

# PROPOSAL FOR AN EU RECOVERY SCOREBOARD

## Key Messages:

- The EU's Recovery and Resilience Facility represents a unique opportunity to restart economic growth following the coronavirus crisis and to accelerate the EU's Green and Digital transitions. Spent well, upcoming large-scale investments could help modernise the EU economy, strengthen its global competitiveness and ensuring sustainable growth and job creation.
- To ensure that EU funds are invested to improve sustainable and digital competitiveness, thorough and effective implementation procedures are needed. Such procedures should build on the EU's existing tendering processes and the principle of additionality; this way, EU-financed projects will add value to the economy.
- The Nordic-Baltic Business Community warmly welcomes the fact that the European Commission has been tasked with establishing a Recovery and Resilience Scoreboard. Such a Scoreboard must go beyond solely monitoring reforms and spending on climate, digital and R&D; it must evaluate the impact of the reforms and investments and how labour markets perform in developing and allocating human resources. This ensures that the Scoreboard will contribute positively to transparency and the impact of the Recovery and Resilience Facility on the EU's long-term growth and competitiveness.



## An EU Recovery Scoreboard

To help realise the ambitions of the EU's Recovery and Resilience Facility, the European Commission has been tasked with establishing a scoreboard that acts as a performance reporting system for Member State recovery plans. The Scoreboard will be operational by December 2021 and updated by the Commission twice a year. The basis for the Scoreboard will be the following six pillars: 1) green transition, 2) digital transformation, 3) smart, sustainable and inclusive growth, 4) social and territorial cohesion, 5) health, and economic, social and institutional resilience and 6) policies for the next generation.

As an integral part of the Scoreboard, it is crucial that the Commission establishes a process for developing and disseminating best practice and examples of effective approaches. This is to incentivise Member States to use the considerable EU funds available to make significant contributions to the Green and Digital transitions, while improving the internal market and global competitiveness.

To achieve this, we urge the Commission to follow the following three steps. The technical specifications for each are outlined in the annex of this paper.

# 1

### **SAFEGUARD CRITERIA FOR ALLOCATING FUNDS TO ENSURE THAT:**

- Measures taken at Member State level fulfil agreed criteria and are reported in national budgets and are clearly distinguished from other measures.
- Funds are directed to long-term investments and necessary structural reforms, not filling budgetary gaps. Attention on ensuring the concept of additionality for the funds is fundamental for ensuring the focus on long-term priorities.
- Funds do not distort competition between private companies or between private and public actors.
- Funds used in one Member State do not disadvantage other European companies; rather, they should reinforce and strengthen the EU's internal market.
- Measures taken comply with State Aid regulations following its current review.

# 2

### **SET QUANTIFIABLE GOALS:**

- Define such goals for an EU Recovery Scoreboard.
- Setting such goals for implemented measures.
- Measuring both inputs (emphasising additionality to government spending) and outputs (effectiveness of measures on the Green and Digital transitions and structural reforms).
- Use the EU's Tenders Electronic Daily (TED) to measure whether calls for tenders have been made accessible to all companies within the EU's internal market and that procurement processes are fully transparent.

# 3

### **DEVELOP AN EU RECOVERY SCOREBOARD:**

- Create a publicly available Recovery Scoreboard that continuously evaluates the effectiveness of the various measures at both national and a major project levels.
- Publish the scoreboard, update it twice a year, while monitoring whether Member States meet the quantifiable goals.
- Incorporate the scoreboard into the European Semester and the European Commission's regular reviews of national recovery plans.
- Encourage benchmarking.

## Safeguarding criteria for allocating funds

Before granting funds from the Recovery and Resilience Facility, Member States should, as part of their national recovery plans, be able to demonstrate how they are upholding the already decided criteria and requirements of additionality, open competition, transparency and the share of investment going to green and digital investments. Focus should be put on investments and reforms that strengthen the EU's internal market, creation of jobs and reforms for a sustainable economic recovery. Following the first round of national recovery plans, the criteria could be gradually refined. To improve evaluation of planned investments, these should include an impact assessment.

In terms of assessment criteria for the Green and Digital Transitions, one possibility could be to measure the percentage of a country's investments allocated to green and digital projects financed via the Recovery Resilience Facility. A potential starting point for green projects could be the climate mainstreaming calculation model, where different investment expenditure is calculated according to its purpose via several target variables and summarised to a total standardised investment. The climate mainstreaming model should be further developed so that it is capable of measuring the impact of green investments.

The criteria for the Green Transition should not be restricted by the currently incomplete technical criteria and definitions found in the EU taxonomy for sustainable finance. The preference for some types of zero-emission electricity generation over others removes the technology-neutrality of the proposition. This potentially restricts attempts to identify the most cost-efficient path to carbon neutrality and hinders a well-functioning market.

## Quantifiable goals and measurements

In order to be implemented quickly and effectively, the EU Recovery Scoreboard should be clearly linked to existing indicators. As a first step, it could check that the proposed reforms and investments meet certain requirements for focusing on long-term sustainable growth, that they do not distort competition and that they do not increase the regulatory burden. The measurable goals could initially consist only of indices currently available, with new measures being introduced gradually.

The measurements used should rely on both 'input' and 'output' goals. The input targets proportion of the investments referring to the Green Transition and digital investments as a gauge. For output targets, investments

made should have a tangible impact on important target variables, which is why they also provide a basis for benchmarking between measures. Input targets have the benefit of being easier to access; however, output goals are connected to actual effectiveness affecting the impact.

The Scoreboard should simplify the monitoring and evaluation of Member State national recovery plans, while also facilitating benchmarking on a project and investment scheme level.

## Presenting an EU Recovery Scoreboard

There are examples of existing scoreboards and indices that could potentially contribute indicators to an EU Recovery Scoreboard and aid the evaluation of the effectiveness of Green and Digital Transition measures through the following quantifiable goals.

The **EU Resource Efficiency Scoreboard** contains target variables that are potentially suitable for Green Transition measurements. These include greenhouse gas emissions per capita, energy productivity and share of fossil-free energy in gross final energy consumption. Unfortunately, the latest version of the Resource Efficiency Scoreboard dates back to 2015; an update is urgently required. Here, national targets of EU Member States on fossil free energy, energy efficiency and CO<sub>2</sub> reductions should also be included.

The **Digital Economy and Society Index (DESI)** summarises the indicators on Europe's digital performance, and is updated annually. The Index tracks the evolution of EU Member States on five main parameters; connectivity, human capital, use of the internet, integration of digital technology and digital public services. An **EU 5G Observatory Scoreboard** also exists. Both could provide points of reference for the scoreboard.

The EU should expand its existing datasets and **develop new R&D and investment targets** for the recovery fund, including public R&D and investments in the Green Transition and digitalisation as a share of GDP. A number of other relevant indicators already exist in the Innovation Scoreboard. It is also important to measure the **effects on employment and GDP**; in order to simplify this process, countries should use their own models when reporting effects. As part of the European Semester there should be a number of EU-indicators for countries' ability to avoid bottlenecks and labour shortages, as well as the ability to reduce structural problems in the labour market.