies.

Example for the fulfilment of targets and milestones in Italy's RRP that may be of interest from a scrutiny perspective.

Investment 3.1: Protection and enhancement of urban and peri-urban forest, Target (M2C4-19): plant trees for the protection and valorisation of urban and peri-urban green areas.

The target is part of an investment aimed at planting a total of 6.6 million trees in 14 Italian metropolitan cities by the end of 2024. **It required Italy to plant at least 1.65 million trees by the end of the fourth**

[3] Please refer to previous briefings for more in-depth discussions on the Italian implementation of the RRP.

quarter of 2022. According to the Commission, Italy has planted the seeds in trees nurseries rather than in their final location, thus representing a minimal substantive deviation relative to the Council Implementing Decision as it will require transplanting at a later phase. However, in the Commission's view, this should not change the nature of the measure nor affect progress towards the satisfaction of the milestone.

The **Italian Court of Audit had already issued a warning in March 2023 on the effective equivalence between planting seeds in tree nurseries and transplanting to planting in the final location** noting that "*doubts and perplexities arise as to whether such an equalisation between the two modes is actually feasible"* while waiting for a Commission assessment. It further called, in the case of a Commission's approval, for the **issuance of a detailed calendar outlining the timing of both planting and transplanting for each type of tree** to ensure meeting the 2022 and 2024 targets.

The Court also warned that only few metropolitan cities were able to go beyond the project phase while others, such as Milan and Florence, were not able to meet the criterion of a minimum area of 30 hectares for the reforestation. Milan was thus not able to present projects and requested amendments to the call for tenders in 2023 whereas Florence was excluded from the allocation of funds at this stage as it failed to meet the requirements.

The greenlight of the third payment request was facilitated by a targeted revision of the plan requested by Italy and endorsed by the Commission which transfers EUR 515.95 million in loans related to the creation of additional places in student accommodations to the fourth instalment. The size of the third payment request is therefore reduced to EUR 18.5 billion while the compressive envelope for both the third and the fourth payment request remains unchanged at EUR 35 billion.

In addition to the reform of the milestones related to student housing, the targeted revision of the fourth payment requests covers a number of other measures that are no longer deemed achievable:

- **It reviews the quantitative targets for the deployment of hydrogen refuelling stations** for railway mobility due to limited response by market participants. Similarly, it proposes to **postpone the target for the roll-out of charging infrastructures for electronic vehicles (EVs)** given limited uptake of the investments while suggesting to increase the number of EV recharging points in urban areas by 700 units.
- It **reduces the amount available for antiseismic interventions** with a view of reorienting spending towards more urgent energy efficiency interventions due to the latest geopolitical developments. It also **amends the so-called "Superbonus" to prevent an excessive increase of government spending** in light of a higher than expected uptake.
- On the **contentious item of childcare facilities**, the government proposes to add measures related to tenders to respond to bottlenecks in the awarding of contracts and ensure effective roll-out by the end of 2025.

After the adoption in Council of an implementing Decision approving the targeted amendment to the Italian RRP, Italy was also able to request its fourth instalment under the RRF, worth EUR 16.5 billion, on 22 September 2023. This covers 21 milestones and 7 targets related in particular the digitalisation of public administration, the space industry, green hydrogen, transport, research education and social policies.

Against this backdrop, **on 7 August 2023, the Italian government also submitted a broader request for revision of the entire plan, amending 144 measures included in the plan**. According to the Commission, these revisions address *"digitalisation and competitiveness, the ecological transition, sustainable mobility, education and research, inclusion and cohesion, and health"* and are justified by recent inflationary pressures and supply chain disruptions. Among others, **Italy is suggesting the deletion of 9 measures worth EUR**

15.9 billion, including investments to increase resilience to adverse climate events and floods or related to the urban regeneration plans (e.g. the controversial financing of stadiums previously foreseen). The government has underlined that such measures will nonetheless be rolled out by financing them with either cohesion funds or other national sources. In Italy's view, this would also allow to finance measures that would not be finalised by the June 2026 deadline.

Italy has also concurrently requested the addition of its REPowerEU chapter, which would provide the country with an additional EUR 2.76 billion in grants to boost the development of renewable energy, green skills, address environmentally harmful subsidies and enhance the production of biomethane. Investments in energy grids, energy efficiency and strategic supply chains would also be finance under the REPowerEU chapters. Italy has not requested to transfer BAR funds (approximately EUR 5 billion) to its RRP as part of the REPowerEU chapter.

3. Stakeholder involvement

Commission outreach to stakeholders

One of the RRF strategies is the active engagement of stakeholders in shaping and executing the RRF, as their input and participation play a vital role in ensuring the success, integrity, and timely execution of planned reforms and investments.

The **RRF Annual Events** organised in the Member State are crucial communication moments for discussing the implementation of the RRF. They are mandated by Article 34 of the RRF regulation requiring the Commission and Member States to engage in joint communication activities related to RRF funding. The regulation also stipulates that the European Parliament's Office of the European Parliament's Liaison Offices (EPLOS) should be informed and involve them in these activities. According to the Second annual report by the Commission on the implementation of RRF dated 19 September 2023, **22 Annual Events have occurred in various Member States so far**. However, the report does not specify the details.

Member States have adopted various approaches to consulting with stakeholders during the preparation and implementation of their respective RRPs. The RRP Regulation mandates Member States to include a summary of stakeholder consultations in their RRPs, encompassing social partners, civil society organizations, and local and regional authorities. The revised RRF regulation further requires Member States to provide a summary of the outcomes of consultations with stakeholders, especially local and regional authorities, regarding measures outlined in the REPowerEU chapter. However, according to the Commission's **feedback on national-level consultation processes has been diverse, ranging from comprehensive and regular consultations to more limited ones**. Local and regional authorities often found their involvement in the multitude of policy measures within the programs to be uneven. The Commission has urged Member States to actively engage with these stakeholders through regular exchanges during the implementation phase.

RRF and the involvement of national parliaments

A recent survey[4] conducted by European Center for Parliamentary Research and Documentation (ECPRD) and the Parliamentary Institute, Department of Budgetary and Economic Analysis has inter alia addressed the following questions (the number of replies varies):

[4] The survey, conducted from June 5 to July 15, 2023, aimed to gather information on how national parliaments oversee the implementation of the RRF. The results were presented during an ECPRD staff-to-staff seminar hosted by the Czech Chamber of Deputies on the 21 September 2023.

Question	Reply	
(as regards awareness of the **risk of non-achievement**) Does your government advise the parliament about possible risks that the milestones and targets set out in the RRP may not be achieved?	14 yes	7 no
(as regards the **monitoring of progress**) Does your parliament monitor the progress in the actual achievement of quantitative commitments included in the RRP?	8 yes	11 no
(as regards **control of implementation**) Does your parliament scrutinize the results of the implementation of the RRP to assess the progress toward the objectives and priorities of the Plan (e.g. gender equality, youth policies, digitalization of small and medium size enterprises, digital services to the households, etc.)?	6 yes	14 no
(as regards involvement of parliaments in **REPowerEU integration**) Has your parliament been involved in the ongoing process for integrating the RRP with a specific chapter devoted to the achievement of the RepowerEU objectives?	8 yes	10 no

Overall, the survey indicates that an increase in the level of detail entails a decrease in the level of involvement of national parliaments.

The European Economic and Social Committee (EESC)

In the recently published EESC evaluation report on the RRF implementation, the committee emphasised the need for transparent and frequent updates on RRP progress in Member States, advocating for streamlined procedures and targeted support for SMEs. It also calls for more flexibility regarding the selection of projects, an organized involvement of the civil society, and mandatory monitoring committees. Based on stakeholder feedback, the report makes the following recommendations:

1. Improved Information Access: The EESC emphasizes the need for regular, high-quality updates on RRP progress, including detailed beneficiary information.
2. Streamlined Project Implementation: Simplify procedures, reduce bureaucracy, and support SMEs for efficient implementation, advised by the EESC.
3. Enhanced Flexibility: The EESC calls for greater flexibility in project selection, fund allocation, and timelines to adapt to changing needs. Extending the implementation period is suggested by civil society.
4. Monitoring and Evaluation: Establish more effective, mandatory mechanisms to assess RRF sustainability and impact, with active civil society participation, as highlighted by the Committee.

Furthermore, on 20 September 2023, the EESC adopted an opinion in last plenary on "The Recovery and Resilience Facility and Cohesion Policy," aiming to contribute to the ongoing informal Council discussions on adapting cohesion policy to recent unforeseen shocks while preserving its long-term development objectives.

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