IN-DEPTH ANALYSIS

Recovery and Resilience Dialogue with the European Commission

BUDG-ECON Committee meeting on 22 April 2024

Executive Vice-President Dombrovskis and Commissioner Gentiloni are invited to the 15th Recovery and Resilience Dialogue (RRD) under the Recovery and Resilience Facility (RRF) Regulation. The previous RRD took place on 5 February 2024.

This briefing comments on the Commission's RRF midterm review in section 1, focuses on some of the Commission's recent preliminary assessments related to payment requests submitted by Czechia, Denmark, and Malta in section 2, summarises the state of play of the implementation of the RRF in section 3, touches on the EPPO annual report and recent cases of RRF fraud in section 4, sets out an analysis of the 100 largest recipients of RRF funds per Member State in section 5, and comments on the impact of NGEU related interest payments in section 6.

1. COM's midterm review of the RRF

1.1 The documents published by the Commission

According to Article 32 of the RRF Regulation, the Commission had to provide an independent evaluation report on the implementation of the Facility by 20 February 2024. The evaluation report is meant to assess – at the middle of the programme's operating time – to which extent the objectives have been achieved, the efficiency of the use of the resources and the European added value. Where appropriate, that evaluation shall be accompanied by a proposal for amendments to the RRF Regulation.

To that end, the Commission published - with just a slight delay - several documents that combined present its mid-term evaluation. That mid-term evaluation was jointly done by DG ECFIN and SG RECOVER and builds on the results of an external study, for which the Commission contracted a consortium co-led by ECORYS and CEPS. Combined, the different parts of the mid-term evaluation would make a lengthy document (exceeding 900 pages), consisting of the Commission's Communication (18 pages), Staff working document (221 pages), the external supporting study (311 pages), as well as eight separate case studies (on cross-border and multi-country projects, justice reforms, early childhood education and care, support to SMEs, active labour market policies, eHealth, functioning of the RRF and other EU funds, and energy efficiency in buildings; in total 355 pages).

The Commission made no proposals to amend the legal framework of the Facility.

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From the Commission's point of view, key findings are that (inter alia):

- the combination of reforms and investments is one of the RRF's most effective aspects,
- the approach created a strong sense of ownership, commitment, and accountability in Member States,
- the RRF effectively supports the economic recovery in the EU, as well as socio-economic convergence,
- the RRF has a key role in supporting structural reforms and common EU policy priorities,
- there are major synergies with other EU funds, notably in the area of cohesion policy,
- performance-based funding increases the coherence and predictability of EU spending,
- milestones and targets allow for the effective monitoring of the implementation of national Recovery and Resilience Plans (RRPs),
- flexibility in the design and implementation of RRPs is necessary to ensure smooth implementation,
- and that no proposal for legal amendments to the RRF Regulation was needed at the current juncture.

On 12 April, the Council approved the conclusions of the mid-term evaluation, recognising the RRF's positive contribution to the green and digital transitions, acceleration of structural reforms, and strengthening of national ownership. The Commission and member states are invited to identify concrete ways to streamline and improve the implementation, while ensuring the adequate protection of the Union's financial interests. The Commission shall continue drawing lessons regarding the performance-based nature of the instrument.

1.2 Some critical reflections on the mid-term evaluation[1]

The RRF mid-term evaluation that the Commission has published is overall a lengthy read, though its centrepiece, the Communication, is more easily digestible. Given the breath of information that needs to be scrutinized, a full-fledged assessment on the mid-term evaluation can only be provided at a later stage. However, at this stage we at least see room for **some preliminary critical reflections**:

A mid-term evaluation is not about "full impact", but on assessing progress

The Communication as well as the underlying Staff working document repeatedly make the point that the evaluation comes **too early** to measure certain effects. The Staff working document for example says on page 5: "*It is important to acknowledge that the nature and timing of this report comes too early for the report to be able to deliver a fully-fledged impact evaluation*." That statement is self-evident. The very **purpose of a mid-term evaluation** cannot be to assess the full impact or total effect. The key purpose is rather to **measure the progress made** in comparison to the progress initially expected. All statements about the evaluation coming too early hence seem to somewhat miss the point. The evaluation should enable its addressees to understand whether the implementation of the RRF is on-track, and what kind of measures would be required if that was not the case (e.g. whether any amendments to the RRF Regulation would be required from the Commission's point of view).

The new **performance-based design** of this instrument should theoretically allow monitoring the implementation progress very well, notably if the **milestones and targets are well designed to make progress on the desired objectives**, while any misaligned milestones and targets would not allow to draw meaningful conclusions about progress made so far.

The Communication, however, suggests that the milestones and targets are considered to serve their purpose "*The wide range of milestones and targets enables the effective monitoring of RRPs implementation, as they track the full life cycle of measures supported by the RRF*". In this respect, **an effective monitoring should allow to make a clear statement whether the implementation is considered on-track in order to**

[1] Section 1, 1.1 and 1.2 by Marcel Magnus

achieve the expected outcomes, instead of a rather vague finding such as that "*The implementation of the RRF has made visible progress*" (Communication p. 3).

Illustrative examples do not replace a systematic analysis

In its Communication, the Commission uses **many illustrative examples** of successful projects to demonstrate that the RRF delivers tangible results on the ground. Given the very large number of RRF-related investment projects (more than 1.700 in total) and reforms (more than 1.000 in total) and the overall amount of money that has already been disbursed (more than EUR 225 billion), there is no doubt that even at midpoint there are many showcase projects to choose from. However, illustrative examples of successful projects do not replace a systematic analysis, as one cannot tell whether that is merely "cherry-picking" or a representative selection. A meaningful conclusion as to whether the RRF delivers tangible results on the ground should hence **focus on the collectivity of projects, not individual projects**, and the achievements made would need to be put into perspective, in particular as regards the related spending.

Absent thereof, it remains unclear whether an observation such as that "*Around 75% of the milestones and targets planned to be achieved by end 2023 have already either been assessed by the Commission as fulfilled or reported as completed by Member States*" (Communication p. 4) should give reason to be confident or worried as regard actual progress made– and if so, whether such situation would require mitigating actions.

Evaluation gives some messages a spin

The Communication and Staff working document seem to give some messages a positive spin. In the Communication, for example, the **section on country-specific recommendations** (CSRs) states that "*The European Court of Auditors (ECA) confirmed that the RRPs contribute to addressing a significant subset of CSRs*", and a similar message in the Staff working document reads "*There is unanimous agreement between Member States and the various EU institutions, including the European Parliament and the European Court of Auditors, that the RRF has been effective in supporting CSR-related reform*", both citations referring to the same ECA Special report. However, neither the Communication nor the Staff working document mention that the **ECA report actually came up with a somewhat more nuanced assessment**. It reads: "*Overall, we consider that the Commission's assessment resulted in RRPs contributing to most of the 2019 and 2020 CSRs. However, some important elements of the CSRs remained unaddressed across the Member States in our audit sample, largely related to recurring structural challenges Member States have been facing for years. Furthermore, the assessment of what constitutes a "significant subset" of CSRs having been addressed [sic] has neither been defined in the RRF Regulation nor by the Commission. The assessment therefore remains to some extent judgemental, especially in cases where the Commission identified several and/or serious gaps*".

Input to case studies often from parties involved in the implementation

From a methodological point of view, the Commission's midterm evaluation is supported by a the work of a consortium of consultancies that shall "p*rovide an objective and independent study supporting the assessment of the RRF against the criteria of effectiveness, efficiency, relevance, coherence, and EU added value*."

While the evaluation support was carried out by consultants who are organisationally **independent** from the Commission, it is important to keep in mind that the **majority of those who gave informational input to the consortium have been involved in the design, implementation, or monitoring of the instrument**. The consultants consider the targeted interviews they carried out to be a cornerstone of the stakeholder consultation, allowing them to gather particularly qualitative and in-depth information on the RRF. However, given the level of involvement of those interviewed, one needs to be cautious as to a certain bias about shortcomings of the implementation process and the achievements made.

Moreover, the case studies reveal that the consultants were often faced with a comparatively **high-level of non-responses** or rejections when they tried to arrange the interviews. In the case study on Justice reforms, for example, more than 65% of those who were asked for an interview did either not respond or declined.

1.3 Follow-up event by COM and Belgian Presidency[2]

On 9 April 2024, the European Commission and the Belgian Presidency of the Council of the EU held an event on the mid-term evaluation of the RRF to take stock of the results so far as well as future challenges in the implementation of the RRF.

Commissioner Paolo Gentiloni intervened during the event remarking the RRF is delivering on its goals with 225 billion euros being already disbursed. He noted the role of the RRF in supporting the increase in public investment ratio to 3.5% of GDP in 2025 from 3.0%, pointing to the role of t EU funding (particularly the RRF) in driving half of this increase. He outlined the expectation that half of the milestones and targets will be reached by end-2024 and reiterated that the 2026 deadline is fixed. Gentiloni commented on lessons learnt so far, indicating the Commission is looking into non-legislative ways to make the implementation of the RRF more flexible and simpler, especially with regards to Member States' complains on the pressure on their administrative capacity. It is also looking at way to ensure better stakeholder involvement[3] of the plan, including in the context of the new framework for multilateral budgetary coordination.

Executive Vice-President Valdis Dombrovskis also intervened during the event praising the success of the RRF and calling it a *"remarkable institutional achievement*" given its unprecedented approach to EU spending. He noted the role of recent crises, from inflationary spikes to the war in Ukraine, in derailing the implementation of the RRF as countries had to reshuffle priorities and repurpose their administrative capacities. While noting the continued work on the ground on implementation, Dombrovskis also called on Member States to accelerate and catch up on delays as the 2026 deadline approaches. He commented on the reform boost provided by the RRF, noting that the share of 2019-2020 CSR implementation reaching "some progress" has increased by 17 percentage points between 2021 and 2023. As a comparison, the change in implementation of the 2016-2017 CSRs in a similar two-year period (2018-2019) had changed by only 6 percentage points. He also indicated that the Commission is trying to balance requests from Member States for further flexibility with the legal requirements in place for a rigorous control framework to safeguard the EU's financial interests.

The event showed the emergence of fault lines within the Commission on any "RRF like instruments" for the future and the overall funding of the EU's growth model:

- Gentiloni insisted that current investment gaps on green, digital, defence and support to Ukraine reconstruction will persist even after 2026. At the same time, in his view, the RRF has not fully reaped the benefit of common EU borrowing, including in terms of costs of financing, because of its temporary nature. Instead, **Gentiloni** suggested that the RRF should serve as the blueprint for future programmes, eventually leading to the **creation of a permanent safe asset commensurate with the size of the economy and the establishment of a permanent EU-wide fiscal capacity** for the provision of European public goods. He did not provide further information on the most efficient funding sources.
- **Dombrovskis instead identified the solution to EU's financing needs in a larger EU budget after 2028**, though he avoided delving into discussions on the size of such budget nor on the funding sources as this should remain at the discretion of the next Commission following the European elections. In any case, in his view, spending for new common priorities as defence should not come to the detriment of current policies.

[2] Section 1.3 by Giacomo Loi

[3] In this context, please note that there is a separate briefing of the stakeholder involvement available here.

2. Latest Commission's preliminary assessment of milestones and targets[4]

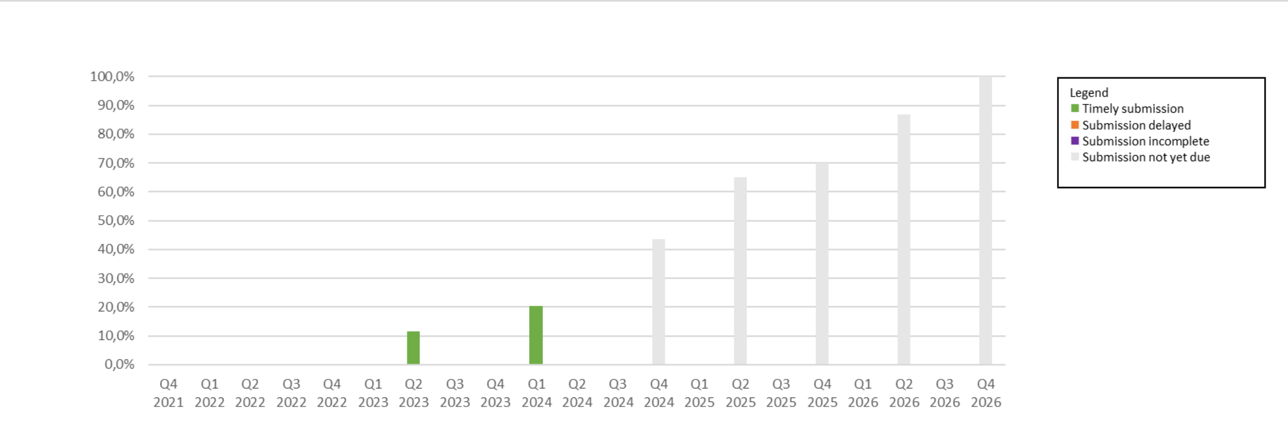
This section focuses on the Commission's recent **preliminary assessments** of payment request **that may be of interest from a scrutiny perspective**. In these short summaries of the Commission's latest assessments, we aim to highlight some elements that may warrant a closer look, notably due to limited information on the actual implementation. This time we have read the Commission's preliminary assessments for Czechia, Denmark, and Malta and highlighted a few elements.

Our previous briefings have covered: Portugal, Germany, France, Slovakia, and Italy in February 2024; Italy in October 2023; Romania in July 2023; Lithuania, Spain, Czechia, Denmark, Slovakia, and Slovenia in April 2023; Greece, Malta, and Portugal in February 2023; Romania, Latvia, Cyprus, and Bulgaria in November 2022.

Czechia: Commission's preliminary assessment of the second payment request

> Implementation profile

Figure 1: Czechia's payment requests - Actual submission vs. Indicative timeline in the Operational Arrangements (Y-axis: cumulative share of total RRF contribution; 9 instalments combining grants and loans)



Note: The classification is based on the modified version of the Operational Arrangements, signed on 29 November 2023; had the assessment been based on the initial timeline, set out in the Operational Arrangements of 22 July 2022, the first, second, third and fourth planned instalment would all have had to be classified as **delayed**.

> Procedure

In December 2023, Czechia submitted a request for payment for the second and third grant instalments (EUR 702 million net in total), related to the fulfilment of 14 milestones and 14 targets, in line with the amended Council Implementing Decision and related revised Annex.

Overall, the Commission finds in its preliminary assessment of Czechia's second payment request (published in February) that all milestones and targets had been satisfactorily achieved, highlighting inter alia a continued reform momentum as regards the digitalisation of public administration, the set-up of three digitalisation competence centres, the adoption of Sustainable Urban Mobility Plans for large cities, and progress towards the completion of investment projects for railway infrastructure and flood protection.

[4] Section 2 by Marcel Magnus

> **Example** for the fulfilment of targets and milestones in Czechia's RRP that may be of interest from a **scrutiny perspective**:

Investment: **Competence centres for eGovernment, Cybersecurity and eHealth**

Context: The measure aims to establish three eGovernment competence centres that shall provide guidance, expertise, consulting services and common standards across the public administration to support the digitalisation and modernisation of IT systems, with a specific focus on eGovernment, Cybersecurity, and eHealth.

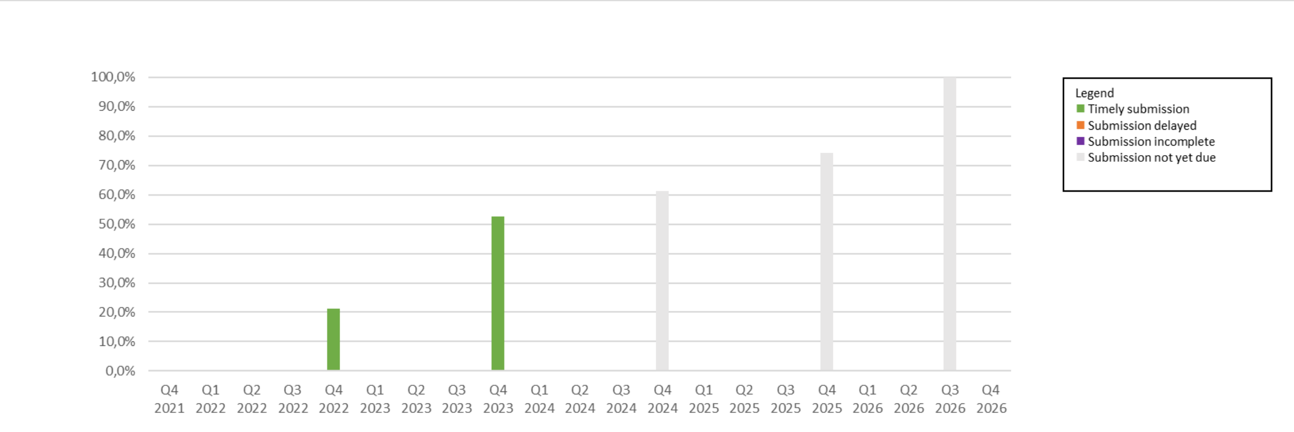
Milestone # 25 requires that the **competence centres shall be fully operational**, which according to the Commission's preliminary assessment has been satisfactorily fulfilled, given that public authorities have submitted and competence centres have approved official requests for consulting services.

Observation: The Commission assesses whether each of the competence centres has received and accepted requests for consulting services. However, the preliminary assessment as published **does not examine whether the competence centres have actually delivered** the requested services. Putting the acceptance of a request on the same level as the proven full delivery on a request seems to be a shortcut that is somewhat debatable. In this specific context we note, for example, that in October 2023 **Czechia's National Audit Office** (SOA) published a press release about the findings of a specific audit in the field of health digitalisation, which highlights that "*The digitalisation of health care has been delayed and its* ***key components are still missing****. [...] A total of CZK 159 million spent on meeting selected strategic objectives of the* ***digitalisation of health care did not lead to their fulfilment*** *and the Ministry of Health postponed this task until 2026. The SAO has found a significant risk in the further delay in the digitalisation of health care*" (emphasis added). A prudent assessment of the actual performance might hence be advisable before accepting that the competence centres can be considered fully operational.

Denmark: Commission's preliminary assessment of the second payment request

> Implementation profile

Figure 2: Denmark's payment requests - Actual submission vs. Indicative timeline in the Operational Arrangements (Y-axis: cumulative share of total RRF contribution; 6 grant instalments, #5 and 6 both Q3 '26)



Note: The classification is based on the modified version of the Operational Arrangements, signed on 19 February 2024; had the assessment been based on the initial timeline, set out in the Operational Arrangements of 4 August 2022, the classification of both requests would be the same (submitted in due time).

> Procedure

In December 2023, Denmark submitted a request for payment for the second grant instalment (for EUR 422 million net), related to the fulfilment of 6 milestones and 12 targets, in line with the amended Council Implementing Decision and related revised Annex.

Overall, the Commission finds in its preliminary assessment of Denmark's second payment request (published in February) that all milestones and targets had been satisfactorily achieved, highlighting inter alia the new wide-ranging digital strategy that includes improved cyber- and information security, and progress with the implementation of research projects that focus on carbon capture, green fuels for transport and industry, environment friendly agriculture and food production, and the reduction of plastic and textile waste.

> Example for the fulfilment of targets and milestones in Denmark's RRP that may be of interest from a **scrutiny perspective**:

Investment: **Digital solutions in healthcare sector / Implementation of a digital questionnaire**

Context: Following the COVID-19 pandemic, the measure shall develop new digital solutions to make citizens and the healthcare system more connected. One specific milestone included in the second payment request (# 4) concerns the development of digital questionnaires covering pneumococcus, influenza and pregnancy, **to allow for the rapid stratification of patients in terms of vaccination needs and other medical conditions**. Drawing in particular from a report that describes the medical and technical features of the developed solution that was drafted in collaboration with the Danish Organization of General Practitioners, the Commission finds that the milestone "Implementation of digital questionnaires and patient reported data through the app MinLæge" has been satisfactorily fulfilled.

Observation: In its assessment, the Commission sets out that "*the written report states that the implementation has allowed the general practitioners to **stratify according** to criteria such as **age and sex***", then concluding that "*Hence via the implemented feature(s), the functionalities allow general practitioners to target people being in a target group **in relation to vaccinations** and to **other medical conditions***".

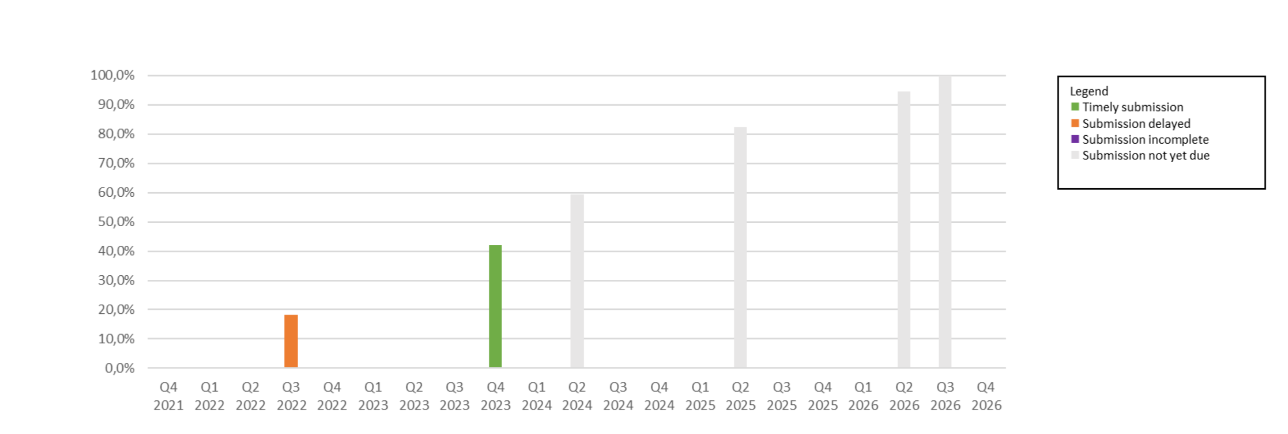
That conclusion, however, seems unsubstantiated: The possibility to stratify by age and sex is not the same as the possibility to stratify by vaccination status or other medical conditions.

The Commission's preliminary assessment unfortunately does not provide a hyperlink to the report of the Danish Organization of General Practitioners it refers to, but that report has apparently been published elsewhere (see here). On page 9, that report mentions concrete development measures ("*Konkrete udviklingstiltag*") for 2023, that in our understanding are pending issues. That list of concrete development measures includes, for example, the possibility to use the vaccination status as a dispatch criterion for messages to patients ("*Vaccinestatus (manglende vaccine) som afsendelseskriterier*"). We would derive therefrom that at the time the report was written, **the IT solution developed did not yet allow for the stratification of patients in terms of vaccination needs and other medical conditions**, in contradiction to what the Commission's preliminary assessment states.

Malta: Commission's preliminary assessment of the second payment request

> Implementation profile

Figure 3: Malta's payment requests - Actual submission vs. Indicative timeline in the Operational Arrangements (Y-axis: cumulative share of total RRF contribution; 6 grant instalments)



Note: The classification is based on the modified version of the Operational Arrangements, signed on 13 March 2024; had the assessment been based on the initial timeline, set out in the Operational Arrangements of 30 September 2022, the classification of the second request would be different (i.e. be **delayed**).

> Procedure

In December 2023, Malta submitted a request for payment for the second grant instalment (EUR 59 million net), related to the fulfilment of 29 milestones and 5 targets, in line with the amended Council Implementing Decision and related revised Annex.

Overall, the Commission finds in its preliminary assessment of Malta's second payment request (published in March) that all milestones and targets had been satisfactorily achieved, highlighting inter alia reforms to curb aggressive tax planning practices, capacity building at the Attorney General's office, measures to improve waste collection and those reducing the digital divide, as well as progress with investment projects for the energy efficient renovation of private and public buildings, subsidies for electric vehicles, the digitalisation of businesses, and new technologies in the health sector.

> Example for the fulfilment of targets and milestones in Malta's RRP that may be of interest from a **scrutiny perspective**:

Reform: **Aggressive Tax Planning - Code of Conduct Group - abolishment of the participation exemption in relation to non-cooperative jurisdictions**

Context: The reform aims to remove the possibility of **exempting dividends** derived from bodies of persons resident in jurisdictions listed in the Code of Conduct Group list of **non-cooperative jurisdictions** from being taxed in Malta.

In that context, the Commission assessed whether Malta took administrative measures to obtain information about dividends derived from bodies of persons resident in jurisdictions listed in the Code of Conduct Group (CoCG) list of non-cooperative jurisdictions (milestone "Entry into force of the revised corporate tax return for the fiscal year 2021"), and whether it assigned two dedicated staff for the scrutiny of taxpayers in that area of taxation (target "Assignment of two dedicated staff"). The Commission's preliminary assessment finds that the milestone and target have both been satisfactorily fulfilled.

Observation: There are no indications giving reason to doubt that Malta has satisfactorily fulfilled the required milestone and target related to the reform on aggressive tax planning. However, one might want to reflect on the **level of ambition** that inspired this reform to become part of Malta's RRP.

Recommendations in the field of taxation made by the CoCG, which is composed of high-level representatives of the member states and the European Commission considered important instrument to promote fair tax competition, both within the EU and beyond, even if the recommendations are legally non-binding. In February 2023, the Council of the EU revised the EU list of non-cooperative tax jurisdictions, adding several jurisdictions, including Russia and Costa Rica. By **endorsing the guidance** of the CoCG, Member States **committed to apply at least one of the measures recommended by CoCG**.

Against that background, one may note that the audit company KPMG published an updated internal survey about EU and domestic defensive measures against non-cooperative jurisdictions. Being free to choose the type and exact scope of the measures, KPMG finds that the approach is far from being fully harmonised in the EU. Among the recommended measures by CoCG are those related to the non-deductibility of costs (e.g. interest and royalties), rules for Controlled Foreign Company (CFC), which allow adding the income of companies in the non-cooperative jurisdictions to the tax base, withholding tax measures that use a higher tax rate if the transactions are related to non-cooperative jurisdictions, and - as in the case of Malta - measures to limit the participation exemption, should dividends or other profits come from companies in non-cooperative jurisdictions.

KPMG's survey finds that **most Member States have implemented multiple measures** from the CoCG's guidance, and six countries notably implemented all suggested legislative tax measures, but **some adopted only one type of measure, including Malta** (compare Annex 1).

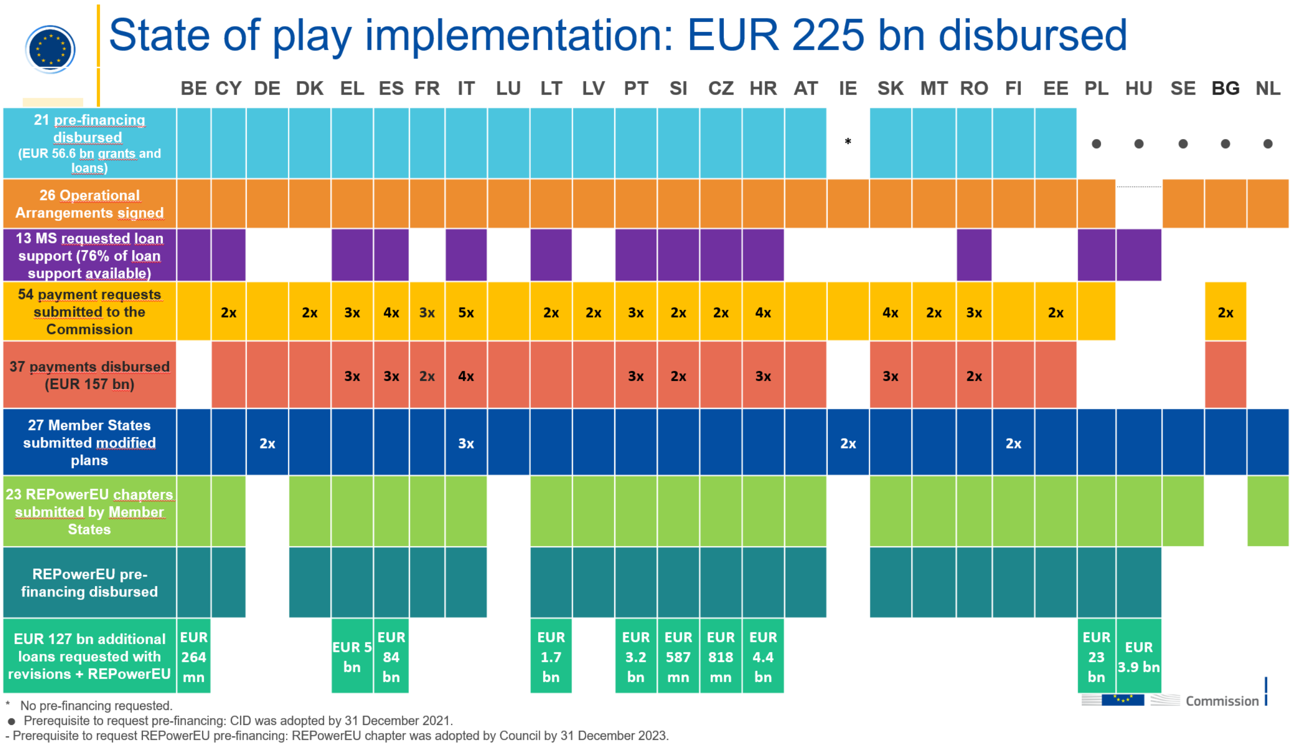
3. Progress with the implementation of the RRF[5]

3.1 State of play

According to the information on the RRF scoreboard, in the period between 5 February 2024 (the date of the last RRD) and 9 April 2024, the Commission disbursed three payments (to FI, LT, CZ), received three modified national RRPs (from IT and ES - with modifications said to be of only technical nature - as well as from IE), signed the Operational Agreement with the Netherlands, and agreed to four modified Operational Agreements (with DK, MT, LT, and RO).

The state of play of the implementation of the RRF (as per 19/03/2024) is summarised in **Figure** 4.

Figure 4: State of play re RRF implementation (as at 19/03/2024)



Source: European Commission

3.2 The Modified Recovery and Resilience Plans

Since the last RRD, the Commission received three modified RRPs.

In case of Italy and Spain, the modifications are said to be of only technical nature, following their earlier comprehensive revision at the end of last year. However, the respective country websites linked to the RRF scoreboard do not yet make those modified RRPs available, a verification of the nature of changes is therefore currently not possible.

In case of Ireland, the original RRP of September 2021 was first amended in July 2023 by a Council Implementing decision, then again amended in December 2023 by another Council Implementing decision, while the request for yet another amendment, submitted in March 2024, is meant to incorporate a REPowerEU chapter, with one new reform and five additional investments according to the related press release.

[5] Section 3 by Marcel Magnus

4. EPPO annual report and recent cases of RRF fraud[6]

In March 2024, the **European Public Prosecutor's Office (EPPO) published its annual report for 2023** providing an overview of its activities and conclusions. On NextGenerationEU, EPPO indicated that it opened 206 investigations in 2023 on the use of recovery funds, representing approximately 15% of all the cases of expenditures fraud on EU funds in this period. The value of this RRF-related investigations of over EUR 1.8 billion, represents roughly one quarter of the estimated damage of all expenditure frauds in this period. As a comparison, in 2022, EPPO had only 15 active investigations open for misuse of RRF funds, pointing to a substantial increase in cases of fraud and further resources being devoted to control as the implementation of the facility accelerates.

Against this backdrop, on 4 April 2024, EPPO also announced that 22 people were arrested in the context of an international large-scale investigation on the fraudulent use of funds under the RRF. In Italy, the financial police seized EUR 600 million of assets in the context of this investigation. According to the investigation, between 2021 and 2023, a multi-country criminal organisation had applied and successfully received grants under the Italian National Recovery and Resilience Plan, which were then embezzled by the network. More than 100 suspicious financial transactions are currently under the radar of the EPPO. The media reported that some of the funds were even allocated by Simest, the Italian state-owned entity for the support of firms.

According to Lea Zuber, a spokesperson of the European Commission, the RRF relies on *"a very robust control framework"* based on national audit and control authorities, hinting towards the success of the decentralised framework in place. In its annual report, EPPO itself has recognised the importance of national authorities: *"In 2023, the main sources of detection and reporting to the EPPO in this area were, by far, national law enforcement authorities. Their ability to detect fraud in this area was the strongest when they took a pro-active analytic approach. Private parties also contributed a fair share, in accordance with the public resonance of the NextGenerationEU funding. Reporting from EU institutions, bodies, offices and agencies has been minimal"*.

On its end, the **European Court of Auditors (ECA) has been more critical**. In March 2024, ECA President Tony Murphy had already shown reservations on the different monitoring system in place vis-a-vis other expenditures from the EU budget, claiming that the lower control and greater self-policing nature of the framework might increase risks of irregularities and corruption[7]. Similarly, speaking to Euractive on the EPPO investigation on the embezzlement of EUR 600 million of RRF funds, Murphy warned that such episode could likely repeat in the future in the absence of a central oversight authority "*Because of the limited control, or lesser control framework, compared to the standard EU funding based on multi-year budgeting (MMF), the risk of such incidents occurring is high*".

The question on speed of spending, quality of spending and potential misuses is also likely to become ever more relevant as we approach the 2026 end-date of the RRF. Murphy has warned that this deadline might further put pressure on Member States to expedite spending, potentially resulting in further fraud. For instance, in Italy, currently roughly EUR 102 billion have been already disbursed under the RRF, yet only 23% of them were successfully absorbed by the public administration. As the spending profile of the country is expected to accelerate over the next two and a half years, it is estimated that it would have to spend approximately EUR 60 billion per year on average. The country has faced major hurdles in the past in absorbing EU's cohesion funds and is currently being challenged by administrative difficulties in managing RRF resources. With EPPO reporting that 179 fraud investigations on the use of the RRF have taken place in Italy alone in 2023, the trade-off between speed of spending and fraud prevention is set to gain relevance in the coming months.

[6] Section 4 by Giacomo Loi

[7] For an overview of his remarks, please see Euroactiv here.

5. Analysis of the 100 largest recipients of RRF funds per Member State[8, 9]

The performance-based nature of the RRF means that, the beneficiary of the funds is the Member State, which then distributes the money via its national budget, sometimes together with other funds, in order to achieve the milestones and targets set out in the RRP. Information on final recipients of any implementation of the milestones and targets is collected and stored by the Member States for audit and control purposes, however, the actual disbursement to these final recipients is not public information as such.[10]

On Parliament's insistence, the REPowerEU Regulation introduced the obligation for Member States to publish data on the 100 final recipients receiving the highest amount of RRF funding. Article 25a 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*"[11].

However, the relevant Commission Guidance defines a final recipient as "*the last entity receiving funds under the RRF that is not a contractor or a subcontractor*"[12]. This means, that the list will not necessarily contain the entities that receive RRF related final payments.

5.1 Data publication

By the end of 2023 information from all Member States was published on the Commission's RRF Scoreboard. Recipient data from 26 Member States is available in a summary table on the Scoreboard, while all have also made the data available on their respective national websites (see links in **Table 1** below).

National portals differ significantly in the way they present the 100 largest recipients of the RRF funds, and their user friendliness is varying, due to the format in which the data is made available and the fact whether the list is consolidated or not. For an EU-wide comparison and analysis of recipients it is very useful that the Commission merged all national recipient lists into one central, downloadable xlsx list. It has to be noted though, that some information is lost in this centralised list that is available on some Member State portals (e.g. sums committed and sums paid).

In total, the 27 Member States listed 2,368 recipients. It has to be noted that these lists are preliminary in every Member States, and will change as the disbursement of funds progresses.

Some Member States provide lists with fewer than 100 recipients. A possible explanation might be that disbursements to final recipients have not yet progressed far. The slow rate of payments to the final recipients is an issue highlighted also in the interviews done as part of the mid-term review of the RRF[13]. The lowest number of recipient is listed for Malta (16), while Bulgaria (19), Latvia (32), Ireland (67), Luxembourg (67), and Lithuania (69) also have fewer than 100 entities on the list. Small discrepancies in Romania (97), Hungary (99) and Poland (99) may be due to clerical errors, just as some of the extra recipients listed on some of the national lists (Slovenia with 102 recipients, including two duplicates). Estonia, Finland and Portugal provide on their national portals the names of more than the required hundred recipients.

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8 Section 5 by Andras Schwarcz

9 More detailed analysis available in this briefing

10 Mid-term evaluation of the Recovery and Resilience Facility, Commission Staff Working Document Accompanying Commission Communication Mid-Term Evaluation of the Recovery and Resilience Facility: Strengthening the EU through ambitious reforms and investments, SWD(2024) 70 final, 21.2.2024. p. 80

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

12 Report on the implementation of the Recovery and Resilience Facility: Moving forward, COM(2023) 545, 19.09.2023, p.32

13 Study supporting the mid-term Evaluation of the Recovery and Resilience Facility, Francesco Corti et al., ECORYS, CEPS, CSIL, NIESR, and Wavestone, December 2023

5.2 Description of the available data

The information published on the national portals of all Member State **fulfil the criteria defined by the Regulation**: in case of legal persons their full legal name and VAT or tax identification number (or another unique identifier established at the national level), in the case of a natural person, the first and last names, and for all of them the amount received, as well as the associated measures.

Table 1. Final recipient data available on Member States' national portals (by 26.03.2024)

Member State	Comment	Format	Download
Austria	Table with 10 recipient per page.	html	-
Belgium	Searchable by name, VAT #, project and measure.	html	-
Bulgaria	19 recipients listed on Scoreboard. Login needed to access the page.		
Croatia		xlsx, csv	+
Cyprus	Html list can be copied or printed. Also downloadable in xls and csv.	html, xlsx, csv	+
Czechia		xlsx	+
Denmark		pdf	+
Estonia	Database visualisation of all EU funds. Filtering, search and export option.	DB, xlsx, csv	+
Finland	List of all EU fund recipients, possible to search and filter.	xlsx	+
France		xlsx	+
Germany	Html table of recipients.	html	-
Greece		xlsx	+
Hungary	Pdf downloadable in a zip file together with two other documents.	pdf	+
Ireland	List of 67 recipients.	xlsx	+
Italy	Unconsolidated list of 100 recipients by measure.	xlsx, csv	+
Latvia	List of 32 recipients in Latvian and English.	xlsx	+
Lithuania		xlsx, pdf	+
Luxembourg	Not in the Scoreboard list. 67 recipients on the national portal.	pdf	+
Malta	List of 16 recipients.	xlsx	+
Netherlands		html, pdf	+
Poland	Unconsolidated list.	html, xlsx	+
Portugal	Database visualisation of all RRF recipients above EUR 1m.	DB	-
Romania		xlsx	+
Slovakia		pdf	+
Slovenia		xlsx	+
Spain	Unconsolidated list. (Frequent access issues)	xlsx, pdf	+
Sweden	Table of all 100 recipients.	html	-

Some of the recipients benefit from RRF funds under several measures. On some countries' national portals, as well as in the RRF Scoreboard list, only the consolidated grand total of the funds received is associated with each recipient, while other Member States list these sums separately for each measure, meaning that these lists contain more than 100 entries, with some of the latter also provide the total for each recipient.

Some national portals provide lists in html format, some make them available for download as spreadsheets (xlsx or csv) or as pdf documents, while others offer database visualisations. These formats differ significantly in the ease of searching, downloading, reuse and comparison.

It is unclear if all Member States base their lists on completed payments. The amounts associated to certain entities are so high that they seem to indicate committed, and not yet paid, amounts.

Some Member States choose to publish additional information, such as the funds received by measure (e.g. Belgium, Denmark, or Sweden), payment agencies or public authorities responsible for the measure (Estonia, Finland), address of the recipient (Croatia), status of the project (Croatia, Latvia), last date of funding received (Malta), project level information (Croatia, Latvia, Lithuania), amounts in local currency and EUR (Czechia), additional state and private funding (Lithuania) or funds approved and paid (Portugal).

5.3 Data analysis

The amounts needed to get on the list of the 100 largest recipients differ significantly country to country. The largest sum paid to one recipient (*Rete Ferroviaria Italiana* of Italy) to date exceeded EUR 24 billion, while the smallest sum sufficient to appear on the list was EUR 901 (paid to *Commune de Kopstal* in Luxembourg). The average top 100 recipient so far received nearly EUR 60 million.

It is clear that the rules and guidelines do not provide for the desired transparency of final recipients. According to the lists available at the time of writing, the **overwhelming majority of the funds went to public recipients**, with more than half going to different levels of state authority. Therefore the majority of the funds will eventually be further redistributed, but the final recipients will not appear on any lists. The information shall be collected for audit and control purposes, but will not be accessible to the EP as a discharge authority nor to the public.

For the whole of the EU, 2,368 recipients were listed, out of which 1,483 (62.6%) could be categorised as public, 210 (8.9%) as community, and 675 (28.5%) as private entities (see **Table 2**). Public entities include the central and decentralised government, publicly owned enterprises and public institutions, as well as all institutions of education and healthcare, unless privately owned and profit oriented. Private corporations are those that are in majority owned by natural persons or other companies, as well as sole proprietorships and natural person, as they are also non-public for-profit entities. The category of community organisation includes non-profit, non-governmental and religious organisations, associations and citizen groupings.

Table 2. Recipients by type

MEMBER STATE	NUMBER OF RECIPIENTS			FUNDS RECEIVED		
	public	private	community	public	private	community
Austria	30,0%	47,0%	23,0%	60,5%	31,2%	8,3%
Belgium	83,0%	9,0%	8,0%	89,7%	3,9%	6,4%
Bulgaria	57,9%	42,1%	0,0%	74,5%	25,5%	0,0%
Croatia	74,0%	26,0%	0,0%	70,0%	30,0%	0,0%
Cyprus	41,0%	57,0%	2,0%	85,3%	14,2%	0,5%
Czechia	87,0%	9,0%	4,0%	95,1%	4,2%	0,7%
Denmark	20,0%	70,0%	10,0%	48,5%	46,2%	5,3%
Estonia	8,0%	14,0%	78,0%	43,2%	8,4%	48,5%
Finland	84,0%	11,0%	5,0%	93,0%	4,9%	2,1%
France	85,0%	7,0%	8,0%	92,3%	7,1%	0,7%
Germany	52,0%	47,0%	1,0%	60,9%	36,9%	2,2%
Greece	53,0%	43,0%	4,0%	76,5%	22,3%	1,1%
Hungary	76,0%	7,0%	17,0%	75,1%	14,2%	10,7%
Ireland	60,6%	37,9%	1,5%	98,9%	1,0%	0,0%
Italy	80,0%	17,0%	3,0%	89,2%	10,3%	0,5%
Latvia	96,7%	3,3%	0,0%	99,9%	0,1%	0,0%
Lithuania	88,4%	11,6%	0,0%	98,9%	1,1%	0,0%
Luxembourg	80,6%	16,4%	3,0%	36,1%	52,0%	11,9%
Malta	31,3%	68,8%	0,0%	93,0%	7,0%	0,0%
Netherlands	68,0%	19,0%	13,0%	77,5%	7,7%	14,8%
Poland	51,5%	43,4%	5,1%	93,6%	5,7%	0,7%
Portugal	77,0%	17,0%	6,0%	88,0%	7,9%	4,1%
Romania	97,0%	3,0%	0,0%	98,0%	2,0%	0,0%
Slovakia	74,0%	11,0%	15,0%	92,2%	1,6%	6,2%
Slovenia	33,3%	66,7%	0,0%	91,5%	8,5%	0,0%
Spain	57,0%	38,0%	5,0%	82,2%	14,6%	3,1%
Sweden	52,0%	48,0%	0,0%	55,7%	44,3%	0,0%
EU average	62,6%	28,5%	8,9%	87,9%	11,1%	1,0%

Source: own calculations
Note: highest, lowest

The distribution of funds received by the different types of entities shows (see Table 2) that for the whole of the EU, 87.9% of the funds go to public entities, while 11.1% is paid to private corporations, with community organisations only receiving 1% of the funds allocated to the largest recipients. The proportion of funds going to public entities is over 90% in 11 Member States (reaching 99.9% in Latvia). It is generally true (24 out of 27 Member States), that the proportion of funds directed towards the public sector is higher than their numerical representation in the list of the largest recipients. This means that while the average sum paid per recipient was just under EUR 60 million, the mean for public entities was nearly EUR 84 million (40% higher). At the same time, private corporations average EUR 23 million, and community organisations EUR 7 million, that is 39% and 12% of the average, respectively. The largest discrepancy can be seen in Estonia, where public entities get more than nine times as much on average than private or community ones.

There are only two countries where the most money within the largest recipients is paid to non-public entities: in Luxembourg to private companies, and in Estonia to community organisations. The lowest proportion of financing aimed at public entities is in Luxembourg with 36.1%, as most of these are communes that get relatively small amounts (generally under EUR 100 000). Private companies and community organisations get seven and nine times that of the average payment for public entities.

The **early stages of implementation of the RRPs** may mean that in some Member States the numbers presented at this stage may be distorted due to some outliers. It may be the case that disbursement of funds towards public entities, especially central, regional or local authorities can go quicker, as there is no need for lengthy public procurement procedures, allocation can possibly be made by budgetary procedures or government decisions. For this reason, as the implementation of the RRF progresses, there may be significant changes to the proportions demonstrated in this section.

Altogether, the entities listed in the top 100 recipients received EUR 141.5 billion so far, which corresponds to 28.22 per cent of the cumulative funds (grants and loans) requested by all Member States (EUR 501.5 billion). The highest concentration of funds can be observed in France, with 65% of the total amount due to the country already allocated to the 100 largest recipients. Other Member States with very high concentration of fund are Lithuania, Romania and Greece (49%, 45% and 42% going to the top 100, respectively). At the other end of the spectrum, with very low percentage of the funds being paid to date to the 100 largest recipient stand Slovakia (2.01%), Latvia (2.05%) and Bulgaria (2.1%). However, from this information alone we cannot draw any conclusions concerning the concentration of RRF funds in these Member States, as the total of payments to all recipients of RRF funds by the state budget is not known.

Some **positive developments** have to be noted concerning transparency of recipient information:

- The requirement of publishing an identification number has significantly improved transparency compared to, for instance, the databases of Common Agricultural Policy and Cohesion Funds beneficiaries as these numbers, contrary to company names, are unique.
- a central database managed by the Commission makes data access and analysis easier, as all national data is transformed into the same format and made available in one table.

6. MFF Mid-term review process and NGEU related interest payments[14]

As highlighted in a previous briefing for the RRF dialogue with the European Commission of December 2023[15], the overall envelope of EUR 14.9 billion originally foreseen in the MFF 2021-2027 under Heading 2b for covering the interest payments for NGEU non-repayable support will be well below the amounts required.

Such amount was indeed based on initial assumptions of substantially lower yields on EU issuances when NGEU was adopted. However, the Commission had to raise its estimations of the overall envelope required for covering interest payments of the NGEU non-repayable support, in addition of the initially foreseen envelope by an amount that could range from EUR 17 billion to EUR 27 billion[16].

EUR million	2025	2026	2027
Indicative overruns over years 2025-2027 on top of the current financial programming	*[3 500 – 5 750]*	*[5 000 – 8 000]*	*[6 500 – 10 700]*

Source: Statement of Estimates of the European Commission of June 2023

The European Parliament adopted in May 2023 a resolution on the impact on the 2024 EU budget of increasing European Union Recovery Instrument borrowing costs[17]. The resolution expresses '*deep concern that, without the necessary action being taken, the increasing EURI borrowing costs are likely to limit severely the Union budget's ability to finance the Union's priorities and policies and to respond to emerging needs.'* It underlined that *'resources available in the margins under the MFF ceilings and via special instruments are already insufficient as a result of the multiple crises and new initiatives since the beginning of the current MFF and that the effect of increased EURI borrowing costs amplifies these shortcomings*'. It also emphasized that when *'adopting the MFF agreement, Parliament, the Council and the Commission agreed that expenditure covering the financing costs of EURI must aim at not reducing Union programmes and funds'*. It therefore stressed the need for urgent action through an urgent and ambitious MFF revision in order to place '*EURI repayment costs over and above the ceilings to reduce pressure on the MFF, to safeguard funding for already agreed programmes and to ensure sufficient leeway under the ceilings to finance new initiatives'*.

Following a legislative proposal put forward by the Commission on 20 June 2023, an agreement was reached between the European Parliament and the Council on 6 February 2024, **paving the way for the first-ever mid-term revision of the MFF Regulation[18].** Such agreement will affect the remaining years of the ongoing framework by revising the MFF ceilings, as well as the scope and size of special instruments over and above such ceilings. The agreement notably **foresees a new funding 'cascade mechanism' for covering overruns related to NGEU related interest payments**. Such mechanism may mobilise as a last resort a new thematic special 'EURI instrument' over and above the MFF ceilings, only if the amounts already foreseen under Heading 2b, in addition to decommitments, reprioritisations, as well as resources available under non-thematic special instruments are not sufficient.

More specifically, only if the amounts under Heading 2b are exhausted (step 1), then recital 12 of the amended MFF Regulation foresees that financing will be sought, in the framework of the annual budgetary procedure, '*to cover a substantial part of the necessary amounts exceeding the amounts initially inscribed in the existing EURI budget line of Heading 2b, as far as possible, with a view to mobilising an amount equivalent to about 50 % of the EURI interest payments cost overruns as a benchmark'*. A yearly amount up to the equivalent to the amount of decommitments from the previous years from Union programmes, which are not carried

14 Section 6 by Francisco Padilla

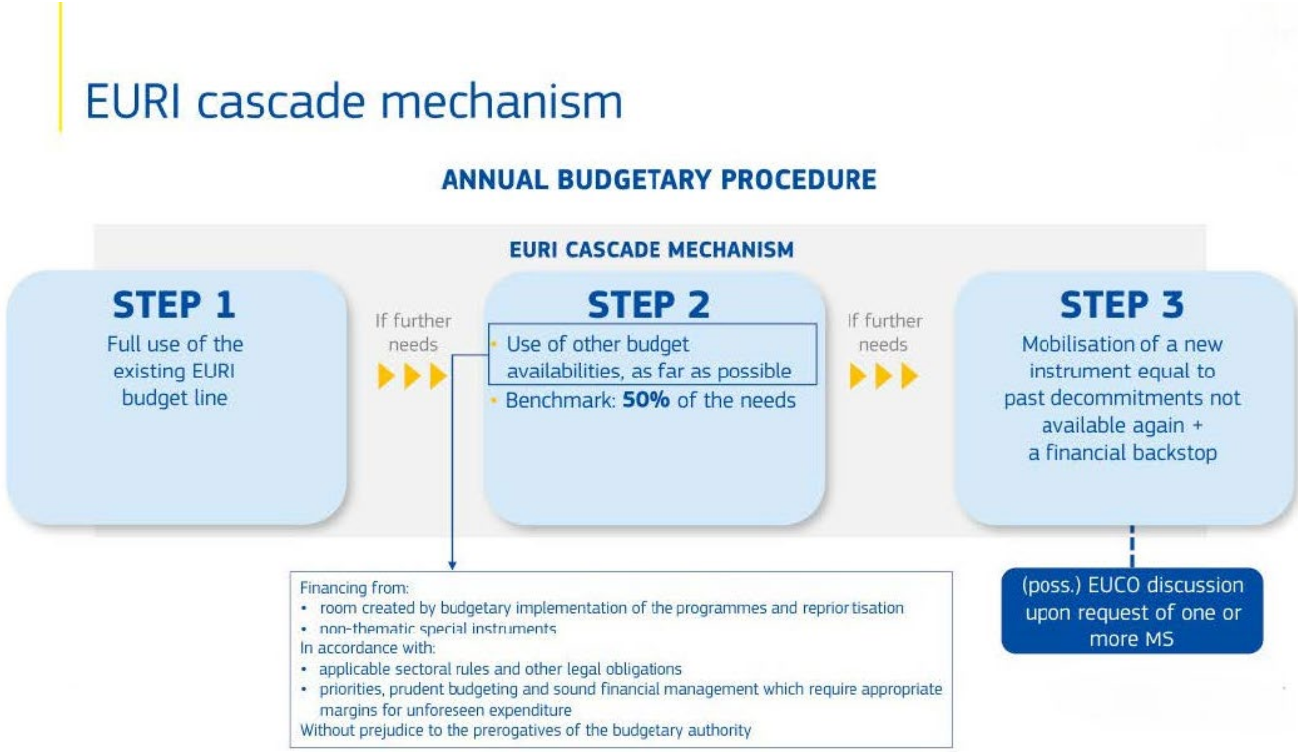
15 See briefing for the RRD on 11 December 2023.

16 See page 118 of the Statement of Estimates of the European Commission of June 2023 available here. The EUR 17 to 27 billion range is in line with the estimates made by a briefing to followup on questions raised by MEPs in the context of a BUDG workshop on EU issuances commissioned to Bruegel available here.

17 The resolution is available here .

18 The agreement is reflected in Council Regulation 2024/765 amending the MFF regulation, available here.

over under other specific applicable legislation, will be mobilised by this instrument first, with the exception of decommitments corresponding to external assigned revenue will not be taken into account for the mobilisation of the instrument (step 2). *'In the unexpected situation where an overrun is still outstanding, the necessary additional amount to fully finance the costs should be mobilised under the EURI Instrument as a backstop as a matter of last resort. If, exceptionally, one or more Member States consider that there are serious concerns with the mobilisation of this backstop, they could request that the President of the European Council refer the matter to the next European Council'* (step 3).



Source: European Commission

As underlined in the above-mentioned RRD briefing of December 2023, the 2024 EU budget already provides for resources needed for covering the ongoing year. Therefore the procedure for the 2025 budget will be the first for which the use of the EURI instrument is expected.

On the sole basis of interests due on RRF non-repayable support disbursed in the first quarter of 2024, in addition to those related to borrowing operations funding previous RRF non-repayable support operations, an overrun above Heading 2b of EUR 1.1 billion is already factored in for 2025, of which 50% will have to be covered as a benchmark by redeployments and special instruments, putting additional strains on them. Such amount can only increase with further disbursements during the rest of 2024. It remains to be seen how exactly the Commission will propose to apply such 'cascade mechanisms' as regards redeployments and reprioritisation of programmes that are lagging in execution in its forthcoming proposal for the 2025 EU budget.

ANNEX 1: Overview of tax defensive measures recommended by the CoCG that are applied by EU Member States

Country	Non-deductibility of costs	CFC	Withholding tax measures	Limitation of participation exemption
Austria		✓		
Belgium	✓	✓		✓
Bulgaria			✓	
Croatia		✓	✓	
Cyprus			✓	
Czech Rep.		✓		
Denmark	✓		✓	
Estonia		✓	✓	✓
Finland		✓		
France	✓	✓	✓	✓
Germany	✓	✓	✓	✓
Greece	✓			
Hungary		✓		
Ireland		✓		
Italy	✓		✓	
Latvia		✓	✓	✓
Lithuania	✓	✓	✓	✓
Luxembourg	✓			
Malta				✓
Netherlands		✓	✓	
Poland		✓	✓	✓
Portugal	✓	✓	✓	✓
Romania	✓			
Slovakia	✓		✓	✓
Slovenia	✓	✓	✓	✓
Spain	✓	✓	✓	✓
Sweden	✓			

Source: KPMG "Tax defensive measures against non-cooperative jurisdictions", July 2023

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