Mid-term evaluation of the Recovery and Resilience Facility implementation and own resources

Mid-term evaluation of the Recovery and Resilience Facility implementation and the next generation of own resources

Most chambers involved in the implementation of the Recovery and Resilience Facility (RRF) observe deficiencies in the absorption of funding at regional and local level. Excessive red tape and burdensome legislation continue to represent the main hurdles, together with the lack of information on available funding and technical assistance in implementing digital or green practices. Altogether these factors contribute to a disappointing situation that carries the risk to jeopardise the RRF objectives and, most importantly, failing in supporting the European economy and the business environment. The chamber network is also concerned with the set of new own resources that the European Commission proposed to repay the debt incurred under the NextGenerationEU scheme.

1. Executive summary

Established in February 2021, the RRF was proposed as the key instrument at the heart of the NextGenerationEU plan. However, its goal to combat the impact of the Covid-19 pandemic has suffered from unexpected new crises such as the war in Ukraine, the energy crisis, and upward inflationary pressure. All of this has weakened the competitive position of European businesses and increased the need for assistance and financial support.

In 2021 Eurochambres highlighted that the lack of effective business-friendly measures in national Recovery and Resilience Plans (RRPs) represented a major criticality not adequately tackled. Similarly, in a position published in May 2022 Eurochambres pointed out that chambers of commerce and industry must be involved in more collaborative and constructive dialogues to ensure the efficient management and monitoring of the national plans.

In this context, a mid-term evaluation of the RRF implementation in member states through the eyes of the chamber network and European businesses was necessary.

Based on a short survey among its members, Eurochambres positively notes that several chambers are involved in the implementation of national plans. While the absorption of RRF resources at national level appears to be efficient, most chambers responding to our consultation point out the difficulties of funding in reaching regional and local beneficiaries.

Among the factors limiting an efficient allocation of funding – especially to green and digital projects – excessive tape and burdensome legislation remain the main hurdles. Businesses also continue to lack information on available funding and technical assistance in implementing digital or green practices. Altogether these factors contribute to an overall disappointing situation that carries the risk to jeopardise the RRF objectives and, most importantly, failing in supporting the European business environment.

2. Why the chamber network considers the implementation of the Recovery and Resilience Facility (RRF) relevant

In March 2023, the European Commission launched a public mid-term consultation to gather views on the implementation of the RRF and its public awareness. The focus is on the full implementation of the agreed reforms and investments, as well as on the introduction of the REPowerEU chapters. The input will then feed into the mid-term evaluation report due in February 2024.

For a successful implementation of RRPs, chambers of commerce and industry highlight the importance of a coordinated approach and collaborative public procurement procedures. Chambers must be increasingly involved in the design and implementation of the plans to ensure that local governments promote the necessary reforms, in line with the needs of European businesses and that funds are made available without delays. The chamber network has competencies and the broadest access to all sectors and industrial ecosystems. It represents the best stakeholder to promote available financial instruments and provide technical support for the efficient monitoring of national plans and projects.

Two thirds of surveyed chambers are actively involved in the implementation of RRPs. The involvement is facilitated by the proactive spirit of the chamber network through concrete actions in support of companies in the energy and digital transitions or through the involvement in projects under the national plans umbrella. In this sense, examples of cooperation between national governments and chambers are:

- The Austrian Federal Economic Chamber (WKÖ) and the Federal Ministry of Labour and Economic Affairs (BMAW) on the digital initiative called KMU.DIGITAL.
- The Italian Union of Chambers of Commerce, Industry, Handicrafts and Agriculture (Unioncamere) signed an agreement with the Equal Opportunities Department of the Prime Minister's Office (DPO) to address the certification of enterprises against the gender gap.

Other examples of the role of chambers of commerce and industry are to be found in:

- Technological upgrade of services offered by municipalities (for example, Unioncamere has signed a Convention on SUAP&SUE – *sportello unico delle attività produttive*. Unioncamere/Infocamere manages the project on behalf of 4,000 Italian municipalities through the impresa.gov platform).
- Provision of telematic connection services to businesses.
- Introduction of gender equality certification system management and disbursement of payments for certification costs.
- Technical-consultancy assistance.
- Dissemination of information on access to funding and the RRF measures.
- Support businesses in the implementation of development projects and their monitoring.
- Involvement in the program design and definition of opportunities on the national territory.
- Engagement in discussions with local stakeholders.
- Dialogue with the European Commission on implementation issues.

3. Summary of Eurochambres' main messages/recommendations

While the majority of chambers consider the national absorption of RRF resources as efficient, the situation appears more challenging when zooming into the regional and local levels. Indeed, the majority of chambers consider the absorption capacity at regional level to be deficient (44%). One in three respondents finds it efficient (33%) and 22% of respondents didn't know. At the local level, 44% of the chambers rate the absorption capacity as inefficient, and only 11% rate it as efficient.

The factors limiting an efficient allocation of funding – in particular to green and digital projects – are excessive tape and burdensome legislation (44%), a lack of information on available funding (33%), and a lack of technical assistance in implementing digital or green practices (44%).

Other factors limiting the efficient allocation of funding include:

- The introduction of new standards for EU funding allocation
- Recovery projects being financed by national funds only, e.g. without the aid of RRF
- Delays in the deadlines for the application evaluation
- RRP incentive systems not designed to directly finance green and digital transformation projects for SMEs
- Projects chosen not purely on merit but on the basis of government interests

While some chambers highlight a mild sense of disappointment with the RRF scheme as not being the transformative project that the EU promised to deliver, other chambers are enhancing their synergy with national governments in supporting SMEs.

For instance, in June 2022, Ragioneria generale dello Stato at the Ministry of the Economy and Finance and Unioncamere signed a Memorandum of Understanding, which stipulated that the chambers of commerce and industry would become a privileged channel for informing businesses on access to funding and the measures of the RRF, supporting them in the implementation of development projects, as well as on monitoring and control procedures.

In light of this, Eurochambres emphasises, once again, the critical role of the chamber network in supporting businesses within local and regional territories. The set of competencies and direct access to all sectors make the chamber network the most appropriate channel to promote the interoperability of information systems, awareness-raising campaigns, and data sharing.

To maximise the impact of available funding under the RRF Eurochambres considers the following as necessary:

- Reduce funding bureaucracy and simplify approval of monitoring procedures
- The European Commission should supervise overregulation aspects at the level of national governments
- Create one-stop shops within local chambers to assist companies in identifying and participating in the financial opportunities provided by national RRP funds
- Increase hands-on practice sessions in filling up applications following information sessions
- Create incentive systems that directly finance investment projects supporting the growth of companies through digitalization and green transition

4. Eurochambres' main messages on the repayment of NextGenerationEU and own resources:

The EU budget will inevitably suffer from the repayment of the debt incurred under the NextGenerationEU recovery plan. While Eurochambres supports the need of diversifying the EU's financing sources, the new own resources should not reduce the flexibility of other EU programmes and ultimately hinder private investments.

The European Commission recently published its proposal for the next generation of own resources, including a new temporary statistical own resource based on company profits. The latter will be replaced by the upcoming Business in Europe: Framework for Income Taxation (BEFIT) proposal.

The aim of these measures will be to ensure more diversified types of revenue and avoid undue cuts to other programmes or excessive increases in member state contributions. However, with European companies intensively competing with companies from abroad, there is a clear risk of undermining their growth potential and weakening the competitiveness of the EU. Hence, any additional tax burden on European companies – compared to their foreign competitors – would put them in a position of competitive disadvantage.

In principle, member states' contributions should be in line with their economic performance and should therefore continue to be measured mainly by their gross national income (GNI).

According to the principle of subsidiarity, member states should also be allowed to decide how they finance the national contribution to the EU budget and which national resources they use for this purpose.

- With the technical work for the implementation of the OECD Pillar One still ongoing, Eurochambres believes that it is not the right time to propose additional EU corporate levy-based resources. Starting a legislative process on a new corporate income levy would switch the attention away from the conclusion and finalization of the OECD Pillar One which, instead, should remain the priority.

- The European Commission intention to improve the correct functioning of the single market by introducing a common framework for corporate taxation (BEFIT) should be combined with other simplification measures such as tax returns, tax compliance, and thorough assessment processes. The key objective and challenge will thus be to ensure that BEFIT effectively meets its goal of simplification for SMEs and enables them to expand their business activities more easily across the single market. The chamber network highlights that among its objectives, BEFIT should contribute to reducing compliance costs, reducing tax avoidance opportunities, supporting job creation, and minimize administrative costs. Including BEFIT as a new own resource to raise funds for the EU's budget implies that a share of tax revenues – initially destinated to bring member states' fiscal budgets back in line with the Stability Growth Pact criteria or to invest in the green and digital transition – would instead be allocated (at least partially) to the EU budget.

- Eurochambres is also concerned with the adjustment of the Emission Trading System (ETS) own resource and the proposed increase in the call rate to 30% from all revenues generated by EU emissions trading, up from 25% originally proposed.

ETS revenues should fully support the member states' efforts to transform the economy and to put in place measures for the decarbonisation of businesses operating in the sectors where revenues are collected. Therefore, allocating a higher amount of revenues to the EU budget carries the risk of slowing down the decarbonisation processes at the national level.

Regarding the source of financing deriving from the proposed EU CO2 Carbon Border Adjustment Mechanism (CBAM), revenues should flow – as under the ETS – into the national budgets to achieve climate and energy policy objectives.

Eurochambres, the Association of European Chambers of Commerce and Industry represents over 20 million businesses in Europe through 45 members (43 national associations of chambers of commerce and industry and two transnational chamber organisations) and a European network of 1700 regional and local chambers. More than 93% of these businesses are small and medium sized enterprises (SMEs).

More info and previous positions on: https://bit.ly/ECHPositions

Eurochambres Economic Policy Advisor
Mr Giacomo Fersini, Tel. +32 2 282 08 89, fersini@eurochambres.eu

Eurochambres Press and Communication Manager
Ms Karen Albuquerque, Tel. +32 2 282 08 72, albuquerque@eurochambres.eu

@Eurochambres
www.eurochambres.eu