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An overview of the Recovery and Resilience Plans

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Public Hearing on "Capacity of proper expenditure controls of the increased budget of the MFF and NGEU"

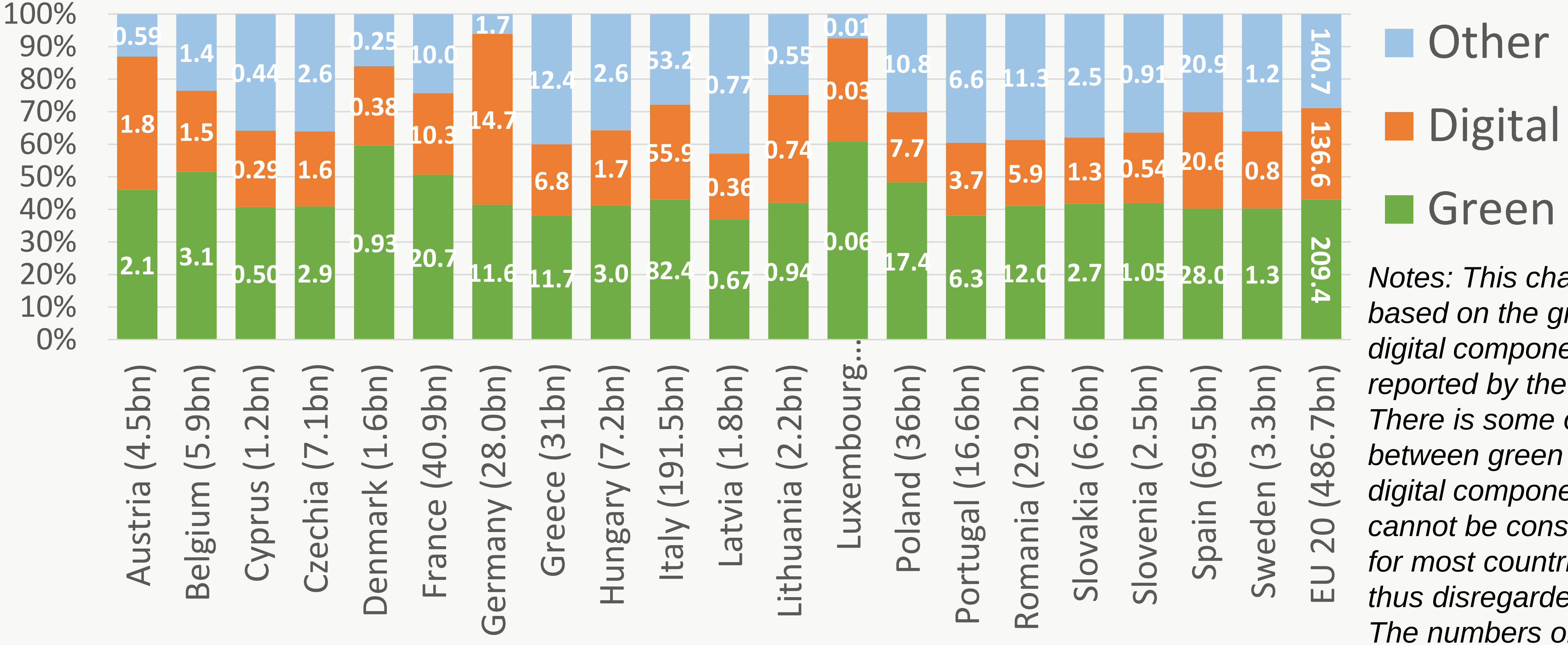
European Parliament Committee for Budgetary Control (CONT)

25 October 2021, Altiero Spinelli, room 3E2, and remote participation

State of play

- Lots of pre-submission discussion between Commission and Member States
- 26 plans submitted (missing: NL)
  - All request the maximum amount of grants → grants could reach the max €338 billion amount (at current prices)
  - 7 request loans for €166bn in total
  - ➢ the overall size of the Recovery and Resilience Facility (RRF) is expected to be around €500 billion
- 22 plans endorsed by the Commission (missing: HU,PL,SE,BG)
- Pre-financing disbursed to 16 countries
- Implementation started in many member states

Overall resource allocation in national recovery and resilience plans (% of total and € billions)



Notes: This chart is based on the green and digital components reported by the plans. There is some overlap between green and digital components that cannot be considered for most countries and thus disregarded for all. The numbers on the bars show the amounts in € billions.

Our dataset is available at: https://www.bruegel.org/publications/datasets/european-union-countries-recovery-and-resilience-plans/

19 recovery plans are equally great (and 3 others are almost as great) – according to the Commission’s assessment

The Commission's assessment of the recovery plans

	(1) Comprehensive and balanced response	(2) Country-specific recommendations	(3) Growth, jobs, economic, social and institutional resilience	(4) Do no significant harm to environment	(5) Green transition	(6) Digital transition	(7) Lasting impact	(8) Monitoring and implementation	(9) Cost justification	(10) Preventing corruption, fraud and conflicts of interests	(11) Coherence
Austria	A	A	A	A	A	A	A	A	B	A	A
Belgium	A	A	A	A	A	A	A	A	B	A	B
Croatia	A	A	A	A	A	A	A	A	B	A	A
Cyprus	A	A	A	A	A	A	A	A	B	A	A
Czechia	A	A	A	A	A	A	A	B	B	A	B
Denmark	A	A	A	A	A	A	A	A	B	A	A
Estonia	A	A	A	A	A	A	A	A	B	A	B
Finland	A	A	A	A	A	A	A	A	B	A	A
France	A	A	A	A	A	A	A	A	B	A	A
Germany	A	A	A	A	A	A	A	A	B	A	A
Greece	A	A	A	A	A	A	A	A	B	A	A
Italy	A	A	A	A	A	A	A	A	B	A	A
Ireland	A	A	A	A	A	A	A	A	B	A	A
Latvia	A	A	A	A	A	A	A	A	B	A	A
Lithuania	A	A	A	A	A	A	A	A	B	A	A
Luxembourg	A	A	A	A	A	A	A	A	B	A	A
Malta	A	A	A	A	A	A	A	A	B	A	A
Portugal	A	A	A	A	A	A	A	A	B	A	A
Romania	A	A	A	A	A	A	A	A	B	A	A
Slovakia	A	A	A	A	A	A	A	A	B	A	A
Slovenia	A	A	A	A	A	A	A	A	B	A	A
Spain	A	A	A	A	A	A	A	A	B	A	A

Source: Bruegel, https://www.bruegel.org/publications/datasets/european-union-countries-recovery-and-resilience-plans/

It cannot be that no EU government is able to justify costs to ‘a high extent’

- Reasons for giving grade B for cost justification:
  - cost breakdowns show varying degrees of detail and depth of calculation;
  - there are some gaps in the information and evidence provided on reasonability and plausibility of the estimated costs;
  - sometimes the methodology used is not sufficiently well explained and the link between the justification and the cost itself is not fully clear;
  - in some cases, the methodologies and assumptions are less robust;
  - some projects are not sufficiently substantiated with cost of comparable projects, or the evidence cited could not be accessed;
  - did not provide an independent validation for any of the cost estimates proposed
  - funding criteria and beneficiaries are not sufficiently detailed;
  - there is significant potential overlap between the RRF and other EU facilities, but details are not always clear enough or simply not provided on whether double EU funding will be avoided.
- For some countries, several of these issues were listed, for others only one, questioning the uniform B grade

The ‘medium extent’ cost justifications necessitate a careful watch

- While RRF funding is performance based, imperfect cost justification necessitates checking value for money and the avoidance of double funding by other EU funds

- As regards performance, are milestones and targets similarly difficult across member states?

Monitoring the implementation of reforms

- Reforms are crucial for several EU countries
- But EU member states hardly implemented European Semester recommendations in the past
- RRF grants can incentivize reforms to some extent, but why would the behaviour of governments change?

10 open questions

1. Additionality: are the plans really new or at least partly use RRF money instead of national taxpayers' money to finance pre-2020-planned expenditures?
2. Absorption: will countries be able to absorb NGEU funds and MFF structural funds according to schedule?
3. Cost justification: since no EU country was able to justify costs properly, how to avoid wasteful spending and double EU funding?
4. Milestones and targets: are these similarly difficult across member states?
5. Value for money: European Court of Auditors criticized earlier efforts to speed-up EU fund absorption by little consideration of the value for money. Will RRF spending avoid this problem?

10 open questions, *continued*

6. Transparency: will detailed project info be available?
7. Reforms: serious reforms addressing country-specific weaknesses or just ticking boxes?
8. New governance structure: How will it work?
9. Financial market impact of EU bonds: €500bn for NGEU & €100bn for SURE. What impact from financial markets?
10. Green transition: is NGEU sufficient? Will member states top-up form national budget when fiscal consolidation start in 2023?

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Thank you for your attention!

Please take a look at our recovery plan dataset:

https://www.bruegel.org/publications/datasets/european-union-countries-recovery-and-resilience-plans/