

## Opinion of the European Committee of the Regions on the Review Report on the Implementation of the Recovery and Resilience Facility

(2023/C 157/03)

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### POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR),

#### General comments

1. Welcomes the review report, which provides a useful update and overall assessment on the state of play of the implementation of the Recovery and Resilience Facility (RRF) and fulfilling the obligations of the Regulation (EU) 2021/241 of the European Parliament and of the Council <sup>(1)</sup>, but notices the report lacks critical, more in-depth information needed to get a better picture on the actual implementation at the local and regional level;

2. Considers it a missed opportunity, the requirements of Article 16 of the Regulation notwithstanding, that no qualitative analyses are included in the review report. It is therefore unclear how the European Commission (EC) will monitor the progress being made at the qualitative level of the RRF investments and the long-term national reforms and how Local and Regional Authorities (LRAs) will be involved in this process;

3. Moreover, regrets that the review report does not analyse a number of points which are crucial for a sound implementation of the RRF, such as:

- the governance of the National Recovery and Resilience Plans (NRRPs) and related processes;
- the true additionality of the projects supported;
- the synergies and risks of overlaps with other sources of EU funding;
- the RRF's effective contribution to cohesion, despite this being the RRF's legal basis;
- involvement of LRAs;

4. Agrees with the EC that the success of the RRF depends on the close involvement of social partners, civil society, LRAs, and non-governmental organisations (NGOs). Only mentioning them collectively, often under the umbrella term 'stakeholders', is not enough. A cost-efficient and democratic implementation should go hand in hand with the full application of the principles of subsidiarity and proportionality which are anchored in the Treaty on European Union <sup>(2)</sup>;

<sup>(1)</sup> Article 16 of the Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

<sup>(2)</sup> Article 5(3) of the Treaty on European Union (TEU) and Protocol (No 2) on the application of the principles of subsidiarity and proportionality.

5. As stated in the review report, agrees that the RRF can help Member States to tackle inequalities between women and men through measures specifically focusing on gender equality and by supporting equality mainstreaming across the six policy pillars<sup>(3)</sup>;

6. Asks the European Commission to assess the involvement of LRAs in the implementation phase and to ensure that data about this is collected efficiently as part of the performance reporting system that is the recovery and resilience scoreboard and by making use of the research and studies that have been conducted so far by the European Committee of the Regions (CoR), the European Policy Centre (EPC), political foundations and the Conference of Peripheral Maritime Regions (CPMR);

7. Points out that the general regime of Conditionality fully applies to the RRF, and urges the Commission to carefully monitor in all Member States when the sound financial management of the Union budget and the protection of financial interests of the EU are affected in a sufficiently direct way, by breaches of the principles of the rule of law, and to take action when necessary;

### **Role of the LRAs in the implementation and execution of the RRF**

8. Underlines that LRAs have been at the forefront of the fight against the COVID-19 pandemic and its socioeconomic consequences from the start, both with their own policy actions in many fields and through implementing the decisions of national governments;

9. Underlines that LRAs provide the majority of public services to their residents and businesses and invest in policy areas covered by the NRRPs, especially in the field of economic and social recovery, as well as the green and digital transitions. If LRAs — the political level closest to the public — are left out, the milestones and targets set in the NRRPs risk not being achieved; points out that the same problem exists in the European Semester due to the lack of recognition of the role of local and regional authorities;

10. Reiterates that LRAs are most aware of the specific needs and challenges of citizens and businesses. As most of the NRRPs and objectives are formulated centrally without the local and regional level being consulted, they are often not in line with local, regional, place-based needs and their unique assets;

11. Argues that the ways in which the NRRPs have been drawn up and the LRAs have been involved are not conducive to promoting ownership of the recovery plans at local and regional level. The experience from the European Semester clearly shows that the insufficient implementation of country-specific recommendations (CSR) was partly due to a lack of local and regional ownership and ability to contribute to the CSR; points out that the 'structural reforms' that the European Commission is calling for under the European Semester must be examined from the point of view of subsidiarity, so that they only cover issues that actually fall within the EU's remit;

12. States that LRAs have, in the execution of many RRF projects and programmes, legislative powers that are key for a successful implementation of the RRF. Therefore, it is essential that local and regional authorities are directly involved in the implementation of the NRRPs in line with the degree of economic, fiscal and financial autonomy provided by their national legal framework and the subsidiarity principle;

13. Recalls that LRAs account for one third of all public expenditure and more than half of public investment in the EU, much of which is in policy areas crucial to the RRF. The active engagement of LRAs is required throughout the process in order to ensure successful implementation; points here to competences such as: building renovation, sustainable urban mobility, healthcare systems resilience, sustainable energy production, education and more efficient public administration reform;

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<sup>(3)</sup> COM(2022) 383 final, 129 measures of the 25 NRRPs adopted as of 30 June 2022 are considered to have a focus on gender equality.

### Territorial dimension neglected in the monitoring of the RRF implementation

14. The consultations carried out in 2021 <sup>(4)</sup> and 2022 <sup>(5)</sup> by the CoR and the CEMR and the 2022 benchmark study <sup>(6)</sup> shed light on the very limited involvement of local and regional governments in the *design, preparation and implementation* of the NRRPs. Despite some good examples, these represent more the exception than the rule, and most of the respondents consider that the multilevel governance and subsidiarity principles have not been respected;

15. Stresses that only one in ten local or regional authorities was either fully involved (1 %) or partially involved (9 %) in the drafting of the National Recovery and Resilience Plans, as highlighted by the results of the CoR survey of local and regional politicians in the EU <sup>(7)</sup>, a dismal finding echoed by other analyses and consultations carried out by the CoR, the EPC, political foundations and the CPMR among others;

16. Regrets that the proposal in recital 34 of the RRF Regulation underlining the importance of involving LRAs has been neglected in most EU countries, even though LRAs are responsible for 53 % of public investment in the EU and have key remit to implement policies related to the six pillars of the NRRPs;

17. Recalls, as stated in the review report, that the RRF Regulation (recital 34) recognises the fact that local and regional authorities 'can be important partners in the implementation of reforms and investments' and should therefore 'be appropriately consulted and involved, in accordance with the national legal framework', and that Article 18 requires the NRRPs to include a summary of the consultation process with LRAs (among others) and how their input is reflected in the plan;

18. Highlights that, in most Member States, preparing the NRRPs has been a top-down process, which carries the risk of centralising important public investment and has an impact on the ultimate success of the Recovery and Resilience Facility. This is at odds with the importance of multilevel governance, the principle of subsidiarity and the process of decentralisation that has taken place in many Member States in recent decades, not least with regard to the programmes under the European Structural and Investment Funds (ESIF);

19. Points out that the centralised approach leads to territorial differences being overlooked in the review report, both in terms of challenges and opportunities. As a result, NRRPs may be less efficient and have less impact than desired. This puts regions that were already lagging behind in their development before the outbreak of the pandemic at risk of an even greater development gap, be it in employment, educational attainment, business support, digitalisation, mobility or other key policy areas;

20. Also stresses that, in particular due to the large number of European programmes and financial subsidy opportunities, administrative capacity should be strengthened in many local and regional authorities. In this context, invites the European Commission to actively support local and regional authorities, which have already had problems absorbing EU funds in the past, to improve their absorption capacity so that the implementation of all future EU funding programmes can be improved;

21. Cautions that an unexpected dichotomy has arisen, leading to two different categories of participating LRAs. A first, small group of LRAs that were involved by the central government since the beginning and now in the implementation phase and thus address territorial specificities and needs and a second, larger group of LRAs that were not properly involved from the beginning of the design and later in the implementation of the RRF. As a consequence, existing problems produced by their exclusion have worsened <sup>(8)</sup>; this cannot be an objective of the RRF and undermines the territorial dimension of the EU;

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<sup>(4)</sup> CoR-CEMR *The involvement of municipalities, cities and regions in the preparation of the national Recovery and Resilience Plans: Results of the CoR-CEMR targeted consultation*, January 2021.

<sup>(5)</sup> CoR-CEMR *Implementation of the Recovery and Resilience Facility: The Perspective of Local and Regional Authorities — Results of the CoR-CEMR targeted consultation*, April 2022.

<sup>(6)</sup> Regions for EU Recovery, *Benchmark study on the implementation of the Recovery and Resilience Facility at the regional level — Main results*, June 2022.

<sup>(7)</sup> Survey based on **2 698 interviews** with local and regional politicians in the EU completed between 25 July and 11 September 2022. See: Committee of the Regions: Regional and Local Barometer. (October, 2022) available online at <https://cor.europa.eu/en/our-work/Pages/EURegionalBarometer-Survey-2022.aspx>

<sup>(8)</sup> Survey based on 2 698 interviews with local and regional politicians in the EU completed between 25 July and 11 September 2022. See: Committee of the Regions: Regional and Local Barometer. (October, 2022) available online at <https://cor.europa.eu/en/our-work/Pages/EURegionalBarometer-Survey-2022.aspx>, p. 4.

22. Stresses that the European Semester is an over-centralised, top-down exercise mostly lacking the involvement of LRAs. It should be reformed and developed when used to prioritise future (regional) funds, investments or programmes as it currently neglects the principles of good governance and multi-level partnership and fails to recognise the role of local and regional authorities;

### **Synergies with other EU funds and programmes**

23. Asks the European Commission for the purpose of sound monitoring to clarify in which way the requirements mentioned in Article 28 of the RRF Regulation to ensure complementarity and synergy between funds and financial instruments are met at national level;

24. Welcomes that, according to the review report, Member States have included a significant number of measures to support social and territorial cohesion<sup>(9)</sup>. As in most Member States LRAs are the principal executors and accountable for cohesion policy but in most cases not properly involved in the preparation of the RRF, the Committee fears that the territorial cohesion objectives (under pillar 4) will not be met;

25. Points out that it is essential to avoid greenwashing and stresses that the 'do no significant harm' principle is a cornerstone of the trust of EU citizens in the RRF implementation. The detailed requirements in the RRF regulation related to the application of the 'do no significant harm' principle and the categorisation of green investments should be followed by Member States in order to prevent the potential breach of the 37 % spending requirement for green investments;

26. Regrets that the review report does not clearly demonstrate how the RRF effectively aligns with regional/local planning and operational programmes for cohesion. The CoR regrets the RRF's centralised character, lack of regional dimension and absence of consultations with regional and local bodies when it comes to its implementation and governance;

27. States that in terms of synergies between RRF and other EU funding, given their different functioning, timing and governance, the main issue is the risk of overlaps. Therefore, in terms of strategic orientation and implementation, continued interaction and coordination are needed between cohesion policy, other EU funding and the RRF;

28. Regrets that the inclusion of REPowerEU in the RRF allows for the transfer of cohesion policy funds despite the necessity to use them at local and regional level for the economic recovery, green transition and the reduction of divergences within the EU;

29. Urges the European Commission to provide further information and guidance to Member States on how to involve LRAs. In this respect, advises the European Commission to urge Member States to communicate directly with LRAs on the implementation and monitoring of the RRF. Regions and cities are the closest administration to citizens, hold most of the competences to achieve territorial goals, and are the core actors of European cohesion policy;

30. States that there is a need, in line with Article 22 of the RRF Regulation, to implement a strong monitoring system that requires no additional administrative burden at the local and regional level, as LRAs need clearer rules for the execution of funds. Moreover, there is a demand for common guidelines and tools as Member States need to ensure they collect data and access is provided to the European Commission to the official database of beneficiaries to avoid double funding;

31. Urges the EC to ensure that fundamental principles such as multilevel governance and subsidiarity are consistently respected and implemented. In this regard, cohesion policy should not stand alone but interact and coordinate with new instruments including the RRF;

### **What is needed?**

32. Points out that the vital role of LRAs is not limited solely to implementation of the NRRPs, but also to the further planning and evaluation of the execution of the NRRPs, for which economic economic/social impact analysis tools, covering the local and regional level, are needed;

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<sup>(9)</sup> RRF Regulation, Article 3(d), 4th pillar.

33. Therefore calls for the Commission's annual reports, as defined in Article 31 of the Regulation, and for the independent evaluation report on the implementation of the Facility to be delivered by 20 February 2024 as foreseen by Article 32 of the RRF Regulation, that the CoR be involved in the preparation and that a section be included on LRA involvement, building on the content of the RRF Regulation's Recital 34 and Article 18, in order to obtain a better overall view on the implementation processes in the EU Member States;

34. Emphasises that the available administrative capacity of Member States and LRAs should be used efficiently and strengthened in order to ensure proper implementation and monitoring of the NRRP and an adequate take up of RRF funds at the local and regional level, in line with the objectives of the Technical Support Instrument;

35. Expresses its concern regarding the growing trend in the paradigm shift from Structural Funds, regionally managed, towards larger centralised allocations and coordination mechanisms like the European Semester, which are programmed and implemented at national level; whereas RRF is one example, the same applies to the Just Transition Fund and the Brexit Adjustment Reserve;

36. Therefore calls upon the need to reflect on how to stronger anchor the principles of subsidiarity and multi-level governance in the EU treaties and how to more efficiently monitor its applications in practice. Stresses the importance of raising this issue in light of the eventual constitutional convention to reform the EU treaties;

37. Appreciates the active role and work done so far by the European Parliament (EP) in the scrutiny and oversight of the RRF implementation. Appreciates that the CoR has been invited several times to participate in the joint ECON-BUDG working group on the scrutiny of the Recovery and Resilience Facility (RRF WG);

38. Regrets that the European Parliament's resolution on implementation and, especially, its reference to the involvement of LRAs has not been taken into account. Asks the Parliament to consider, in line with Article 26(2) of the RRF Regulation to draft a resolution on the effects and impact of the centralised allocations of EU funds based on experiences from the implementation of the RRF at the local and regional level;

39. Urges the Member States and the European Commission to take the necessary measures to change the current centralised narrative into a multi-level implementation approach of the RRF by setting-up on a structural basis and together with LRAs e.g. multi-level platforms, information sessions and events in accordance with Article 34 of the RRF Regulation and multi-level working groups;

40. Urges the European Commission to present stricter guidance to Member States and to encourage them to report in detail in their annual national reform programmes (NRPs) on the consultations with LRAs and stakeholders, in the spirit of Article 18(4)(q) of the RRF Regulation;

41. Highlights that the scoreboard on measuring the progress of implementation of the NRRPs defined in Article 30 of the Regulation could be further developed to ensure that the 'territorial dimension' is properly reflected. We need to assure an integrated monitoring process, with the involvement of LRAs and an objective approach to implementation; this should not lead to an excessive administrative burden for LRAs;

42. States that the reforms and investments covered by the NRRPs should be in line with the country-specific recommendations under the European Semester framework. A reform of the European Semester is necessary to embed the territorial dimension. The local and regional dimension should be taken into account not only in the light of the current lessons learned with implementing the NRRPs, but also in the context of future EU programmes and the EU's long-term objectives, be it the Fit for 55 package, the digital transition, the achievement of the Sustainable Development Goals (SDGs) by 2030, or achieving climate neutrality by 2050;

43. Reiterates, therefore, its call issued in previous opinions <sup>(10)</sup> for a code of conduct for the involvement of local and regional authorities in the context of the European Semester. The European Semester should become more transparent, inclusive and democratic by involving local and regional authorities; this increases the ownership at local and regional level, thus improving the overall implementation of the desired reforms and RRF in the Member States.

Brussels, 8 February 2023.

*The President*  
*of the European Committee of the Regions*  
Vasco ALVES CORDEIRO

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<sup>(10)</sup> CoR Opinion: Recovery plan for Europe in response to the COVID-19 pandemic: Recovery and Resilience Facility and Technical Support Instrument (OJ C 440, 18.12.2020, p. 160).  
CoR Opinion: The European semester and cohesion policy: aligning structural reforms with long-term investments (OJ C 275, 14.8.2019, p. 1).  
CoR Opinion: Improving the governance of the European semester: a Code of Conduct for the involvement of local and regional authorities (OJ C 306, 15.9.2017, p. 24).