



Open letter on the ongoing assessment of national Recovery and Resilience Plans by the Commission

*To: Commission President Ursula von der Leyen,
Executive Vice-President Valdis Dombrovskis, Commissioner Paolo Gentiloni,
Executive Vice-President Frans Timmermans and Commissioner Elisa Ferreira
CC: Céline Gauer, Maarten Verwey*

Dear Commission President,
Dear Executive Vice-Presidents,
Dear Commissioners,

The Recovery and Resilience Facility (RRF) is a **remarkable institutional achievement for the EU and a unique opportunity** to supercharge both the green and digital transitions. If well executed, the RRF will counter the effects of the COVID-19 crisis, foster European solidarity, and advance territorial cohesion. The successful implementation of the RRF will also strengthen the case for a common European fiscal architecture and can serve as its blueprint.

We MEPs from the Greens/EFA Group are convinced that a failure of the RRF to live up to the expectations of EU citizens will undermine our common European objectives. We believe this view is fully shared by the European Commission. To ensure that the RRF's impact is lasting, sustainable, and fairly distributed across societies, the **priorities and provisions which co-legislators agreed upon in Regulation (EU) 2021/241 must now be strictly enforced** when assessing national recovery and resilience plans (RRPs). For this reason, we take the Parliament's duty to scrutinise the Commission's implementation of the Regulation very seriously. Together with our colleagues in the parliamentary RRF scrutiny group, we have invested substantial time and effort into reviewing individual national plans, aggregating stakeholder views and examining the Commission's explanations in the various exchanges and working documents.

Unfortunately, our work has left us with **serious doubts about the compliance** of many measures in national RRFs with the requirements of the underlying Regulation. In a number of cases, the Commission's responses to our questions on these measures have left us concerned that **not enough is being done to ensure that national plans adhere to the letter - and the spirit - of the law**. We have identified many cases where the detailed requirements in the Regulation and Commission guidance for the application of the 'do no significant harm' principle

and the categorization of green investments have been circumvented, ignored or simply not addressed - leading to green-washing and in some cases to a potential breach of the 37% spending requirement for green investment. We have also identified shortcomings beyond the green dimension of the national plans, for example with respect to the application of state aid and competition rules in digital investments, the absence of concrete measures to encourage the participation of SMEs and startups or the failure to address gender-related or anti-corruption country-specific recommendations (CSRs).

Below we have **listed several examples from national plans grouped by areas of concern** where we see a risk of noncompliance with the Regulation. The list is not exhaustive, but representative of potential noncompliance across the RRFs. Given that new plans are being submitted as we write this letter, we may write to you again with additional considerations and/or examples.

We urge you to keep the long-term success of the RRF in mind when you assess the submitted plans and **to reject measures that do not comply with the regulation**. You will have our **full political support for enforcing compliance with the Regulation** via your assessment and its transposal in the draft Council Implementing Acts.

Kind regards,

Ska Keller



Philippe Lamberts



Damian Boeselager, Ernest Urtasun, Alexandra Geese, Jordi Solé and Bas Eickhout

The below points are divided into 7 categories:

- 01 Mis-application of the 37% Green spending requirement
- 02 Violations of the 'do no significant harm' principle
- 03 Lack of compliance with EU environmental laws
- 04 State-aid, protection of fair competition and access of SMEs to RRF funds
- 05 Territorial cohesion and involvement of local and regional authorities and stakeholders
- 06 Failure to implement gender-related CSRs and requirements in the plan
- 07 Addressing potential misuse in the RRF implementation

01 Spending requirement of 37% for ‘measures that effectively contribute to the green transition, including biodiversity’

On paper, national Recovery and Resilience Plans (RRPs) appear to meet the 37% green spending target. However, a closer look reveals that **billions of Euros are subject to mis-tagging and rule-bending across many RRP**s. The most blatant issue is overestimating or misrepresenting components towards the Green spending target by tagging elements that are ineligible as per the annex or by the lacking guarantees for the achievement of the level or type of intervention needed for the higher climate coefficient.

Identified cases (not exhaustive):

- Fossil fuel gas boilers being labelled as contributing to the green target: The category 34bis1 in Annex VI (“*Replacement of coal-based heating systems by gas-based heating systems for climate mitigation purposes*”) is assigned a 0% contribution coefficient (irrespective of the compliance with the ‘do no significant harm’ (‘DNSH’) principle, discussed below. Yet we see a number of plans (Czechia, Poland Measure B3.4.2, Italy Ecobonus) which use a 100% climate tag, clearly violating the regulation. In some cases, e.g. Poland Measure B1.1.3, upgrades from 40% to 100% have been made based on insignificant side measures instead of “*accompanying reform measures that credibly increase their impact on the climate objectives*” as required in the regulation.
- Support for Plug-in Hybrid Vehicles: some plans (German, French, Czech Republic) allocate significant amounts of funding to hybrid mobility, and include those in the 37% target based on the ability of the Regulation to extend the Annex VI methodology to “*measures that cannot be directly assigned to an intervention field listed in Annex VI*”. Such hybrid investments are non-compliant with the Regulation for 3 separate reasons:
 - (1): hybrid engines are explicitly not included in Annex VI, as can be seen in their non-inclusion for any other mobility category, all of which refer to “*zero-emission rolling stock*”. Especially in the German plan new % tags seem to have been arbitrarily made up (e.g. 18%, 55%, 80%, none of which are possible under the RRF);
 - (2): Purchase premia (see for example German plan “1.2.3.”) generally are short-term consumption measures and do not have “*a lasting impact*” as required as a necessary condition in the Regulation;
 - (3) DNSH guidance: the Commission writes on page 26 of its guidance document that “*Electric cars represent a better available alternative with a higher environmental performance (i.e., lower levels of lifecycle emissions) in the sector in terms of climate change mitigation.*” Given that fully electric vehicles are a demonstrably better alternative to PHEVs these schemes should not be allowed in the RRF, let alone contribute to the climate target.
- Lack of detail and regulatory requirements for building renovations in Italy [M2C3 Investments 1.1 and 1.2, M4C1 Investments 1.1, 1.7, 3.3 as well as the €13.8bn “Ecobonus programme], Portugal [€2.7bn C2 fund for new housing project] and the Czech Republic [“2.5.1 Renovation Wave”, “2.7.1 Building recycling infrastructure”]:

- These often very generous consumption incentives, which in the case of Italy's Ecobonus cover 110% of the costs incurred, fail to put the measurable conditions (see footnotes 4-6 of Annex VI) which the Regulation requires for the 100% and 40% tagging. As another example, the C2 fund for new housing projects, is given a 39% climate tag without conditions, despite the fact that under criterion 025ter in RRF Annex VI, housing construction can only receive a 40% climate tag if the buildings' primary energy demand is at least 20% lower than the national requirement for near zero-energy buildings.
- Likely mistagging of improvements to distribution network of district heating in the Czech Republic and Italy (M2C3 3.1): There is no guarantee that the investment to modernise the co-generation infrastructure will meet the criterion advanced pilot system or leads to a lower temperature regime, therefore it cannot be tagged as 100% climate relevant (34 against 34bis0)
- Mistagging of zero and low emission public transport fields in the Slovenian and the Polish plan (E.1.1.2): 100% tag is applied based on intervention fields, 073 and 074 and 077 even though fossil fuel vehicles, in particular CNG LPG and LNG, are included.
- Purchase of diesel-fueled agricultural machinery [Italy, M2C1 - Investment 2.3]: Under the objective of innovation and modernisation in the agricultural sector this measure includes incentives for replacement of older machinery. Against the conditions of the Regulation (tagging and DNSH), it allows for the purchase of diesel tractors, hence incentivising the use of fossil fuels.
- Highly likely overpricing of support to photovoltaic systems [Italy, M2C2 Investment 2.2.] Based on the investment target (4.3 mln m2) and the funds allocated (EUR 1.5 billion) the investment assumes a cost EUR 3500/kWh, which is six times higher than the cost of photovoltaic power.
- Entrepreneurship support in Czech Republic: New quasi-equity instruments to support entrepreneurship are counted with a 40% climate tag (#047) despite not clearly being a measure aimed at greening businesses.

Our requests to the Commission:

- We ask the Commission to review these issues and cases and **insist that the respective Member States RRP's comply with the Regulation**. We also ask the Commission to apply **additional scrutiny on any extension of the Green Tagging methodology** in Annex VI. No fossil fuel related investments should be tagged as climate relevant. Furthermore, where the particular measure or investment requires it, strict conditions need to be agreed upon in the milestones and targets as part of the Draft Implementing Acts. In addition, we ask the Commission to pay particular attention to the potential risk of implementation time-frames of different investments and their impact on reaching the overall climate target.

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02 Violations of the ‘Do No Significant Harm’ principle, including with regards to biodiversity

The ‘do no significant harm’ principle is a cornerstone of the trust that EU citizens place in the RRF. It would **not only be environmentally irresponsible, but politically harmful if the RRF financed measures that contradict the Union’s climate objectives**. While the Commission provided extensive guidance on the Do No Significant Harm (DNSH) Principle, we see a large number of measures that do not appear to comply with this guidance. The Commission’s guidance is binding. The RRF regulation specifies the need for such guidance and therefore all measures need to pass the DNSH test as stipulated in the guidance.

Identified Cases (not exhaustive)

- Gas boilers: Germany, Czech Republic, Slovakia, Italy and Poland: Annex III of the DNSH guidance clearly sets out the specific conditions under which gas based heating can be eligible:
 - it has to be examined on a case by case basis, and demonstrate specifically compliance with Annex III - we do not see these applied to the gas boilers related measures in the various Member States’ plans.
 - In addition, exemptions are only applied to *“Member States that face significant challenges to get transition out of fossil fuels”* (DNSH COM guidance), which is a condition that does not appear to apply to all named Member States to the same degree.
 - Plans like the Polish RRP openly include unconditional support for national gas technology: these should not be allowed without explicit conditions and justifications, including for measures to support gas investments for enterprises where there is imminent danger the measures would go beyond the very specific exceptions of Annex III of the DNSH guidance.
- Insufficient safeguards in development projects in Poland “A1.2.2. Support for the development of investment grounds for projects of crucial importance for the economy”: Additional safeguards are needed to mitigate the serious risk of deforestation and destruction of valuable habitat. As a minimum there should be strong additional flanking measures for compliance with DNSH.
- Investments in intensive agricultural irrigation systems are present in the Czech, Polish, Italian, Slovenian, Latvian and Hungarian Plans: the creation of additional infrastructure of intensive irrigation constitutes a high risk for several environmental objectives. Respect of the no significant harm criteria of Article 17.1 (c), (e), and (f) as well as respect of EU water and biodiversity legislation is insufficiently assessed and cannot be guaranteed.
- Flood prevention measures without guarantees to safeguard water quality on the concerned rivers and associated wetlands: measure B3.3.1 in the Polish plan on multi-purpose hydrotechnical investments, component G of the Hungarian RRP, Measure 2.6 in the Czech plan
- The Polish, Belgian, Hungarian, Romanian, Bulgarian and Italian plans contain financing of production of or transmission of hydrogen without further specification. Hydrogen

produced through electrolysis is only as green as the electricity powering its production therefore investing in non-green other forms of hydrogen - such as gas based hydrogen with CCS - comes with continued GHG emissions related to the current capturing rates (limited at around 70%), energy from energy needed for capturing & compression, and those related to continued gas use would lead to significant increase in GHG emissions.

- Based on the previous Environmental Impact Assessment, there are investments that raise concern in terms of compliance with DNSH, for example: (1) hydropower plant in Slovenia; (2) the Avvicinare le Montagne project in Piemonte, included in the Italian national plan.
- Streamlining of Environmental Impact Assessment ('EIA') procedures [example Italy - Art 14 of the Law decree approved by the Council of Ministers on 31.05.2021 as part of Reform on "Business environment" allows for decision of the President of the Council of Ministers decision to determine a derogation from the EIA Directive, which is self-executive as repeatedly stated by the Court of Justice of the European Union. The streamlining of EIA procedures will disproportionately benefit existing projects, including projects that are not compatible with DNSH, such as those linked to use of waste as renewable fuel in cement furnaces (Art. 37 with reference to "secondary solid fuel")
- Substantial investments in reforestation in the Czech plan in measure 2.6 that are likely to have a negative impact on the biodiversity structure of Czech forests given that the aims will be to plant mainly trees with high market value, not building the natural diversity of forests, especially given the fact that 'fast reforestation does not bring a medium-term or long-term effect in increased stored carbon compared to the reforestation with the significant use of the natural processes.
- The construction of a multimodal terminal in Ülemiste in the Estonian RRP is most likely in non-compliance with the DNSH as part of the investment would be constructed on Natura2000 wetland and forests
- Renewal of the bus fleet and firefighters vehicles with low-emission vehicles [Italy - M2C2 - Investment 4.4.1 and 4.4.3] €2.4bn has been allocated for renewal of the bus fleet, for the purchase of more than 3000 low emission buses, either electric or hydrogen-powered. However, considering that non renewable hydrogen is not likely to reach financial maturity by 2026, a transition to hydrogen-powered vehicles would require fossil-based hydrogen, thus increasing CO2 emissions compared to a clear-cut transition to electric buses. Specifically for firefighters vehicles, the measure also finances both the purchase of a bit more than 3000 electric and gas-fueled vehicles.
- In addition, the Regulation states that *"The recovery and resilience plan contains measures that effectively contribute to the green transition, including biodiversity, or to addressing the challenges resulting therefrom"* and also that *"this Regulation should contribute to the mainstreaming of biodiversity action in Union policies"*. We are particularly concerned with the lack of relevant measures. In many RRP, **there are 0 euros allocated to biodiversity-related measures**, thereby contradicting the requirements set out by the co-legislators.

Our requests to the Commission:

- Stringent review of measures to fully align with the ‘do no significant harm’ (DNSH) Guidance: We expect a **clear explanation for how other gas related measures are within the rules set out in Annex III**. As stipulated in the Regulation and Commission guideline on DNSH, we expect the ex-ante reasoning for the eligibility of gas boilers on a case-by-case basis. All three prerequisites need to be shown to be met for the exception to be part of the Staff Working Document accompanying the draft Council Implementing Acts, including the required additional flanking measures, where appropriate.
- The Commission should also ensure sufficient guarantees for hydrogen-related investments through milestones and targets. Hydrogen related infrastructure is not to be used for the transmission of natural gas. Moreover, eligibility of hydrogen investments should be limited to activities that comply with the life cycle GHG emissions savings requirement of 70 % relative to a fossil fuel comparator of 94g CO₂e/MJ as set out in Article 25(2) and Annex V of Directive (EU) 2018/2001. Life cycle GHG emissions savings are calculated using the methodology referred to in Article 28(5) of Directive (EU) 2018/2001 or, alternatively, using ISO 14067:2018160 or ISO 14064-1:2018161.
- Ensure compliance with Unions objectives for biodiversity protection: We ask the Commission to ensure compliance with the biodiversity objective within the framework of DNSH for every measure. When the complete assessment of specific measures or horizontal schemes is not possible in the pre-assessment phase, these should be implemented through relevant milestones and measures. In particular we expect the Commission to fully implement the provision of the DNSH that states that *“any operation located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas) are not eligible to be funded under the RRF”*. and that none of the measures supported (and in particular afforestation and reforestation) lead to the destruction or alteration of carbon-storing and/or highly bioerse ecosystems, notably wetland, peatlands and highly biodiverse permanent pastures. Furthermore, measures with lower counter-flood impact and higher environmental burden should not be financed by the RRF in line with the DNSH guidance. Finally, we expect specific reporting in the Staff Working Document how the Commission looked into relevant specific risk areas beyond the analysis provided in the RRFs, with a specific attention to biodiversity.

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03 Lack of compliance with EU environmental laws and the principle of non-regression

The Commission has assured us on numerous occasions that all investment projects need to comply with existing laws and regulations and **the implementation of the RRF cannot lead to any lowering of environmental standards**. We have identified cases with significant risk of non-compliance with EU legislation, in particular the Water Framework Directive, Birds and Habitats and Strategic Maritime Framework Directive as well as the Strategic Environmental Impact

Assessment Directive, the Aarhus Directive and the requirement for non-regression in relevant national laws which we find particularly worrisome.

Identified Cases (not exhaustive):

- Investments in intensive agricultural irrigation systems in the Czech, Polish, Italian, Latvian and Slovenian plans will lead to severe deterioration of the water quality. Given that viable alternatives exist, these projects should not be financed.
- Flood prevention measures [measure B3.3.1 in the Polish plan on multi-purpose hydrotechnical investments, component G of the Hungarian RRP, and the measures proposed in the Czech national plan (2.6)] without guarantees to safeguard water quality on the concerned rivers and associated wetlands would de facto lead to non-compliance with the Water Framework Directive as they may lead to severe deterioration of the aquatic habitat. They should not be financed under the RRF.
- New hydropower plant in Slovenia at Mokrice is not compatible with the Water Framework directive, in particular for the agricultural status of fish.
- The Polish national plan contains a reform to facilitate permitting procedures for artificial reservoirs where we see a danger that this will lead to poorer quality and rushed EIAs underpinning the related permits
- The Polish plan contains the creation of legal provisions to exempt investments countering the effects of drought from EIAs in terms of content and applicable deadlines as well as limiting access to juridical review and the right for injunction in case of harmful projects.
- While the Polish plan includes some investments where forests will be touched, the Polish Forest Act does not reflect EU obligations concerning the protection of species and habitats in forest management.
- There is no guarantee in the Latvian plan that an EIA will be conducted for all 29 intensive agricultural irrigation projects, because the EIA procedure is obligatory only for those projects that are large enough and meet specific criteria set out in the EIA law, while the plan itself does not even contain the planned location of the projects.
- Discriminatory consumer empowerment within the energy system and renewable self-consumers [Italy, M2C2 Investment 1.2]: financial support to renewable energy communities and renewable self-consumers should not be discriminatory, as according to art. 21 and art. 22 of the Directive 2018/2001 [RED II] every EU citizen has the basic right to participate in the energy market and to be supported accordingly. Restricting eligibility under geographical criteria such as the number of inhabitants of the municipality of residence is discriminatory and not complying with the REDII .
- The reform element of the green section of the Slovenian plan raises significant concerns as it plans deregulation of relevant environmental legislation with the intent to ease the implementation of projects funded under the recovery package and new MFF. The revision aims to relax relevant rules and procedures within EIA, as well as the legal standings of NGOs, expert stakeholders.
- Italy - M2C2 Revamping of the steel plant in Taranto: creation of new DRI blast furnaces and electric furnaces with the maintenance of 2 coal blast furnaces. To date, the steel-plant lacks an environmental impact assessment and a health impact assessment, as required by Directive 2014/52/UE.

- The Spanish plan includes as a part of the cross border electrical connections between Spain and France the “Mediterranean interconnection”, which runs 200 meters next to a Natura 2000 area. The Environmental Impact Assessment is insufficient and out of date. It does not present the basic information necessary in its substantial impact on endangered species.

Our requests to the Commission:

- All relevant measures for which the screening stage, in accordance with Directives 2011/92/EU and 92/43/EEC, is not complete by the date of the Commission issuing the draft Council Implementing Act, **must have the relevant regulatory requirements as part of the first relevant milestone and/or target.** Measures that prove to be non-eligible (for example if the screening does not conclude that no significant effects are expected) must not be financed by the RRF. Member states should reimburse any related payments. No investment in irrigation should be supported if it does not lead to a net reduction in the water used for irrigation in that catchment area and if it is not consistent with the achievement of good status of water bodies, as laid down in Article 4(1) of Directive 2000/60/EC, including the expansion of irrigation affecting water bodies whose status has been defined as less than good in the relevant river basin management plan. More generally the compatibility with Directive 2000/60/EC should be systematically checked, as well as with Directive 91/676/EEC.
- We request a **specific chapter in the Staff Working Document accompanying the draft Council Implementing Acts, to address the assessment on compliance with relevant EU environmental laws and regulations.** Measures, including those examples given above, which contain or imply an easing of environmental standards must be rejected.
- **No investments in irrigation should be supported** if it does not lead to a net reduction in the water used for irrigation in that catchment area and if it is not consistent with the achievement of good status of water bodies, as laid down in Article 4(1) of Directive 2000/60/EC, including the expansion of irrigation affecting water bodies whose status has been defined as less than good in the relevant river basin management plan. More generally the compatibility with Directive 2000/60/EC should be systematically checked, as well as with Directive 91/676/EEC.

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04 Prevention of state-aid, protection of fair competition in the internal market and access of SMEs to RRF funds

Having reviewed multiple plans, we are **strongly concerned that in many cases public funds are predominantly benefitting very few large enterprises** and no institutional arrangements

have been made to systematically involve SMEs and avoid crowding out private investment. This is **particularly the case for digital investments**.

This strongly contravenes the intention of the co-legislators, who have made clear their objective to significantly support small and medium-sized SMEs in the Regulation, both by directly referencing SME involvement and by recalling compliance with competition policy rules, designed to prevent crowding out of private investment and distortion of a level competitive playing field. The scope refers to investments for a “*well-functioning internal market with strong SMEs*”, while Recital 12 on digital investments goes even further and asks that “*the digital transition should also incentivise the digitalisation of SMEs. Investments in digital technologies should respect the principles of interoperability, energy efficiency and personal data protection, **allow for the participation of SMEs and start-ups**, and promote the use of open-source solutions*”. In addition, as any EU law, the RRF must comply with competition policy and state aid legislation, which requires in Article 107 TFEU that “*any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, **be incompatible with the internal market***”. Finally, the Regulation explicitly references “*compliance with competition rules, in particular to ensure that interventions do not crowd out private investments*”.

We also note that neither the Commission’s draft Delegated Acts on the Scoreboard nor any other **tracking methodology is accounting for the share of the spending that benefits smaller actors in the economy or civil society**.

Identified cases (not exhaustive):

- Concentration of funds on Important Projects of Common European Interest (‘IPCEI’s): many EU plans (Germany, France, Italy, Belgium, Luxembourg, etc.) preserve RRF funds for participation in IPCEIs. As an example Germany is planning to use more than €4bn for IPCEIs (edge cloud, hydrogen, microchips), which under Art. 107 (3d) TFEU IPCEIs “may be compatible with the internal market”. Given the scale of these IPCEIs and the strong involvement of leading European companies in them, we have serious concerns about the lack of clarity on how SMEs and smaller actors more generally will be involved in the distribution of RRF funds for those IPCEIs
- Lack of competitive access, especially for SMEs, to public procurement for digital infrastructure: The German, French and Italian plans lack measures that ensure competitive tenders for Cloud infrastructure and other digital procurements. For example, the French plan foresees investment in “equipment and infrastructure of the Ministry of Interior” will be operated by a consortium of large companies (INEO, CITELUM, Orange, SFR, and Stormshield and thegreenbow), while it remains completely unclear how the access to the tender process has been managed in the past or will be managed in the future. In the measure “continuity of the plan France Très Haut Débit”, the government will continue to work with existing private partners without opening up a tender process. In Italy, [local] administrations will be able to choose from a predefined list of certified providers according to adequacy criteria with respect to both safety and security

requirements and performance standards, without any conditions on the accessibility of this list to SMEs.

- Protection of competition rules are often very vague and lack any detail: For example, the Belgian 5G investment scheme reference multiple times the need to “*minimise as much as possible the competition distortion*” and to “*reinforce the market competition in the telecommunications sector*”, while the German plan repeatedly states that SMEs should be favoured in selection for the project implementation, however there are no control and governance mechanisms defined on how to achieve this.

Our requests to the Commission:

- We ask the Commission to require Member States to **demonstrate how they “ensure that all applicable rules are complied with, in particular competition rules (State aid, antitrust and merger rules) as well as public procurement.”** [Commission guidance document]. In particular in the case of IPCEIs, the GBER justification must be provided and discussed in the Staff Working Document accompanying the Draft Council Implementing Acts.
- We ask the Commission to include **specific requirements to substantially involve SMEs in public procurement and investment initiatives** in the milestones and targets for digital and green investments.
- We also ask the Commission to include the **tracking of how many funds have SMEs as final beneficiaries** compared to the overall funds in their draft Delegated Act for the Scoreboard.

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05 Lack of plans to contribute to territorial cohesion and involvement of local and regional authorities and stakeholders

The RRF Regulation is under the legal basis of Article 175 (TFEU), which includes territorial cohesion as a core objective. Furthermore, “*territorial cohesion*” is explicitly mentioned under the Scope in Article 3 of the Regulation. Finally, the intention of the co-legislators to prioritise territorial cohesion within Member States is visible in the requirement for eligible plans under Art. 17 that RPPs “*shall be consistent with [...] the territorial just transition plans*” under the Just Transition Fund. At the same time the involvement of local, municipal and regional authorities has been stressed in Art 18(q), which states that member states are required to present “*a summary of the consultation process, conducted in accordance with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders, and how the input of the stakeholders is reflected in the recovery and resilience plan*”.

Several Member States have failed in their RPPs to account for either, or both, of those priorities of the Regulation. Some, including Italy and Hungary, have failed to ensure that the principle of

territorial cohesion is reflected both in the distribution of the RRF resources among regions and the content of the projects planned. We are deeply concerned about the **risk in some Member States of a “two-speed RRF”**, which promotes the implementation of innovative projects in line with green and digital priorities in already well-performing regions, while merely repackaging RRF funds in lagging regions, for the purpose of so-called ‘coherent projects’, which were already planned and financed by ESIF funds. In addition, we note that **it has not been sufficiently demonstrated in many cases how the input of stakeholders is reflected in the RRFs**, as required by the Regulation. Input of local and regional authorities appears not to have been reflected (e.g. in France, Germany or Hungary) or their involvement has been superficial, (e.g. Lithuania, Spain, Italy) or purely formalistic (e.g. Hungary, Czech Republic, Slovakia).

Our requests to the Commission:

- We expect the Commission to closely monitor the impact on territorial cohesion of the implementation of the RRF, including through milestones and targets.
- We expect the Commission to require Member States to compensate for the lack of consultation in the planning phase in the next phases and demand a strong and clear role for local and regional authorities in the implementation as well as a proper involvement of social partners and civil society, in particular in terms of monitoring. In order to do so, we encourage the Commission to set up a structured dialogue with the regional and local authorities and to have a dedicated dialogue with European social partners.
- Moreover, we ask the Commission to encourage the member states to increase the stakeholder involvement in the preparation process of the plans for the ones who did not submit the final versions yet as well as to implement governance and monitoring mechanisms with the inclusion of relevant stakeholders and in particular civil organisations.

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06 Failure to implement gender-related CSRs and requirements for gender-balanced investments in the plan

The reform component of the RRF calls for the addressing of *“all or a significant subset of”* Country-specific Recommendations. In various Member States the CSRs address questions of Gender balance, especially regarding labour market participation, negative tax incentives labour income, childcare and the skills gap (e.g. CSRs 2019 & 2020 for Italy, Germany, Hungary, Estonia and many others). Gender-related CSRs have been insufficiently addressed in a number of the RRFs. For example, the Italian plan’s ICT chapter does not even mention women, except for a final remark on career chances for women in digital tourism and in the public administration. This is despite the fact that Italy has a specific CSR on the integration of women in the labour market, and the significantly higher percentage of women, who were forced to leave the labour market in the first ten months of the pandemic, compared to men.

Article 4 of the Regulation states that the mitigation of *“the social and economic impact of that crisis, in particular on women”* is a central objective of the RRF. Member States must demonstrate *“how the recovery and resilience plans tackle the inequalities between women and men”* and provide *“an explanation of how the measures in the recovery and resilience plan are expected to contribute to gender equality and equal opportunities for all and the mainstreaming of those objectives, in line with principles 2 and 3 of the European Pillar of Social Rights, with the UN Sustainable Development Goal 5 and, where relevant, with the national gender equality strategy”* (Arts. 16 and 18).

We are **deeply concerned that most RRFs lack a gender-balanced approach and fail to include explicit measures to address the issue of gender inequality**, thereby failing to address the objective of mitigating the social and economic effects of the crisis on women and respond to the relevant CSRs.

Our requests to the Commission:

- The Commission should systematically ask for the implementation of CSRs relevant to gender.
- The Commission should encourage the member states to pay particular attention to the detailed design of the measures to partially correct this shortcoming of the plans. We also ask for a relevant chapter to be added to each SWD accompanying the draft decision and a continued close monitoring of the gender effects of the implementation of the RRF, in particular via requirements to collect gender disaggregated the entire plans.

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07 Addressing potential misuse in the RRF implementation

On the path to a successful implementation of the RRF, we believe that **misuse and waste of RRF funds are the most important risk to public perception of the RRF and their acceptance for similar European fiscal tools in the future**. It is therefore necessary to ensure that the governance for the implementation of the RRFs ensures that what is in the plans is actually implemented and that funds are spent in line with the rules of the regulation. We are concerned that deficiencies addressed by the Commission in this regard, including through the European Semester process, are not addressed in many RRFs, in particular where the given MS has specific relevant CSRs.

Identified Cases (not exhaustive):

- Hungary’s proposed reforms to address relevant CRS, that is CSR 4 from 2019 reinforced in 2020 do not contribute in any way to address the root issues, namely, the introduction of a new IT system for internal case management (Reform 1) for the prosecution is irrelevant for improving access to public information, the training of civil servant to better visualise adopted legislation (Reform 6) will in no way contribute to transparency of

decision making though effective involvement of stakeholders and appropriate impact assessments

- Given the assessment by the Commission that there is a systemic threat to the rule of law in Poland, the Commission should ensure that Poland's RRP effectively addresses the Country-Specific Recommendation of 2020 to *“Enhance the investment climate, in particular by safeguarding judicial independence. Ensure effective public consultations and involvement of social partners in the policy-making process.”*
- There is an on-going conflict of interest of the Czech Prime Minister Babiš in the distribution of ESI funds as confirmed by the audit report by DG REGIO and DG EMPL. It is unclear if guarantees are in place to avoid this problem from recurring in the context of the RRF.

Our requests to the Commission:

- We expect the Commission not to approve plans without sufficient safeguards in the governance structure for minimizing or if and when possible excluding any misuse and to insist that Member States address the relevant CSRs. Where the risk of misuse is high, the formulation of milestones and timelines needs to take into account such risk.