

# How to provide political guidance to the Recovery and Resilience Facility?

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## **Abstract**

The Recovery and Resilience Facility (RRF) constitutes an unprecedented EU-wide resource to address the impact of the COVID-19 crisis on the EU economies. As the governance of the RRF is integrated in the European Semester, it fundamentally changes its character from a non-binding structure for policy coordination to a vehicle for the allocation of a major economic impetus. In light of this, this paper analyses the ways that parliamentary control and oversight of the RRF can be best secured at the EU-level.

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## LIST OF ABBREVIATIONS

<b>ASGS</b>	Annual Sustainable Growth Survey
<b>EGOV</b>	Economic Governance Support Unit
<b>EP</b>	European Parliament
<b>EUCO</b>	European Council
<b>GDP</b>	Gross Domestic Product
<b>NGEU</b>	Next Generation EU
<b>NRRP</b>	National Recovery and Resilience Plans
<b>RRF</b>	Recovery and Resilience Facility
<b>TFEU</b>	Treaty on the Functioning of the European Union

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## EXECUTIVE SUMMARY

### Background

In response to the economic impact that the COVID-19 is having on the EU economies, the European Union is setting up a Recovery and Resilience Facility (RRF). The RRF will involve € 312.5 billion in grants and € 360 billion in low-interest loans to finance investments and reforms for the years 2021-2023. Member States attain these funds – up to an individually calculated share – by preparing National Recovery and Resilience Plans (NRRPs), in which they outline a coherent package of reforms and public investment projects.

The purpose of this study is to provide the European Parliament (EP) with input on the optimisation of the governance of the RRF and the role that the EP is to play in that. The proposed RRF raises the need to revisit the position of the EP in the European Semester because it introduces a direct and positive, financial effect instead of the non-binding recommendations that come out of the European Semester thus far.

### Recommendations

The size of the EU-budget involved and the iterative character of the European Semester warrant political control and oversight throughout the governance process. Still, the need for political guidance is most acute at the initial formulation of the political priorities of the RRF. This study makes five recommendations that may help the EP to offer political guidance to the RRF:

- Provide well-specified political guidance to the political objectives of the RRF, rather than to extend the proposed scope of the regulation (like the draft EP resolution tends to do);
- Attach political guidelines to the objectives of the RRF about the kind of policy mix (between supply-side measures, demand-side support, public sector investments) that is deemed most appropriate from an EU-wide perspective;
- Explore opportunities to privilege investments and reforms that are EU-wide in scope or, at least, transcend individual Member States; facilitate early exchange of plans in the Council, try to earmark part of the funds for cross-country projects, and include this consideration in the assessment criteria;
- Insert a review clause that allows for the EU-wide political priorities to be reviewed and updated on an annual basis, as part of the European Semester cycle;
- Explicitly review the formula proposed by the European Commission and the European Council for the allocation of the grants over the Member States.

These recommendations are complemented by recommendations for the subsequent political phases. As regards the adoption of the National Recovery and Resilience Plans, the study strongly endorses the proposal to have the Commission decide by delegated acts (rather than the implementing acts proposed), so that the EP retains the power to revoke the Commission's decisions. Further down the process, in monitoring the implementation and adaptation of the NRRPs, the study recommends a quarterly review of the implementation process by way of a written report and a public hearing of the Commission, complemented by an annual political review on the basis of which governance practices can be adjusted and, if needed, political priorities can be updated.

## 1 INTRODUCTION

The COVID-19 pandemic has a major impact on the European economy. Economic activity has slowed down severely. Some sectors (like live entertainment and tourism) are affected in the essence of their activity and are unlikely to return to the way they operated before the pandemic. Hence, Europe faces the challenge of re-activating its economy to secure the levels of wealth, employment, income and innovation it is used to. At the same time, the crisis offers the conditions to accelerate structural economic changes, for instance in the direction of a European economy that is more sustainable, more digitally adapt and more autonomous from the world economy.

Thus, the pandemic crisis poses big political questions about the kind of economy we want to have in Europe. Choices are to be made about the jobs we want to foster and support, as well as about the kinds of jobs we want to reduce and where we want to push for a transition to new kinds of economic activity. At the same time, the crisis response has involved an unprecedented display of the value of collective action. The former Portuguese Secretary of State for European Affairs Bruno Mações (2020) evocatively talks about the *"big pause that was imposed on society following the outbreak of the pandemic"* and about *"pushing the reset button"* on social life. He suggests that the collective capacity displayed in the COVID-19 crisis gives cause for a reconsideration of the relation between the state and the economy.

EU leaders recognize that the European economy will not rebound by itself and that the pandemic risks to increase economic inequalities in Europe, instead of contributing to greater coherence and convergence. Hence, the European Commission and the EU Heads of State and Government have committed to free up to € 312.5 billion in grants and € 360 billion in low-interest loans to establish a Recovery and Resilience Facility (RRF) for investments and reforms for the period 2021-2023. Member States attain these funds – up to an individually calculated share – by preparing National Recovery and Resilience Plans (NRRPs), in which they outline a coherent package of reforms and public investment projects.

The European Commission presented the initial proposal for the Recovery and Resilience Facility on 28 May 2020 (COM(2020)408 final). The European Council established its position following its summit from 17 to 21 July, where it reached an agreement on the Multiannual Financial Framework 2021-2027 as well as on the Next Generation EU package, of which the RRF is the main component. However, the actual start and mode of operation of the RRF are subject to a legislative agreement being reached between the Council and the European Parliament.

The purpose of this paper is to provide the European Parliament (EP) with input on the optimisation of the governance of the RRF and the role that the EP is to play in that. Since the EP is the EU body that represents the whole of the peoples of Europe, the concern animating the paper is how we can best ensure that the RRF is operated in a democratic way, i.e. in a way that is subject to a process of collective political oversight. Hence, the central question that the paper addresses is: How to provide political guidance to the RRF?

The main recommendations are presented in Section 3, where they are organized around the three political moments that can be distinguished in the way that the RRF is incorporated in the European Semester: the setting of the political priorities, the adoption of the NRRPs, and the monitoring of their implementation and adaptation. To frame and justify these recommendations, the next section lays out some fundamental reflections on the nature of the RRF and the way it relates to the existing governance framework of the European Semester. Specifically, I seek to tease out the space of political choice involved in the RRF, the extent to which these choices need to be subject to democratic oversight, and the extent to which such oversight is needed at the European level.

## 2 THE POLITICS OF THE RRF AND DEMOCRATIC OVERSIGHT

The objective of the RRF is to counteract the negative impact of the COVID-19 pandemic on the European economies and to promote economic, social and territorial cohesion, which means that the European economies are to stay connected and that inequalities between them do not deepen. Funding from the RRF is moreover tied to the political objectives of sustainable growth and a stronger digital economy.<sup>1</sup>

Procedurally, the assessment and monitoring of the NRRPs are closely aligned with the European Semester. Thus, Member States are expected to submit their NRRPs by 30 April 2021. Substantively, the NRRPs are to reflect the country-specific recommendations of spring 2019 and 2020 and to be closely coordinated with the annual National Reform Plans, as well as with any other national plans that are subject to EU-coordination (national energy and climate plans, territorial just transition plans and any partnership agreements and operational programmes under Union funds). The Commission will assess the NRRPs before July and subject them to the approval by a qualified majority of the Council. After having their NRPPs approved, Member States can review and adapt their plans in spring 2022, before the final allocation of funds by 2023.

To specify the role that the EP is to play with regard to the RRF, three preliminary observations need to be made:

- The RRF involves political, distributive choices.
- There is an EU-wide political interest in the RFF that transcends national democracies.
- The European Semester was never set up for the purpose of monitoring the allocation of funds.

Each of these claims is elaborated in the sections below.

### 2.1 The political, distributive choices in the RRF

Given the urgency to address the impact that the COVID-19 crisis is having on the European economy, it is tempting to downplay the political stakes involved in the decisions before us. Clearly, however, there are fundamental political choices to be made. Every investment decision that is made also means that alternatives are excluded; the consequences of these choices may well be severe, and even more so in times of crisis.

Let me highlight three political dimensions.

A first obvious dimension is that the interests of Member States diverge. Some countries' economies are hit much harder by COVID-19 than others. Importantly, COVID-19 seems to have the biggest impact on the countries with the weaker economies and public finances, relatively speaking, and that were also already badly shaken by the euro crisis.

One may think that potential tensions between Member States have been settled by the European Council agreement on the RRF and the allocation key agreed therein. However, there remain notable differences between Member States. In particular, differences are visible in the extent to which States see addressing the economic fall-out of COVID-19 as an EU-wide concern, their dependence on the RRF, and the ways in which they will seek to employ the funds. One notable difference is that some countries may well have little need for EU loans, as they can borrow as cheaply on their own terms. What is more, as the crisis unfolds, differences in Member States' vulnerabilities are likely to increase

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<sup>1</sup> Notably, the July European Council (A20) ruled that a 30% climate target is to apply to the total amount of the NGEU package, which includes the RRF.

rather than to decrease. These differences are bound to come to the fore again in the NRRPs and might play a role in the process of their assessment.

Second, there is scope for political tension between economic sectors. As mentioned above, the lockdown measures provoked by COVID-19 affect different sectors in different degrees. Importantly, some sectors – like internet-based retail, food delivery services or virtual communication technology – have even benefitted from the crisis. Clearly, the political programming of the RRF towards a sustainable and digital economy also involves choices between economic sectors. One would expect fossil fuel-based sectors (for instance the badly hit aviation industry) to benefit less than smart digital entrepreneurs. This, however, will also raise questions about compensation and financing transition costs, for instance for employees who will have to move from less sustainable to more sustainable enterprises.<sup>2</sup>

A third dimension that involves political choices is whether funds will be primarily targeted at households or at businesses; in other words, whether they will focus on the demand- or supply-side of the economy. In any case, funds are meant to circulate in the economy and to have a multiplier effect. However, the primary orientation of their distribution has major implications for the extent to which their impact can be targeted and how it will reverberate through the rest of the economy. Demand-side measures have the advantage that they can directly be targeted at those citizens that feel the impact of the downturn most directly. However, it is difficult to estimate their longer-term structural effect on the economy and their multiplier effect may well be limited (Gros 2020: 6). Supply-side stimuli more readily align with the structural reforms sought in the economy (like sustainability and digitalization). However, their benefits for households are more difficult to steer and evaluate, and there is also still the risk that RRF money simply fills in for money that governments and firms would otherwise have spent themselves (Gros 2020: 8).

With its focus on financing ‘reforms’ and ‘investments’ – and excluding (income) ‘support’, even though arguably such measures could be justified with a reference to the objective of resilience – the RRF has a strong supply-side orientation. Still, the facility also leaves room for investments in training and for investments in social policies that would be directly geared to citizens. Thus, Member States have the freedom to define their own balance in whether their investments are primarily directed at businesses, citizens or public facilities.

In light of these political dimensions, it is clear that the implementation of the RRF is more than just a matter of technical optimisation. Obviously, the commitments expressed in the RRF’s objectives in terms of cohesion, sustainability and digital economy are of a political character. Importantly, these objectives can be served by very different kinds of policy measures – ranging from business subsidies, to direct support of household income to the establishment of public institutions – which involve different mixes of state and market mechanisms. Depending on the measures chosen, some social interests will be served more immediately than others. Whichever way Member States set their priorities will be deeply felt (positively and negatively) in society.

What is more, while the distribution between Member States - by definition - needs to be settled at the supranational level, for the other aspects it is not self-evident at what level the corresponding political decisions need to be taken. In practice, this competence will be shared between the two levels, with the regulation defining more or less precise guidelines (as, for instance, with regard to investments in

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<sup>2</sup> Transition costs related to the goal of climate neutrality are directly addressed by the Just Transition Fund, which is a separate component of the EU’s Recovery Plan and which has been topped up to a total of € 20 billion as part of the NGEU package. Given the much bigger size of the RRF, the transition costs involved are bound to go beyond this, also because the transitions involved are not limited to a more sustainable economy alone.

the sustainable and digital economy) and national governments deciding on the actual projects. Notably, as it is, the proposed regulation lacks any supranational guidelines for the kind of measures for which the RRF funds are to be employed. Hence, it is important to clarify the division of political responsibilities between the national and the EU-level and to be clear about what is implied by it being adopted at EU-level in the first place. This is addressed in the next section.

## 2.2 The EU-wide political dimension of the RRF

A key challenge to thinking about the coordinated political guidance of RRF is constituted by the fact that, through the reliance on the National Recovery and Resilience Plans, most of the choices about how the EU funds will be spent are delegated to the Member State level. National governments draft these plans subject to democratic procedures and taking full regard of the specific conditions – as well as the country-specific recommendations they have received on these - that apply nationally.

However, as appropriate as this is, and as extensive as democratic control may be at the national level, the European dimension is critical to the RRF. The RRF is a European initiative because the money is collected at EU level and allocated in a way that testifies to a sense of solidarity between the peoples of Europe. It is also European because one of its primary concerns is about ensuring cohesion not only within European societies but also across them. And it is European because its main objectives (economic resilience in terms of growth and jobs, and the green and digital transition) have clear transboundary implications and ultimately can only be achieved fully if reform efforts are coordinated at the European level.

One effect that the RRF achieved immediately is that it helped to strengthen confidence in the financial position of the EU Member States and secured their continued market access (Gros 2020: 6). Importantly, this effect did indeed hinge on the EU-wide character of the facility and could not have been achieved by each Member State acting on its own.

Also in the allocation of the RRF, it is critical to consider EU-wide coordination to maximise and multiply the impact. At a minimum, there is a need to prevent that initiatives of one Member State have negative external spill-overs on the position of others. For instance, one wants to avoid that Member States (re-) capitalise national champions that then compete on an unequal basis with competitors in other countries that do not receive such support. Also, it would be inefficient if Member States were to invest RRF funds in competing and incompatible projects for public e-IDs. Indeed, ideally, one would like the RRF to be particularly geared towards reforms and investments with benefits that transcend individual Member States (cf. Gros 2020: 8).

Acknowledging this weakness in the initial design of the RRF, the Commission has put forward seven European flagship initiatives - that transcend national borders - in the Annual Sustainable Growth Strategy 2021, to which it urges Member States to contribute in their NRRPs (COM (2020)575 final). Among other things, these include investments in renewable energy generation, the Europe-wide coverage of charging points and hydrogen stations, maximal extension of 5G coverage and the provision of an integrated European digital identity. Along similar lines, the EP draft report already asks the NRRPs to be explicit about their European added value and for this consideration to be included in the criteria by which the NRRPs are to be assessed (PE655.950v02-00: amendments 52, 64 and 75).

The EU-wide dimension of the RRF is of particular importance in light of its objective to promote economic, social and territorial cohesion. Left on its own, the impact of COVID-19 will mostly increase existing inequalities. It will require a sustained effort to undo these disintegrative effects. Obviously, the allocation key of the RRF has been defined in such a way to most benefit the Member States that

have been hit hardest. Still, cohesion is not only to be ensured by the distribution of the budget, but also by the nature and quality of the purposes to which it is assigned.

Maybe it is still possible to make some provision in the RRF to privilege or prioritise initiatives with a distinct transboundary impact. Ideally, one might have reserved part of the budget for genuinely EU-wide or, at least, inter-state initiatives. The Commission's Annual Sustainable Growth Strategy 2021 strongly suggests that cross-border and multi-country projects will receive a preferential treatment in the assessment of the NRRPs, particularly so when they contribute to the seven flagship initiatives. Certainly, reforms and investments that are expected to have negative external effects on other Member States' economies or threaten to reduce – rather than to contribute to – the social and economic cohesion in Europe are to be rejected on that basis.

### 2.3 Fitting the RRF to the European Semester

The governance of the RRF is to be closely aligned with the European Semester. Crucially, however, the European Semester has never been designed as a governance framework for the allocation and monitoring of funds. To the contrary, the European Semester can be considered as the evolutionary outcome (for now) of the integrated European coordination and surveillance of national budgetary, economic and social policies (Hagelstam et al. 2019). The framework was premised on the recognition that *"final fiscal responsibility lies [and remains] with the Member States"* (Hagelstam et al. 2019: 9). Thus, the European Semester operates primarily through non-binding recommendations. Only in exceptional situations may Member States become subject to an excessive deficit procedure or an excessive imbalances procedure. Even if that happens, the consequences are mostly administrative (Begg 2013), and the prospect of financial sanctions is mostly there as a symbolic backstop than that it is to be imposed in practice (in which case it is likely to actually run counter to the economic stabilisation sought).

As long as the European Semester (merely) served for the bilateral and multilateral surveillance of national economic policies and was advisory in character, it was of little direct effect. Its impact was mostly envisaged to work through persuasion, either by convincing the government to adopt policies that would be desirable from a European point of view or indeed by being used by opposition and civil society actors to pressurize the government. Thus, importantly, the effect of the European Semester would always be mediated by the national decision-making procedures.

This context explains why the European Parliament has so far only played a marginal role in the European Semester. It has offered its advice and it has been involved through the non-binding Economic Dialogue with executive officeholders. However, it has not held any decisive powers in the European Semester. Still, there has been a widespread sense that there is a need to strengthen the involvement of the EP to improve democratic oversight at the European level. This need was motivated first of all because of the fact that the close co-optation of national governments in the European Semester risks pre-empting the oversight powers of national parliaments (Fasone 2014; Dawson 2015; Crum 2019). The European Parliament itself has recurrently expressed its desire for *"a right of consent on the policy recommendations presented in the Annual Sustainable Growth Survey, the euro area fiscal package and the Country Specific Recommendations"* (2020 Schuster draft report, PE652.447). Earlier, and as a kind of alternative, the EP suggested the joint adoption of *"Convergence Guidelines which contain targeted priorities for the coming years, subject to a codecision procedure"* (2015 Berès-report, PE546.753v03-00). In general, there has been a widespread acknowledgement that there is a need to increase the democratic legitimacy of the European Semester and that this requires greater involvement of the EP. Thus, the 2015 Five Presidents' Report (Juncker et al. 2015: 17) already suggested that Commissioners could appear more systematically before the EP, and that they and

Council representatives could participate more regularly in interparliamentary meetings (see also COM(2019)650 final: 15).

The coupling of the RRF changes the character of the European Semester dramatically. The RRF means that the European Semester becomes consequential in a substantial and positive way. In fact, even if a clear distinction has been maintained between the 'Next Generation EU package', of which the RRF is the main component, and the 2021-2027 Multiannual Financial Framework (EUCO 10/20), the RRF is part of the EU's finances and hence (as per Art.310 and 14 TFEU) subject to the joint financial authority of the EP and the Council. Hence, while it makes sense to closely align the RRF in terms of timing and coordination with the European Semester, the procedure to authorize the allocation of funds is more appropriately modelled on the joint decision-making used for the EU annual budget than on, for instance, the procedure for the adoption of country-specific recommendations.<sup>3</sup>

The allocation of funds involves quite a different governance strategy than what is involved with mere policy coordination and surveillance. While the latter are primarily concerned with preventing negative spill-over effects, the RRF seeks to achieve distinctive collective policy goals. This change in orientation may well upset the whole European Semester cycle.<sup>4</sup> In general, two implications should be highlighted. One is that the political priorities that are adopted for the RRF at the outset will much more define subsequent policy choices than the ever-evolving guidelines that have been adopted in the European Semester so far. The second is that if the RRF is indeed to be integrated in the governance framework of the European Semester, then the cyclical nature of the latter warrants the introduction of regular political moments that do not only allow for the evaluation of its progress, but also for the adjustment of its objectives.<sup>5</sup>

In the programming of the RRF, the political priorities will become of particular importance and there will be a close linking between the political objectives articulated in the RRF Regulation and the policy priorities adopted in the European Semester in the context of the Annual Sustainable Growth Strategy, as well as the political guidelines and recommendations by the Council and the European Council. With regard to the procedure, the Commission (COM(2020)575: 12) is already encouraging Member States to integrate the NRRPs with the National Reform Plans they usually submit in spring. This may well lead to a situation in which the 2021 National Reform Plans get completely subsumed under the NRRPs and the initiatives they contain. In line with this, in 2021, the European Commission will discard the European Semester country reports it usually issues and instead focus on its analysis of the NRRPs. Further, for Member States that have submitted a NRRP in the 2021 European Semester, the Commission will propose no new country-specific recommendations beyond the ones that follow directly from the requirements for government finances under the Stability and Growth Pact. While the suspension of the European Semester country reports and of the non-budgetary country-specific recommendations are presented as temporary measures, it is an open question whether these practices will return in the form they had before the RRF.

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<sup>3</sup> Formally, the Commission (COM(2020)408: Art.5) and the European Council (2020: 4) have sought to exclude the application of the budget procedure by treating the RRF as 'external assigned revenue'. However, given the size of the RRF, this position is debatable (Mathis 2020). Additional democratic controls of the RRF at the EU-level are moreover warranted as it is to be implemented under 'direct management' by the Commission rather than under 'shared management' with the Member States as is the case with EU structural funds (Guttenberg and Nguyen 2020: 2).

<sup>4</sup> Typically, [Lucas Guttenberg](#) of the Delors Institute suggests that the RRF "*will end the European Semester as we know it. Instead, the Recovery and Resilience Plans will become the central steering document and will politicise everything*".

<sup>5</sup> This is a critical difference with the other instruments proposed in the context of the Recovery plan, namely the Technical Support Instrument and the Just Transition Fund, which involve smaller budgets and have much more targeted, unambiguous objectives that, once adopted, will be less likely in need of political review.

Given the impact of the RRF, it can be expected that the political focus of the European Semester in the next three years will be on the collective objectives adopted and the effectiveness of the NRRPs in attaining them. In that context, the surveillance of potential imbalances will retreat to becoming more of a side-constraint. To ensure political guidance to this process, it is important that there remains on-going interaction between the national and the EU-level, with the possibility to revise and sharpen objectives over time. This requires the careful, full and continued incorporation of the RRF into the cyclical and iterative process framework of the European Semester.

## 2.4 Implications for the Proposed Regulation

The introduction of the RRF raises the need to revisit the position of the EP in the European Semester, because it introduces a direct and positive, financial effect, instead of the non-binding recommendations thus far. As the allocative decisions involve a major stimulus into the EU economies and are ultimately made at the EU level, they warrant EU-level parliamentary authorization and oversight by the EP.

At the same time, the involvement of the EP will have to be proportional to the EU-wide character of the measures involved. The NRRPs that give effect to the RRF are first of all conceived at the Member States, subject to national democratic procedures. Hence, as EU-level co-legislator, the involvement of the EP is concentrated in two roles:

- defining the overarching political priorities of the RRF, and
- safeguarding these priorities in the ways that Member States conceive and implement their NRRPs.

In defining the RRF objectives, the EP would do well to identify key political tensions (like between Member States, economic sectors, and households and business) and to address them as concretely as possible, so as to provide maximum direction to the NRRPs. In guarding the process, the EP will logically want to monitor the implementation of the adopted objectives. It has a distinctive role in guarding the coherence of the measures taken, preventing negative spill-overs, and fostering positive spill-overs and substantial cross-country coordination. The next chapter turns to the measures that can be adopted to ensure this role can be effectively executed.

### 3 IMPLEMENTING THE RRF IN THE EUROPEAN SEMESTER

Apart from being involved as a co-legislator, the proposed regulation for the RRF foresees very limited involvement of the European Parliament in its implementation. The Commission commits to informing the EP by forwarding the NRRPs after their approval (Art.21), presenting an annual implementation report (Art.24), and providing an ex post evaluation report (Art.25). However, once it has counter-signed the regulation, the EP is not granted any influence over the process, or even just formally consulted on the key choices, like the approval of the NRRPs.

The limited involvement that is foreseen for the EP in the RRF is in line with its modest role in the European Semester so far (Crum and Merlo 2020; Schmidt 2020: Ch.8). However, it fails to acknowledge the extent to which the RRF promises to upset the European Semester and changes its character from a non-binding policy coordination exercise to a mechanism for the allocation and coordination of the main additional stimulus package aimed to see the EU and its Member States out of the economic impact of the COVID-19 crisis.

The EP's position, as directly representing the EU citizens – and the role that it hence fulfils as the EU's co-legislator and budgetary authority – warrants a closer involvement in the programming and execution of the RRF. Given the size of the EU-budget involved and the iterative character of the European Semester, such political involvement needs to be made integral to the governance process. At the same time, within the governance constellation of the EU, the primary responsibility for the execution and coordination of the RRF at the EU-level naturally falls with the Commission. Also, the EP is not to substitute the parliamentary oversight functions that national parliaments exercise over their governments at the Member State level, or to directly engage in the administrative coordination role that the Commission fulfils. In that respect, its role remains focussed on the EU-level aspects of the RRF and on the oversight of the Commission's exercise of the RRF's implementation.

As we then reconsider the role and the rights that the EP can claim in the governance framework proposed for the RRF, we can distinguish three political moments:

- the setting of the political priorities in the regulation,
- the adoption of the NRRPs, and
- the monitoring of their implementation and adaptation.

Obviously, the scope for political discretion decreases as we move from one moment to the next. At the same time, choices at the preceding moments constrain those that can be made at the subsequent ones. Still, throughout, the process is bound to leave space for discretionary choices. This will be especially the case in the transition from the EU-wide regulation to the member state-specific NRRPs. However, the need to retain space for discretion (and correction!) along the way is also warranted, because of the unprecedented nature of the facility and the crisis conditions under which it is adopted.

This chapter reviews the three political moments to identify how the role of the EP can be optimised to ensure that the EU level decisions (as, and to the extent that, they transcend the scope of individual national democratic systems) remain subject to parliamentary authorization and oversight. It also considers to what extent the different steps amount to fundamental changes in the nature of the European Semester.

#### 3.1 Defining political priorities

To ensure that the collective objectives are indeed realized by the allocation of the funds, the RRF will involve a stronger and more coherent policy programming than has been foreseen in the European

Semester thus far. The proposed regulation offers a general and a specific objective for the RRF (Art.4), where the 'general objective' defines the policy objectives to be achieved<sup>6</sup> and the 'specific objective' focusses on the need to provide financial support to the Member States. These objectives are then translated into the substantial criteria on which the NRRPs are to be assessed (Art.16.3). Notably, however, the regulation does not explicitly link these objectives to the iterative character of the European Semester.

The policy objectives that are listed under the RRF's general objectives are of particular political relevance and, importantly, these are necessarily aligned with each other. Most notably, there is a potential tension between the restorative (recovery) and transformative (resilience) orientations in the facility. The restorative elements are primarily geared towards softening the economic blow that the lockdown measures have had on certain economic sectors and households and towards maintaining cohesion with the Union. In contrast, the transformative elements involve, above all, the goals of transitioning to a more sustainable economy and the boosting of the use of digital technology. To that, the Commission and the EP have added suggestions to also invest in more resilient social institutions, like the "health care, long-term care and childhood care systems" (ASGS 2020: 3; cf. EP PE6555.950v02-00).

The multiplicity of objectives is reinforced by the fact that the key institutional actors involved (European Commission, European Council and Council, and the EP) tend to place different emphases on the objectives they attach to the RRF (see Annex). While there is considerable convergence on the key priorities, there are also some notable differences.

Typically, in negotiating the RRF's objectives, the EP's strategy (so far) echoes the proposed *foci* on the green transition, the digital transformation, economic recovery and social cohesion. However, beyond that, it pushes for an extension of the scope of the regulation by adding a substantiation of the focus on (institutional) resilience with particular reference to "*the accessibility and capacity of health and care systems, of improving the effectiveness of public administration and national systems, including minimising administrative burden, improving the effectiveness of judicial systems, and anti-money laundering supervision*" (PE655.950v02-00: 8/9). Furthermore, the EP advocates special attention for compensation of the impact of COVID-19 on the position of young Europeans and the need to prevent their fate becoming permanently affected by the fall-out of the COVID-19 crisis.

In light of the political characteristics of the RRF that have been highlighted above, five points can be highlighted with regard to the EP's strategy on the political priorities to be included in the Regulation. These concern the scope of policy domains, the substantiation of the nature of the measures to be adopted, provisions for cross-country initiatives, inserting a review clause for the political priorities, and the formula for the allocation of the grants among the Member States.

### 3.1.1 Specifying the policy domains involved

As said, the strategy that the EP's draft report proposes towards the political priorities of the RRF appears mainly concerned to broaden the scope of policy domains involved (Art.3 of the draft regulation) and, particularly, to strengthen the social focus of the envisaged reforms and investments. However, as the structure of the RRF leaves the actual drafting of the NRRPs to the Member States, the impact of this intervention risks being ambiguous. It does explicitly increase the range of initiatives that

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<sup>6</sup> Art. 4.1: "*The general objective of the Recovery and Resilience Facility shall be to promote the Union's economic, social and territorial cohesion by improving the resilience and adjustment capacity of the Member States, mitigating the social and economic impact of the crisis, and supporting the green and digital transitions, thereby contributing to restoring the growth potential of the economies of the Union, fostering employment creation in the aftermath of the COVID-19 crisis, and promoting sustainable growth.*"

Member States can adopt. Yet, there is no guarantee that Member States will indeed put an emphasis on the policy areas that the EP promotes. They remain free to retain a narrower, economic focus for their NRRPs. Hence, the net effect of the broadening of the scope of the RRF that the EP pursues is to increase the range of discretion for Member States and to reduce the scope of EU-level steering and review.

### 3.1.2 Substantiating the kinds of investments and reforms

If the EP is to provide political guidance to the RRF, it may rather want to offer greater substantiation to the kind of reforms and investments that are to be adopted, than to extend the policy domains involved. Arguably, this is the politically more acute question, as it defines the primary beneficiaries of the funds and the ways that the impulse is expected to circulate through the rest of the economy. In fact, the EP is the natural arena, at the EU level, where such political questions should be discussed.

As it is, the proposed regulation suggests an emphasis on supply-side oriented reforms and investments that are primarily geared towards economic actors and the way they structure the economy. With their focus on structural reforms, the phrasing of the objectives and criteria seems less open to income support and other demand-side measures. The amendments proposed by the EP to more explicitly include the social domain in the RRF (accompanied by the Commission's insistence on 'fairness' in the AGSG) may serve to create a greater openness towards both supply- and demand-oriented measures. On top of this, the COVID-19 crisis may even herald a return to a stronger public sector. This would suggest that large parts of the RRF could be dedicated to public sector investments in care and research facilities in the health sector, but also in climate and digital development. Such public sector investments would stand in stark contrast to, for instance, incentive schemes that seek to change the structure of the private sector.

A further specification of the kinds of investments and reforms could be inserted in different ways in the regulation. Going by the Commission's draft, the most obvious starting point would be to shore up the political priorities under the 'general objective' (Art. 4.1) with a more elaborate statement of the kind of order the EU economies are to move towards. Such a statement should not merely affirm the objectives like social cohesion, and the green and digital transition, but also set out guidelines on what kinds of investments and reforms this is expected to require in the public sector and the private sector. Once the political priorities are more fully and more systematically articulated, they then also need to be translated into appropriate assessment criteria in Art. 16.3.

### 3.1.3 Promoting cross-country initiatives

In the absence, in the regulation, of a further specification of the kind of measures that are to be adopted, these political choices are left to the Member States. This does not only point to a political void at the European level, but also reduces the chances of potential synergies and complementarities between the kinds of measures that Member States adopt. Certainly, for public sector investments and supply-side measures the potential impacts can be much bigger if investments and reforms are coordinated across Member States. The flagship initiatives proposed by the Commission offer clear cases in point.

Indeed, to further the coherence of the investments and reforms adopted under the RRF, it is desirable to make special provisions for cross-border investments. The amendments put forward in the draft EP report that aim to ensure that Member States explicitly address the European added value for the projects included in their NRRPs (PE655.950v02-00: amendments 52, 64 and 75) are an essential first step in this regard. Beyond that, it may be difficult at this stage still earmark part of the RRF dedicated budget for cross-country projects at the cost of the nationally assigned quota. However, it may still be

feasible to reserve part of the budget available for loans for cross-border projects or for any Member State initiatives that speak directly to EU 'flagship initiatives' (COM(2020)575; cf. EP PE6555.950v02-00: amendment 64). Further, it would be good if the procedure of submitting the NRRPs (Art.15 of the proposed regulation) would provide for an early exchange, in the context of the ECOFIN Council, of the projects that Member States envisage to include in their plans.

#### 3.1.4 Inserting a review clause

Given the political nature of the priorities attached to the RRF, as well as the dynamics of the situation, it would seem unwise to fully cement the political priorities in the regulation. Even if most of the funds are to be committed in 2021, it is difficult to foresee how exactly the situation will evolve and, as the Facility advances, important lessons may emerge about how it is best put to effect.

Hence, in line with the cyclical nature of the European Semester, it makes sense to insert a review procedure into the regulation that allows its general objective (as set out in Section 3.1.2 above) to be updated in light of the policy priorities as they emerge over time. This also seems a natural way to integrate the RRF into the governance framework of the European Semester. As an extension to the regulation, such a review process would essentially involve a codecision process on the (further specified and updated) political guidelines that would guide any remaining allocations of the RRF in the years after 2021. Following the logic of the European Semester, such an update of the political guidelines could be set in motion by the European Commission in the Annual Sustainable Growth Strategy that it publishes in autumn. After political discussion in the EP and the Council, the political guidelines could then be jointly adopted by them early in the year, ahead of the March European Council.

#### 3.1.5 Reviewing the allocation formula

A final observation on the political priorities of the RRF is that the EP seems reluctant to thread into the question of the distribution of the funds between Member States (Art.10). While this is clearly a deeply political question, it is also an issue that might well divide the EP and its party-groups internally, along national lines. Hence, the easier option is to accept that this distribution has been settled by the Commission proposal and the relatively minor amendments agreed by the July European Council.

Still, the question whether the right political balance has been struck between the general coverage of the funds of all Member States and the focus on those that have been hit hardest by COVID-19 remains open to political scrutiny. If, for instance, a majority in the EP would find that the RRF is too reluctant in recognizing the plight of the Member States whose economies have been affected most severely by COVID-19, it could propose to increase the weight of the unemployment criterion, respectively the cumulative loss in real GDP criterion, in the allocation formula.

### Box 1: Does the RRF require special arrangements for the euro area?

The COVID-19 pandemic leaves its economic impact on all Member States, irrespective of whether they have joined the euro or not. Yet, as the RRF is integrated into the governance framework of the European Semester, it is clear that the Semester has a particular importance for euro area countries. The shared currency increases the sensitivities of the euro area members for macroeconomic and financial imbalances and vulnerabilities among them. Obviously, the COVID-19 crisis may well aggravate such imbalances and vulnerabilities (again) (cf. Eurogroup 2020).

However, as far as the objectives and allocation of the RRF are concerned, there is no difference between euro area and non-euro area Member States – at most, such differences enter indirectly to the extent that they are reflected in the country-specific recommendations that have been communicated to each country.

In light of the main objectives of the RRF, there is little need to include specific additional provisions for euro area members in its governance. Such provisions would contradict the fact that the impact of COVID-19 does not speak to this distinction. What is more, the objectives of the green transformation, the digital transition and social cohesion also concern the EU as a whole.

One may even consider the RRF as an opportunity to improve the (re-)alignment of the governance of the euro area with that of the EU as a whole, furthering the incorporation of any spill-overs of euro-specific measures under an EU-wide governance framework. Certainly from the perspective of democratic coordination and the involvement of the EP, an integral EU-oriented approach is to be preferred to one that tries to respond to all possible forms of differentiation in the EU.

To sum up, there appears little reason to actively draw a distinction between euro- and non-euro area members in the governance of the RRF. To the extent that the COVID-19 crisis contributes to imbalances and vulnerabilities within the euro area, these can be addressed by the existing surveillance instruments, the euro area recommendation in particular.

## 3.2 Reviewing the National Recovery and Resilience Plans

One of the most remarkable features of the proposed regulation is that the Commission takes it upon its own to assess and accept Member States' NRRPs by way of an implementing act subject to the approval of an examination committee composed of representatives of the EU Member States. The EP will then receive the NRRPs once they have been approved (Art.21).

This proposed procedure may be deemed appropriate in the context of the existing logic of the European Semester and to speed up the procedure. However, in light of the range of discretion left to the Member States in composing their NRRPs and the size of the budgets involved, it is difficult to justify the exclusion of the EP – as the EU's co-legislator and budgetary authority – from this decision-making process. Indeed, the political weight of the decisions is also recognized by the position of the July European Council that the Commission's assessment will be subject to a vote in the Council rather than in an examination committee (EUCO 10/20: 6).

In line with these considerations and following an early suggestion by Guttenberg and Nguyen (2020), the EP proposes that the assessment decision is taken as a delegated act rather than an implementing act. Thus, the EP would retain the power to object to the Commission's decision. What is more, the very prospect of that power helps to ensure that the EP be given full insight into the process leading up to this decision and does so on terms that are equal to those of the Council (cf. EP PE6555.950v02-00: Amendments 14 and 30). The conversion of the Commission's assessment from an implementing to a

delegated act seems indeed essential to ensure adequate parliamentary oversight over the spending decisions involved.

Concretely, for the EP, the conversion to a delegated act would mean that it would need to be informed early on about the NRRPs once Member States have submitted them by the deadline of 30 April 2021. On that basis, it would then be able to quickly adopt its position once the Commission decision has been adopted (the deadline for which the EP proposes to shorten from four to two months after the submission). Logically, the EP would adopt its decision on the basis of the written evidence provided by the Commission, possibly complemented by oral evidence in a public hearing, and in light of the political priorities adopted in the regulation.

While the power of the EP to revisit the decisions over the NRRPs is important - as a matter of principle - from the perspective of democratic oversight, it should be underlined that the substantive implications of this power are conditional upon the way the political priorities are specified in the regulation in the first place. In that sense, the powers that the EP can exercise at the assessment stage of the procedure are premised on the priorities that are agreed at the initial stage of the adoption of the regulation. The EP can only have a reasonable ground to object to the assessment decision if it can invoke a political priority that has previously been included in the regulation and that Member States were bound to observe. In other words, to the extent that the political priorities in the RRF regulation remain under-specified and fail to provide concrete steering to the NRRPs (see Section 3.1), the review power of the EP in the assessment stage risks being of little consequence.

#### Box 2: Securing parliamentary oversight (and ownership) of the NRRPs at national level

Besides advocating the use of a delegated act instead of an implementing act for the Commission's decisions on the NRRPs, Guttenberg and Nguyen (2020) further propose to include in the RRF a binding obligation on Member States to have their NRRPs approved by their national parliaments before they are submitted to the Commission (cf. Kreilinger 2019).

Obviously, this recommendation concerns the role of national parliaments rather than the position of the EP that is the focus of this paper. Nevertheless, this proposal makes a lot of sense from the perspective of securing two-level democratic legitimacy for the RRF reforms and investments (Crum 2018), and it would be fitting for the EP to promote this. Logically, this obligation could be inserted into Article 15 of the regulation.

A slightly alternative arrangement could be that the EU act that confirms the terms of the NRRP would be subject to ratification by the national parliament involved. This would reduce the risk of the process being slowed down by national procedures, but still give national parliaments considerable upstream leverage to be informed and involved in the process by their governments.

### 3.3 Monitoring the implementation and adaptation of the NRRPs

In light of urgency of the economic impact of the COVID-19 crisis, it is desirable that the 2021 NRRPs cover the investments envisaged for the whole period 2021-2023 as comprehensively as possible. This sense of urgency is reinforced by the commitment to have 70% of the RRF grants already committed in the years 2021 and 2022 (EUCO 10/20: 5). In that sense, most of the direction of the investments and reforms will be determined by the 2021 NRRPs.

Still, it is important that the RRF remains subject to on-going and recurrent political review. For one, it is well possible that Member States do not fully exploit the quota assigned to them in their 2021 plan

and/or that they want to amend their initial plans by spring 2022 (cf. EUCO 10/20: A18). Furthermore, given the unprecedented nature of the RRF, and the crisis conditions under which it is developed and the initial NRRPs will have to be written, it is to be expected that the situation will continue to change and that Member States will develop new insights about how the funds are best assigned and absorbed in their economies.

In the draft regulation, the Commission proposes to provide an annual report to the EP and the Council on the implementation of the RRF (Article 24). This seems a rather low frequency, given the speed with which the RRF is expected to take effect and the fact that Member States will report on a quarterly basis. Hence, the EP proposal to increase this frequency to a quarterly report, so that it is able to follow the progress close up, seems completely justified. For these reports to be consequential, it is also appropriate that the written report is followed up by a public hearing of the Commissioner involved, so that a proper exchange can take place on the assessment of the progress and any points of concern (see EP PE6555.950v02-00: Amendment 106).

What is more, it would seem politically appropriate to establish a direct link between the regular reporting and the implementation decisions concerning payments (Article 19) and (possible) non-compliance (Article 9). As regards payments, the European Council (10/20: A19) has already indicated that the Commission's decisions will be subject to an opinion by the Economic and Financial Committee, which may escalate the issue to the European Council in case one or more Member States consider that there are serious deviations from the satisfactory fulfilment of the relevant milestones and targets. Again, it is completely in line with the political stakes involved in these decisions, that they are turned into delegated acts rather than implementing acts, as the EP's amendments in fact suggest. This way the EP retains the right to object to the decisions adopted by the Commission.

Importantly, however, besides such implementation oversight, there remains the need for a broader political assessment as to the overall impact and coherence of the RRF in light of the priorities defined for it. Such a more political assessment needs not to be made on a quarterly basis, but it would seem to merit a more extensive report and exchange on (at least) an annual basis, for instance as an extension of the Annual Sustainable Growth Strategy. Such a political exchange seems warranted in particular for the unprecedented nature of the RRF and the fast learning curve that it inevitably involves. Indeed, if there were real lessons to draw and substantive parts of the RRF budget remained uncommitted, one could envisage such a report to issue a review and update of the political priorities. The proposal to insert an annual review clause of the political priorities in the RRF Regulation (Section 3.1.4 above) is exactly foreseen to accommodate such a review and to ensure the EP's continued political engagement as the RRF evolves.

Following up on that and certainly if the 2021 NRRPs do not fully exhaust the quota assigned, some Member States may well want to expand or amend their NRRP. Such is also acknowledged by the European Council's (2020: A18) statement that "*the plans will be reviewed and adapted as necessary in 2022*". Such reviewing is best integrated into the European Semester cycle if Member States wanting to expand or amend their NRRPs follow again the procedure as defined in Chapter III of the regulation (the calendar of which is defined irrespective of any specific year). For the reasons stated above, any new or revised NRRPs should be assessed upon by way of a delegated act. This seems also appropriate since a delegated act needs not to slow down or complicate the procedure when EP and Council see no need to object. By implication, this procedure would also apply for any amendments to their NRRPs that Member States would submit outside of the European Semester cycle, as provided for by Article 18 of the proposed regulation. For the sake of democratic oversight and transparency of decision-making, it is actually advisable to delete this ad hoc procedure in favour of incorporating the amendments of the NRRPs in the usual Semester cycle.

## 4 CONCLUSIONS

The Recovery and Resilience Facility constitutes an unprecedented initiative for the European Union. It involves the establishment of an EU-wide fund to collectively address the economic impact of the COVID-19 crisis, with a commitment to European cohesion and solidarity, and to also use this moment to redirect Europe's economies in new, future-oriented directions. While the RRF is an EU-wide facility, it is premised on the recognition of the diversity of conditions and respectful of national policy autonomy, in that its implementation will take effect on the basis of National Recovery and Resilience Programs drafted by the Member States.

Logically, the governance of the RRF is directly linked to the European Semester, as it has been used so far to coordinate the economic policies of the EU Member States. Notably, however, the insertion of the RRF involves a fundamental change of the European Semester, from a non-binding structure for policy coordination to a vehicle for the transfer and investment of a major economic impetus through funds collected at EU-level.

This transformation necessitates a reconsideration of the position that the EP holds in the European Semester. As the European Semester comes with consequential decisions concerning the allocation of grants and loans, these need to be subject to proper parliamentary control and oversight of the EU's budgetary authority. The draft regulation proposed by the Commission falls short in recognizing this, as it very much leaves the EP in the advisory role that it has played in the European Semester thus far. The EP is to be informed, but it will not hold any decision-making power over the allocation of the RRF funds and their appropriations. What is more, as proposed, the RRF Regulation is presented as a one-off program, rather than being incorporated in the iterative structure of the European Semester. Thus, an inordinate amount of budgetary and distributive powers would be delegated to the Commission, without any effective parliamentary oversight by the EP.

As the RRF fundamentally changes the European Semester and involves the mobilisation of an unprecedented amount of EU-funds, it warrants closer and more effective parliamentary control and oversight at the EU level by the EP. Such oversight powers need to be proportionate to the EU-wide dimension of the RRF and recognize the extent to which individual NRRPs remain (and need to remain) subject to national democratic procedures. Still, the RRF is a deliberate EU-wide initiative, funded by funds collected centrally and there are critical EU-wide interests at stake that national parliaments alone cannot effectively scrutinize. Indeed, for the RRF to be successful, EU-wide coordination is essential to ensure that its impact transcends individual Member States, that the investments and reforms complement and reinforce each other, and that negative spill-overs are prevented.

If there is to be effective EU-level guidance on the RRF, it is essential that the political choices involved are fully explicated; in implementing the RRF, some actors will benefit more than others and indeed some may even feel set back by it. Such political choices are clearly implicated by the *foci* on investments in more sustainable and digital economic activities. Political choices are also involved in the way the funds are allocated across the EU Member States and the balance that is struck between ensuring that all share the RRF and prioritising those Member States where the impact of COVID-19 has been most severe. Finally, there are fundamental political choices to be made about the kinds of investments and reforms that are adopted, the beneficiaries at whom they are primarily targeted and the balances that they strike between the public and the private sector and between businesses and households.

While the financial commitment under the RRF can be made until 2023, the capacity to control and correct its political course along the way will be very much defined by the political priorities that are now inserted in the regulation. These priorities will guide the National Recovery and Resilience Plans

that Member States will draw up and provide the reference point whereby these plans will be assessed. These priorities will also very much condition the scope for adaptation of the plans along the way and for the monitoring of the effectiveness and the appropriateness of their implementation.

Against this background, this paper offers the following suggestions to ensure that the governance of the RRF will remain subject to effective parliamentary control and oversight at EU-level. Some of these suggestions are in line with the amendments that the EP is preparing, some move beyond them. Some hinge on the regulation itself, while others can still be taken up in the course of the European Semester:

#### *Defining political priorities*

- Provide well-specified political guidance to the political objectives of the RRF rather than to extend the proposed scope of the regulation (like the draft EP resolution tends to do); widening the scope of the regulation only increases the sphere of discretion for Member States.
- Attach political guidelines to the objectives of the RRF about the kind of policy mix (between supply-side measures, demand-side support, public sector investments) that is deemed most appropriate from an EU-wide perspective.
- Explore opportunities to privilege investments and reforms that are EU-wide in scope or, at least, transcend individual Member States; facilitate early exchange of plans in the Council, try to earmark part of the funds for cross-country projects, and include this consideration in the assessment criteria.
- Insert a review clause that allows for the EU-wide political priorities to be reviewed and updated on an annual basis, as part of the European Semester cycle.
- Explicitly review the allocation formula proposed by the European Commission and the European Council, to ensure that it strikes the appropriate political balance between the general coverage of the funds of all Member States and the focus on those that have been hit hardest by COVID-19.

#### *Reviewing the National Recovery and Resilience Plans*

- Push for the use of delegated acts in the implementation of the RRF, to replace the use of implementing acts.
- Use the power implied by delegated acts to secure full access to the documents and proceedings leading up to the Commission's decisions, on an equal basis with the Council.
- Commit to the speedy and explicit adoption of a position on the Commission's assessment of the NRRPs on the basis of the written evidence provided by the Commission, possibly complemented by oral evidence in a public hearing, and in light of the political priorities adopted in the regulation.
- Recognize that all political evaluations of the assessment decisions are bound by the substance and specificity of the political priorities as they will be defined in the regulation.
- Push for all NRRPs to require approval by national parliaments either before or after they have been assessed at EU level.

#### *Monitoring the implementation and adaptation of the NRRPs*

- Increase the frequency of Commission reporting on the RRF implementation to three or four times a year and organize a public hearing with the Commission on these reports.

- Push for payment decisions to be adopted by delegated acts by the Commission and review them accordingly.
- Complement administrative oversight of the implementation with an annual political review process and use the findings of this review to adjust governance practices and, if needed, to update the political priorities (as per a review clause under codecision, as envisaged above).
- Incorporate the adoption of any subsequent or revised NRRPs in the European Semester cycle by processing them according to the same procedures and calendar as envisaged for 2021 (delegated act). This also removes the need for a separate amendment procedure (Article 18).

While the exact mode of the RRF is still to be established, it is quite clear that the insertion of the allocation of EU-funds into the European Semester dramatically changes its character, and that these changes are likely to have a lasting impact (even if the Facility itself is emphatically of a temporary nature). While the European Semester - at its origins - was very much driven by the need to prevent negative spill-overs between the economies of the EU/euro area, the RRF highlights its potential as a vehicle for the transformation for the EU economy at large. Such a political process needs the co-authorization and oversight of the European Parliament, as the directly elected representative of the European peoples.

Thus, a reconsideration of the European Semester is overdue, regardless of whether EU-funds will continue to be allocated in the future. Specifically, a (quasi-)codecision procedure should be established so that the EP becomes fully involved in the annual adoption of the economic policy guidelines. In that process, the EP could also promote the shift in the emphasis of the European Semester from negative economic spill-overs to positive ones, like those embodied in the 'flagship initiatives' of the European Commission. With such involvement secured, the EP itself can focus its engagement less on the inter-institutional concerns and more on the substantial discussion of the appropriate policy mix by which the EU economy is best served.

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## ANNEX: FORMULATIONS OF THE POLITICAL PRIORITIES OF THE RRF BY THE KEY EU INSTITUTIONS

	Objectives (Art.4)	(Substantial) Criteria (Art.16)
COM Draft proposal 28/5/20	promote the Union's economic, social and territorial <b>cohesion</b> by improving the <b>resilience</b> and adjustment capacity of the Member States, mitigating the social and economic impact of the crisis, and supporting the <b>green and digital transitions</b> . (...)	the following criteria: (a) address challenges identified in the relevant <b>country-specific recommendations</b> ; (b) contribute to the <b>green</b> and the <b>digital</b> transitions; (c) have a lasting impact on the Member State concerned; (d) effectively contribute to strengthen the <b>growth potential, job creation, and economic and social resilience</b> of the Member State, <b>mitigate the economic and social impact</b> of the crisis, and contribute to enhance economic, social and territorial <b>cohesion</b> ;
European Council Conclusions 21/7/20	Support the recovery and resilience of the Member States	The criteria of consistency with the <b>country-specific recommendations</b> , as well as <b>strengthening the growth potential, job creation and economic and social resilience</b> of the Member State shall need the highest score of the assessment. Effective contribution to the <b>green</b> and <b>digital</b> transition shall also be a prerequisite for a positive assessment.
EP Draft report 1/9/20	Both <b>resilience and recovery</b> should be achieved through the financing of six main policy areas, namely: - the <b>green transition</b> , - the <b>digital transformation</b> , - <b>economic cohesion, productivity and competitiveness</b> , - <b>social cohesion</b> , - <b>institutional resilience</b> and - measures to ensure the <b>next generation</b> of Europeans does not become a "lockdown generation".	Effective contribution to above-mentioned objectives [and scope]
Commission's 2021 Annual Sustainable Growth Strategy (+SWD(2020) 205 final) 17/9/20	- Promoting the Union's economic, social and territorial <b>cohesion</b> - Strengthening economic and social <b>resilience</b> - Mitigating the social and economic impact of the crisis, - Supporting the <b>green and digital transitions</b> + Contribution to 'Flagship initiatives'	- Green transition - Digital transition and productivity - Fairness - Macroeconomic stability

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The Recovery and Resilience Facility (RRF) constitutes an unprecedented EU-wide resource to address the impact of the COVID-19 crisis on the EU economies. As the governance of the RRF is integrated in the European Semester, it fundamentally changes its character from a non-binding structure for policy coordination to a vehicle for the allocation of a major economic impetus. In light of this, this paper analyses the ways that parliamentary control and oversight of the RRF can be best secured at the EU-level.

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