IN-DEPTH ANALYSIS

European Parliament

EGOV
ECONOMIC GOVERNANCE AND EMU SCRUTINY UNIT

ECONOMIC GOVERNANCE

Recovery and Resilience Dialogue with the European Commission

BUDG-ECON Committee meeting on 16 September 2024

Executive Vice-President Dombrovskis and Commissioner Gentiloni are invited to the 16th Recovery and Resilience Dialogue (RRD) under the Recovery and Resilience Facility (RRF) Regulation, scheduled for 16 September 2024. The previous RRD took place on 22 April 2024.

Introduction

The Recovery and Resilience Facility (RRF), which entered into force in February 2021, is the largest ever EU recovery instrument, meant to help repair the economic and social damage of the coronavirus pandemic. The RRF is unprecedented in several respects, in terms of its total size (EUR 648 billion in 2022 prices, providing grants and loans), in terms of its performance-based approach (payments are linked to the completion of agreed milestones and targets needed to achieve planned reforms and investments), as well in terms of the funding approach that was for the first time based on joint EU debt at a large scale. Member states are eligible to receive funds until end of 2026.

In the middle of the programme's operating time, in February 2024, the European Commission published a mid-term evaluation of the RRF. When assessing the efficiency and effectiveness of the RRF, one needs to make a distinction between three different (though interlinked) aspects: First, there is the legal design of the instruments itself ("the RRF Regulation") that for example introduced the performance-based approach, secondly, there are the individual Recovery-and-Resilience Plans (RRPs), drafted by the Member States, which set out the country-specific reforms and investment projects, and finally, there is the actual implementation of those plans, documented by the achievement of agreed milestones and targets.

The RRF Regulation stipulates (in Art. 26) that the competent committee (that was the joint BUDG-ECON committee in the 9th parliamentary term) of the European Parliament may invite the Commission every two months to a Recovery and Resilience Dialogue (RRD), to ensure greater transparency and accountability and to be able to discuss basically all aspects related to the progress of implementing the RRF.

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This briefing continues the previous practice to provide input for those RRDs. In this respect, we highlight latest developments relating to implementation and issues that in our perspective are worth noting from a parliamentary scrutiny perspective. We only use public information.

In this briefing, we first summarise in **section 1** what has specifically happened since the last RRD; the goal of that section is to regularly provide timely information about the progress of the RRF implementation. In **section 2**, we point to important findings of two recent reports by the European Court of Auditors (ECA). The first ECA report on the "Absorption of funds" notably analyses reasons for delays in the RRF implementation phase, while the second ECA report on "Green transition" points to shortcomings in the design of the RRF and has therefore particular relevance should there be similar instruments in the future. **Section 3** looks into the so-called Country-specific Recommendations (CSRs) of 2024 – policy recommendations given to Member States in the context of the European Semester. **Section 4** deals with the Commission's fifth annual Rule of Law Report, and **section 5** complements the different views on the progress of RRF implementation with a stakeholder perspective, reporting on the outcome of a consultation of local and regional authorities that were asked about their role in the implementation phase.

In **section 6**, we finally dig into the details of the RRF implementation, more specifically we analyse the Commission's recent Preliminary Assessments of Member States' Payment Requests. We draw attention to issues that we think are specifically worth noting from a parliamentary scrutiny perspective. However, as we do not have access to more detailed information than what is publicly available, our comments are selective and might not give credit to the full picture.

1. RRF Implementation - State-of-play since the last RRD

Since the last RRD, in the period between 22 April and 9 September2024, the Commission:

- received 11 payment requests, 4 of those where delayed,
- published 17 Preliminary Assessments, 12 of those where delayed,
- disbursed 11 payments, in the total amount of EUR 25.9 billion net of pre-financing[1],
- received 8 modified Recovery and Resilience Plans, and endorsed 9 other modified RRPs, and
- agreed to 4 modified Operational Arrangements.

According to the Commission's information platform RRF Scoreboard, as of **September 2024 only 23% of all milestones and targets are considered fulfilled**. The disbursements of the RRF funds so far amounts to EUR 170.8 billion in grants (49% of grants available) and EUR 94.6 billion in loans (33% of loans available), leaving a significant share of the funds still to be disbursed.

Table 1 provides a brief analysis of those payment requests that have been preliminary assessed (and approved) by the Commission in the period since the last RRD (we cover all Preliminary Assessments that we became aware of; please note that there is often a time lag until those assessments are made available on the Commission's information platform i.e. the RRF Scoreboard).

Overall we find that there is **often a delay in the submission of payment request**: only a third was sent on time i.e. compared with the indicative timetable as set out in the Operational Arrangements (the ECA uses the same approach to determine timeliness, see next section).

Moreover we find that it regularly takes the **Commission longer to come up with a Preliminary Assessment** than what is set out in the RRF, which stipulates that the assessment shall be made within two months of receiving the payment request. Recently, timely assessments were rather an exception. While the

[1] DK - EUR 422 million, MT - EUR 58.9 million, LT - EUR 14.9 million, LV - EUR 336 million, FR - EUR 7.5 million, IE - EUR 324 million, HR - EUR 821.7 million, EL - EUR 2.3 billion, ES - EUR 9.9 billion, PT - EUR 714 million, IT - EUR 11 billion.

ECA's audit refers to the delays in payment request and related assessments by the end of 2023, our findings not only confirm identified issues, but point out to their continuation even until September 2024. As such, delays may not be a problem if they are needed to effectively implement and assess the relevant milestone and targets. However, if the delays affect achieving the final results of the relevant projects, this may become a problem.

Table 1. Overview of payment request and preliminary assessments made in the period since the last RRD (22 April 2024)

MS	Type	Amount (EUR bn)	Submission	Timely	Assessment	Timely	Approval (full/partial)	Request #
Preliminary assessments related to initial payment requests								
IE	Grants	0.32	07/09/2023	no	21/05/2024	no	full	1 (out of 5)
BE	Grants	0.66	29/09/2023	yes	02/07/2024	no	partial*	1 (out of 6)
EE	Grants	0.12	18/12/2023	yes	12/03/2024	no	full	2 (out of 7)
ES	Grants	9.9	20/12/2023	no	12/06/2024	no	partial*	4 (out of 8)
DK	Grants	0.42	21/12/2023	yes	29/02/2024	no	full	2 (out of 6)
MT	Grants	0.06	21/12/2023	yes	26/03/2024	no	full	2 (out of 6)
LV	Grants	0.34	22/12/2023	no	10/04/2024	no	full	2 (out of 6)
IT	Grants	3.1	29/12/2023	yes	02/07/2024	no	partial*	5 (out of 10)
IT	Loans	7.9	29/12/2023	yes	02/07/2024	no	full	5 (out of 10)
FR	Grants	7.5	16/01/2024	no	03/05/2024	no	full	3 (out of 5)
HR	Grants	0.56	15/04/2024	no	12/06/2024	yes	full	5 (out of 10)
HR	Loans	0.27	15/04/2024	no	12/06/2024	yes	full	1 (out of 6)
EL	Loans	2.3	17/04/2024	yes	14/06/2024	yes	full	4 (out of 8)
NL	Grants	1.3	24/05/2024	yes	15/07/2024	yes	full	1 (out of 5)
EL	Grants	1.0	06/06/2024	yes	04/09/2024	no	full	4 (out of 9)
IT	Grants	1.6	28/06/2024	yes	N/A	no	N/A	6 (out of 10)
IT	Loans	6.9	28/06/2024	yes	N/A	no	N/A	6 (out of 10)
SI	Grants	ca. 0.15	01/07/2024	yes	N/A	no	N/A	3 (out of 7)
SI	Loans	ca. 0.11	01/07/2024	yes	N/A	no	N/A	3 (out of 5)
PT	Grants	1.65	03/07/2024	no	N/A	no	N/A	5 (out of 10)
PT	Loans	1.25	03/07/2024	no	N/A	no	N/A	5 (out of 10)
CY	Grants	0.08	04/07/2024	no	N/A	no	N/A	3 (out of 10)
BE	Grants	0.87	25/07/2024	yes	N/A	N/A	N/A	2 (out of 6)
BE	Loans	0.04	25/07/2024	yes	N/A	N/A	N/A	2 (out of 4)
Preliminary assessments to lift previous suspension of payment								
RO	Loans	0.04	20/03/2024	yes	24/06/2024	no	partial*	2 (out of 8)
PT	Grants	0.71	11/06/2024	yes	24/06/2024	yes	full	3&4 (out of 10)

Note: In case of additional request for previously suspended payment, Member States can take action within six months after the preliminary assessment with initial suspension was issued.

* In case of partial approval, not fulfilled measures are the following: BE - milestone #157, ES - target #C13.I3/T201, IT - milestone #M1C1-85, RO - milestone #129.

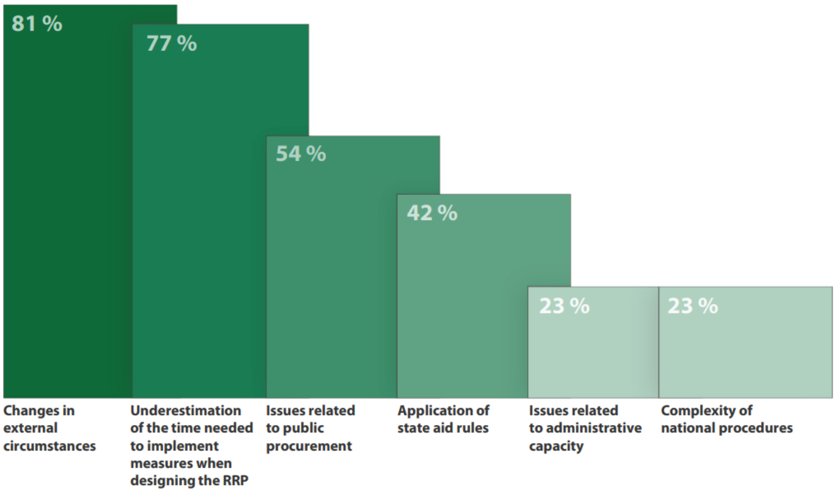
2. Latest ECA reports

2.1. ECA Special report 13/2024 on the "Absorption of funds"

On 2 September, the European Court of Auditors (ECA) published its **Special report 13/2024** on the "**Absorption of funds** from the Recovery and Resilience Facility", which describes and analyses the **situation until the end of 2023**.

In that report, the auditors specifically draw attention to the **delays** in the disbursement of funds and implementation of projects. By the end of 2023, **countries had submitted only 70% of their planned payment requests** (see Annex 1 of this briefing), and for around 16 % less money than initially expected. The ECA notes that almost all countries experienced delays in submitting payment requests to the Commission, citing inflation or supply shortages, uncertainty about environmental rules, and insufficient administrative capacity as **key reasons** for that. The ECA reports that public procurement and compliance with state aid rules were frequently mentioned by national authorities as reasons for longer-than-expected project implementation (see figure 1). However, as neither of these factors are new or specific to the RRF, the ECA finds that the cause of those delays are **not the rules themselves but rather an underestimation of the time** needed to apply them.

Figure 1: Frequency of reasons for delays in achieving milestones and targets



Source: ECA Special report 13/2024

The ECA cautions that "*There is a risk that not all planned measures will be completed in time. By the end of 2023, less than 30 % of the total of over 6 000 milestones and targets (i.e. indicators of progress) were presented for payment, meaning that a significant number – possibly the most difficult ones – are yet to be fulfilled. Most countries frontloaded reforms before proceeding with investments. However, back loading investments is likely to increase delays further and slow down absorption.*"

In that report, the ECA moreover cautions that "*In October 2023, about **half of the funds** received had been **paid to final recipients**. However, not all member states provided complete and consistent information on the current location of RRF funds. In addition, the definition of **"final recipient" leaves room for interpretation***."

In view of its findings, the **ECA recommends that the Commission** ensures a consistent application of the definition of "final recipient", provides Member States with additional guidance and support, monitors and mitigates the risk of non-completion of measures and the financial consequences thereof, and that it **strengthens the design**, with regard to absorption, **of future instruments** based on financing not linked to costs. The Commission's replies to that report were published in a separate document.

2.2. ECA Special report 14/2024 "Green transition"

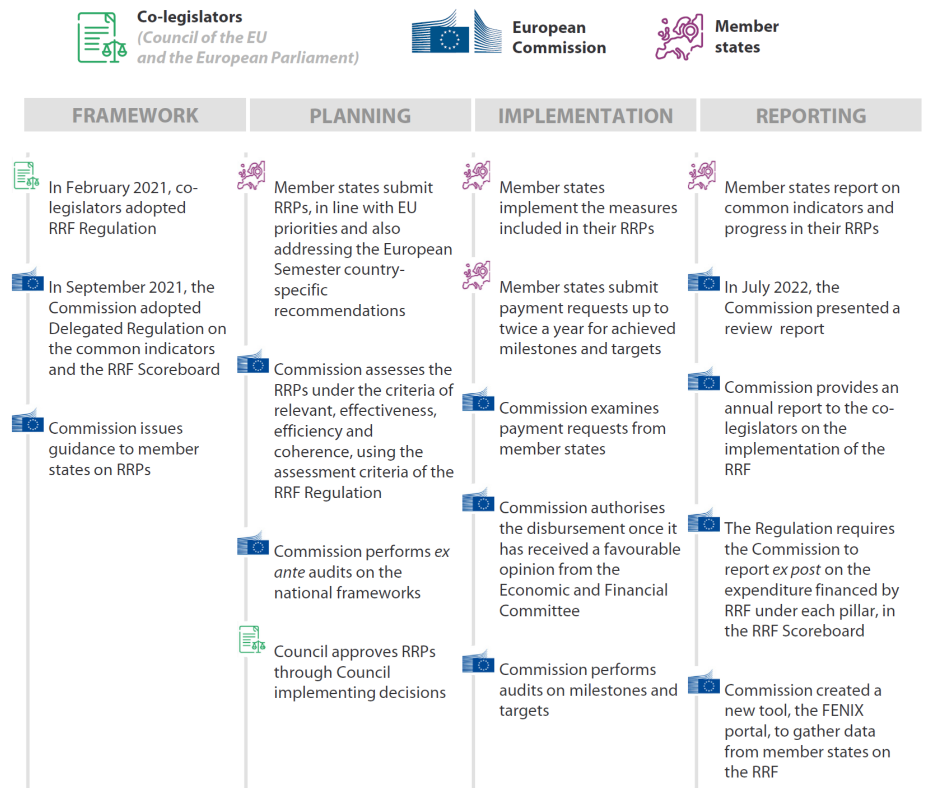
On 11 September, the ECA published its **Special report 14/2024** on "Green transition" underlining the importance of the green transition and the EU's climate targets. The audit assessed whether **the design** and the implementation of the RRF and the national RRPs effectively contribute to the green transition, having looked into a number of related measures, milestones and targets, and climate coefficients.

The audit essentially found **shortcomings in both the design** of the RRF framework and the RRPs, **inconsistencies** in the implementation of the measures, a high level of **approximation** as regards tracking climate expenditure, weak indications on how the implementation of RRF measures contribute to the green transition, a **lack of assessment** as regards the contribution towards the EU climate objectives and targets, and a **disconnect** between the reporting on climate spending and green transition on the one hand and actual costs and results on the other.

The ECA hence **concludes** that, overall, "*the* ***contribution of the Recovery and Resilience Facility to the green transition is not clear***." Based on its findings, the **ECA recommends** that the Commission should ensure that climate-related measures and actions are broken down to a more granular level, to allow for a more detailed and accurate assessment of climate spending, more broadly speaking **ensure an adequate design of future funding instruments** that are meant to support the climate and environmental objectives and targets, furthermore enhance the performance of green transition measures (e.g. by the choice of suitable intervention fields), and finally improve the reporting on climate spending under the RRF.

We note the **strong disagreement** of the Commission with this ECA report. In its reply, the **Commission does not accept half of the recommendations**, and only partially accepts the other half, inter alia arguing that the underlying methodology has been agreed by the two co-legislators. In this context, one might like to reflect on the respective roles and responsibilities, as summarised in the ECA report (see figure 2).

Figure 2: Roles and responsibilities



Source: Special report 14/2024 on "Green transition"

3. 2024 Country-specific recommendations related to the RRF and cohesion policy

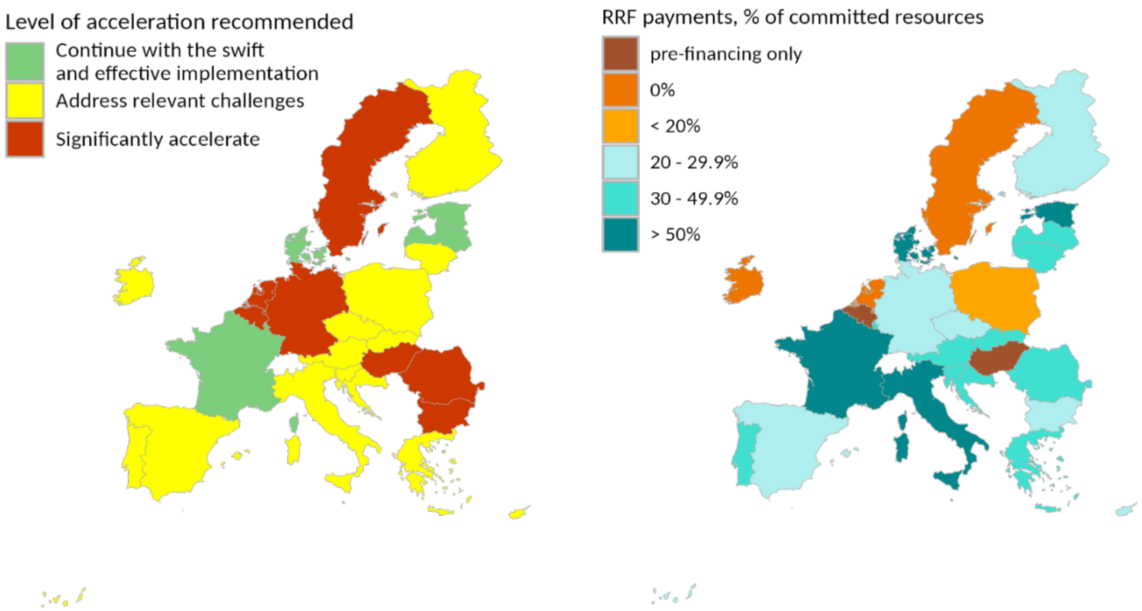
The 2024 country-specific recommendations (CSR) – proposed by the Commission on 19 June and agreed by the Council on 16 July – take stock of the level of implementation of the RRF, including its REPowerEU chapters, as well as of cohesion policy. The CSRs are related to the speed of implementation of the RRF and cohesion policy and indicate a varying degree of progress in RRPs. The RRP-related CSRs fall into three categories: they either suggest to just continue with the effective roll-out of the plans, or remind Member States to address relevant challenges, or urge them to significantly accelerate their implementation (see **Figure 3**).

As Figure 3 right-hand side shows, the degree to which Member States have advanced their payment requests is quite heterogeneous, ranging from the pre-financing state only to a level of above 50%. This reasons well with the recent remarks by the Commission that despite some delays due to the preparation of REPowerEU chapters, Member States are now catching up with their requests for payments according to the original schedule.

The state of play on payments in itself provides only a partial picture of state of play. By mapping out the payments (as of June 2024) against the RRP-related CSRs, Figure 3 suggests that **even a high level of disbursements of RRF funds can be associated with the need to accelerate the implementation of national plans**. The two maps in Figure 3 might raise questions of consistency in the assessment for some Member States, for instance Italy has received more than half of the funds to which it is entitle yet at the same time the CSR recommends addressing relevant challenges to implementation.

A similar conclusion has been reached by the ECA in its report on the absorption of RRF funds (see above), pointing to a delay in the requests for payments as well as to upcoming risks to completion of projects in the second half of the programme's life. The ECA also found that disbursements of funds do not necessarily match the importance and quantity of milestones and target, notably as a significant amount of investments and, to a lesser extent, reforms will be completed only in 2026.

Figure 3: Council 2024 CSRs on the RRPs implementation (left) and progress in RRF payments (right)

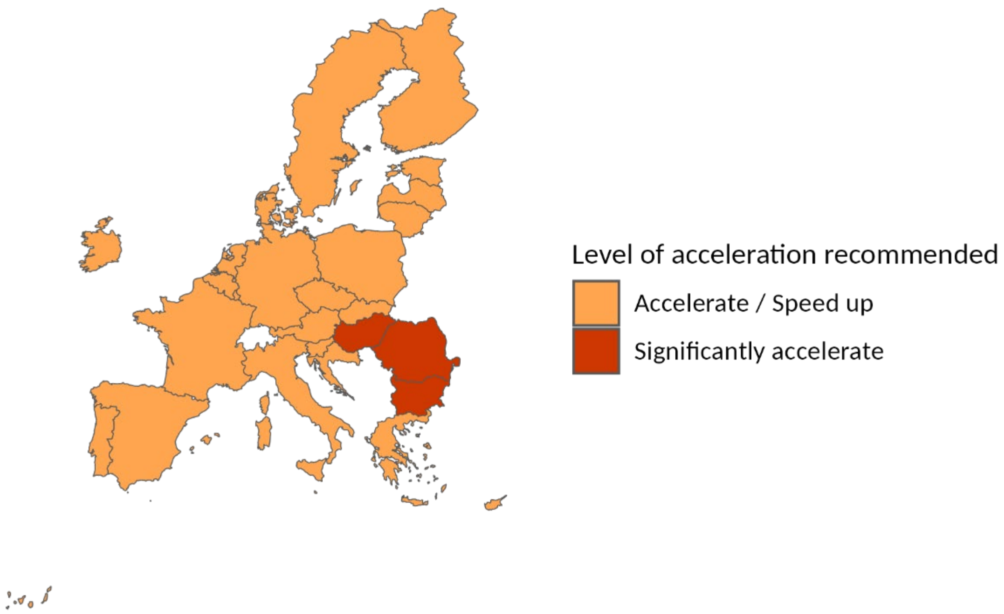


Note: EGOV elaboration based on CSR2 agreed on 16 July 2024 and EPRS based on Eurostat data (as of June 2024).

The ECA reports show that a slowdown is taking place in the completion of milestones and targets and warns that even when payments are requested on time that does not necessarily translate into funds reaching their final recipients. On its end, the Commission rejects argues that delays in the submission of payment requests do not necessarily show a delay in the implementation.

According to the ECA report, a majority of the consulted RRF coordinating bodies deems it likely that the absorption of RRF and other EU funds would be challenging for the 2021-2027 period. The ECA further posits that the RRF resulted in a significant increase of funding to be rolled out by local administrations, with 14 Member States receiving at least twice as much funding in the current budgetary horizon (2021-2027) as they did for the previous one (2014-2020). Reading the report together with CSR2 on cohesion policy and individual experiences from Member States, we understand that there might be potential crowding out of cohesion funding caused by the recovery funds. According to the 2024 CSRs, every Member State is urged to at least accelerate the implementation of the cohesion policy, pointing out more substantial delays and challenges compared to the RRF (Figure 4). Issues may also rise with administrative bottlenecks, spending checks and higher risks of irregular spending of EU funds. In its July review of controls over the cohesion spending, the ECA emphasises that "*the overlap between multi-year spending periods and the EU Covid recovery funds is putting additional pressure on some member states to ensure that money is spent by the book*".

Figure 4: Council 2024 CSRs on the cohesion policy implementation according to the level of acceleration required



Note: EGOV elaboration based on CSR2. Please see the EGOV in-depth analysis for detailed list of recommendations.

In the case of Italy, which is typically a large recipient of the cohesion funds due to the disparity between the north and south, the RRF has been prioritised over the cohesion funding. This resulted in only 0.9% of EUR 74 billion cohesion funds spent as of April 2024 with no sign of acceleration, according to the reporting from Il Sole 24 Ore. This means that without any change to the capacity of an already constrained public administrations and to the current course of spending, some of Italy's funds will be automatically allocated to other Member States. Italy is the major recipient of recovery funds, with over EUR 190 billion being allocated to it. However, the size of grants under the RRF (EUR 72 billion) is slightly smaller than the amount of cohesion funds to which Italy is entitled. Considering that the RRF funds are available until end of 2026, while for the cohesion funds there are two more years (and considering the greater level of scrutiny on the spending of RRF funds in Italy), it may require a prioritisation by policy-makers.

The debate goes further on **whether the RRF reform-based approach should be applied to the cohesion policy**. The Commission is reportedly investigating the possibility to link cohesion payments to economic reforms as part of the next MFF proposal. One element of this debate relates to the principal difference between the two instruments in the nature and control of financial flows - central government introducing the reform plan for the RRF versus economic performance of individual regions for the cohesion policy. Lesson drawn from RRF governance approach will feed into discussions on any future performance-based instruments.

4. The fifth annual report on the Rule of Law

On 24 July 2024, the Commission published its fifth annual Rule of Law Report in the form of a Communication and recommendations to each Member State. The report plays an important role in the context of the RRF, as several Member States incorporated specific milestones and targets in this domain into their national plans, including "super milestones" in the case of Hungary and Poland as a precondition for the disbursement of any funds under the RRF. Monitoring the state of the rule of law is also relevant as the RRF provides for the potential suspension of future payments if a relevant measure, previously deemed as satisfactorily achieved is subsequently reversed.

The Communication recognises the role of the RRF, as well as other forms of EU funding, in "*galvanis[ing] important reforms in justice systems, the fight against corruption and the overall transparency and inclusiveness of the law-making process*". It notes the follow-up from Member States in the area of justice reform to its 2023 recommendations and the ongoing implementation of reforms agreed in the context of the RRF. In terms of country-specific highlights, the report notes progress in Poland regarding contested justice reforms with positive steps and commitments taken to safeguard judiciary. In Hungary, instead, it indicates that previous concerns still hold.

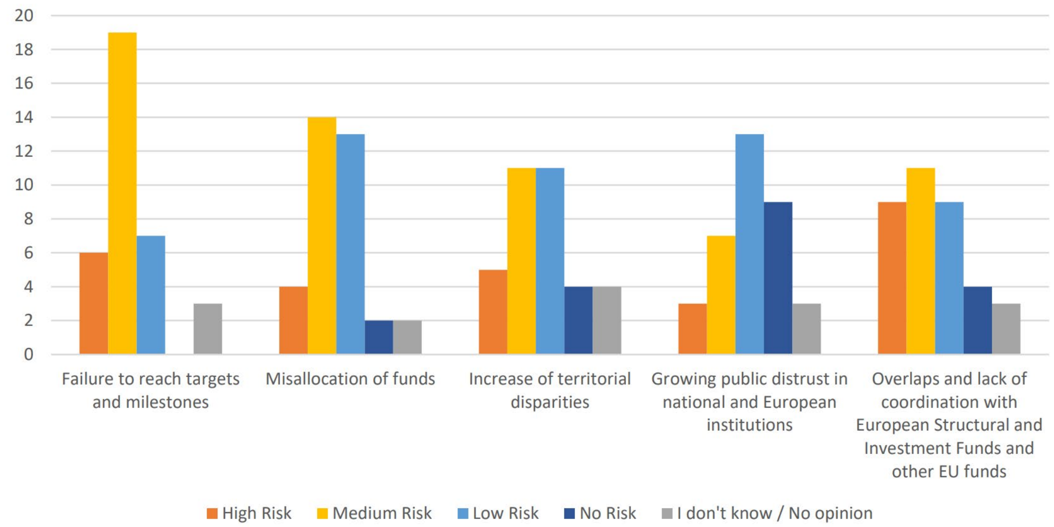
From a forward-looking perspective, the annual Rule of Law report could become even more embedded in the European Semester and future budgetary conditionality mechanisms. The Communication mentions that the report will be broadened to further tackle the Single Market dimension with a view of *"building a closer link between the Rule of Law Report and its recommendations and funding under the EU budget"*, especially in the context of the next Multiannual Financial Framework (MFF). In her recent address to the European Parliament plenary, European Commission President Ursula von der Leyen, setting out the vision for the next Commission mandate, reiterated the importance of the rule of law as a cornerstone of future EU budgetary support: "*Respecting the rule of law is a must for EU funds. In this budget, and in the future, with the conditionality mechanism. It is non-negotiable*". The political guidelines for the next European Commission further float the approach link recommendations of the Rule of Law report to EU financial support, with the NextGenerationEU programme and RRF serving as the blueprint in that respect.

5. A stakeholder view: Involvement of local and regional authorities

On 12 April 2024, the European Committee of the Regions (CoR), in collaboration with the Council of European Municipalities and Regions (CEMR), published a report about another consultation of local and regional authorities (LRAs) in early 2024 about their role in the implementation phase of the RRF.

The survey highlights some implementation risks. The primary concern was the potential overlap and lack of coordination between the RRF and other EU funds, with one-quarter of participants rating that as a "high risk." None of the respondents assumed there was "no risk" to miss targets and milestones, indicating growing concerns over the implementation in certain Member States.

Figure 5: Implementation risks in the NRRP identified by LRAs



Source: CoR-CEMR targeted consultation, April 2024

That perception of the CoR-consultation aligns with a similar message in the independent study undertaken by a consortium co-led by CEPS that fed into the Commission's mid-term review of the RRF. The authors of the report suggested that LRAs could improve their effectiveness in implementing the RRF by concentrating on some key areas. LRAs should prioritise enhancing their capacity and expertise through targeted staff training and the development of project management skills. Strengthening collaboration with national governments, EU institutions, and other local stakeholders was also seen as essential to ensure that local perspectives are meaningfully integrated into various phases of preparation, implementation or monitoring of the NRRPs.

Taking this report and survey into account, the CoR held a debate and presented a draft opinion on the mid-term evaluation of the RRF, with formal adoption scheduled for the October plenary session. During the discussion, regional and local authorities raised significant concerns about the Facility's effectiveness in promoting cohesion across Europe. Local and regional leaders expressed particular unease regarding the highly centralised management of the RRF, which limits their direct involvement, arguing that this approach undermines the objective of European cohesion and risks exacerbating regional disparities. The draft opinion, unanimously adopted by the Commission for Economic Policy[2] on 4 July 2024 (scheduled for adoption during the October CoR plenary session), recommends extending the RRF's deadline beyond 2026, as only 37% of the available funds have been utilised thus far.

Further views from stakeholder on the RRF can be found in the latest updated EGOV stakeholder paper here.

[2] Commission for Economic Policy (ECON) in the CoR coordinates ECON members' input on issues related to economic and industrial policy, such as competition and State Aid policy, public procurement, SME policy and entrepreneurship, economic governance and the European Semester, Sustainable Development Goals (SDG), the internal market and the digital single market.

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

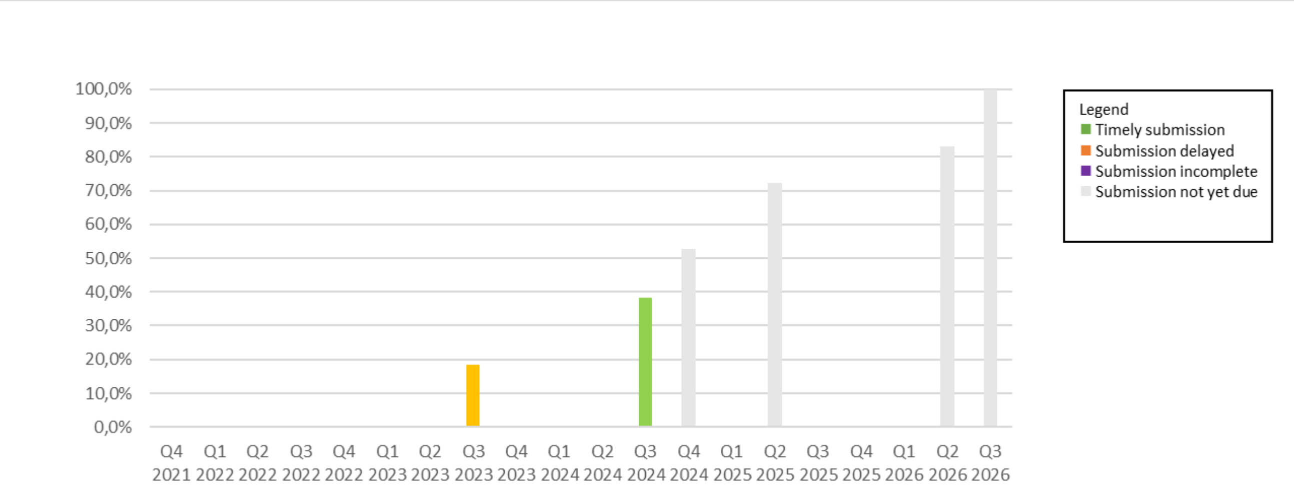
This section focuses on the Commission's recent **preliminary assessments** of payment request **that may be of interest from a scrutiny perspective**. We highlight issues that from our perspective may warrant a closer look or that may benefit from further explanations, notably due to limited public information about the actual implementation of milestones and targets.

This time we noted such issues in the preliminary assessments for Belgium, Greece, and Italy. In previous briefings, we highlighted issues in Czechia, Denmark, and Malta (April 2024), Portugal, Germany, France, Slovakia, and Italy (February 2024), Italy (October 2023), Romania (July 2023), Lithuania, Spain, Czechia, Denmark, Slovakia, and Slovenia (April 2023), Greece, Malta, and Portugal (February 2023), Romania, Latvia, Cyprus, and Bulgaria (November 2022).

Belgium: Commission's preliminary assessment of the first payment request

> Implementation profile

Figure 6: Belgium's payment requests - Actual submission vs. Indicative timeline



Note: The assessment in figure 6 is based on the Revised Operational Arrangements (dated 19.7.2024); the Y-axis shows the cumulative share of total RRF contribution. Apart from pre-financing, there are in total 6 payment requests for grants and loans expected. As regards timeliness, the first three (out of initially ten) payment request would count as "delayed" had the assessment been based on the original Operational Arrangements. We have moreover taken into account that there is presumably a clerical error in the Revised Operational Arrangements, as the date and respective quarter for the first loan instalment do not match.

> Procedure

On 29 September 2023, Belgium submitted the **first payment request** for a grant instalment of EUR 847 million related to 19 milestones and 1 target, in line with the amended Council Implementing Decision and related revised Annex.

Nine months later, on 2 July 2024, the Commission issued a positive preliminary assessment of Belgium's first payment request for the achievement of 18 milestones and 1 target for the value of EUR 658 million (net of pre-financing), noting that one milestone related to the pension reform has not been fulfilled. The assessment highlighted inter alia, the reforms and investments in the areas of education, adult learning, employment, and spending reviews, as well as flagship measures related to the reform to accelerate the roll-out of 5G and fibre networks and reforms and investments boosting clean mobility across the country.

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

Measure: Monitoring and implementation of the plan

Context: Milestone #209 requires a repository system for monitoring the implementation of the RRF to be in place and operational for audits before the first payment request. It should, as a minimum, (a) collect the data and monitor the achievement of milestones and targets; and (b) collect, store and ensure access to the data required by Article 22(2)(d)(i) to (iii) of the RRF Regulation[3]. Due to the constitutional framework of Belgium, each regional entity uses its own IT system for monitoring of the RRF. On the basis of audit reports from the audit bodies of Belgium at different levels (Federal level, Flemish level, Brussels Capital Region, Federation Wallonia Brussels, Walloon Region and German-speaking community), the Commission concluded that the milestone was satisfactory fulfilled.

Observation: While the audit bodies confirmed the functionalities of the system related to the first requirement of the milestone in terms of monitoring, they were unable to fully verify the fulfilment of the second requirement in terms of data collection regarding final recipients. Some audit bodies of Belgium and the Commission itself found that repositories cannot provide complete information on beneficial owners of foreign companies (Federal, Flemish, Walloon region, Federation Wallonia Brussels). Moreover, in the case of the repository system of Flanders, the Commission’s sample investigation found that the system is able to collect and store the data, but “*gaps in the collection have been identified*” related to the national companies.

In two other cases, the audit reports were overall not able to confirm that the data collection meets the requirements. First, the report issued by the audit body of the Brussels-Capital region did not clearly mention collection and storage of the data on beneficial owners and on subcontractors, and mentioned moreover that the extracts from the Ultimate Beneficial Owner Register (UBO) containing the dates of birth are not uploaded into the system. Secondly, as outlined in the Commission’s preliminary assessment, “*The Federal audit body concluded in September 2023 that the conditions for M209 had not been met for it to be considered achieved should the completion of the data collected be a pre-requisite for the fulfilment*”, stating that the tools and processes to collect the data required by Article 22(2)(d) need to be completed. Although in both cases the dedicated audit bodies did not come to positive conclusions, the Commission confirmed that the system is able to collect and store the required data, based on a sampling, , an online/on-the-spot check of the system and a desk review.

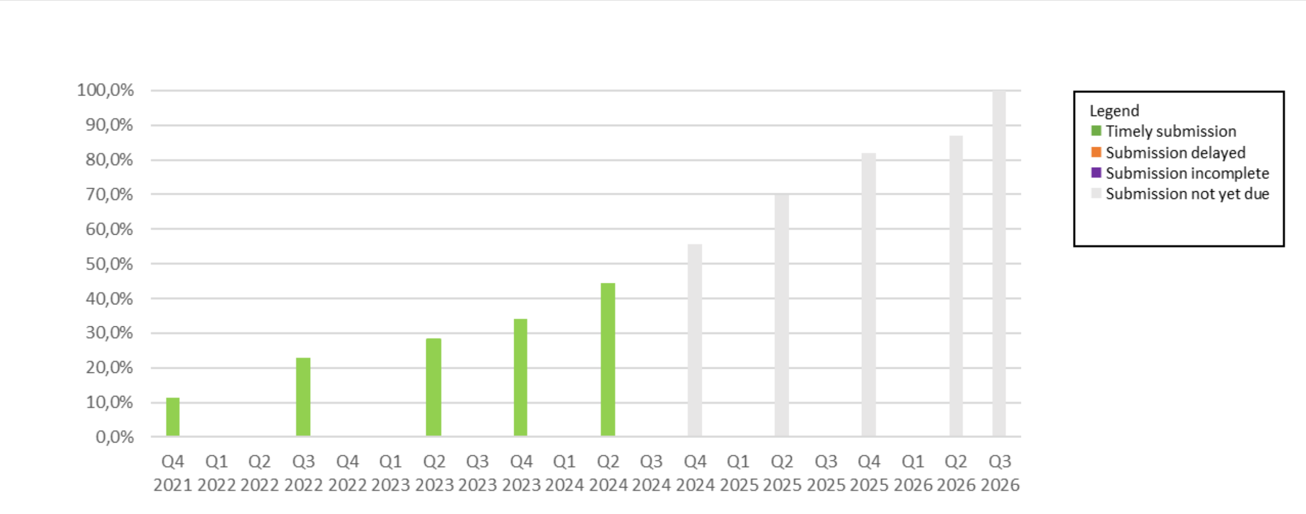
Considering these findings, the Commission rated the milestone #209 as satisfactory fulfilled, but provided Belgium with additional 6 months to "*ensure completeness of the data collected and stored in the repository systems on both national and foreign companies for already concluded contracts as required by Article 22(2)d(i) to 22(2)(d)(iii) of the RRF Regulation and to inform the European Commission*". It is worth mentioning that within the same preliminary assessment, the milestone #157, which isrelated to the pension reform, was also granted additional 6 months to ensure fulfilment, but in contrast to milestone # 209, it was evaluated as not fulfilled and triggered a ‘payment suspension' procedure. Considering the importance of the milestone #209 for the protection of financial interest of the Union, one may question why the shortcomings that still have to be solved only triggered a suspension of payments in one case but not in the other (or even in general).

[3] Article 22(2)(d)(i) to (iii) requires collection and access to name of **final recipient**, name of contractor and sub-contractor, name and date of birth of beneficial owners as defined in point 6 of Article 3 of Directive (EU) 2015/849.

Greece: Commission's preliminary assessment of the fourth payment request

> Implementation profile

Figure 7: Greece's payment requests - Actual submission vs. Indicative timeline



Note: The assessment in figure 7 is based on the Revised Operational Arrangements (dated 7.6.2024); the Y-axis shows the cumulative share of total RRF contribution.

> Procedure

On 6 June 2024, Greece submitted the **fourth payment request** for grants for EUR 999 million (net of pre-financing) related to 17 milestones and 3 targets, in line with the amended Council Implementing Decision and related revised Annex.

On 4 September 2024, the Commission published the related positive preliminary assessment of the satisfactory fulfilment of milestones and targets, highlighting the reforms that Greece has achieved to boost renewable energy capacity, establish a vocational education quality control system, accelerate investments in the healthcare sector, simplify tax legislation, increase the efficiency of the justice system, and provide skills to judicial staff. The preliminary assessment also mentions the progress made towards the completion of Greece's investment projects.

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

Milestone: (#M230) Judicial Performance Tool

Context:

The reform, which introduces a **temporary bonus scheme for judicial clerks**, is meant to accelerate the administration of justice. It shall be based on objectively measurable, **individual performance** indices as regards the elimination of court backlogs.

Bonuses shall be payable in the first quarter after the end of the relevant year, on the basis of that year's performance.

> Observation / Scrutiny considerations:

The Commission overall finds that this milestone has been satisfactorily fulfilled, even though there was a **"Minimal Deviation"** from the approach required by the Council Implementing Decision: For the **first year** of the temporary scheme (total duration: three years), **half of the total amount** of the bonus was distributed among all beneficiaries **irrespective of their individual performance**, while the other half was distributed based on individual performance. The reasoning for that deviation was that the judicial services of Greece were understaffed, with approximately 1/3 of the statutory posts being vacant, resulting in a general high work load and (self-reported) overtime work by a considerable part of serving judicial clerks. The Commission found that this was a minimal deviation that does not change the nature of the measure.

From our point of view, one may question that assessment for at least two reasons:

First, the **amount** paid out irrespective of individual performance (conceptually hence a strong deviation) **was not minimal**, but should be equivalent to approximately 17% of the total amount (this calculation is not spelled out in the preliminary assessment); the Commission usually defines a deviation of 5% or less to be a "minimal deviation" (see, for example, COM(2023) 99 final).

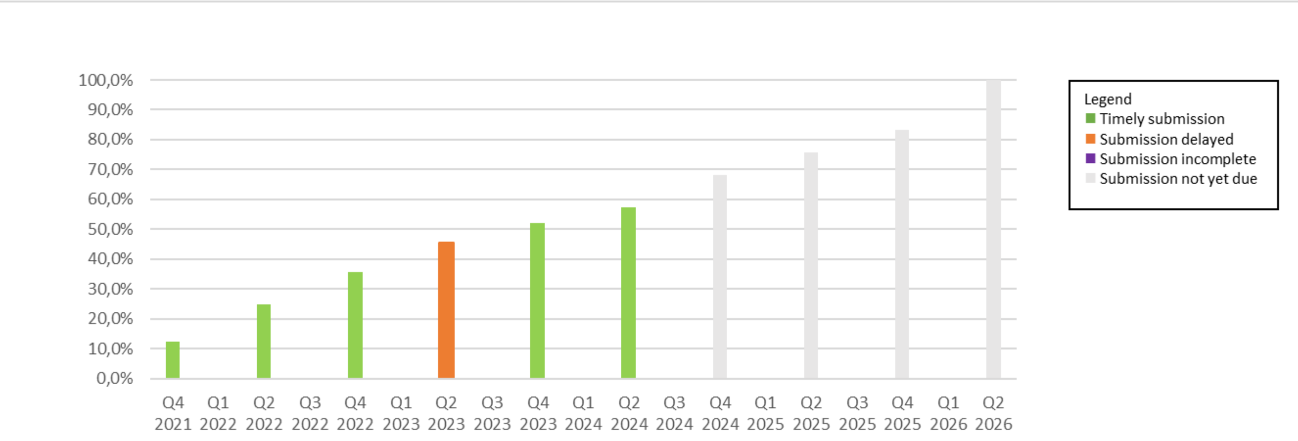
Secondly, if the scheme aimed to at least partially reward a good performance in the past, for a time when the objective Key Performance Indicators were not yet in place to measure the individual contribution that judicial clerks have made to the elimination of court backlogs, there would in all likelihood be **better alternatives available** than a flat, non-distinctive bonus, for example by linking that to the question to what extent an organisational unit was actually affected by vacant posts, an indicator that is objectively measurable and that has some relationship with extra workload.

Unfortunately, a document provided by the Greek authorities that the Commission refers to several times in its preliminary assessment, namely the "*Final Survey Report on Options of the World Bank, dated August 2022, for reforming the performance and compensation framework*", seems to be not yet publicly available (check World Bank publications) and could therefore not be taken into account in our reflection.

Italy: Commission's preliminary assessment of the fifth payment request

> Implementation profile

Figure 8: Italy's payment requests - Actual submission vs. Indicative timeline



Note: The assessment in figure 8 is based on the Revised Operational Arrangements (second revision dated 27.5.2024); the Y-axis shows the cumulative share of total RRF contribution. Apart from pre-financing, there are in total 10 payment requests for grants and loans expected.

> Procedure

On 29 December 2023, Italy submitted a **request for the payment of the fifth instalment** of EUR 10.6 billion in grants and loans related to the fulfilment of 22 milestones and 30 targets.

In May 2024, following a targeted revision of the plan, the numbers of milestones and targets related to the fifth payment request was increased by two units to 54 given the faster-than-expected implementation of measures under the seventh payment request.

On 2 July 2024, the Commission issued a positive preliminary assessment for the achievement of 53 milestones and targets (out of 54) for the value of EUR 11 billion, which were then paid out on 5 August 2024. The Commission reports that the payment request covers 14 reforms and 22 investments, including flagship initiatives such as a national programme for waste management, a reform of the education system as well as measures in the areas of competition law, public procurement and justice.

The assessment indicates that the Commission could not evaluate the achievement of target M1C1-85 on the reform of the public procurement framework, which would have foreseen a 10% decrease in the average time elapsing between the award of a contract and the execution of works. According to the Commission, the Council Implementing Decision does not lay out a sufficiently clear methodology to assess the fulfilment of the target. While Italy now plans to submit a request for a targeted revision, the Commission has temporarily withhold the EUR 110 million associated to the target based on its partial payment methodology.

> Scrutiny considerations

Several considerations can be made in terms of the assessment of this payment request.

First of all, the procedure might be considered as opaque given the number of revisions related to the request, the shift of resources across payment requests and on the overall amounts achieved. The Commission itself lacks transparency in failing to label the positive preliminary assessment as partial in its communication to the public.

While the government submitted the request in December 2023, the Commission was only able to greenlight it in July following the addition of two more measures from the seventh payment request to allow Italy to receive an equivalent amount of money (EUR 11.1 billion vs EUR 10.6 million) despite the failure to achieve target M1C1-85.

Looking in more detail at the targeted May 2024 technical revision of the plan, the Italian government was also granted a revision in the final goal of target M1C1-85, with the original goal of an average time reduction of 15% (as set out in the original Operational Arrangement) being cut to 10% (see CID Annex from May 2024). According to the revision, this was done *"to implement better alternatives in order to achieve the original ambition of the measure"*. Further scrutiny should be addressed on whether this amendment could be qualified as technical, looking at why 10% would be a better alternative to the original target of 15%. Additionally, questions might be raised on why the Commission has originally accepted the revision to this target while later on indicating the lack of an adequate methodology to evaluate its achievement. The revision could even be seen as an attempt to facilitate the disbursements by reducing the original ambition of the target.

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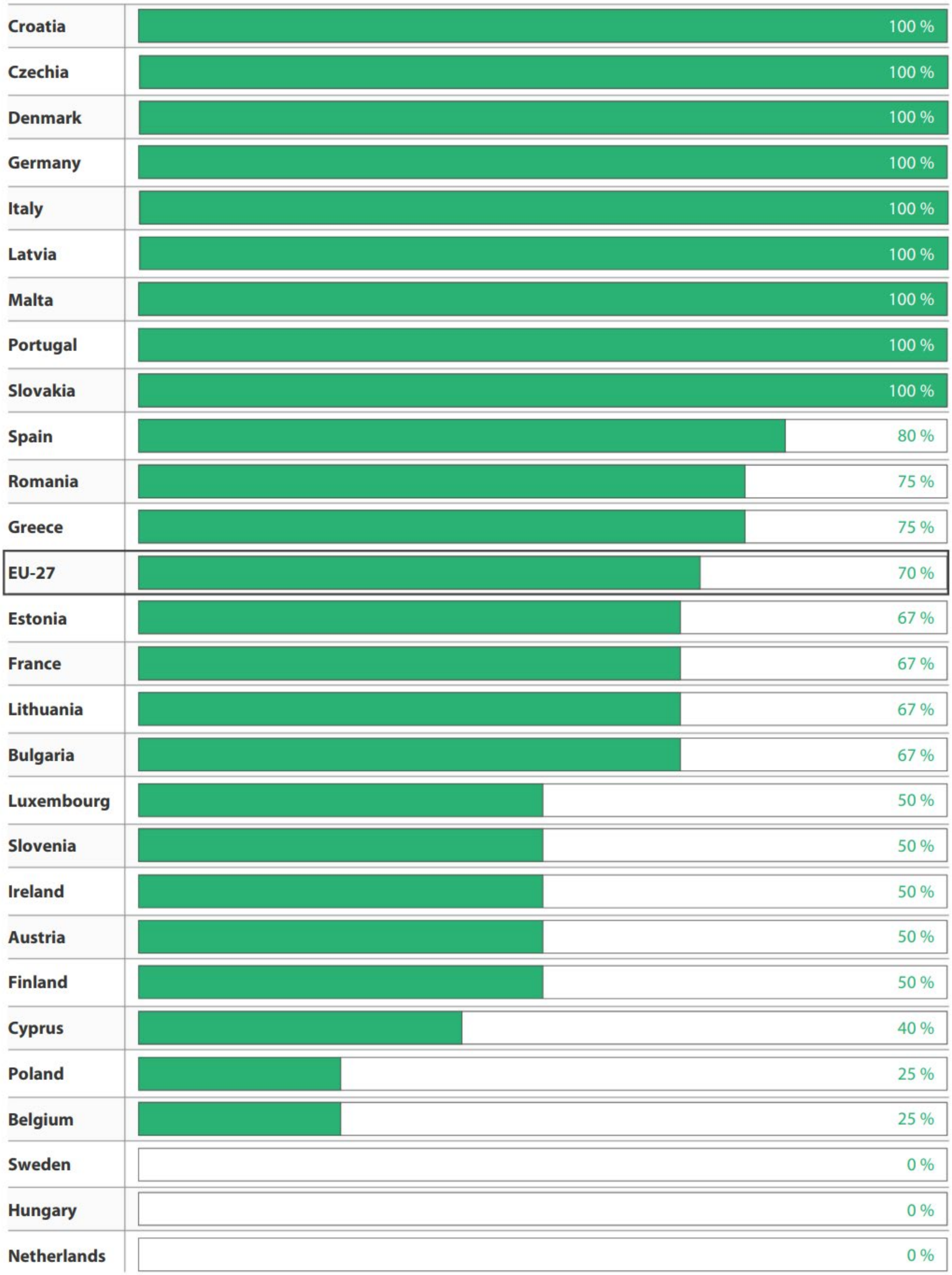
This document is available on the internet at: www.europarl.europa.eu/supporting-analyses

Annex 1: ECA Report – Proportion of payment requests submitted by the end of 2023, compared to the indicative timelines in the operational arrangements



Source: ECA Special report 13/2024 on the "Absorption of funds"; assessment based on operational arrangements and Commission's Recovery and Resilience Scoreboard

Annex 2: Briefings by EPRS on National Recovery and Resilience Plans

Country	Latest Update from	Link to country fiche	PE Number
Austria	March 2023	Link	PE 729.465
Belgium	March 2024	Link	PE 698.931
Bulgaria	March 2024	Link	PE 733.662
Croatia	February 2024	Link	PE 733.580
Cyprus	March 2024	Link	PE 698.885
Czechia	February 2024	Link	PE 729.311
Denmark	April 2024	Link	PE 729.308
Estonia	October 2023	Link	PE 698.886
Finland	February 2024	Link	PE 729.279
France	July 2024	Link	PE 698.929
Germany	July 2024	Link	PE 698.849
Greece	April 2023	Link	PE 729.366
Hungary	April 2023	Link	PE 747.098
Ireland	February 2024	Link	PE 698.848
Italy	April 2024	Link	PE 698.847
Latvia	March 2024	Link	PE 698.887
Lithuania	March 2024	Link	PE 729.283
Luxembourg	September 2023	Link	PE 729.409
Malta	October 2023	Link	PE 729.312
Netherlands	June 2024	Link	PE 739.275
Poland	February 2024	Link	PE 733.665
Portugal	July 2024	Link	PE 729.408
Romania	March 2024	Link	PE 733.641
Slovakia	March 2024	Link	PE 733.642
Slovenia	April 2024	Link	PE 733.551
Spain	October 2023	Link	PE 698.878
Sweden	February 2024	Link	PE 733.581