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Marco Lopriore and
Marina Vlachodimitropoulou

February 2021

Photographer Aurore Martignoni **Architect** André Polak, Berlaymont 2000, Lucien De Vestel, Jean Polak

Marco Lopriore is an Expert at the European Institute of Public Administration (EIPA), Maastricht.

Contact: m.lopriore@eipa.eu

Marina Vlachodimitropoulou is a Research Assistant at the European Institute of Public Administration (EIPA), Maastricht.

Contact: m.vlachodimitropoulou@eipa.eu

European Institute of Public Administration
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The European Commission supports EIPA through the European Union budget

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European Institute of Public Administration
O.L. Vrouweplein 22
P.O. Box 1229
6201 BE Maastricht
The Netherlands

Tel. +31 43 32 96 222
E-mail: info@eipa.eu
Website: www.eipa.eu

Recovery and Resilience Plans for the Next Generation EU: a unique opportunity that must be taken quickly, and carefully

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Abstract

Exceptional times require exceptional resources. In December 2020 the EU finally agreed both a long-term EU budget (the Multiannual Financial Framework 2021-2027) and a new instrument called Next Generation EU, with a combined financial firepower of €1,820 billion. This package significantly reduces uncertainty in the European economy and is a sign of a new level of fiscal coordination at the EU level. Member States are now expected to deliver results through their national Recovery and Resilience Plans. It is a unique opportunity that no country can afford to miss, but they must take care to come up with appropriate and well-managed projects that are matched by adequate structural reforms.

Introduction

The Covid-19 pandemic has brought a severe economic contraction in EU countries, through a massive shock to demand and a severe disruption of supply chains. During 2020, Member States put in place significant national recovery packages. These aimed to support demand through VAT tax cuts or extended benefits, but mostly contained supply-oriented measures intended to increase productivity and competitiveness, re-establish the value and supply chains, and work on ensuring strategic autonomy to secure supplies of masks and other medical equipment (drugs and ingredients).[1]

Those national efforts are now matched at EU level by the Next Generation EU (NGEU) package, agreed in December 2020 under the German Presidency. The key element is an EU Recovery Instrument Regulation which allows the European Commission (EC) to borrow up to €750 billion of funding from capital markets (which is in itself a remarkable new step in the evolution of the EU). This will provide additional resources to fill the investment gap left by the health crisis as well as help to push further the Green and Digital transformations.

The funds raised will be disbursed through grants and loans,[2] for which Member States need to submit national Recovery and Resilience Plans under a specific new Regulation for the Recovery and Resilience Facility (RRF). These plans are to include a combination of investments and reforms that will aid their social and economic recovery after Covid-19, both in the short and in the long term, by acting on the demand and supply side of the economy.

Member States need to submit clear and detailed plans by the end of April 2021, but are invited to do so earlier. As of mid-February, 13 Member States had presented their draft plans to the Commission (see Annex 1), but it is very likely that most Member States will avail themselves of the whole time period in order to permit a broader internal consultation process. Some of the plans submitted (Portugal, Greece) had already received positive feedback from the Commission.

This paper reviews the state of play as of early February 2021, and highlights the challenges and opportunities that are posed for EU Member States to ensure that funds will be used in ways that result in a real transformation of Europe's economies.

The first section offers an early comparison of how different Member States are proposing to meet the Green and Digital targets and are addressing other priority areas. The second section recalls why spending needs to be agreed quickly under the RRF. It then highlights some of the elements that should nonetheless be duly taken into account in selecting projects in order to ensure maximum impact as well as coherence with other sources of finance, as well as some risks posed by the pressure to act swiftly. The third part discusses the challenge of matching investments with adequate structural reforms to achieve longer-term results.

The first draft Recovery and Resilience Plans: a variety of ambitions and choices

Green and Digital Projects

The RRF Regulation requires Member States to reach minimum targets in their planned expenditures; at least 37% should be allocated for Green projects[3] while 20% should support the Digital transition. The remaining 43% can be allocated to any other priority. As expected, the shares allocated to Green and Digital sectors vary greatly among the Member States in the draft plans already presented.

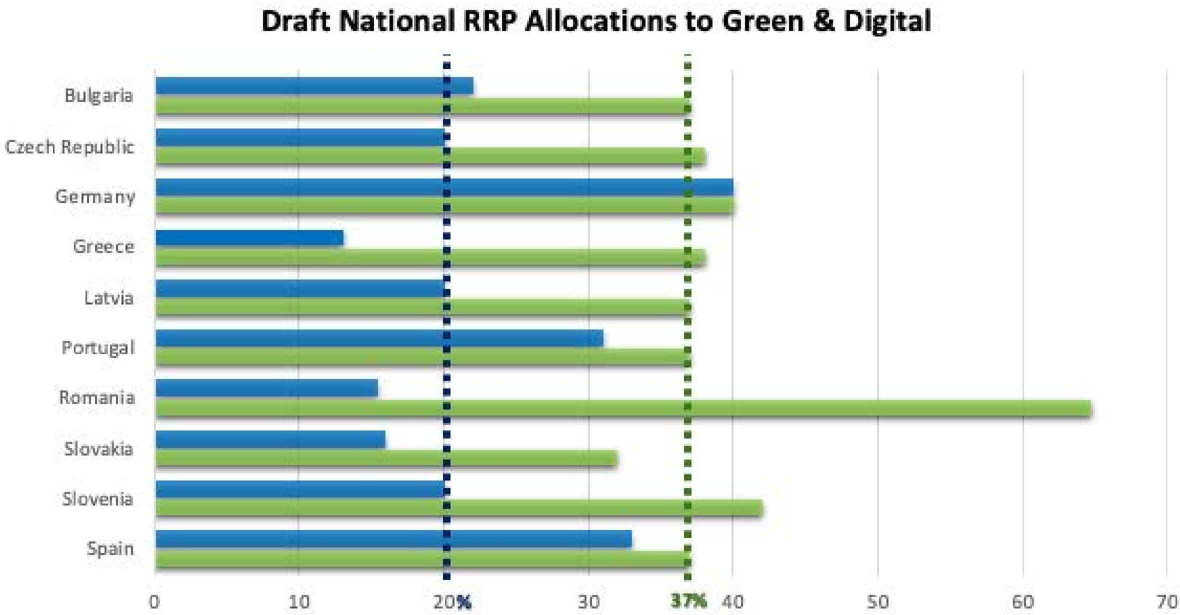
Some Member States are aiming to go far beyond the bare minimum (see Figure 1). Among the top Green performers, **Slovenia**[4] has presented an ambitious funding of 42% in its Green pillar (€2.3 out of €5.7 bn), while **Germany** follows closely after with about 40%. In **Slovakia**, on the other hand, social partners and NGOs have been requesting increased funding for the 'Green Slovakia' pillar, as the draft Slovak plan allocates approximately 32% (€1.9 bn out of €5.84 bn) for Green projects and 16% towards digitalisation.[5]

On the Digital front, Germany proposes a high allocation of funding, doubling the mandatory threshold. **Spain** and **Portugal** are also giving greater weight to their digitalisation pillars, with 33% and 31% respectively, while applying only the minimum for Green projects.

Greece is adopting a more complex procedure, deciding to allocate only 13% directly to the Digital pillar, while introducing additional Digital projects in the remaining pillars of the plan (for example, digitalisation of public administration which belongs under the Pillar for Private Investment and Economic and Institutional Transformation), and thereby achieves the overall 20% objective.[6]

Following the same path, **Romania** would be allocating to the Digital pillar as such only 15.4% (out of the overall €33 bn) compared to the pillar on transport and climate change which covers an extraordinary 64.8% (€21.3 bn) of its total funding. Nevertheless, the Romanian plan also includes digitalisation of SMEs, digitalisation of major public services (such as the judicial system), and other specific activities funded under the Green pillar.[7]

Graph 1: Shares of Member States plans allocated to the Green and Digital Pillars (percentages - EIPA elaboration on the basis of a selection of draft Recovery Plans)



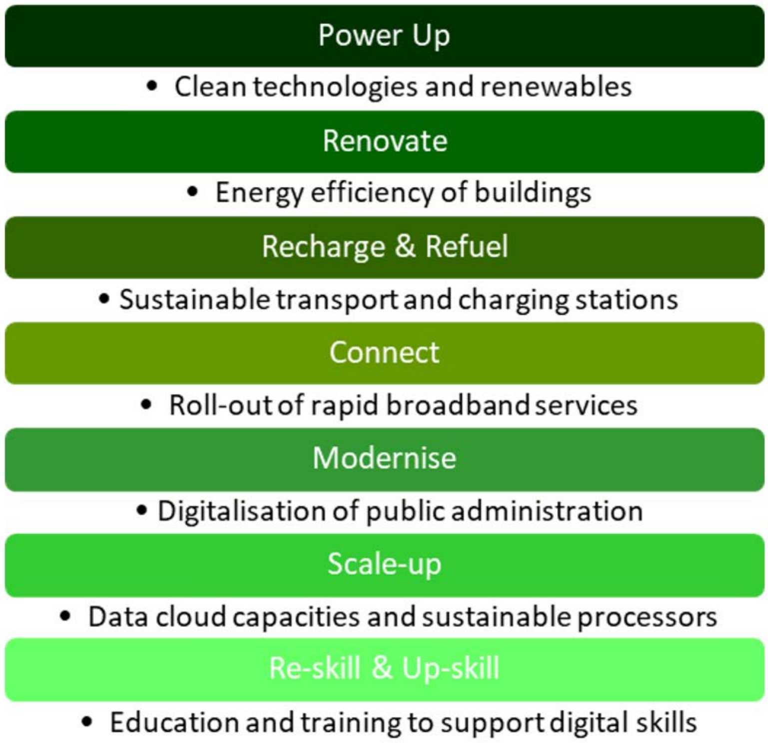
	Spain	Slovenia	Slovakia	Romania	Portugal	Latvia	Greece	Germany	Czech Republic	Bulgaria
Digital	33	20	16	15,4	31	20	13	40	20	22
Green	37	42	32	64,8	37	37	38	40	38	37

Digital Green

National investment projects

As a result of the negotiations between the European Parliament and the Council, the final RRF Regulation identifies six pillars: Digital Revolution; the Green Transition; Smart, sustainable, inclusive growth (SME, R&I, Entrepreneurship, productivity and Competitiveness); Health and Resilient Administration; New Generation (children and youth); and Social and Territorial Cohesion. The EC provides further guidance to Member States by referring to the flagship initiatives announced in the Annual Sustainable Growth Strategy 2021 (see below) as well as EU level targets to be achieved.

Figure 1: The 7 Flagship Areas for Investments and Reforms under the RRF Regulation according to EC Guidance



In their draft plans, Member States have presented a first overview of their planned public investments in different areas. While there is common ground in the European Semester for identifying key reforms needed in Member States, the selection and prioritisation of investments projects in the Commission's three categories of human capital, physical capital and natural capital relies much more on the Member States' own internal processes.

A favourite spending area seem to be the area of sustainability and smart mobility, with a focus on renovation of buildings for energy efficiency and electric vehicle (EV) charging stations which are being present in many draft plans.[8] **Germany**, however, plans to support massively hydrogen production and Artificial Intelligence (AI), as well as climate-friendly timber-based construction. **Belgium** has prioritised further public housing, hydrogen development, smart mobility, culture-tourism-sport infrastructures. **Greece** has foreseen the development of 5G network on the TEN motorways crossing the country and, also similarly to **Portugal**, has put forward major transport infrastructure axes (e.g. tunnels, bridges, motorways) alongside the sectors of construction and public social housing. **Croatia** has specific reasons for choosing the renovation-building sector following the damages to public buildings following the recent earthquakes.

Investments in human capital are so far focused on the transition of labour markets to the Green and Digital transformations, childcare facilities, training of health workers and training of judges.

Finally, several Member States have planned investments in natural capital, targeting reforestation, flood and fire protection, soil conservation, coastal areas and urban public parks.

Table 1: Examples of public investments announced in national plans

Member State	Public Investments Announced
Bulgaria	Creating a network of research universities and digital innovation hubs; development of industrial parks and improvement of their infrastructural connectivity; ecosystem services and green infrastructure on the territory of the Natura 2000 network; electronic information system in agriculture
Germany	Public housing; National Hydrogen Strategy; Development of electric mobility and fleet renewal programme; Special fund “Child day-care expansion”; Register Modernisation Act
Greece:	5G Networks in motorways; Salamina island under sea tunnel connection with the mainland; Extension of Athens subway Line 4; Thessaloniki metro; digital interconnections of Cyclades and Crete; waste management; student housing; National Plan for AI; Irrigation and flood mitigation projects; National Reforestation Plan
Portugal:	Social housing; Medical equipment in Lisbon/Sintra/Seixal; Integrated Operations in Disadvantaged Communities in Metropolitan Areas; Development of the "Azores Sea Cluster"; Landscape Transformation of Vulnerable Forest Territories
Romania	Connection to the TEN-T network; modernizing and electrifying the railway network; Drainage and hail protection systems; New health units and medical equipment; National colleges of education based on innovation;
Belgium / Flanders	Oosterweel channel; culture and sport infrastructures; hospitals; youth infrastructures; bicycle lanes; social housing; schools
Spain	Restorations/renovations to reduce the vulnerability of coastal natural spaces and water resources; National Strategy for Self-supply; Energy transition of the General Administration of the State; Spain Audio-visual Hub

Member States need to make a wise selection among different potential projects. They should obviously take care to discard projects with low degree of feasibility, projects with known delivery issues, projects with low impact on GDP and jobs, and projects which are not sustainable.

Beyond this, they should give special attention to direct and indirect effects and to both domestic multipliers and spill-overs to other EU economies. Higher multiplier effects can be found in the construction sector where public co-funding can unleash private investments. One Euro of recovery funds spent in the housing or infrastructure construction generates, according to its multiplier, an additional € 2.9 in the overall economy. Similarly, artificial intelligence investments will impact several different industries (healthcare, education, marketing, small businesses, HR, etc).

In Greece for example, the Public-Private Partnerships (PPP) selected in the Plan will help attract up to €50 bn. or more of projects, compared to the €32 bn. that will be received through the Plan. A list of 22 PPPs has been agreed that includes projects on waste management, motorways, schools, fibre networks and the creation of innovation/research centres (e.g. Innovation Centre in Athens, 4th Generation Technology Park “ThessINTEC” in Thessaloniki).

Cross-border projects: need for a further push?

The European Commission has encouraged Member States to support cross-border projects in their national plans in view of their multiplier effects and economies of scale.

Two major synergies have so far been announced in the draft plans: one between Spain and Portugal and another between Germany and France, capitalising on pre-existing European cooperation.

Spain and Portugal have decided to unite their forces and, on the basis of their Common Cross-Border Development Strategy, cooperate on 'Iberian projects'.[9] These will include: a joint 5G network, hydrogen projects, a battery value chain, development of satellites technology, joint transport infrastructures (e.g. a high speed train network, conventional railways, highroads).

As regards the **Franco-German** synergy (Figure 2), the two countries decided to deepen their cooperation in the fields of climate action and digitalisation by introducing three 'Important Projects of Common European Interest' (IPCEIs) under their national plans, in the areas of hydrogen, microelectronics and communication technologies, and cloud/data processing.[10] There is a long history of cooperation behind the 'Franco-German Agenda', which had already identified specific priority projects between them.[11] They have also published an open call for cooperation with other Member States, in order to achieve an EU-wide impact. According to the German and French plans, the main goals of these three key area projects will be to: create an integrated EU-wide market for hydrogen production, including cross-border transport infrastructure; lay the foundations for a European edge cloud infrastructure; and free the EU from dependence on external providers for selected microelectronic communication technologies.[12] The projects that fall under this framework will be presented in the respective national plans presented by other Member States in order to qualify for funding.

The majority of Member States have however not clarified yet their willingness to invest in cross-border projects. One area where the Commission could provide further technical assistance is the digital sector in order to work on public e-ID that do not harm interoperability across Europe.

Figure 2: Franco-German Initiative for EU Economic Recovery after Covid-19

Source: https://www.bundesregierung.de/breg-en/news/wiederaufbauprogramm-europa-1755800

National preferences between grants and loans

While all Member States will be attracted by the prospect of grants, the access to loans under the RRF is on a voluntary basis, and not all Member States wish to take advantage of loans, no matter how favourable the terms may be. Member States have until **2023** to request the RRF loans.

Some Member States decide to minimise the use of loans for the implementation of their plans and will either not use the loans at all, or only employ them if really needed. This is either because they can draw on greater national resources or already borrow at negative rates (as in the case of **France** or **Germany**), or because they do not wish to increase their levels of public debt further (for example **Portugal**).

Other Member States (such as **Greece**, **Spain** and **Italy**) will use loans to the fullest extent possible. The loan component will benefit from the favourable interest rates that the European Commission enjoys and will be of particular interest and benefit to countries that face higher borrowing costs.[13]

Greece in particular announced the request of loans for increasing national competitiveness and financing private and business investments, also including a list of major Public Private Partnership (PPP) projects. The country's entitlement to loans adds up to almost €13 bn. in 2018 prices, that will be used both for investments and reforms, with the hope of contributing to the decrease of the large output gap and large negative investment gap, characterising the Greek economy following the 2008 financial crisis, as well as the big interest rate differential on business loans between the country and the remaining Member States.[14]

Portugal, is also considering the employment of €4.3 bn of loans in investments in affordable public housing, business support and railway rolling stock.

Spain and **Italy** would on the other hand favour using the grants element at first (up until 2023) and only subsequently complementing the funding of ongoing projects by using loans, according to the remaining needs and financing conditions.

Ireland, Belgium, Romania and **Croatia** have been reluctant to request loans, and in February 2021 were still waiting to see how the situation in the markets evolved before deciding when, and if, they need to access them.

The need for speed and care in elaborating the plans

Grants and loans for fast spending on a strong project pipeline

The RRF makes available a significant amount of funds to the Member States, by employing both grants (€312.5 bn) and loans (€360 bn) which will be managed as sui generis direct management outside of the MFF 2021-2027. The redistribution key of the grant part of the facility identifies upfront how to allocate 70% of the grants, while the remaining 30% will be targeted on those most hit by recent drops in GDP. The main beneficiaries of the RRF are Italy, Spain, France, Germany, Poland and Greece (see Table 2).

Table 2: RRF Advance Grant Allocation to Member States (70% of total) (2021-2022 commitment in 2018 prices)

EU Member States	EUR Bn	EU Member States	EUR Bn
Austria	3.4	Italy	68.8
Belgium	5.9	Latvia	1.9
Bulgaria	6.2	Lithuania	2.2
Croatia	6.2	Luxembourg	0.09
Cyprus	1	Malta	1.6
Czechia	7	Netherlands	5.9
Denmark	1.5	Poland	23.8
Estonia	0.9	Portugal	13.9
Finland	2	Romania	14.2
France	39.3	Slovenia	1.7
Germany	25.6	Slovakia	6.3
Greece	17.7	Spain	69.5
Hungary	7.7	Sweden	3.2
Ireland	**0.9**		

The RRF favours fast spending with the advance disbursement of 13% of the grant and loan elements, as well as the requirement that 70% of the grants should be committed early to projects - before the end of 2022 – while all targets and milestones should be completed before the end of 2026. This requirement was introduced in order for the RRF to act quickly as a counter-cyclical instrument (the EU's first common instrument of this nature) and prevent the health crisis from causing lasting damages. Thus, the need to present plans early and gain some time in the implementation phase. Fast spending must of course be combined with the basic principles of sound financial management, cost-efficiency and protection of the EU interest.[15]

RRF and Cohesion Policy: the need for coordinated programming and clear demarcation

Cohesion Policy provided already a first EU response to the health crisis through the CRII/CRII+ initiatives and REACT EU.[16] With the increased RRF resources, Member States need to clearly identify those projects they will channel towards the future 2021-2027 Cohesion programmes and those fitting the national plans under the RRF. How should Member States go about taking into account the characteristics of each funding stream?

There are substantial differences between the RRF and Cohesion. Since they are under shared management policy and enshrined in the Treaties, Cohesion projects can benefit from being embedded in a multiannual programming under a strong logic of intervention using a wide set of common indicators, while the selection of projects is done solely at national or sub-national level during the whole life-cycle of the programmes without EC involvement except for major projects. On the other hand, the RRF has been set up only as an emergency response to COVID 19 and should therefore be seen as a temporary funding or one-off opportunity.[17]

In the RRF, projects are negotiated between the Commission and the Member States and are approved as a package at the start of the process by the ECOFIN Council.

Cohesion funds are aligned with thematic concentration ”earmarking” and geo-concentration on different categories of regions, while there is some flexibility in the RRF in deciding where the funding goes since there is no tightly prescribed territorial focus on any categories of regions (more developed, transitions or less developed regions). Cohesion projects comply with tight national and EU eligibility rules, and their costs are only partially covered by EU co-financing. On the other hand, RRF projects are funded 100% on the basis of estimated costs that are agreed in advance, and EU payments will follow only once results and targets are achieved.

As for financial flows, the RRF foresees an advance payment to the Member States worth 13% of the volume of grants and loans, but does not foresee any further annual advances further on, unlike Cohesion. This requires Member States to propose high-performing RRF projects which they are confident they will deliver. The life span of RRF projects needs to be shorter as the time frame of the RRF is much more limited than that of Cohesion. Indeed, all RRF funds should be committed by the end of 2023 and all targets should be reached by the end of 2026, while for Cohesion the eligibility of expenditure finishes in 2029.

A simple solution for distributing projects between RRF and Cohesion would be to channel projects through the RRF when they do not fit in Cohesion. One simple example concerns modernisation of public administration. Most Member States will certainly support public administration reforms and digitalisation projects since the 2021-2027 Common Provisions Regulation (CPR) will no longer be there to support them compared to current 2014-2020 Thematic Objective 11. There could be other areas in which such a simple rule could be applied: **Portugal**, for example, plans to fund railway rolling stock through the RRF since the future 2021-2027 ERDF/CF Regulation forbids it.

Synergies and complementarities are always possible and welcome. The RRF could support structural reforms for more competitive energy sectors, reducing incentives for fossils fuels, and facilitating access to town centers for electric vehicles and charging stations, while the Regional Development Fund (ERDF/CF) could finance further local investments in the area. Along these lines the Romanian plan focuses specifically on the complementarity of the Recovery plans with social cohesion and education measures under the European Social Fund (ESF). Investments under Cohesion will be supported by investments and reforms under the NRRP (e.g. labour market reform).[18]

A different case could be joint support to the same operation. A road infrastructure project could benefit for instance from ERDF/CF, RRF, and Connecting Europe Facility for different parts of the operation as long as there is no double funding of the same expenditure. The advantage would be to ease the financing of projects. **Greece** plans to use RRF to help unblock projects that have not been completed under Cohesion due to chronic problems with absorption of funds (e.g. Thessaloniki metro, North part of the E65 highway). In **Bulgaria**, the draft plan presents clear synergies between RRF and Cohesion: Recovery will finance investments in connectivity through high-capacity networks while Cohesion will finance the transition to data potential-based government.[19]

Another approach would be to keep Cohesion for more targeted measures while RRF could support more widespread general measures. **Italy** for instance could support general fiscal measures such as the extension of the 110% eco-bonus for housing energy efficiency renovation while it could use ERDF for more targeted projects.

There is however also a potential for overlaps between the RRF and Cohesion where both funding streams could fund projects in a competing manner, thus voiding the other fund. For instance, in France there is a risk that RRF could be crossing into areas which had been foreseen for support by regional ESF components in 2021-2027. Therefore it is crucial to clarify any grey zones upfront before Member States submit their national plans, alongside the programmes foreseen under Cohesion Policy.

How to get the regional and local levels on board?

The national recovery and resilience plans will predominantly be coordinated centrally by Member States. The Commission has highlighted the significant role of Local and Regional Authorities (LRA) in the recovery effort, urging countries to include them in the drafting of the plans from the very beginning. Including LRA could ensure a strong bottom-up partnership commitment in preparing the plans and delivering projects.[20] Unlike Cohesion Policy, however, there is no clear legal obligation for Member States to involve them in the national Recovery and Resilience Plans.[21] The RRF Regulation does mention, however, that the plans need to include a summary of the consultation process that was held with LRA, social partners, civil society, youth organisations and other stakeholders, as well as how the stakeholders' input has been taken into account and reflected in the plans.[22]

In **Belgium**, the federal government and the regional governments have been responsible for the drafting of the plan to distribute the allocation of €5.9 bn.[23] A list of 89 projects have been identified across the five topics: sustainability, digitalisation, mobility, welfare and productivity. Most of the projects are located in the major cities of Belgium (see Annex II for concrete project examples in the region of Wallonia).

Other Member States (**Lithuania, Finland, Ireland, the Netherlands, Spain**) have established structured and institutionalised involvement of regions/cities in the preparation of their plans. **France** has opted since July 2020 for a partnership with the regions that will guarantee their involvement in the recovery. Under this partnership, the regions have received significant amounts of funding to compensate for the losses, while they have agreed, in return, to invest massively in identified sectors of the recovery (e.g. ecological transition, research, social and territorial cohesion, health).[24] France also plans to improve the attractiveness of regions by supporting the re-localisation of companies to its territories.[25]

However a consultation released by the European Committee of the Regions and the Council of European Municipalities and Regions in January 2021 showed that only a few countries actually took on local-regional authorities' input.[26]

Choices in Consultations and Transparency

Given the amounts of funding to be made available under the RRF, a very transparent decision-making procedure is required which also involves social partners.[27]

France will guarantee the inclusion of social partners and stakeholders by establishing monitoring committees both at national and local levels that will ensure proper monitoring of the execution on the ground.[28] Furthermore, an innovative instruction guide for facilitating access of cities to the French Relance plan, was published by the authorities on December 2020, called the Guide for Mayors. This guide explains the measures of the recovery plan applicable to local authorities, the funding available, and the practicalities of funding (procedures, timetables, useful links).[29]

The **Portuguese** draft plan includes details of the consultation procedure followed by the government that took place long before the presentation of its first draft plan. More than 1,100 stakeholders submitted their contributions for the investments and reforms of the plan, which was afterwards altered to include some of the proposals before going into a thematic debate in the Parliament.[30]

Bulgaria, Croatia and Greece have also opted for public consultations. **Slovakia** will consult social partners and civic organisations as well as self-governing regions. The Slovak plan will also be forwarded to an inter-ministerial comment procedure before its final submission to the EC in April 2021.[31] The **Czech** government also held discussions with professional unions and associations.

The link to the European Semester and to structural reforms

One of the distinct features of the RRF is indeed the search for harmony in the plans between investments and reforms. In its Guidance to Member States, the Commission emphasises the need for synergies between investments and measures 'to ensure the efficient and effective implementation of investments by providing a supportive business and administrative environment and by preventing the misuse of EU funding […] to improve the functioning of the economy and society and the sustainability of public finances, to create jobs, strengthen active labour market policies and support job transitions where needed, to enhance inclusive growth and social cohesion and to make sectors, economies and social systems more futureproof and more resilient to shocks and change. In this context, modernising and improving the efficiency and quality of public administration is essential'.[32]

Member States need to select and describe key reforms to tackle pre-existing national bottlenecks that were slowing down their growth before the health crisis. More precisely, the plans must be consistent with the challenges and priorities identified in the Country-Specific Recommendations (CSR) during the European Semester of economic policy coordination, and especially those that were not fully implemented or did not show substantial progress. Member States are expected to focus mostly on the 2019 cycle to respond to specific structural challenges, while the 2020 CSRs are more oriented to crisis reaction rather than tackling the sources of economic weaknesses. Some national plans, such as that of Greece, also tackle issues raised by enhanced surveillance under the post-programme cycle applied to Member States exiting an adjustment programme.

A balance will also need to be struck between an effective sense of ownership of the Recovery Plans by the Member States themselves and pressure to comply with EU Recommendations. Compared to the previous macro-economic adjustment programmes that were launched during the last 2008 financial crisis, Member States will be in the driving seat this time for these national recovery plans. Most reforms, however, are difficult and unpopular (tax collection, public procurement, concessions, labour market or justice) and it will be important to maintain an adequate framework of support to ensure that they are implemented.

The RRF regulation has introduced an incentive mechanism for Member States that prioritises investments coupled with reforms. Where investments are accompanied by reform measures that credibly increase the impact on the climate objective, Member States can claim an additional 3% in the effort to reach the 37% minimum Green earmarking. A similar mechanism is foreseen for reforms that increase the impact of Digital investments.

Table 3: Structural reforms announced in the national recovery and resilience plans

Member State	Structural Reforms Announced
Belgium	Reform of public procurement, administrative simplification, more competences at local levels, spending reviews, reinforcement of statistical agency
Bulgaria	Reindustrialization reform (industrial parks), education reform in the areas of STEM (science, technology, engineering and mathematics), liberalization of the wholesale electricity market, "New regional approach" with direct inclusion of local communities in the management of the European Funds and instruments
Germany	Reform to accelerate investments and reduce duplication of checks on large investments projects, reform of vehicle tax, "Innovative data policy for Germany" reform package
Greece	60 reforms including simplification of business environment; improving Greece's standing in the Ease of Doing Business; restructuring legal framework for the operation of private companies; pension system reform; reforms in higher education; reform of urban planning
Italy	Reforms in tax collection (cashless community); justice reform and labour markets by de-taxing salary increases; digital Public Administration; simplification of norms in port management; reform of recruiting teachers; certification of equal opportunities; support to female entrepreneurship
Portugal	31 reforms of which 16 for resilience (primary care, fire protection, water management), 5 in the area of climate change, and 10 in the area of digital transition
Romania	Horizontal reforms (sustainability public finance, social policies, public procurement) alongside sectoral reforms such as administrative capacity reinforcement in transport agencies; inclusion of green transition In projects such as the requirement to include Electric Vehicle charging stations

Conclusions

This paper has looked at how EU Member States had performed in drafting national recovery and resilience plans as of early February 2021. It has identified a number of trends as well as challenges that will continue to require attention in the coming months and years.

Balance demand- and supply-side measures.

The plans need to address multiple fronts with measures that are either demand-support driven (supporting households and capacity to spend) or supply-side oriented (enhancing the productive capacities of sectors and companies), as well as concentrating funding on public investments in health or social areas. This needs careful balancing as supply-side measures usually take longer to translate into higher growth compared to demand-side measures.

Identify projects that transform as well as repair.

Member States have to make choices among the needs and the sectors of its economy by targeting either lower (tourism/culture) or higher (green infrastructure investments, digital) multiplier sectors, supporting SME or larger companies, picking between restorative (recovery) or transformational (resilience) projects. The ideal outcome is to identify 'win-win' projects which focus on both repairing damage and contributing to long-term growth.

Make haste slowly.

Member States have to be especially careful to ensure that the extra pressure of fast absorption does not affect the ability to spend EU funds correctly and soundly. Otherwise there is a danger of rushed spending that prioritises absorption over value for money ('use it or lose it') and, as feared by the European Court of Auditors, a higher risk of irregularities.[33] A clear demarcation also has to be respected between the RRF and Cohesion in order to avoid the loss of much needed EU funds and prevent overlap and competition.

Ensure adequate management capacity at all levels.

Member States need a strong central management structure within a key Ministry and administration and to ensure access to funding for projects at local and regional levels. It is essential to identify performing projects that can be started quickly and that benefit the real economy, and to set up a strong monitoring system to keep them on track in achieving both milestones and intended targets in order to trigger payments.

Plan structural reforms to match investment spending.

Finally, the European Commission will insist on seeing adequate reforms in the plans because spending is not the panacea for everything. Structural reforms are essential to unlock the growth potentials in Member States, as highlighted in the European Semester through the Country-Specific Recommendations.

Annex I Publication Dates/Sources of first drafts of national recovery and resilience plans, October 2020 – January 2021

Member state	Publication date	Source
Belgium	December 2020	• https://www.vlaanderen.be/publicaties/flemish-resilience-government-of-flanders-recovery-plan • https://www.wallonie.be/fr/actualites/plan-de-relance-pour-leurope-les-projets-proposes-par-la-wallonie
Bulgaria	October 2020	• https://nextgeneration.bg/14
Czechia	October 2020	• https://www.vlada.cz/assets/urad-vlady/poskytovani-informaci/poskytnute-informace-na-zadost/Vychodiska-NP-obnovy.pdf
France	September 2020	• https://www.economie.gouv.fr/files/files/directions_services/plan-de-relance/annexe-fiche-mesures.pdf
Germany	January 2021	• https://www.bundesfinanzministerium.de/Content/EN/Downloads/2021-01-13-german-recovery-and-resilience-plan.html
Greece	November 2020	• http://www.opengov.gr/minfin/?p=10012
Italy[34]	January 2021	• https://temi.camera.it/leg18/temi/piano-nazionale-di-ripresa-e-resilienza.html
Latvia	December 2020	• https://www.esfondi.lv/atveselosanas-un-noturibas-mehanisms
Portugal	October 2020	• https://www.portugal.gov.pt/pt/gc22/comunicacao/documento?i=plano-de-recuperacao-e-resiliencia-recuperar-portugal-2021-2026-plano-preliminar-
Romania	November 2020	• https://mfe.gov.ro/pnrr/
Slovakia	December 2020	• https://www.mfsr.sk/sk/media/tlacove-spravy/predstavujeme-dalsie-detaily-planu-obnovy.html
Slovenia	October / December 2020	• https://www.gov.si/novice/2020-10-08-vlada-je-potrdila-osnutek-nacionalnega-nacrta-za-okrevanje-in-odpornost/ • https://www.gov.si/novice/2020-12-23-predlog-nacrta-za-okrevanje-in-odpornost/
Spain	October 2020	• https://www.lamoncloa.gob.es/lang/en/presidente/news/Paginas/2020/recovery-plan.aspx

Annex II: Recovery projects Wallonia/Belgium

Topical Area	24 Projects
Welfare	• Sustainable housing: creation of 1000 public housing and housing for vulnerable people • Early Childhood Infrastructure Transition Plan: Creation and Renovation Program • Life Long Digital Training: equal access to digital and reduction of the digital divide for the general population (young people, seniors, workers, job seekers)
Sustainability	• Energy renovation of local public buildings and sports infrastructure • Investment fund for energy renovation of private and public buildings • Deployment of a Walloon “hydrogen” sector: research, green production and sectoral applications • “Smart lights” project: digitization of all regional tricolor lights managing 600 Walloon road junctions with priority given to public transport, pedestrians and cyclists • Deployment of the circular economy in particular in metallurgy and construction, through RDI support to local industrial production • Low carbon industry • Regional Wasteland Redevelopment Fund • Biodiversity and adaptation to climate change • Relocation of power supply and development of logistics platforms
Mobility	• Liege Carex project: creation of a railport on the Liege Airport site to switch part of the air freight and / or truck to the high-speed rail • Improving multimodal transport (goods) • Tram from the Liège agglomeration: extensions to Herstal and Seraing • High Level Bus Project of the N51 (BHNS) in Charleroi • Renovation and extension of the Charleroi metro • Intermodality: bicycle corridors (development of infrastructures promoting the practice of commercial cycling)
Digitalisation	• Digitization of regional administration processes and support for the digitization of local authorities • Digital transition: pursuing territorial connectivity, education 2.0 and digitization projects in the tourism sector • Digital health transition
Productivity	• Modernization of state-of-the-art training infrastructure for resilient and robust skills, jobs and economy • A6KE6K: development of the digital and technological innovation and training hub in Charleroi • EU Biotech School & Health Hub: creation of a European school of biotechnology and health hub

Notes

[1] Bruegel research on the European Recovery Plan https://www.bruegel.org/2020/06/the-eus-recovery-fund-proposals-crisis-relief-with-massive-redistribution/

[2] Council webpage https://www.consilium.europa.eu/en/policies/eu-recovery-plan/

[3] Conversely, Member States are expected not to select projects which have adverse impacts on climate - the 'do no harm' principle - in particular by not supporting fossil fuels or nuclear projects. This can be understood not only to concern new projects but also to encourage the elimination, in parallel, of any existing subsidies that are environmentally harmful, and the adoption of new laws such as the ban on gas heating in new buildings introduced in France.

[4] Slovenian Government Website: https://www.gov.si/en/news/2020-10-08-government-approves-draft-national-recovery-and-resilienceplan/#:~:text=Slovenia's%20Recovery%20and%20Resilience%20Plan,more%20sustainable%2C%20resilient%20and%20better

[5] Slovak government's website: https://www.mfsr.sk/sk/media/tlacove-spravy/mf-sr-vnima-znepokojenie-vyzvu-doplnenie-priority-zelene-slovensko-zo-strany-mvo-k-planu-obnovy.html

[6] Greek Recovery and Resilience Plan, p. 6

[7] Planul Național de Redresare și Reziliență, Romania, p. 21

[8] Italy has been discussing the role of multi-utilities sector with projects at local level delivering different services (waste, energy, mobility).

[9] 31st Spain-Portugal Summit, Guarda, 10 October 2020. https://www.lamoncloa.gob.es/lang/en/gobierno/news/Paginas/2020/20201010cross-border-strategy.aspx

[10] Several countries, such as Germany, France, the Netherlands, and Austria, have selected the production of green hydrogen in their National Energy and Climate Plans.

[11] The IPCEIs, according to the German plan, are an instrument of cooperation that has already been tried and tested with the European Commission, particularly regarding EU state aid control, and as such remain by definition open to the participation of other stakeholders and other Member States. German Recovery and Resilience Plan, p. 18

[12] German Recovery and Resilience Plan, p. 19

[13] EC press conference by Commissioner Johannes Hahn, on the first issuance of EU social bonds under SURE: https://audiovisual.ec.europa.eu/en/video/I-197849

[14] Greek Recovery and Resilience Plan, p. 4

[15] Where national plans foresee company support, this needs to get further approval from the Commission in a parallel notification of measures for business support in order to comply with EU state aid rules.

[16] EoRPA Report 2020 https://www.eprc-strath.eu/public/dam/jcr:b82e526f-4051-4e92-be0e-91ee9b228ff7/EoRPA_Report_20(3)_Cohesion_Policy%20(incl%20ISBN).pdf

[17] Commission staff working document Guidance to member states on their recovery and resilience plans: https://ec.europa.eu/info/sites/info/files/document_travail_service_part1_v2_en.pdf

[18] Following the 2019 Country-Specific Recommendation in the field of education, social inclusion and jobs, Romania aims at strengthening skills and digital learning, ensuring equal access to education, mitigating the impact of the crisis on employment by developing flexible working formulas and activation measures, but also providing adequate income substitution solutions and extending social protection measures and access to services essential for everyone. https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1560258712561&uri=CELEX%3A52019DC0523

[19] Bulgarian Recovery and Resilience plan, pg. 42: The focus will be to enlarge the volume of open data, generated and processed by the state institutions and the business, and facilitating their sharing. To achieve the maximum effect, the measures will be integrated, and synergies will be sought with investments in connectivity through high-capacity networks, financed as a part of the Plan.

[20] Opinion of the European Committee of the Regions – Recovery plan for Europe in response to the COVID-19 pandemic: Recovery and Resilience Facility and Technical Support Instrument (2020/C 440/24)

[21] Speech by President von der Leyen to the European Committee of the Regions' plenary at the European Week of Regions and Cities: https://ec.europa.eu/commission/presscorner/detail/ov/speech_20_1879

[22] European Commission, Guidance to Member States. Recovery and Resilience Plans, SWD(2021) 12 final PART 1/2, 22 January 2021 p.47 https://ec.europa.eu/info/sites/info/files/document_travail_service_part1_v2_en.pdf

[23] Flanders will receive the lion's share of about €2.25 billion, while Wallonia will receive €1.48 billion and the federal government €1.25 billion. Brussels, the French and the German community will receive respectively €495 million, €395 million and €50 million (Source: https://www.premier.be/fr/plan-national-de-relance)

[24] Accord de Méthode Etat-Régions https://regions-france.org/wp-content/uploads/2020/07/Accord-de-m%C3%A9thode-Etat-R%C3%A9gions-Sign%C3%A9-par-MM.-Le-Premier-ministre-et-Renaud-Muselier-30.07.2020.pdf

[25] French Stimulus Package: France Relance, https://www.economie.gouv.fr/plan-de-relance/lancement-plan-relance-3-septembre-2020

[26] The involvement of municipalities, cities and regions in the preparation of the national Recovery and Resilience Plans: Results of the CoR-CEMR targeted consultation https://cor.europa.eu/en/news/Pages/post-COVID-recovery-plans-.aspx

[27] European Trade Union Confederation (ETUC) https://www.etuc.org/en/document/letter-sent-eu-institutions-eu-recovery-fund-july-2020-european-council

[28] With a view to transparency in the means of public action, France created an interactive map which identifies the various actions deployed: https://cdonline.articque.com/share/display/dsil-relance

[29] Guide à destination des Maires https://agence-cohesion-territoires.gouv.fr/guide-destination-des-maires-365

[30] Case study on the Portuguese RRP https://civilsocietyeurope.eu/wp-content/uploads/2021/01/CSE-ECNL-Participation-of-CSOs-in-the-preparation-of-the-EU-NRRPs_spread.pdf

[31] Slovak Government's website: https://www.mfsr.sk/sk/media/tlacove-spravy/plan-obnovy-pojde-aj-pripomienkove-konanie.html

[32] European Commission, Guidance to Member States. Recovery and Resilience Plans, SWD(2021) 12 final PART 1/2, 22 January 2021 p.14.

[33] European Court of Auditors. Opinion No 6/2020 concerning the proposal for a regulation establishing a Recovery and Resilience Facility (COM(2020) 408) https://www.eca.europa.eu/lists/ecadocuments/op20_06/op20_06_en.pdf

[34] The Italian plan refers to the Conte plan and does not take into account the revisions of the newly appointed Government.