European Commission

INSIGHTS FROM THE RECOVERY AND RESILIENCE FACILITY

The Business Perspective

NEXT GEN EU

The Recovery and Resilience Facility (RRF) is a temporary instrument that is the centrepiece of NextGenerationEU - the EU's EUR 800 billion recovery instrument. Set to last until end-2026, the RRF is unprecedented both in scale and ambition. It has the two-fold objective of helping Member States recover and emerge stronger from the devastating economic and social effects of the Covid-19 pandemic as well as boosting the EU's resilience and making our economies and societies fit for the future, especially by supporting the green and digital transitions. The RRF is the EU's first major performance-based funding programme, disbursing funds to Member States against the progress made towards the ambitious reforms and investments put forward in their national Recovery and Resilience Plans.

Through the Facility, the Commission raises funds by borrowing on the capital markets (issuing bonds on behalf of the EU). These are then available to its Member States, to implement ambitious reforms and investments.

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1 How is the RRF contributing to improve the business environment in the EU?

The Recovery and Resilience Plans (RRPs) go beyond direct financial support, spearheading significant reforms to cultivate a business-enabling environment across Member States. The RRPs contain a wide array of ambitious reforms geared towards alleviating regulatory and administrative burdens and addressing challenges throughout the entire business life cycle, to maximise the impact of investments and boost the competitiveness of EU businesses.

The RRPs make an important contribution to the modernisation of public administration in Member States. The quality of public administration directly affects the business environment by shaping regulations, services, infrastructure and overall economic conditions. To ensure high quality, capable and innovative public administrations, Member States devote over €23 billion in their RRPs. To maximise the effect of these investments, the RRPs also include more than 300 reforms linked to public administration, for example to enhance the administrative capacity or improve the predictability and efficiency of decision-making processes.

Another focus of the RRPs is on simplifying regulations and cutting red tape that often hampers businesses, particularly SMEs. In their RRPs, many Member States strive to reduce the regulatory burden, enhance regulatory clarity and improve the business environment, with initiatives such as the "1-in-2-out" rule in Slovakia, Spain's reforms enhancing regulatory clarity and setting up a forum for regulatory improvement or France's ASAP law to simplify administrative rules and procedures. Several countries, including Romania, Ireland, and Cyprus, are adopting legislative changes related to the SME test to identify and mitigate regulatory impacts, thereby easing the burden on small businesses. Other countries like Austria and Poland are implementing various measures to cut red tape such as digital transformation and the Once-Only reporting principle. In Slovenia, the "Debureaucratisation Act" reduced Slovenian legislation affecting businesses by 10% and repealed over 200 laws and bylaws. It also resulted in a lower cost of administrative procedures, which will contribute to increasing the competitiveness of businesses in Slovenia.

Austria: Cutting red tape and helping entrepreneurs

The Austrian reform aims to reduce bureaucracy by:

- implementing the Once Only principle as a mandatory principle in administrative proceedings, thereby reducing double and multiple reporting;
- amending the Business Service Portal Act and applying the Single Digital Gateway Regulation, so that entrepreneurs both at the national and at the Union level can benefit from the Once Only principle.

In the RRPs, Member States tackle challenges across the whole business life cycle, from the opening to the closing of a business. The RRF helps Member States reduce the time needed to start a company, streamline and speed up licensing and permitting processes, reduce restrictions to access regulated professions, and ease and digitise the incorporation of businesses. Reforms in Spain simplify procedures for setting up businesses, while Italy is making the set-up of businesses faster by reducing the time of accreditation of information about employees from seven to four days.

Spain: Helping companies across the business cycle by making procedures simpler and shorter

The Spanish reform has several key elements:

- the Law on Business Creation and Growth to simplify procedures to set up a business, foster an early payment culture, and improve the Law on Market Unity to remove barriers for new companies to access the market;
- establish a new Sectoral Conference for Regulatory Improvement and Business Climate to enhance coordination and dialogue, and promote better regulation;
- revise the Insolvency Law, to make procedures more efficient and introduce a special process for micro-SMEs.

Cyprus: Fast-tracking business activation

The Cypriot reform aims to facilitate the opening of a business by:

- simplifying and digiting administrative procedures through the establishment of an interactive digital platform to facilitate the exchanges between businesses and administrations;
- setting up a Business Support Centre that shall provide all necessary and supportive information and services.

Reforms in various Member States aim to simplify and shorten the process of obtaining licenses for renewable energy facilities, advancing the green transition. For instance, there are specific reforms in Slovakia and Greece for the building of on- and offshore wind installations, while the Hungarian, Slovakian and Romanian RRPs contain measures to enable the production of green hydrogen. The RRPs of Czechia, Poland, Slovenia and Slovakia contain additional reforms to facilitate the integration of energy from renewable sources into existing transmission networks. In Cyprus, companies can now access a fully operational IT platform replacing lengthy permitting processes, which has sped up the estimated time for getting permits for photovoltaic plants by 50%.

Italy: Streamlining legislation and cutting red tape to deploy renewables

The Italian reform aims to accelerate the deployment of renewables by:

- consolidating the legislation on the deployment of renewables in a single primary legislative act, also known as 'Testo Unico';
- establishing "ceiling rules" for which regions cannot implement stricter permitting rules than those set out in national legislation;
- identifying Renewables Acceleration Areas in line with the revised Renewable Energy Directive;
- establishing a single-entry digital platform for obtaining all authorisations at national and regional level needed to install and deploy renewable energy sources, based on the Once Only principle.

Measures across RRPs are tackling barriers to entry to stimulate competition and economic growth. For instance, Hungary is removing energy market barriers and promoting new suppliers through legislative changes, while Bulgaria is establishing a framework for development of industrial ecosystems which creates favourable conditions for entrepreneurs, investors and research institutions in industrial parks and reduces the procedures required for industrial investment. Italy is boosting competition in public service contracts and revising concession conditions. Croatia is liberalising service markets and streamlining at least 50 regulatory requirements for various professions including lawyers, notaries, tax advisors, auditors, architects, engineers and tourist guides.

Portugal: Reducing restrictions for regulated professions

The Portuguese reform aims to reduce regulatory restrictions to access more than 20 professions (among which lawyers, engineers, architects, accountants, pharmacists and notaries) by:

- separating the regulation and representation functions in professional associations;
- reducing the list of reserved activities, based on the principle that access to professions can be restricted only to safeguard constitutional interests, according to the principles of necessity and proportionality;
- ending restrictions to ownership and management of business services firms, provided managers respect the legal regime for the prevention of 'conflict of interests';
- allowing multidisciplinary business services.

Several reforms included in the RRPs focus on digitalisation to improve business services. For instance, Romania is working on streamlining, simplifying and fully digitalising business-related regulatory requirements to set up and close a business, supported by an investment to introduce a public digital platform connected to the government cloud which acts as a one-stop shop for licenses, authorisations, and certifications. Belgium is also fully digitalising procedures for creating business activities and legal persons, while Slovakia, Slovenia, and Greece are digitalising and consolidating business registries to enhance efficiency.

Croatia: Digitalising to improve the business environment

The Croatian reform aims to simplify, speed up and increase the transparency of regulatory procedures for businesses by:

- updating its online platform for business registration (START platform), as well as creating a new platform for digital licensing (START Plus);
- establishing a single platform for payment of mandatory fees for businesses.

The RRF also drives substantial reforms to improve the efficiency of the judicial system, through regulatory enhancements and court digitalisation. Thanks to the RRP, Bulgaria's Commercial Law amendments introduce early warning tools to help companies deal with debt distress. Italy is digitalising court proceedings with early warning systems, while Portugal is simplifying proceedings in a digital environment. Additionally, the Croatian plan reduces backlog in insolvency cases, while Cyprus and Slovakia strengthen, harmonise and digitalise their insolvency frameworks, and Greece enhances debt restructuring mechanisms to prevent over-indebtedness.

Slovakia: Simplifying insolvency proceedings

Combined with a substantial investment, Slovakia's reform includes:

- new laws which will create a unified legal framework, standardise and improve insolvency procedures and digitalise forced liquidation processes;
- early warning tools and specialisation in business courts which will detect financial distress early and ensure expert handling of cases, aiming to shorten proceedings and reduce costs;
- integration of courts, creditors, and the public into a unified digital system, enhancing efficiency and transparency;
- full digitalisation of insolvency processes, including liquidation, bankruptcy, restructuring, and debt discharge, to streamline case handling and reduce costs for entrepreneurs.

Overall, the reforms and investments facilitated by the RRF are pivotal for creating a conducive environment for businesses to thrive, fostering entrepreneurship, enhancing competitiveness, and driving economic growth across Europe.

2 Does RRF funding, mostly channelled through the public sector, reach businesses?

The RRF ultimately benefits citizens and businesses, even when the public administration is the formal recipient of the funds. Many RRF measures that benefit public administration improve public services relevant for the whole society and for companies, such as health, education/skills, transport, justice or public administration, thereby benefitting both citizens and businesses. Public authorities are often the recipients of RRF funds because they are the main providers of such public services. However, public authorities use those funds to deliver and improve public goods and services which ultimately benefits citizens and companies.

Public administrations commission companies to perform contracts for the delivery of public goods and services, providing substantial public contract opportunities for EU businesses. The RRF is financing important public infrastructure projects throughout the continent. For example, the Italian Recovery Plan envisages €22 billion of investments in railway infrastructure. In 2023 alone, the Italian railway infrastructure manager RFI awarded procurement contracts worth €16.5 billion, which in turn benefit hundreds of suppliers and contractors down the line. In several Member States (Italy, Spain, Netherlands), the RRF is financing the roll out of European Rail Traffic Management System whose signalling technologies are produced by European railway manufacturers. Other examples are the numerous healthcare investments in the RRPs – for instance, while the Greek Ministry of Health is the recipient of RRF funds in relation to the construction of a building for cellular and gene therapies in the hospital of Thessaloniki, it orders such works from private contractors. Furthermore, the Ministry of Interior of Slovakia is investing €38 million to purchase police cars through competitive tenders.

In addition, the RRF provides substantial direct support to businesses. Almost three million enterprises have already received direct RRF support. By the end of 2023, direct support to companies accounted for more than €82 billion (or 13% of the total estimated RRF expenditure). RRF financial support spans across multiple sectors: manufacturing, automotive, energy, wholesale and retail, tourism, culture. Many measures are making industry greener, reducing emissions and preparing it for the climate-neutral future. The RRF also funds the take-up of transformative digital technologies to make EU companies more cutting-edge and future-proof.

Supporting businesses across a wide range of sectors

- **France** provided **subsidies to 3,370 industrial SMEs and mid-caps** to acquire fixed assets in technologies such as robotics, augmented reality, high-performance computing, smart production and artificial intelligence.
- **Greece** launched tenders for funding investments targeted towards technologies and services to foster the digitalisation of SMEs (such as e-payment, e-sales and e-invoicing, digital advertising, digital upskilling, cybersecurity systems, cloud infrastructures and services). The measure will support the **digitalisation of over 100,000 SMEs**, the upgrade of 400,000 cash registers, and the replacement of 100,000 Point Of Sales systems.
- **Estonia** has already deployed **€103 million** to assist companies in accelerating the **green transition**, mainly through the AS SmartCap Green Fund which is supporting green technology companies with a high growth potential.
- **Austria** incentivised the purchase of more than **20,000 zero-emission vehicles** and the installation of around **125 charging stations by companies**, through the RRF-funded investment premium.

The RRF also indirectly increases demand for products and services of many companies. For instance, several RRPs contain e-commerce measures, helping businesses establish online sales channels and increase their sales (Italy, Spain, Germany, France, Portugal, Greece). Other examples are the substantive investments in connectivity in the RRPs (€13.6 billion) which are expected to drive the use of high-speed fixed and mobile Internet, or measures to digitalise Member States' public administration (€56 billion), as they benefit telecommunication and IT companies who see greater demand for their goods and services.

The RRF has an important impact on the long-term drivers of competitiveness of EU businesses (such as public governance, digitalisation, circularity, skills, research and innovation). To take the example of R&I, through the RRF, Member States are mobilising around €55.6 billion in R&I investments (which is more than half of the Horizon Europe budget of €95.5 billion), in addition to implementing important R&I reforms. From that RRF amount, about €19.7 billion will support R&I towards the green transition and about €5.2 billion R&I towards the digital transition. Some examples of R&I investments include the establishment of a digital regulatory sandbox in Czechia, the improvement of innovation governance and around €2 billion to finance R&D investment for innovative companies, under the fourth '*Programme d'Investissements d'Avenir*' (PIA4) in France, and the enhancement of coordination and governance structures for research and innovation initiatives in Romania.

Many RRPs also set up financial instruments or public schemes to help companies obtain financing. Most of the financial instruments lay emphasis on promoting innovation, sustainability, and the green transition, such as in Greece, Romania and Czechia. Schemes in other RRPs focus on providing diverse financing sources tailored to the specific needs of businesses, particularly SMEs and innovative start-ups, e.g. in Bulgaria and Cyprus.

Facilitating access to finance through financial instruments for innovation and the twin transition

- **Croatia** established **four financial instruments for micro, small and medium-sized enterprises** to encourage investments in new technologies, modern equipment, production and service capacity, as well as the pursuit of green transition measures, which also supports micro entrepreneurs, start-ups, young entrepreneurs, investments in research, development and innovation or businesses investing in less developed areas.
- **Greece** created a Loan Facility making available **more than €17 billion of RRF loans**, and mobilising additional private funds, to support private investments, notably in the climate and digital transitions. Loan contracts corresponding to more than €4.5 billion of RRF loans have already been signed.
- **Italy** established a **financial instrument for start-ups**, with the signature of the agreement between the government and the implementing partner *Cassa Depositi e Prestiti (CDP)* which will leverage private sector investment to provide at least €400 million to support Italy's digital start-up ecosystem and €250 million in start-up and venture capital for the ecological transition.
- **Cyprus** established an **equity fund** which increases the availability of alternative financing sources, particularly for innovative companies and start-ups.
- **Latvia** set up a **combined financial instrument** (a repayable loan with a capital discount) to support businesses with introducing renewable energy technologies, increasing energy efficiency, as well as investing in sustainable transport, in addition to providing support for new energy-efficient technologies to be introduced into production processes.

3 Are big corporations benefitting from RRF reforms and investments more than SMEs?

Until end-2023, almost three million companies were supported by the RRF and almost all were SMEs. All 27 plans directly (or indirectly) support SMEs through a wide range of measures, from thorough reforms of the business environment which reduce administrative burden, to ambitious reskilling and upskilling programmes which address the challenge of skills mismatches.

Out of the 2 804 967 enterprises supported by the RRF until the end of 2023, almost all were SMEs.[1] Concretely, 2 745 634 SMEs were supported by the end of 2023, which equates to approximately 11% of all SMEs active in the EU.[2] For comparison, under the Cohesion policy 2 030 752 SMEs were supported for the funding period 2014-2020.

A significant number of reforms and investments either specifically target SMEs or have a considerable positive impact on SMEs. 22 plans contain investments and reforms directly supporting SMEs worth €78 billion, representing approximately 12% of the total estimated RRF expenditure.[3] Specific measures targeting SMEs include improving the business environment and access to public procurement, accelerating their digitalisation, facilitating access to finance, strengthening research and development capacities and addressing skills and labour shortages through the reskilling and upskilling of the firms' employees.

Empowering SMEs to be more innovative, digital and resilient

- **Greece's plan** contains a reform to reduce the administrative and regulatory burden on businesses. The reform reduces the complexity, cost and length of procedures such as getting credit, obtaining an electricity connection, registering property, and getting a construction permit.
- **Slovakia** is incentivising SMEs to build their research and development capabilities by introducing innovation, digital and patent vouchers to stimulate SMEs' cooperation with research organisations, boost the uptake of digital technologies in SMEs and promote the protection of intellectual property rights.
- **Portugal's plan** includes a comprehensive investment package with €480 million support for the digital transition of SMEs. It contains actions on digital skills, entrepreneurship, internationalisation, support in the adoption of digital technologies, and focuses on supporting start-up creation and growth.

1 https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/RRFCI09.html
2 https://publications.jrc.ec.europa.eu/repository/handle/JRC134336
3 The figure is based on the pillar tagging methodology for the Recovery and Resilience Scoreboard and corresponds to the measures allocated to the policy area "Support to SMEs" as primary or secondary policy area.

SMEs also benefit from a larger pool of measures that have a wider policy focus. For example, calls for projects supporting R&I in the green and digital areas, financial instruments open to all companies, reforms of the overall business environment, or broad measures like the digitalisation of public administration services will have a positive impact on the operations and costs of many SMEs even if they are not exclusively targeting SMEs. Accounting for these additional measures, it is estimated that all 27 plans contain measures that are relevant for SMEs with a total estimated expenditure of at least €152 billion or 23% of the total estimated RRF expenditure (covering all 27 RRPs).[4] In comparison, under Cohesion policy around €123 billion was allocated to boosting the competitiveness of SMEs, amounting to 23% of planned funds for the period 2014-2020.

4 This figure is based on the pillar tagging methodology for the Recovery and Resilience Scoreboard and corresponds to the measures allocated to the policy area "Support to SMEs" as primary or secondary policy area, further expanded taking into account the additional policy areas of: Business Environment/ Entrepreneurship', 'Research, Development and Innovation' and 'Digitalisation of Businesses', in line with the methodology used in the RRF mid-term evaluation.

4 As the RRF is a temporary instrument, how timely is its implementation and what can be expected?

The RRF was designed to enable a strong and quick response to the unprecedented impact of the COVID-19 pandemic. The RRF has delivered on its recovery goal: its mere announcement had an immediate effect on markets, narrowing sovereign debt spreads and restoring confidence. Funds then started flowing to most Member States immediately after the approval of their RRPs, as well as after the approval of the REPowerEU chapters in 2023 in response to the energy crisis.

Thanks to pre-financing, Member States quickly received more than 10% of the total funds, or almost €67 billion, allowing them to support businesses and citizens. In line with the RRF Regulation, Member States could receive up to 13% of their total RRF allocation after approval of their RRPs, i.e. even before having fulfilled any milestones and targets. In 2021 and 2022, €56.5 billion were disbursed as pre-financing, and an additional €10.4 billion were disbursed in 2023 and early 2024, upon the approval of the REPowerEU chapters. These funds provided fast and direct support to Member States, providing immediate fiscal space in addition to the flexibilities and additional funding made available under the cohesion policy funds.

In sharp contrast with previous crises, public investment was maintained and even increased in the aftermath of the pandemic. Employment was also preserved. EU instruments played a key role in these positive outcomes. According to the 2023 Autumn economic forecast, around half of the expected increase in public investment between 2019 and 2025 is related to investment financed by the EU budget, particularly the RRF.

With Russia's aggression against Ukraine and the steep increase in energy prices, the EU economy was initially expected to fall into a recession in winter 2022-2023. This recession was avoided by a margin and the conditions for a gradual pick-up in economic activity are in place, also thanks to the RRF and EU support instruments.

In 2023, multiple challenges have slowed down the disbursement of RRF funding. The reasons were several: the need to divert administrative capacity to address the recent crises (notably the war in Ukraine and the ensuing energy crisis), the related efforts to reprogramme certain priorities and revise the RRPs (including the addition of REPowerEU chapters), as well as the impact of supply chain disruptions on investments. In addition, administrative procedures and reporting requirements have been often blamed for the delay in disbursing money, but they are key for the good use of public money. Indeed, some procedures such as competitive tenders or collection of documentation for audits are essential to avoid fraud and misuse of RRF funds.

In spite of all those challenges, the implementation of the RRF on the ground continues to move ahead, and a large number of companies across the EU are significantly benefitting from RRF measures and funding. The flow of payment requests accelerated in late 2023-early 2024, signalling a renewed focus on implementation, which should continue until the end of the RRF.

Funds flowing to businesses across the EU

- **Spain** has supported more than 310,000 companies and 360,000 digital projects via digitalisation actions, increasing Spanish SMEs' digital resilience.
- **France** has provided subsidies to 5,000 SMEs to support the energy renovation of their buildings. Major investments in the thermal renovation of public buildings, individual houses and social housing boosted demand for the SMEs of the construction sector.
- **Estonian** companies are receiving over €100 million to aid them in powering the green transition through the AS SmartCap Green Fund.

5 What is the role of State aid control in RRF investments, and how is the use of these funds for companies facilitated?

State aid control is a key element for a well-functioning internal market as it allows preserving fair competition between companies. State aid rules ensure that Member States' interventions to address market failures are designed in a way that minimises distortions of competition among companies doing business in the internal market. State aid scrutiny contributes to ensuring that RRF support is provided in an appropriate way, limited to what is necessary and proportionate, avoiding detrimental effects of crowding out private initiatives or risking subsidy races between Member States.

The vast majority of RRF measures, for example certain infrastructure investments and direct support to citizens, is not subject to State aid control. Member States can therefore immediately implement these measures without notifying them to the Commission.
Where measures in the RRPs do entail State aid, they also can often be implemented without notification to and prior review by the Commission. This is made possible in particular based on (i) the General Block Exemption Regulation, that was amended in 2023 notably to facilitate, simplify and speed up support for the green and digital transitions and grant Member States more flexibility to design and implement support measures in sectors that are key for the transition to climate neutrality and to a net-zero industry; and (ii) the *de minimis* rules, that exempt small amounts of aid from EU State aid control and were amended in 2023, notably to increase in the ceiling per company from €200,000 to €300,000 over three years. Examples of measures not requiring prior notification and approval are schemes supporting research by companies or the deployment of renewables under certain conditions.

When an RRF funded measure entails State aid and needs to be notified to the Commission for approval prior to its implementation, the Commission processes it as a matter of priority. The Commission is committed to complete State aid assessments of the RRF measures within six weeks of receiving the complete notification from the Member State.

The Commission has proactively provided Member States with all the necessary State aid guidance and tools to ensure that their Recovery and Resilience plans are implemented as swiftly as possible. In particular,

- In December 2020, the Commission published 'guiding templates' to help Member States determine whether their RRF measures constitute State aid and, if so, how they can be compatible with the Single Market.
- With the introduction of REPowerEU, the Commission updated these templates in April 2023.[5] The Commission did this to help Member States design measures that contribute to the implementation of the European Green Deal, while helping to end the dependence on Russian fossil fuels and bolster the green transition.
- The Commission also made State aid guiding templates available online, offering practical guidance to Member States on State aid procedures for their RRF measures.

In terms of numbers, by 1 January 2024, the Commission approved, under EU State aid rules, 143 RRF-funded measures (which accounts only for around 3% of the total number of 4,671 measures included in the RRPs).

Spain: Speedy State aid green light to enable a scheme to support businesses

Spain received State aid approval for its business support scheme in a timely fashion. Specifically:

- on 5 November 2021, Spain notified the Commission of a scheme partly funded by the RRF,
- on 9 December 2021, within 5 weeks of receiving the notification, the Commission authorised the scheme that gives €3 billion of support for research, development and innovation, as well as environmental protection and energy efficiency measures of companies in the value chain for electric and connected vehicles.[6]

5 The updated 'guiding templates' are available on this page: https://competition-policy.ec.europa.eu/state-aid/legislation/rrf-guiding-templates_en?prefLang=fr.

6 See State aid decision SA.64685 (2021/N) – Spain RRF - Integrated aid measures to support the electric and connected vehicle value chain (ECV PERTE).

6 How is RRF assisting EU Member States in delivering on common priorities and cross-border projects?

The RRF has a clear EU added value, both in terms of its design and the impact on the ground. Through reforms and investments, the RRF promotes the implementation of common EU priorities to modernise EU economies and increase their competitiveness, and to foster the green and digital transitions. In particular, Member States had to address all or a significant subset of country-specific recommendations issued to them in the European Semester framework. Those recommendations are a prime example of a translation of common EU priorities to the specific situation of each Member State. Thanks to the RRF, progress in the implementation of country-specific recommendations has markedly improved across Member States[7], including with reforms that address long-standing challenges, such as the reforms concerning regulated professions in Portugal or long-term care in Slovenia.

One of the focuses of the RRF is the support for the green and digital transition, a major undertaking for the whole EU. The RRF provides a key financing source for the European Green Deal with all Member States' RRPs having exceeded the green target of 37% of total allocation set in the RRF Regulation, with the total estimated climate expenditure amounting to €275 billion or over 43% of the total plans' allocations. The RRF also provides a substantial boost to the digital transition in the EU, including towards the achievement of the EU-level targets of the Digital Decade in the areas of skills, infrastructure, business and government. Member States exceeded the target of 20% of the total allocation set in the RRF Regulation, with the total estimated digital expenditure amounting to €150 billion or 26% of the total plans' allocations.

The simultaneous implementation of the RRF by all Member States is estimated to generate a sizeable positive spillover effect that increases average GDP. These spillovers are estimated to generate an added value for the EU that amounts to between a quarter and a third of the total impact of the RRF. While all Member States are estimated to benefit from sizeable cross-border spillover effects because of rising demand across the integrated EU economy, the joint investment impulse from the RRF is also supporting upward economic convergence in the EU. The results predict that Member States with below-average GDP specifically gain from these spillover effects, which spur greater economic activity and cross-border trade.

The RRF also supports cross-border and multi-country projects which benefit more than one Member State.[8] The RRPs finance a number of cross-border and multi-country projects, including national legs thereof.

7 In the two years preceding the RRF, the share of 2016-2017 CSRs reaching at least 'some progress' increased by only six percentage points from 53% in 2018 to 59% in 2020. In comparison, the share of 2019-2020 CSRs reaching at least 'some progress' increased by 17 percentage points from 52% in 2021 before the implementation of the RRF to almost 69% in 2023.

8 See e.g. recital 39 of the RRF Regulation.

Cross-border and multi-country projects

- The RRF supports many important cross-border transport projects, such as those in the Cypriot plan (**project of Common Interest "EuroAsia interconnector" linking the electricity network of Cyprus to Crete**) or in the Estonian plan (**several viaducts to form part of the Rail Baltica** – a greenfield rail transport infrastructure project to build a new railway connection starting in Tallinn, Estonia, and crossing the three Baltic States to connect to the European rail network).
- Multi-country projects in the RRPs include **Important Projects of Common European Interest (IPCEIs)** in the fields of strategic investments with clear EU added value, such as hydrogen technology (13 RRPs), microelectronics (11 RRPs) and cloud infrastructure (8 RRPs). Thanks to RRF financial support, the number of Member States participating in IPCEIs expanded, notably towards Eastern European countries.
- The importance of the cross-border dimension was further highlighted with the **REPowerEU** Regulation, amending the RRF Regulation, by including an additional assessment criterion considering the cross-border or multi-country dimension of all measures introduced under the REPowerEU chapter. For instance, the Italian REPowerEU chapter is supporting the construction of sections of the Linea Adriatica gas pipeline that will contribute to the transport natural gas to flow from the Mediterranean to Central Europe.

The RRF, based on national plans, is complementary to other EU instruments which exist to facilitate EU cross-border/multi-country projects. For example:

For cross-border energy projects, the EU has another key tool – the **Connecting Europe Facility for Energy**. This financing program has been in place since 2014. It contributed substantially to create the EU's energy market with better interconnections. Now it remains a key tool to enable the European Green Deal and to complete the Energy Union. For the 2021-2027 period, the EU has earmarked €5.84 billion to help the transition towards clean energy and to make the EU energy systems more interconnected, smarter and digitalised.

Another relevant instrument is the **InvestEU programme**. Powered by an EU budget guarantee, it is set to mobilise at least €372 billion of private and public investment in EU common priorities, in the areas of green, and digital transition, innovation and social investments and skills, including for projects spanning across more than one Member State.

7 How is the RRF strengthening the Single Market and enhancing Europe's competitiveness?

The RRPs chart a course toward strengthened Single Market and economic integration. Beyond their direct impact, the investments in the RRPs generate positive spillover effects that reverberate throughout the Single Market, mitigating risks of lasting disparities and bolstering intra-EU trade. Furthermore, the RRPs include strategic reforms that enhance competition, modernise public procurement and promotes trade and investment.

The RRPs have a strategic approach to enhancing competition across sectors, playing a crucial role in driving positive outcomes for consumers, businesses, and the economy. Member States are implementing diverse reforms aimed at spurring competition and efficiency. For instance, Italy's focus lies on competitive public service contracts and smart meter deployment, while Hungary is eliminating energy market barriers and promoting new suppliers, and Poland prioritises fair relations in the agri-food supply chain. Bulgaria is improving the governance of State-owned enterprises. Moreover, Croatia is liberalising its services markets and simplifying the regulatory framework for a range of professions. Portugal has undertaken measures to diminish regulatory constraints across a spectrum of over 20 professions, such as lawyers, engineers, architects, accountants, pharmacists, and notaries.

Croatia: Improving governance of State-owned enterprises (SOEs) to enhance productivity

The Croatian reform aims to improve corporate governance in strategic SOEs and reduce the portfolio of government assets, by:

- adopting new legislation to harmonise the regulatory framework for the corporate governance of SOEs, and strengthen the SOEs board's autonomy and independence, and
- defining a new list of SOEs of strategic interest to Croatia, while planning to reduce the number of non-strategic SOEs by transferring them to the Restructuring and Sales Centre (CERP) portfolio with a view to sell such assets.

The RRPs also prioritise modernising public procurement processes to drive Europe's competitiveness. Member States are implementing reforms, including regulatory changes and digital investments, to enhance transparency and foster competition. For example, Bulgaria aims to improve procurement through legislative amendments and increased oversight. Greece is implementing a national strategy to improve public procurement, including through regulatory reform and digital transformation, delivered by IT investments in this area. Slovakia focuses on simplifying procedures and enhancing transparency through digitalisation. Italy's reform aims to simplify tendering procedures, reduce the time to award contracts, professionalise public buyers and roll out its national eProcurement System. Spain is finalising a comprehensive reform to ensure transparency and efficiency, while Belgium, Croatia, Hungary, and Romania are streamlining procurement procedures to boost efficiency and accessibility. These efforts collectively aim to modernise procurement practices and drive economic growth in Europe.

Romania: Streamlining public procurement through digitisation

The Romanian RRP includes an investment to streamline the public procurement practices by:

- operationalising the standard electronic forms to be used for the publication of public procurement;
- integrating eForms with other tools and services (such as the Business Intelligence system of the National Public Procurement System);
- providing trainings to users.

Furthermore, the RRF catalyses strategic investments that bolster trade and economic resilience. The measures included in the RRPs open new business opportunities by promoting trade and investment across Member States. Greece, for example, is advancing the digitalisation of its Economic Diplomacy Network, facilitating smoother trade and investment processes through initiatives like single exports gateways and "Helpdesk" services for exporters. Spain is empowering small businesses through trade sector digitalisation, enhancing efficiency and sustainability with programs like the Technological Fund and Sustainable Markets. One of Croatia's investments aims to increase SME exports of innovative products by fostering ties between academia and industry for global market access. Bulgaria's Industrial Parks Act aims to create favourable conditions for entrepreneurs and investors within industrial ecosystems by streamlining investment procedures and offering state support. Italy has implemented measures such as a dedicated portal for the Single Control Desk and simplifying governance in Special Economic Zones, enabling smoother trade and strategic investments. These reforms collectively promote competition, facilitate trade, and stimulate economic growth across Europe.

Greece: Facilitating trade and investment

The Greek RRP includes a reform to complete the digitalisation of Economic Diplomacy Network, including through:

- operationalising of the single exports gate, providing “Helpdesk” services, and publishing of databases on international market and exports procedures
- launching an Ombudsman service to assist exporters overcome obstacles during the exports process
- digitising of Enterprise Greece’s internal processes and creation of a digital vault for the investment portfolio of Enterprise Greece and of strategic investors as well as creating of new digital channels of communication with exporters and potential investors

As the RRF drives forward reforms and investments, it underscores a collective European commitment to competitiveness, transparency, and efficiency within the Single Market. By fostering economic convergence, promoting fair competition, and catalysing strategic investments, the RRF is revitalising the Single Market and helping to make Europe more competitive and prosperous.

8 How does the RRF compare to the US Inflation Reduction Act, and what is the role of tax measures under the RRF?

The Inflation Reduction Act (IRA) centres around tax credits and large-scale investments, while the RRF combines enabling reforms and targeted investments.

The RRF is built on conditional disbursements and targeted investments while the IRA focuses on subsidies and tax incentives. The IRA will provide subsidies and tax incentives worth at least $369 billion[9] (or €350 billion)[10] over ten years to attract green investment and production in the US, as well as stimulate procurement of critical raw materials. Out of the $369 billion in funding, the majority consists of "uncapped" tax credits. The maximum amount of the RRF envelope including grants and loans was capped at €723 billion. With some Member States opting not to take up loans, total available RRF funds resulted in €648 billion by the end of 2023, the disbursement of which is conditional on the achievement of milestones and targets by the Member States.

The RRPs contain simple and targeted instruments, in the form of vouchers, participative loans and investment premiums.

Providing simple and targeted incentives to ensure balanced EU spending

- **Romania** will support research and innovation by granting 500 vouchers to researchers who have applied for the Horizon Europe programme.
- in **Croatia** at least 500 SMEs will benefit from digitalisation vouchers, which will be used to enhance employees' digital skills, adapting business models to the digital transformation, digital marketing, cyber resilience and the deployment of complex digital products and services.
- to support women's entrepreneurship, **Spain** will support women's fund a support line for 200 female entrepreneurs through participative loans.
- **Austria** is granting a 14% investment premium to companies for investments in the priority areas of digitalisation, such as Industry 4.0, e-commerce and cybersecurity.

9 https://commission.europa.eu/document/download/08342c8c-3e13-450f-adc2-87a943f78a4a_en?filename=COM_2023_684_1_EN_ACT_part1_v11.pdf
10 https://multimedia.europarl.europa.eu/fr/video/key-debate-eu-response-to-the-us-inflation-reduction-act-meps-debate-part-1_I234795

There are examples of targeted tax incentives in several RRPs where they may be an efficient means of providing support to businesses. The French RRP includes tax credits supporting VSEs and SMEs in their energy renovation, which has already benefitted 5,000 companies. Italy is providing €13.8 billion in tax credits for innovative investments, including tangible investments (e.g. production machines controlled by computer software), intangible investments (e.g. 3D modelling), research and development and training. In Denmark, more than 7,500 companies have already taken advantage of an increased two-year tax deduction to encourage firms to invest in green and digital solutions (machinery, equipment and software).

With their comprehensive nature, the RRPs also give an important consideration to skills development as well as other important social aspects. The IRA focuses on large-scale investments while the RRPs combine ambitious investments in the green and digital transitions with reforms and investments for the development of skills as well as other social aspects such as education and health.

9 How does the RRF address the issues of skills mismatch and labor shortages?

Europe's competitiveness hinges on the quality of its human capital. Recognising this, the RRF drives initiatives aimed at enhancing businesses' access to skilled labour and equipping individuals with the right skills for an evolving economy. This involves substantial investments to align skills supply with dynamic labour market needs, crucial for navigating transitions towards green and digital economies.

Across Member States, the RRF fosters improved labour market access through the creation and simplification of hiring incentives for businesses. These incentives typically take the form of subsidies to employers, aiming to encourage the recruitment of specific groups such as apprentices, young people, or the long-term unemployed. For instance, investments within the Slovenian RRP provide subsidies for hiring young people on open-ended contracts. In Spain, reforms simplify the overall system of hiring incentives, making it easier for businesses to navigate it.

France: Helping businesses hire and supporting young people in finding a job

The French RRP includes several measures to help businesses hire and support young people in finding a job, in particular:

- financial subsidy for 350,000 apprentices: Employers receive a financial subsidy for hiring apprentices in their first year, with up to €8,000 for those over 18 and €5,000 for minors.
- support for 100,000 professionalisation contracts: monthly financial subsidies to employers during the first year of professionalisation contracts, amounting to €8,000 for employees aged 18-30 and €5,000 for minors.
- hiring subsidy for 350,000 young people: Employers hiring young people under 26 in entry-level or moderately qualified jobs are eligible for a subsidy, provided the job pays up to twice the minimum wage, up to €4,000 annually.

Moreover, the RRF invests heavily in developing human capital, aligning skills supply with the demands of the labour market, particularly focusing on digital and green skills. Digital skills are emphasised across all RRPs, with measures supporting digital training at various education levels as well as through reskilling and upskilling initiatives. Similarly, green skills are included to support businesses' adaptation to the green transition and contribute to environmental objectives. Investments in vocational education and training (VET), training programmes, and strategic plans for green skills development are present in several RRPs such as those of Hungary, Ireland, Italy, Portugal, Spain and Slovenia.

Lithuania: Promoting apprenticeships to develop skills, focusing on SMEs and digital

The Lithuanian reform consists of legislation establishing an apprenticeship scheme, with a target of:

- more than 3,800 vocational education and training students;
- 70% of apprenticeships in SMEs;
- at least 40% oriented towards the development of digital skills.

In addition to investments in training programmes, the RRPs include reforms on lifelong learning, active labour market policies, and skills recognition and validation. For instance, the Austrian RRP contains a reform providing financial incentives for long-term unemployed to participate in qualification sessions, while Latvia and Lithuania are boosting adult education participation through individual learning accounts. To ensure inclusivity and promote labour market participation, attention is also directed towards particular groups, such as women, the unemployed, low-qualified individuals, youth, people with disabilities or older individuals.

Bulgaria: Improving the employment services

The Bulgarian RRP includes an investment to improve the Employment Agency services by:

- developing new and updated tools to foster a more efficient matching of job seekers to job vacancies
- further integrating the electronic systems for employment and other services, including social services
- upgrading of software to conduct surveys and improved data storage systems.

To bridge potential mismatches between skills supply and market needs, many RRPs introduce coordination mechanisms. These mechanisms involve collaboration between stakeholders to identify priority sectors, establish sectoral skills centres, or reform education curricula to enhance soft skills and entrepreneurial abilities. For example, the Czech RRP targets priority sectors through national consultations.

Poland: Improving the employment services

The Polish RRP includes a reform and an investment to improve the matching of skills and qualifications with labour market requirements such as:

- establishment of the legal framework for the network of Sectoral Skills Centres based on a broad consultation of social partners, regional authorities, sectors and other stakeholders;
- 120 Sectoral Skills Centres providing targeted upskilling and reskilling highly relevant for the labour market needs;
- 24,000 people completing vocational training courses, with a confirmation of the obtained learning outcomes (skills and qualifications), recognised by the sector, issued by a sectoral organisation.

These reforms and investments underscore the importance of ensuring businesses' and peoples' access to skills for thriving in the modern economy. As Europe advances its green and digital transitions, nurturing a skilled workforce is crucial for sustainable economic growth and competitiveness.

10 How are the business community and other stakeholders involved in the RRF?

Stakeholder involvement in the RRF process is integral to ensuring that the RRPs effectively address the needs of various sectors and achieve the intended economic and social impacts. Member States are encouraged to conduct public consultations throughout both the drafting and implementation phases to gather input from various stakeholders, including citizens, businesses, civil society organizations, and local authorities.

When submitting their RRPs, Member States were required (under Article 18 of the RRF Regulation) to include a summary of the consultation process of local and regional authorities, social partners (e.g. employer and employee associations), civil society organisations, youth organisations and other relevant stakeholders, explaining how the input of the stakeholders was reflected in their RRP. Several Member States demonstrated strong efforts to ensure broad representation and national ownership, involving a diverse range of stakeholders in the definition and implementation of their plans.

Italy: Ensuring broad and structured consultation of stakeholders

The Italian parliament held a series of hearings involving a variety of stakeholders such as regional and local authorities, social partners, civil society organisations and institutional bodies and approved ad hoc reports with resolutions steering the finalisation of the plan on that basis. The government held a dialogue with regional and local authorities within the framework of the State-Regions Conference. In early 2023, a technical group was created to consult ministries and energy companies as part of the drafting of the new REPowerEU chapter, with input gathered from various regions, municipalities, ministries, and trade unions.

Belgium: Consulting stakeholders for inclusivity and transparency

Belgium adopted a decentralised approach, with each government entity defining its own consultation process based on its competencies. At the federal level, an advisory committee involving social partners, civil society, and gender equality bodies provided input. The Flemish government consulted the Social and Economic Council of Flanders (SERV), while the Walloon government sought advice from the Economic, Social and Environmental Council of Wallonia, both of which bring together representatives of employer unions, trade unions and environmental organisations. In Brussels, the process was linked to the GO4Brussels 2030 Strategy, while the French and German-speaking Communities also engaged social partners and their respective parliaments. Belgium remains committed to continuing stakeholder engagement during the implementation phase.

Moreover, the involvement of social partners and other stakeholders is also ensured during the implementation of the RRPs, particularly in the context of the RRF missions as well as European Semester missions to Member States, where relevant national organisations are invited to discuss the state of play of the RRPs' implementation along with other emerging priorities. Such structured dialogue positively contributes to the effectiveness of the RRPs' implementation. Indeed, social partners are playing a key role in accelerating the adoption and monitoring the implementation of some key reforms, especially for labour market or social policy reforms.

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