STUDY

Requested by the ECON committee

Addressing the challenges of smart, sustainable, and inclusive growth in national Recovery and Resilience Plans

Italy, Spain, Portugal, and Cyprus

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Addressing the challenges of smart, sustainable, and inclusive growth in national Recovery and Resilience Plans

Italy, Spain, Portugal, and Cyprus

Analysing a set of RRF measures proposed by four MSs under pillar 3, we address several questions: how successful was the facility in pushing for long-awaited economic reforms in these countries? To what extent are the proposed measures tackling identified challenges in a number of policy areas? How adequate are the corresponding milestones and targets for ensuring effective implementation? We conclude that the facility was effective in bringing important reforms to the policy agenda, but there is significant heterogeneity regarding the quality of measures proposed, as well as to their monitoring provisions.

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LIST OF ABBREVIATIONS

AIM	Alternative investment market
BPF	Banco Português de Fomento
B2B	Business to Business
CEU	Council of the European Union
CID	Council Implementing Decision
CSR	Country Specific Recommendation
CY	Cyprus
EC	European Commission
ECB	European Central Bank
EFC	Economic and Financial Committee
ES	European Semester
EU	European Union
IT	Italy
M&T	Milestones and Targets
MS	Member States
NGEU	Next Generation EU
NPL	Non-performing loans
DNSH	Do no significant harm
RRP	National Recovery and Resilience Plan
OECD	Organisation for Economic Co-operation and Development
PHV	Private Hire Vehicles
PT	Portugal
RRF	Recovery and Resilience Facility
RRP	Recovery and Resilience Plan
SMEs	Small and Medium Sized Enterprise(s)
SP	Spain
STR	Short-term rentals of accommodations
WB	World Bank

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EXECUTIVE SUMMARY

In this study we analyse a set of RRF measures categorized under Pillar 3 - "*Smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong SMEs*". The analysis will be comparative, in the search for best practices, considering the cases of Cyprus, Italy, Portugal, and Spain. These four member states have underperformed in terms of productivity growth, failing to catch up and even diverging relatively to the remaining EU27. A question that arises is whether the incentive structure underlying the facility has helped these countries to engage in a more pro-growth reformist stance. In our assessment we prioritize reforms and investments according to their potential long-run effect on economic growth, instead of addressing the temporary demand stimulus, whose social value might be controversial in the current juncture. We focus on a subset of measures with potential impact on the quality of the business environment from the perspective of SMEs. These measures are clustered in 6 policy areas: "Administrative burden, licences and permits", "Regulated professions", "Public procurement", "Capital market regulations and direct support through financial instruments", "Late payments", and "Insolvency procedures". In line with these policy areas, we selected 29 measures, consisting of 22 reforms and 7 investments.

In our study we address several questions.

The first question relates to the potential **role of the RRF in pushing for structural reforms**. The answer to this question is rather affirmative: among the 29 measures analysed, 20 are likely to have been designed on purpose, and another 7 are likely to have been released or somehow boosted by the facility. Only 2 measures (in Spain) were already in a process of smooth implementation and are not likely to have been prompted by the facility. As for the timing of reforms, with two notable exceptions (the reform of licensing procedures in Portugal and the reform of public procurement in Cyprus), most measures are essentially frontloaded, with almost 80% of them showing a first indicative date of 2022:Q4 or earlier. In this respect, the overall conclusion is that the incentive mechanism underlying the architecture of the facility has worked in pushing member states towards a reformist stance.

A second question relates to **how well the proposed measures are explained and justified** in the RRP. In our universe of 29 measures, we characterize 21 as being reasonably described, or at least sufficiently backed by recommendations in the EC documents and in the Council implementing decisions. The balance in this respect is therefore also globally positive. There are 8 exceptions, however, which may be grouped in two categories: the first refers to 4 measures that are only vaguely described: the reform of licensing procedures in Portugal, the amendments to the Law of Market Unity in Spain, the reform of capital markets in Portugal, and the action on late payments in Spain. Given the importance of these reforms, the fact that they are neither reasonably detailed nor committing the governments to specific actions should be a matter of concern. The second refers to 4 measures the scope of which goes beyond the EC recommendations and hence should have been motivated by means of some convincing rationale. All of these refer to direct support for corporations through financial instruments: first, in Portugal and in Italy equity support is being provided not only to start-ups and SMEs, but also to mid-caps and large firms, raising the question as to whether the policy is addressing market failure in terms of access to finance only or something else; second, in Portugal an additional vehicle providing equity finance convertible into non-repayment grants is made available only for corporations in the region of the Azores without a clear justification; last, Spain is launching a measure aimed at expanding the availability of credit to SMEs while access to credit is reported not to be a problem in the country. Together these 4 cases raise the question as to whether the level of intervention might exceed what is strictly necessary to address existing market failures, tilting relative prices in the wrong direction, weighing on productivity, and distorting competition *vis-à-vis* market-based instruments of finance. From the point of view of the governance of the facility, a question arises on how to mediate the interaction between the availability of resources through the RRF and the incentives of policymakers to overspend.

A third question relates to the **extent to which the proposed reforms and investments are tackling the challenges identified in each policy area**. Considering 6 policy areas and 4 countries, we have potentially 24 policy challenges. We identify 11 as significantly addressed. Among these, we highlight the simplification of licensing and administrative procedures in Italy, the reform of regulated professions in Portugal, the reforms of public procurement and concessions in Italy, and the reform of late payments in Italy. We also categorize 4 areas as addressed with relevant measures, but with important policy gaps remaining: the Cypriot reform on barriers to licensing, the Italian reform on access to professions, the Cypriot reform on public procurement, and the Cypriot reforms of the capital market. On the disappointing side, there are 9 cases divided into 3 categories: 2 "timid" interventions (a legal amendment on regulated professions in Spain and an initiative on public procurement in Portugal); the 4 reforms vaguely described already mentioned above; and 3 policy areas in which challenges have been identified but no policies were proposed: late payments in Portugal and in Cyprus, and professional activities in Cyprus. On the response to this question, the overall balance is therefore mixed.

A fourth question relates to the **quality of the milestones**. In our sample, 26 measures include milestones in their design. Among these we characterized 19 as "sensible". Among the exceptions we identify 2 weak milestones in the Cypriot plan, by not mentioning all the components of the corresponding policies, 1 weak milestone in the Portuguese reform of regulated professions for not demanding implementation, and 4 poorly defined milestones, corresponding to the 4 vaguely described measures in the Portuguese and Spanish plans. An example of a best practice milestone is the one demanding the adoption of an investment policy by the Italian state-owned equity fund that is rather detailed in terms of the elements to be included. In the policy area of barriers to licensing, we highlight the best practice in the Italian RRP of demanding not only the adoption of the primary legislation on simplifying procedures, but also complete implementation including all delegated acts. This contrasts with the Portuguese and Spanish cases, in which only the adoption of the primary law is being demanded. A related problem arises in the reform of regulated professions in Portugal: the single milestone is well detailed regarding the scope of the reform, but it demands only the adoption of the law. Since many important components of the reform are left to the level of the professional association by-laws, a second milestone should have been set demanding the adoption of all secondary regulations. This omission shall be considered as a weakness in the design of the measure, taking into account that the 2013 reform of regulated professions in Portugal failed precisely because the professional association by-laws were never adopted. In comparison, the corresponding reform in Italy (the "enabling degree reform") is establishing two milestones, one demanding the adoption of the main law, and the second demanding the entry into force of all required regulations. We consider this design to be a best practice.

A fifth question relates to the **quality of quantitative targets**. Among the 29 measures analysed, only 11 are setting quantitative targets. Amongst these we characterize the targets in 4 measures as being effective in inducing efforts in the right direction: the reduction of 80% in the number of backlog cases for issuance of title deeds in Cyprus; the assessment (not approval) of at least 50 applications for investment through a new e-platform for business in Cyprus; several targets demanding training actions, the reduction in the average times between publication and contract award, and between the contract award and the realization of works in the reform of public procurement in Italy; and the reduction of late payments by all levels of the public administration in Italy. Based on these standards we identify several cases in which targets could have been set but were not, namely in the reforms of public procurement in Cyprus, Portugal, and Spain. We categorize 7 targets related to financial support to non-financial companies as being “risky”. The reason is that these targets commit to minimum levels of support (either in terms of the number of beneficiaries or in terms of the amounts to be delivered), raising the possibility of conflict with the eligibility criteria set out in the investment policy. Since the eligibility criteria are in place to protect the social value of the policy, they should be prioritized. We contend that a better design would involve setting quantitative targets, demanding effort by the manager of the tool to attract applications (for instance, launching a given number of calls), and downgrading any quantitative reference regarding the level of intervention to the level of monitoring indicator.

With these qualifications in mind, we maintain the conclusion that the incentive structure underlying the facility revealed itself as successful in bringing important long-awaited reforms onto the member states’ policy agenda. However, we also observe a considerable heterogeneity in the quality of the proposed reforms and measures. The fact that such important reforms for the completion of the single market have been addressed with so many different levels of ambition is an unexpected finding. We believe that an ex post evaluation comparing the effectiveness of the reforms that were well detailed and traceable by milestones and targets as compared to those that were poorly defined may help determine what the minimum acceptable level of detail in future like-exercises will be.

A final comment relates to how compulsory the fulfilment of all milestones and targets (M&T) is perceived to be. According to the EC guidelines, not all M&T need to be fulfilled for a payment to be made. This guideline is sensible but is not free of controversy because the many M&T in each RRP have varying degrees of importance. Perhaps setting up a hierarchy of M&T from the beginning could have helped in these assessments, and also in shaping the incentives of the policymakers to prioritize important reforms that are aligned with the single market as opposed to idiosyncratic RRP initiatives and discriminatory state aids that, although respectable, may not be so consensual.

1 INTRODUCTION

The Next Generation EU (NGEU) was launched as a temporary fiscal instrument in response to the coronavirus pandemic. The core of the NGEU is the Recovery and Resilience Facility (RRF), which is providing financial support to Member States (MS) in policies aiming at (among other goals) a resilient recovery, social cohesion, the twin (green and digital) transition, and sustainable growth (EU 2021, artº4). As a new policy tool in the European portfolio, the facility has the potential to become a game changer: it is the first time that the Commission (EC) is authorized to borrow such large amounts, the European Union (EU) is given fiscal powers that were not available before, and risk sharing is now introduced in European policies. Although we are still far from a common fiscal capacity, the facility contains elements that can be viewed as small steps in the construction of a federal type of budget that has been lacking in the architecture of the monetary union (Bongardt and Torres, 2022, Saraceno, 2021, Schelkle, 2021). A main concern in the design of the facility is the need to ensure that investment programmes, which remain national, are adhering to the common interest and are aligned with the EU's priorities. The facility has a performance-based nature whereby payments are contingent on the achievement of agreed-upon reforms and investments that are detailed in the national Recovery and Resilience Plans (RRPs) approved by the Council of the European Union (CEU). The facility may therefore constitute a powerful tool to push MS towards the implementation of politically costly structural reforms, namely those that have been demanded by the Council under the European Semester (ES)[1].

The aim of this study is to assess the extent to which the national RRPs are embodying the reform agendas of four member states, Cyprus, Italy, Portugal, and Spain, and how well the proposed measures are set up to induce proper implementation. In doing so, we focus on a selection of measures addressing the quality of the business environment from the perspective of Small and Medium-Sized Enterprises (SMEs). The quality of the business environment is analysed in two broad dimensions: "regulatory burden and access to market" and "access to finance". Along these two dimensions, we consider six areas of intervention: "Business Regulations, Licences and permits", "Regulated professions", "Public procurement", "Capital markets and direct support through financial instruments", "Late payments", and "Insolvency procedures". In all these areas, the EC has identified barriers to investment in the four countries under analysis. We seek to assess the extent to which the measures proposed by the four MS in each policy area are tackling the policy challenges and whether and to what extent relevant policy challenges in each given area remain unaddressed. We consider as policy challenges those that have been identified by the European Institutions in the context of the European Semester (ES).

This document is organized as follows. In Section 2 we explain our approach, scope of analysis, and methodology. In Sections 3 and 4 we analyse the selected measures along the dimensions "Access to Market" and "Access to Finance", both in terms of their alignment with the respective reform agendas and in terms of their contractual design in regard to effective implementation. In Section 5 we conclude.

[1] As pointed out by Bongardt and Torres (2022), the European Semester undergoes important changes due to its association with the RRF. The RRF provides funds with conditionality attached, resulting in a hardening of soft governance. The carrot and stick comes with an enhanced role for the EC Commission to intervene with regard to the design of reforms and at the point of judging disbursement criteria.

2 METHODOLOGICAL CONSIDERATIONS

2.1 Angle of analysis

The RRF was launched in response to the COVID crisis. At that time the lockdowns and collapse in demand for services urged the authorities to rebalance priorities towards short-term matters, prompting measures to support households' income, employment, and access of firms and households to liquidity. These priorities were reflected in the 2020 Country Specific Recommendations (CSR). But the nature of short-term challenges has changed since then, with the surge of inflation calling for a tightening of monetary policy, and with the policy attention shifting away from tourism, hospitality, and related activities, which were most affected during the pandemics, towards industries that make intensive use of raw materials and energy or that are highly exposed to disruptions in global value chains.

Because the nature of the short-term challenges varies over time and the RRF is to last until 2026, in this study we focus on the supply side effects of the programme rather than on its short-term demand effects. Referring to the RRF regulation, we focus on the long-run general objectives of the plan, namely *"improving the resilience, crisis preparedness, adjustment capacity and growth potential of the Member States*", instead of the short-term general objective "*mitigating the social and economic impact of that crisis*" (European Union, 2021, art. 4). From the angle of productivity growth, this implies searching for measures in the national plans that might help to reinforce the long-term competitiveness of the MS and the EU economy, namely by better shaping the "*institutions and government policies that determine the economic environment within which individuals accumulate skills, and firms accumulate capital and produce output*" (Hall and Jones, 1999, p.84). We focus on the quality of the business environment from the perspective of SMEs.

Naturally, the implementation of the RRF is also acting as a coordinated fiscal expansion, producing a substantial demand stimulus. Some initial estimates of the short-term impacts of investments not incorporating the effects of reforms on productivity pointed however to modest level effects, even assuming an accommodative monetary policy[2]. Since then, however, private demand has expanded considerably, altering the social value of a fiscal stimulus. In a context of inflationary pressures, with central banks setting higher interest rates to moderate aggregate demand, any additional expenditure triggered by government intervention is doomed to crowd out, at the margin, private expenditure elsewhere. This juncture contrasts dramatically with that inherited from the global financial crisis: at that time, low demand was the problem, giving scope for government expenditure to replace private expenditure for stabilization purposes, even if the transformative role of public spending was not particularly significant. In the current context the claim that "the more money being spent the better" no longer applies. For EU transfers to create value, the social return of the intervention must exceed the opportunity cost of the resources employed, even when funds are being granted to the beneficiary at no cost. We believe this to be an important consideration because in the media most of the attention

[2] For instance, Watzka and Watt (2020) estimated the grant component of the RRF to tilt EU GDP ahead of the no-policy change scenario by about 0.3% each year from 2021 to 2026. Pfeiffer et al. (2021) considered the effects of investments both on the demand side and on accumulation of public capital and estimated the level effect to reach a maximum of 1.5% of EU GDP in 2024, to fall thereafter. The long-run effect on potential output was estimated at 0.5% of GDP. In the calculations the authors modelled the monetary policy as accommodative, not raising the interest rate despite the fiscal expansion, to reflect the juncture at the time, with the policy rate at the lower bound and with inflation below target. These conditions no longer hold.

regarding the implementation of the RRF is focused on the level of expenditure, rather than on the quality of expenditure or on the relevance of the structural reforms. And yet, in the current environment, the possibility of excess expenditure being detrimental to economic growth should not be disregarded[3].

2.2 Scope

In this study we analyse a set of RRF measures categorized under Pillar 3 - "*Smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong SMEs*". The analysis will be comparative, in the search for best practices, considering the cases of Cyprus, Italy, Portugal, and Spain. These four MSs have underperformed in terms of productivity growth, failing to catch up and even diverging relative to the remaining of EU27 (Figure 2.2.1).

As defined, Pillar 3 of the facility may encompass virtually all measures in national RRPs: since the incentives for economic agents to invest and innovate depend on the quality of the business environment, any measure helping the business environment to become more friendly will be potentially categorized under this pillar. As an illustration, in the Spanish' RRP all reforms and investments across the 30 components of the plan are said to have a positive impact on Pillar 3 (Governo de Espana, 2021, Table 6, p. 81). Also, the definition of Pillar 3 may be somewhat confusing because it sometimes combines in a single sentence different and possibly contradictory goals.

Our study must therefore focus on some sub-set of measures. Following the Draft Technical Specifications for this call (European Parliament' Committee on Economic and Monetary Affairs, 2022), the selection of measures to be analysed considers the categorization in the RRF Scoreboard[4]. With an eye on it, our focus will be on the quality of the "Business environment", from the perspective of SMEs. The universe of SMEs encompasses a wide range of economic activities, from agriculture to business services, and includes family business, liberal professions, and mid-cap companies. SMEs account for more than half of the EU economy and provide two out of three jobs in the union (EC, 2020). Policies improving the business environment for SMEs are thus expected to impact positively on the overall competitiveness of the economy through a multiplicity of pecuniary and non-pecuniary externalities (Rodrik, 1996, Rodriguez-Clare, 1996).

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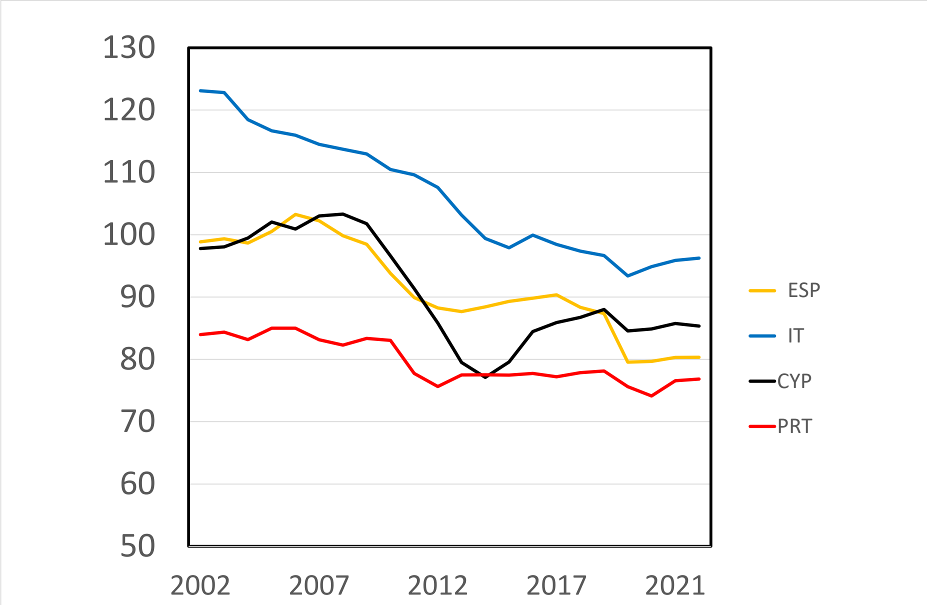
[3] Empirically, most evidence refutes the presumption that EU transfers impact linearly on per capita GDP growth. Lebre de Freitas et al (2003) and Mohl and Hagen (2010) found no effects of eligibility to cohesion funds and of EU payments on economic growth at the regional level. Becker et al (2012) and Cerqua and Pellegrini (2018) found that the growth effects of EU transfers have followed a concave relationship with a maximum, implying that some regions would have benefitted from a reduction in the level of intervention. Rodriguez-Pose and Garcilazo (2015) found a role for institutional quality in explaining why EU regional development funds may have diminishing marginal effects on GDP growth. At the firm level, most empirical evidence has revealed significant effects of EU funding programmes on production and employment but negligible or small effects on firms' productivity (for recent evidence, see Murakozi and Telegdy, 2023, Cabral and Campos, 2023; for a review of the previous literature, see Dvoutley et al).

[4] In the RRF scoreboard [https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/] the Commission is clustering measures under this pillar in the following categories: building renovation and construction; support to SMEs; research, development, and innovation; competitiveness; business environment/entrepreneurship; industrialization and reindustrialization; business infrastructure; measures for the cultural sector; regulatory changes for smart, sustainable, and inclusive growth; support to large enterprises; and transnational cooperation.

Figure 2.2.1: GDP per working age person (current PPS, remaining of EU27=100)



Source: Own calculations using AMECO data on GDP at current PPS (UVGD) and Population aged from 15 to 64 years (NPAM).

Entrepreneurship and innovation in SMEs depend critically on the quality of the institutions and regulations. These must ensure the rule of law and the enforcement of property rights, regulate markets, promote macroeconomic stability, and include market legitimacy mechanisms of social protection, insurance, and redistribution (Rodrik et al, 2003). Market regulation institutions, in particular, are called upon to address a wide range of market failures, such as externalities, information asymmetries, imperfect competition, and missing markets. Interventions in that respect should however be achieved in the least restrictive manner, in order to avoid creating new forms of inefficiency. Nevertheless, policies and regulations themselves often become major barriers to investment, creating distortions, unequal opportunities, and protecting vested interests (Easterly, 2019, 2005, Parente and Prescott, 2004). Coming as no surprise, relevant measures in the RRPs consist of structural reforms aiming to eliminate unnecessary government-imposed barriers that have been placed in the path of entrepreneurs.

The RRPs are structured in terms of reforms and investments. In the selection of reforms and investments for our study, we take into consideration two strategic documents on the European policy for SMEs: the 2008 Small Business Act (EC, 2008) and the SME strategy for a Green and Digital Europe EU (EC, 2020). The first establishes ten principles to guide the EU and MS policies with the view to make Europe an attractive place to start a business and for SMEs to grow and remain competitive. Along these principles, the EU and MSs are invited to: create an environment that rewards entrepreneurship; reduce the administrative burden on SMEs; lighten authorization schemes and eliminate regulatory barriers to the development of service activities; encourage the participation of SMEs in public procurement; fasten bankruptcy proceedings; improve access to finance; encourage timely payments; deepen the Single Market; and promote capacity building and innovation, environmental sustainability, and internationalization.

The SME Strategy (EC, 2020) updates the earlier document, and categorizes the policy actions along the following three pillars: (i) capacity building and support for the Green and Digital transition; (ii) regulatory burden and access to market, and (iii) improving access to finance. In what follows, we consider the pillars (ii) and (iii) of that strategy, only, as the main dimensions of pillar (i) - capacity building, green transition, and digital transition – are at the core of the RRF pillars 4, 1, and 2, respectively. We also exclude from our study measures related to the quality of the public administration in general and the functioning of judiciary. Mapping with the priorities defined in the Small Business Act, we distinguish six policy areas: "Business Regulations, Licences and Permits", "Regulated professions", "Public procurement", "Capital markets regulations and direct supports through financial instruments", "Late payments", and "Insolvency framework". In all these areas, the EC has identified barriers to investment in the four countries under analysis.

In most of these policy areas, the main scope for intervention consists of legal amendments and structural reforms, with investments playing only a complementary/supportive role. The exception is the sub-area of "direct supports through financial instruments" that take the form of investments directed to the private sector. In that sub-area we focus on measures seeking to cope with market failures in "access to finance". As stated above, supports addressing other transversal market failures, such as those related to investments in human capital, physical capital, decarbonization, and innovation are at the core of pillars 4, 1, and 2 and will not be analysed in this study. Apart from these, there are initiatives in the RRPs providing discriminatory support to specific sectors in the economy. These are excluded from the analysis, as they enter in the chapter of industrial policy, a discussion of which would require a level of analysis greatly exceeding the scope of this study[5].

2.3 Selection of measures

2.3.1 Regulatory Burden and access to market

The pursuit of a well-functioning Single Market calls for the elimination of persistent and significant barriers to investment on a variety of fronts, from the simplification of administrative procedures to the harmonization of regulations, and the elimination of unjustified restrictions to entry and competition. In what follows we search for measures in the RRPs addressing these barriers from the perspective of SMEs. For that, we consider three policy areas in which relevant RRP measures are proposed in our sample of countries.

The first policy area refers to "Business regulations, licences, and permits". According to the Small Business Act (EC, 2008), 36% of European SMEs reported that red tape had constrained their activities during the past two years. In this area, we pay special attention to sector-specific barriers in retail trade, construction, and in the collaborative economy, as these have been identified has being the most burdensome for SMEs in the four countries under analysis[6]. Regulations in sectors like banking, energy, and telecom are excluded from study, as in general they do not apply to SMEs. In this policy area, we search for measures aiming to simplify the interactions between investors and the administration. We select a cluster of 5 measures, of which 2 are in Cyprus, and 1 in each other country (Table 2.2.1).

5 The EU relies mostly on free trade, but it approves the use of public funding to support transversal activities such as decarbonization, innovation, and digital transition, and also to promote technological and industrial strategic independence in specific sectors that pose a risk to Europe's sovereignty (EC 2020e, 2021b). However, most RRPs contain sector-specific supports that go well beyond these priorities. Although at the theoretical level there are convincing arguments demonstrating that under certain circumstances government supports to certain industries may deliver faster productivity growth (Hausmann and Rodrik, 2006, Murphy et al, 1989, Krugman, 1987), the practical verification of these conditions is a matter of case-by-case analysis. Since the RRPs present no references to background studies justifying each discriminatory sectoral support, we would lack the minimum information to make an educated assessment of their respective opportunity.

6 The collaborative economy refers to innovative services envisaging the temporary use of assets, such as short-term accommodation rentals and Private Hire Vehicles. The EC encourages the development of these activities, as they exert competitive pressure on established businesses, fostering innovation and productivity growth (EC, 2016).

The second policy area refers to "regulated professions". Professional services, such as engineering, architecture, accounting, and legal services account for a significant fraction of EU employment and are essential inputs to production in all other sectors. Being mostly human capital intensive, these services make an important contribution to innovation with important forward linkages. And yet, many of these activities are affected by strict regulations set at the national, regional, or sometimes local level, preventing free establishment and imposing unjustified requirements to exercise, weighing on worker mobility, on competition, and ultimately on the well-functioning of the Single Market. According to the EC (2021d), around 22% of the European labour force is directly affected by professional regulations. The RRPs of Portugal, Spain, and Italy include reforms in this policy area, with the Portuguese case standing out as the most ambitious one. In the Cypriot plan no action is taken on this front (Table 2.2.1).

The third policy area refers to "public procurement". Public procurement accounts for 16% of the EU GDP. Although the participation of SMEs in public procurement has been increasing over time, many contracts are still being allocated to large companies, arguably because governments find it easier to deal with fewer and larger contracts, or because SMEs find it difficult to compete in complex and lengthy procedures (EC, 2008). The EC has recommended MSs to adopt policies to encourage the participation of SMEs in public procurement. All countries in our sample have included one or more measures in the RRPs to improve the public procurement framework. We selected a cluster of 5 measures that we consider to be the most important in this policy area.

Table 2.3.1 - Access to Market: Selected measures

Policy area	Country	Code	Description	1st M&T	Last M&T
Business regulations, licences, and permits	CY	C3.5R3	Strategy for addressing inadequacies of the property transaction system	2022:Q4	2023:Q4
	CY	C3.3R2	Enhancing Fast-Track Business Activation Mechanism	2022:Q4	2025:Q4
	IT	M1C1.R1.9	Reform of the public administration: simplification and digitalization of procedures affecting citizens and business	2021:Q2	2026:Q2
	PT	C18.r33	Economic Justice and Business Environment: Legislative package on Barriers to Licensing	2025:Q3	.
	SP	C13.R1	Improving Business Regulation and Climate	2022:Q4	-
Regulated professions	IT	M1C3.R4.1	Regulation ordering of the professions of tourist guides	2023:Q4	-
	IT	M4C1.R 1.6	Enabling University Degree Reform	2021:Q4	2023:Q4
	PT	C6.r16	Reducing Restriction in highly regulated professions	2022:Q4	-
	SP	C13.R1	Improving Business Regulation and Climate: Law amending Law 34/06 on access to the professions of lawyers and *procuradores*	2021.Q4	-
Public procurement	CY	C3.4R4	Strengthen administrative capacity and transparency through the professionalization of public procurement and further digitalization of its process	2025:Q4	-

	IT	M1C1.R1.10	Reform of the Public procurement legislative framework	2021:Q2	2023:Q4
	IT	M1C2.R2	Annual Competition Laws	2022:Q4	2025:Q4
	PT	C17.r32	Modernization and Simplification of Public Financial Management: improvements in the remit of centralized procurement	2022:Q4	2023:Q4
	SP	C11.R4	National procurement strategy	2021:Q4	2022:Q4

2.3.2 Access to finance

We adopt a broad interpretation of the dimension "Access to Finance", to include not only measures specifically designed to expand the range of financing instruments available to SMEs, but also reforms targeting timely payments that affect the liquidity position of firms, and reforms on the insolvency framework that determine the willingness of creditors to engage in financial trade in the first place. According to this reasoning, we distinguish three policy areas in which relevant RRP measures are identified.

Table 2.3.2 - Access to finance: Selected measures

Policy area	Country	Code	Description	1st M&T	Last M&T
Capital Market Regulations	CY	C3.3I2	Creation of a Regulatory Sandbox to enable FinTech	2023:Q2	-
	CY	C3.5R4	Cyprus: new legal framework and system of exchange data and credit bureaus	2023:Q1	2024:Q4
	PT	C05.r13	Capital Market development and promotion of capitalization of non-financial companies	2022:Q3	2023:Q4
Direct support through financial instruments	CY	C3.3I6	State funded equity fund	2022:Q4	2026:Q2
	IT	M4C2.I3.2	Financing start-ups	2022:Q2	2025:Q2
	PT	C05.i06	Capitalization of companies and financial resilience/Banco Português de Fomento	2021:Q3	2025:Q4
	PT	C05.i04-RAA	Recapitalization of the Business System of the Azores	2021:Q3	2025:Q4
	SP	C13.I2	Growth: CERSA guarantee	2023:Q4	-
	SP	C17.I5	Knowledge transfer: Flexible legal vehicle to co-invest in technological start-ups (INNVIERTE)	2023:Q4	-
Late Payments	IT	M1C1.R1.11	Reduction of late payments by public administrations and health authorities	2023:Q1	2024:Q4
	SP	C13.R1	Improving business Regulation and Climate: Late payments	2022:Q4	-

Insolvency framework	CY	C3.5R6	Reinforcing and strengthening the insolvency framework	2022:Q4	2025:Q2
	IT	M1C1.R1.6	Reform of the Insolvency Framework	2021:Q4	2022:Q4
	PT	C18.r33	Economic Justice and Business Environment: Insolvency Framework	2024:Q2	-
	SP	C13.R1	Improving business Regulation and Climate: reform of the Insolvency Law	2022:Q2	-

The first refers to "Capital markets regulations and direct supports through financial instruments". A significant barrier to the establishment and growth of SMEs is that firms cannot always obtain the capital they need to start a business and scale up. The EU strategy for SMEs (EC, 2008, 2020) recommends the development of sources of finance alternative to traditional bank credit. This challenge is a complex one. It encompasses adjustments in the regulatory framework to favour the spring of market-based sources of finance, and also public investments aiming at channelling funds directly to the private sector, either through national promotional agencies or with the involvement of private-sector financial intermediaries. With this reasoning we define two clusters of measures in the policy area. In the first cluster, the Cypriot and Portuguese plans include reforms aimed at the development of the respective capital markets. In the second cluster, all four countries include direct supports to businesses through financial instruments, mostly equity capital, but also through credit guarantees in the case of Spain[7].

Our second policy area refers to "late payments". An important component of working capital is the credit extended to clients. The later the clients pay, the more resources a firm must attract to finance its working capital. The EU Small Business Act (EC, 2008) recommends MSs to develop legal and business environments supportive of timely payments. In our sample of countries, Italy and Spain included measures along that avenue. Portugal and Cyprus, despite the high incidence of late payments, take no action.

The third policy area refers to the quality of the "Insolvency framework". Fast resolution and restructuring processes allow entrepreneurs to engage in fresh starts, promoting entrepreneurship and a more efficient allocation of resources. We consider this policy area under the umbrella of "access to finance" because a timely resolution of insolvency also plays a key role in ensuring the well-functioning of credit markets: the quicker and less costly the enforcement of the creditors' rights in a case of bankruptcy, the greater will be the willingness of creditors to engage in new lending. Moreover, fast enforcement of collaterals and low litigation costs bring liquidity to the secondary market for troubled assets, promoting financial stability and as a result the regular flow of resources from savers to investors. In our sample, all countries are presenting reforms in the area of insolvency proceedings (Table 2.2.2).

[7] In our analysis we exclude measures that explicitly discriminate across sectors, to escape industrial policy considerations. For instance, investments "*M1C3.I4.2 - Funds for the competitiveness of tourism enterprises*" in the Italian plan, and "*C3.I11: Plan to boost sustainability, research, innovation and digitalization in the fisheries sector*" in the Spanish Plan are enacted via financial instruments but they are not primarily addressing a problem of access to finance.

2.4 Assessment criteria

2.4.1 Gap analysis

Of first aim is to assess the extent to which the selected measures are tackling the country challenges, and whether relevant challenges in the policy area remain unaddressed. Identifying the measures that a country needs the most is obviously a controversial exercise. Economic impacts tend to be context-specific, calling for case by case analysis (Hausmann et al., 2008). At the same time, political considerations may influence the definition of priorities. To limit the subjectivity of our assessment, we consider the policy recommendations that have been addressed by the EC in the context of the ES in the years preceding the pandemic crisis. However, we go beyond the CSR, as these constitute a narrow selection of priorities that is mediated in the political sphere. We then consider the broad range of recommendations contained in the Country Reports (EC 2019a to 2019d, and 2020a to 2020d), as well as the recitals in the documents addressing the CSRs, hereinafter referred to as "CSR documents" (CEU 2018a to 2018 d, 2019a to 2019d, and 2020a to 2020d). In Annex A we present some relevant quotes from these documents grouped by policy area and by country.

In our assessment we propose a classification of reforms as follows:

- Significant: when the reform addresses a considerable proportion of the challenges identified in the policy area, regardless of how narrow the reform is;
- Partial: when the reform addresses some relevant challenges in the policy area, but important challenges remain unaddressed;
- Timid: when the reform is a minor intervention relative to the size off the challenge;
- Unclear: when the information provided in the RRP is insufficient to assess the extent to which the challenges are to be tackled;
- None: when no relevant action is taken in the policy area.

2.4.2 The RRF push

Another important question is whether the facility was successful in pushing for the implementation of reforms that were long-awaited or pending, or if instead the measures included in the RRPs were mostly in a process of smooth implementation, in which case the incremental value of the facility would be small. At the level of each measure we propose a classification according to its novelty *vis-à-vis* earlier references in EU documents:

- Novel: if we find no references to the measure previously to the RRP;
- Released: If a measure was said to be in preparation but its implementation had been reported to be slow or pending;
- Boosted: if an ongoing measure was somehow enhanced with the RRF (for instance, if it was given extra resources);
- No: If the policy was already in smooth implementation before the facility came into existence.

A related question has to do with the timing of implementation of the reforms. This assessment is controversial because some reforms take longer to prepare and implement than others. Still, at the level of each measure we risk a simple classification according to how soon the first indicative delivery date compares to the lifetime of the facility:

- Frontloaded: when the first indicative date is 2022:Q4 or sooner;

- Back-end loaded: when the first indicative is 2024:Q3 or after;
- Fair: all the others.

2.4.3 Description and rationale

An assessment of how well the proposed measures are tackling the identified challenges presumes that the measures being proposed are reasonably described in the RRP, identifying its main components or at least the principles to be followed. And yet, we found some vague descriptions that do not help the reader to understand what the extent and sometimes even the direction of the intervention will be. We also found measures containing controversial elements that are not fully backed by EC recommendations or Council implementing decisions. In these cases, we believe the description should have been accompanied by some motivation. Based on these concerns, we propose the following classification for the description and rationale of the measures analysed:

- Reasonable: when the description of the measure allows the reader to understand its main components or the principles to be followed;
- Fragile: when a measure might be considered controversial, and its rationale is not provided;
- Vague: when the measure is described generically, without identifying its main components or the principles to be followed.

2.4.4 Milestones and targets

The release of funds under the RRF is contingent upon assessments of progress towards the achievement of the proposed reforms and investments, per reference to time bounded milestones and targets (M&T) that were agreed upon at the signature of the RRPs. The assessment regarding the satisfactory fulfilment of M&T calls for two steps: a preliminary assessment by the EC (EU 2021) followed by a deliberation by the Economic and Financial Committee (EFC). The milestone and targets for all measures are provisioned in the annexes to Council Implementing Decisions (CID) on the approval of the RRPs (CEU 2021a, 2021b, 2021c, 2021d). The operational arrangements agreed by the MSs and the EC after the adoption of the CID (RRF, 2022a to 2022d) detail the periodic verification mechanisms relating to the achievement of the M&Ts. In the operational arrangements "Monitoring indicators" may be defined to trace progress towards the fulfilment of some milestone or target, but only M&T can be tied to disbursements (EC, 2021, p. 24). In Annex B we provide a summary characterization of the milestones, targets, and monitoring indicators related to the measures described in Table 2.2.1 and Table 2.2.2.

In the technical guidance to the elaboration of RRPs, the EC states that a sufficient number of M&T should cover each reform to allow tracking progress and demonstrate achievement of all components (EC, 2021). Our assessment on the quality of milestones is based on a subjective interpretation on how well they cover the main components of the policy and the different stages of implementation. We therefore propose the following classification for milestones:

- Sensible: when the milestones mention all components of the policy and the different stages of implementation;
- Weak: when milestones fail to mention all components of the policy or to provide for effective implementation;
- Poor: when milestones do not frame the direction or intensity of the policy.

As for quantitative targets, they should be specified to ensure effort in the right direction, and with reference to a clear indicator. In the case of "Direct supports through financial instruments", a complication arises in that policy targets are often set demanding a minimum support, either in terms of amounts to be spent, or in terms of number of beneficiaries. However, no economic principle implies that the quality of a funding programme shall be assessed by the intensity of the support[8]. We contend that targets defined in that way are "risky", as they entail the possibility of demanding excess intervention. We therefore propose the following classification for quantitative targets:

- Right: when the quantitative target is likely to induce effort in the right direction;
- Risky: when the quantitative target risks inducing efforts in the wrong direction;
- Missing: when it would make sense to include a quantitative target demanding effort in some important direction.

3 REGULATORY BURDEN AND ACCESS TO MARKET

3.1 Business regulations, licences, and permits

In this section we search for measures intending to simplify the interactions between investors and the administration, such as those aiming to streamline the processes of obtaining different types of authorizations, along the principles of "think small first", "once-only", and "silent-consent"[9]. We pay special attention to sector-specific barriers in construction, retail trade, and in the collaborative economy, as these have been identified as the most burdensome for SMEs in this sample of countries. Burdensome regulations in professional activities are addressed in Section 3.2.

Table 3.1.1 - Indicators of barriers to entry in services and construction

		Italy	Spain	Portugal	Cyprus
Ease of Doing Business 2020	Starting a business (rank)	98	97	63	50
	Dealing with construction permits (rank)	97	79	60	125
	Registering property (Rank)	26	59	35	71
	Retail price controls and regulation	4/39	20/39	31/39	36/39
	Command and control regulation	25/39	30/39	32/39	33/39

8 Investment grants change firms' incentives, pushing them to invest in projects that, without incentives, would normally be abandoned (Samaniego, 2006). This may lead firms to overshoot employment beyond the optimal level, at the cost of labour productivity (evidence in Bernini and Pellegrini, 2011, Cerqua and Pellegrini, 2014). Criscuolo et al (2019), focusing on UK, provide evidence of negative impacts on aggregate productivity through resource misallocation effects, that occur when subsidies are channelled to firms that are, on average, less productive than non-supported firms.

9 "Think small first" is a principle that suggests that policymakers should consider the SME interests in the formulation of policies. "Once-only" refers to the principle that economic agents should supply diverse data to a public administration only once. A related principle is the "digital by default", which implies making digital delivery of service the default choice of public administrations. The "silent-consent" mechanism refers to the principle that whenever possible authorizations should be based on tacit approvals backed by responsibility statements and ex post checks.

Product Market Regulation 2018 (rank in 39 countries – OECD plus Cyprus)	Complexity of Regulatory Procedures	10/39	5/39	23/39	23/39
	Admin. Requirements for Limited Liability Companies and Personally Owned Enterprises	20/39	12/39	22/39	39/39
	Barriers in Services sectors	37/39	28/39	37/39	32/39

Sources: World Bank, Ease of Doing Business 2020. OECD 2018, Product Market Regulation database.

3.1.1 Cyprus

In the World Bank's Ease of Doing Business ranking, Cyprus scores better than the other three countries in our sample in the items of "starting a business" but is underperforming in terms of "dealing with construction permits" and in "registering property". It also ranks at the bottom in the OECD product market regulation indicators for "retail trade", "command control and regulation", and "barriers in service sectors" (Table 3.1.1). In the context of the ES, the EC identified complex and lengthy procedures to obtain authorizations in retail trade, building permits and title deeds, and licences for investment in general (EC 2019a, 2020a). In 2018 and 2019 CSRs were addressed to Cyprus demanding a swift system for the issuance of title deeds, and the streamlining of authorizations for "strategic investments", but limited progress was reported (Table 6.1.1). In 2020 the EC mentioned that a law aiming to streamline strategic investments was pending adoption, and that a mechanism to accelerate the issuance of building permits was already well advanced (EC 202a, p.57).

In the Cypriot RRP, reform "*C3.5R3: Strategy for addressing inadequacies of the property transaction system*" addresses the problem of issuance of title deeds. The reform develops in three stages (Table 7.1.1): first, it will extend the range of permits to be granted with deadlines of 10 to 20 days (2022:Q4); second, it will introduce ex ante checks on properties to ensure that the transfer of property takes place as soon as the buyer fulfils its contractual obligations (2022:Q4); third, it will strengthen the role of the supervising engineer, making it more accountable to discourage irregularities (2023:Q4). A quantitative target demands an 80% reduction in the number of backlog cases for issuance of title deeds by 2023:Q2. This measure addresses an identified failure, with detailed milestones and with an appropriate and ambitious target. Although this reform was already ongoing before the facility, it is likely to have been boosted by it[10].

Reform "*C3.3R2: enhancing fast-track business activation mechanism*" aims to upgrade an existing business online platform originally intended to inform foreign companies on how to start and operate a company in Cyprus. The improvement consists of adapting the platform to become a "one-stop-shop" for both domestic and foreign investors, enabling online applications for business permits, progress tracking, exchange of documents, and interaction with the competent authorities. A quantitative target is set, demanding at least 50 applications for investment to be assessed through the platform by 2025:Q4. Regardless of how ambitious the target is (which we cannot assess), a provision based on the number of applications examined through the platform looks sensible, as the alternative of committing to average decision deadlines would depend on the complexity of incoming applications, which amounts to less government control. As described, this reform appears to be

[10] This reform will benefit from a complementary investment *"C3.4I4: Enhancing e-system for issuing building permits"* (2024:Q4) that will launch a digital platform to enable applying, studying, and issuing planning and building permits.

focused on the dematerialization of processes, without addressing sector-specific regulatory barriers[11]. Notably, the retail sector, where burdensome authorization procedures have been identified, is not mentioned in the reform.

Summing up, Cyprus is responding to reported difficulties in obtaining investment authorizations, and in the issuance of title deeds with two well detailed reforms that may help to speed up these procedures and reduce red tape. However, important challenges in this policy area are likely to remain unaddressed.

3.1.2 Italy

According to the EC, Italy is one of the most restrictive MSs in Retail Trade, with overlapping mandates, a high number of permits being required to open a new shop, restrictions on sales promotions, and restrictions on the distribution of some products (EC 2019b, 2020b). In the collaborative economy the EC has characterized the regulations as fragmented, excessive, and restrictive, threating competition and level playing field (Table 6.1.2). In 2019 a CSR demanded Italy to "Address restrictions to competition, particularly in the retail sector and in business services" (CSR3/19). This recommendation was assessed with "no progress" in the report that followed (Table 6.1.2). In terms of Table 3.1.1, Italy reveals low scores in "starting a business", "dealing with construction permits", and "Barriers in Service Sectors".

In the Italian plan, reform *"M1C1.R1.9: Reform of the public administration"* was primarily motivated by the need to ensure that the implementation of the RRP would not be impaired by the country's low administrative capacity, which had been recommended for improvement in the years before (CSR4/20 and CSR3/19). The reform seeks a comprehensive organizational change of the overall public administration at central and local levels, investments in human capital, the simplification of administrative procedures, digitalization, more transparency, and control. In the scope of this vast reform there is an initiative on the simplification of about 600 administrative procedures affecting citizens and businesses. A wide range of procedures will be under review, including impact assessments, construction authorizations, procedures in the retail sector, and authorizations for artisans and small businesses (Table 7.1.2). The guidelines for simplification include the elimination of authorizations not justified by imperative reasons of general interest, adoption of "silent consent" mechanisms, principles of simple communication, and uniform regimes across regions and municipalities. The reform will be complemented with various investments on the public administration software and databases, including the reengineering and integral digitization of the single portals for economic activities and for construction, and the interoperability of document flows between administrations, at the back office[12]. To support the public administration in this reform a 3-year taskforce of 1000 experts was already created, in the scope of investment "*M1C1.I1.9: Provide technical assistance and strengthen capacity building for the implementation of the Italian recovery and resilience plan*". This taskforce shall provide technical assistance to the administrations producing a census of administrative procedures, identifying scope for extending "silent consent" mechanisms, and

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[11] The Cypriot RRP also includes an initiative to streamline authorization processes "for strategic investments", consisting of the creation of a dedicated government sector to accompany projects and coordinate among official bodies ("*C3.3R1: Facilitation of strategic investments*"). This measure is however discriminatory, as it will only apply to an *ad hoc* list of sectors deemed "strategic" (Republic of Cyprus, 2021, p. 298), and hence cannot be considered as a policy aiming at the improvement of the business environment for SMEs in general.

[12] Among these, investment "*M1C1.I1.3.2: Single Digital Gateway*" aims to achieve full interoperability among key datasets and services across central and local public administration, and to adopt of the "once-only" principle in 21 administrative procedures.

reviewing the existing procedures from a digital perspective (Ministero dell' Economía e delle Finanze, 2021, p. 97). The milestones of this reform are detailed and demand complete implementation including all delegated acts, which constitutes a best practice. On a different front, the 2021 Competition Law ("*M1C2.R2: Annual Competition Laws*") includes a measure aiming to reduce the minimum number of days required to set a business[13].

All in all, the Italian plan is addressing a wide range of administrative procedures affecting different sectors with a well-designed and ambitious reform. The milestones are reasonably detailed and demand the implementation of all delegated acts. It constitutes a good example of an important reform tilted by the RRF that may help Italy to become more attractive for investment, promoting entrepreneurship and economic growth.

3.1.3 Portugal

The EC has characterized the administrative and regulatory burden in Portugal as lengthy and complex, with sector-specific authorization procedures involving multiple documents and competent authorities (EC 2019c, 2020c). At the sectoral level, burdensome regimes have been identified in the construction sector, with overlapping procedures and complex authorization schemes in specific segments; in retail trade, with burdensome authorization procedures for the establishment of outlets, size contingent taxes, and para-fiscal fees on the establishment and on operations; in short-term rentals (STR), with municipalities granted with the power to set quotas, and condominiums in residential apartments with the power to prohibit the activity; in private hired vehicles (PHV), with exclusive rights being given to service providers, and with limits being set to the determination of fees (Table 6.1.3). Scope for reform in the transport sector was also identified by the OECD and the Portuguese Competition Authority, namely the abolition of quantitative restrictions in the taxis sector (OECD 2018). In terms of Table 3.1.1, Portugal scores better than Italy and Spain in the items of "starting a business", "dealing with construction permits", and "registering property". It is underperforming, however, in "retail price controls and regulations" and "barriers in service sectors".

In 2017, 2018, and 2019 various CSRs demanded Portugal to reduce the administrative burden and tackle regulatory barriers in construction and business services (CSR4/17), to shorten procedure deadlines using more tacit approvals and reducing document requirements (CSR3/18), and to reduce sector-specific barriers to licensing (CSR4/19). Progress was reported as "limited", however, as efforts have been mostly directed to the across-the-board implementation of dematerialization of procedures and the "once-only" principle, rather than to limit the number of documents to be submitted and to replace authorization schemes with declaration of compliance and tacit approvals (Table 6.1.3).

The Portuguese RRP includes an action on barriers to licensing in the scope of reform "*C18-r33: Economic Justice and Business Environment*". The description of the measure states that it *"shall include the identification of the barriers to investment in the field of licencing, with a view to reduce procedural inefficiencies and reap the benefits of the digitalisation and interoperability between services, implementing the 'only once' principle, as the key focus of the reform as regards business environment*" (CEU, 2021, p. 162). This writing suggests that the reform will be a continuation of the earlier trend on digitalization, rather than advancing in regulatory simplifications and in the adopting tacit approvals backed by responsibility statements, as recommended by the Commission. The reform is back-end loaded, and its description is vague (Table 7.1.3). In contrast to the Italian case, M&Ts are not identifying the reform

[13] The 2021 Competition Law ("*M1C2.R2: Annual Competition Laws*") also foresees the simplification of authorization procedures for waste treatment facilities. Other simplifying measures in the Italian RRP target the energy sector (M2C2.R1.1, M3C2.R.13) and the railway infrastructure (M3C1.R1.1).

priorities, the principles to be followed, the procedures to be reviewed, and implementation. The single milestone demands only the entry into force of the primary legislation (2025:Q3). A working group appointed by joint order of the members of the government responsible is to identify the barriers to investment in the field of licensing. In contrast to the Spanish case, however, no monitoring indicators are defined to trace the creation of the working-group and its activity. A single Monitoring Indicator demands the government to present a draft legislation two years ahead of the completion of the reform.

In sum, Portugal presents a poorly designed and back-end loaded measure, with a vaguely described milestone that clarifies neither the extent of the reform nor the principles to be followed. The description of the reform suggests that it will be the continuation of the earlier trend in dematerialization of processes that, although important, is not the direction recommended by the Commission.

3.1.4 Spain

In Spain the main barrier to competition arises from regulatory fragmentation in its internal market. In 2013 the Law of Market Unity was launched to coordinate regional authorities and remove unnecessary or discriminatory barriers to entry throughout the territory. The law establishes that firms cannot face additional requirements when moving across Spanish regions. The implementation of this Law has been slow however, motivating various CSRs in the years that followed, including in 2018, 2019, and 2020, with limited progress being recurrently assessed (Table 6.1.4). At the sectoral level pervasive barriers have been identified in retail trade, including double authorization requirements, size contingent regulations, restrictions in the setting up of retail premises, in shop opening hours, and in sales promotions. Some regulated professions (e.g., Real Estate Agents and Tour Guides) are regulated at the regional level, weighing on workers' mobility and competition. Finally, new sources of regulatory fragmentation have recently emerged in the collaborative economy, with the granting of normative power at the regional and local levels (EC, 2019d, 2020d). In terms of Table 3.1.1, Spain is underperforming in the indicators of "starting a business", "dealing with construction permits", and "barriers in service sectors".

The Spanish RRP addresses the recommendations to further implement the Law on Market Unity with an initiative in the context of reform *"C13.R1: Improving Business Regulation and Climate"*. The new Law on Business Creation and Growth (2022:4) shall include amendments of "*certain provisions of the Law on Market Unity where ambiguity have led to implementation problems*" (CEU, 2021d, p.115). The single milestone is vague, demanding the entry into force of the primary legislation, that shall include amendments to "*facilitate its implementation and to strengthen the mechanisms available to market operators affected by market barriers*" (Table 7.1.4). It does not specify areas of intervention or the main principles that should guide the reform. The direction of intervention is to be defined by a working group – a new "Sectoral Conference for Regulatory Improvement and Business Climate" (already established in 2021:Q4) that is to advise and coordinate the different levels of administration. Several monitoring indicators are tracing the creation of the sectoral conference and its activity, in line with the principle that whenever the details in the reforms are still unknown, an action plan with intermediate indicators to monitor progress should be supplied (EC 2021). Still, the M&Ts set are not committing the Spanish government to any intensity for this reform.

All in all, the Spanish plan includes an initiative to remove market barriers that is vaguely described. Defining monitoring indicators tracing the activity of the sectoral conference can be viewed as a good practice, but end-period M&T are missing to trace effective implementation.

3.1.5 Assessment

In this policy area, Italy stands out with an ambitious and frontloaded plan to simplify a wide range of administrative procedures, supported by adequate milestones. Cyprus is presenting a narrower reform but targeting specific barriers that have been identified as particularly burdensome in the country and committing to quantitative targets. Portugal and Spain present initiatives to streamline licensing procedures and to reduce burdensome regulations, but these are vaguely described, and the corresponding milestones fail to demand implementation.

Table 3.1.2 – Summary assessment: business regulations and licensing

	Cyprus	Italy	Portugal	Spain
Challenges addressed	Partial	Significant	Unclear	Unclear
Timing	C3.3R2: Frontloaded C3.5R3: Frontloaded	Frontloaded	Back-end loaded	Frontloaded
Description/Rationale	C3.3R2: Reasonable C3.5R3: Reasonable	Reasonable	Vague	Vague
Milestones	C3.3R2: Sensible C3.5R3: Sensible	Sensible	Poor	Poor
Targets	C3.5R3: Right C3.3R2: Right			
Likely pushed by RRF?	C3.3R2: Novel C3.5R3: Boosted	Novel	Novel	Novel
Overall assessment	***	*****	*	**

3.2 Regulated professions

Some regulated professions are regulated by way of *reserved activities*, i.e., by granting members of professional associations the monopoly power to exercise certain professions or activities. In some countries, there are restrictions on the *legal form* to exercise professional activities, for instance, prohibiting public corporations, or requiring minimum *shareholding* or *voting rights* for members of the relevant professional association. Also common are restrictions on *multi-disciplinarity* – that is, the possibility of a company to provide services across more than one regulated profession. Other burdensome regulations include restrictions on advertising, quantitative restrictions, residency requirements, and the possibility of professional associations to recommend or set minimum prices. Access of individuals to professional associations may involve barriers, with the requirements varying from the holding of a specific university degree to more stringent admission processes including additional training and approval in exams administered by the professional association. These regulations impose extra costs on professionals, limit their mobility, distort returns to education, and contribute to wage inequality (Koumenta and Paglier, 2016).

The regulation of professional services is a shared competence of MSs and the EU. In 2017 and 2021 the EC issued reform recommendations to MSs on seven economically important groups of professions: architecture, engineering, legal services, accounting, patent attorneys, tourist guides, and estate agents. Recommendations envisaged the removal of unnecessary and disproportionate barriers to entry, the narrowing of the scope for reserved activities, the elimination of restrictions on legal form and shareholding of professional companies (EC, 2017, 2021d). In both documents there are recommendations addressed specifically to Italy, Spain, Portugal, and Cyprus.

Table 3.2.1 - Restrictiveness Indicator for regulation in professional services

		Cyprus	Italy	Portugal	Spain
Rank in 27 (Higher rank means greater restrictiveness)	Architects	11/27	20/27	21/27	9/27
	Civil Engineers	14/27	27/27	16/27	22/27
	Accountants/Tax advisers	1/27	25/27	26/27	1/27
	Lawyers	26/27	5/27	19/27	3/27
	Patent agents	27/27	16/27	9/27	12/27
	Real estate agents	27/27	22/27	11/27	1/27
	Tourist guides	14/27	18/27	27/27	24/27

Sources: EC 2021d.

3.2.1 Cyprus

In Cyprus there were 114 regulated professions in 2016, representing 19% of the labour force. According to the EC (2021) the level of restrictiveness in Cyprus was higher than the EU average in 6 out of 7 professions (Table 3.2.1). The profession of patent agent is not regulated, but only lawyers can submit patents and trademarks, which makes it the most restrictive case in the EU. The Council of Real Estate agents imposes maximum fees for the activity of real estate agent. The Chamber of Engineers is entitled with the power to regulate fees, but that power has not been used (EC 2021d).

Following the EC (2017) reform recommendations on professional services, Cyprus reduced the minimum shareholding requirements on professional companies of Architects and Civil Engineers from 100% to 50% and repealed residency requirements for EU lawyers. However, Cyprus has failed to address many other recommendations, namely, to review advertising restrictions, incompatibility rules, legal form restrictions, the scope of reserved activities for several professions, and the 100% shareholding requirement on professional companies of lawyers and real estate agents (EC 2021d, 2021e). In the case of real estate agents, the EC recommended a more open access to the profession, but more restrictions were introduced instead, with the requirement that any natural person linked to a real estate agency should be registered as a real estate agent.

In the Cypriot RRP there are no actions on regulated professions.

3.2.2 Italy

In Italy the number of regulated professions increased from 176 in 2017 to 183 in 2021, reaching 19% of the labour force (EC, 2021d). Regions share responsibility with the state in the regulation of some professions, resulting in regulatory fragmentation. As of 2021 the overall level of restrictiveness on regulated professions in Italy was above the EU average for 6 out of 7 professions in Table 3.2.1. Italy had banished all fixed tariffs on professional services in 2012 but in 2018 reintroduced a minimum retribution (*equo compenso*).The OECD observed that barriers to entry in regulated professions in Italy explain low entry in these activities, low exit, high wages, and low productivity (OECD, 2021a).

Following the 2017 EC reform recommendations on professional services (EC, 2017), Italy adopted a new law in 2017 on competition allowing Lawyers to form multi-professional partnerships with several professions. Italy also addressed a recommendation to review the list of tourist sites reserved for tourist guides with specific qualifications. However, it has failed to follow all the remaining recommendations, namely to reconsider: the scope of reserved activities for architects, engineers, accountants, and lawyers; the access to profession and incompatible restrictions on real estate agents; the fragmented regulations on tourist guides; the two-thirds shareholding requirements for engineers, architects, accountants, and lawyers; the incompatibility rules and multidisciplinary restrictions for lawyers and accountants (EC, 2021d, 2021e). In the context of the ES, CSR2/19 demanded Italy to improve market access in business services, but no progress on that front was acknowledged (Table 6.2.2).

Italy included in the RRP two measures with incidence on regulated professions. Reform *"M4C1.R 1.6: Enabling Degree Reform"* will make each university degree's final examination to correspond to the professional order exam, easing the access to professions. The two milestones demand the entry into force of the law (2021:Q4) and the entry into force of all required regulations (2023:Q4). The presence of the second milestone may be considered as a best practice, comparing for instance to the Portuguese case (see below). The second measure "*M1C3.R4.1: Regulation ordering of the profession of tourist guides*" (2023:Q4), addresses the recommendation to "*clarify the legal situation of tourist guides in view of diverging regional regulations*" (EC, 2021d, p. 123). This reform will end the non-recognition of authorizations to exercise the profession of tourist guides across regions, defining a national standard to access the profession.

3.2.3 Portugal

In Portugal there were 245 regulated professions in 2021, reaching 17% of the labour force (EC, 2021d). Most professions are regulated by law (such as patent agent, real estate agent, and tourist guide), but 20 (highly regulated) representing 430,000 workers are regulated by mandatory professional associations, simultaneously regulating the exercise of the profession and representing professionals' interests. As of 2021, the level of restrictiveness in Portugal was higher than the EU average in 5 out of 7 professions (Table 3.2.1).

In the scope of the 2011-2014's financial assistance programme, a new framework law on highly-regulated professions was approved in 2013, aiming to reduce restrictiveness. However, the implementation of the reform halted, with the failure to adopt the individual profession by-laws[14]. In 2015, a law established the possibility of professional services to be provided by professional companies, but with restrictions on shareholding, management, multidisciplinary, and advertising, at odds with the 2013 framework law (EC 2019c). In the 2017 and 2021 recommendations on professional services, the EC recommended Portugal to reconsider the scope of reserved activities, unnecessary restrictions on legal form, and shareholder requirements on a range of professional activities, as well as incompatibility rules and multidisciplinary restrictions for lawyers, and restrictions on joint exercise for

[14] The government at the time responded to growing social discontentment and adjustment fatigue reducing the pace of structural reforms. In 2014, the government opted not to complete the final review of the assistance programme, forgoing the last tranche of the bailout loan (Torres and Lebre de Freitas, 2019).

companies providing accountancy services (EC 2021d, 2021e)[15]. However, none of these recommendations were addressed. In the context of the ES, recurrent CSRs have demanded Portugal to reduce restrictions in highly regulated professions, but no progress was reported (Table 6.2.3). On the contrary, two new self-regulated professions were created, and a new law removed acquired rights of engineers to carry out architectural projects, at odds with the Directive 2005/36/EC, triggering an enforcement action by the EC (EC 2021d).

The RRF offered an opportunity for Portugal to resume the reform on regulated professions halted in 2013. Measure "*C06.r16: Reducing restrictions in highly regulated professions*" follows earlier recommendations by the OECD and the Portuguese Competition Authority[16]. The single milestone of this measure demands the entry into force of a new law amending the 2013 framework law and the 2015 law on the establishment of professional societies, with the aims of separating the regulation and representation functions in professional associations, reducing the scope of reserved activities to those strictly necessary to safeguard constitutional interest, eliminating restrictions on ownership and management of professional firms, and allowing multidisciplinary business services. A follow up monitoring indicator is set, consisting of an assessment by the Portuguese Competition Authority on the effectiveness of the new law, with possible new proposals, scheduled for 2025:Q4 (Table 7.2.2). The new Law was approved by the Parliament in December 2022, following a Law-project presented by the ruling party (Partido Socialista, 2022). In the new regime, professional associations keep the representation and regulation functions, but the two roles are separate within the association. The law on professional societies is amended, banishing all impediments on the legal form, shareholding requirements, and residency requirements.

This reform is frontloaded and addresses the EC and Competition Authority/OECD recommendations. In its scope, it is a best practice. If properly implemented it will place Portugal amongst the MS enjoying more competition in the provision of professional services. A major weakness in its design is that effective implementation will depend on the adoption of secondary legislation, which is not demanded in the milestones. In particular, the scope of reserved activities, incompatibility rules, and rules governing the access to each profession are to be clarified with new by-laws governing each single professional association. True, the law just approved demands the government to propose to the parliament amendments to the existing by-laws of professional associations within 120 days after its entry into force. However, no milestone in measure C06.r16 is demanding the entry into force of these by-laws. We consider this as a weakness, taking into account that the 2013 reform failed precisely because the individual profession by-laws were never adopted.

After the law was approved, its entering into force was delayed by the fact that the President of the Republic requested its preventive constitutional check to the Constitutional Court. The Constitutional Court ruled the law as legal in February 2023. Although formally the single milestone of this measure was not met on time, the delay was caused by actions out of the government control and with no practical consequences, so the corresponding disbursement should not be at stake.

[15] Shareholding requirements in professional companies amount to 100% in the case of lawyers and to 50% in the case of architects, engineers, and accountants. The setting up of multi-professional companies is prohibited for lawyers. In professional companies providing civil engineering, the manager needs to be established in Portugal. Advertising is restricted for architects, engineers, accountants, and lawyers.

[16] In 2018, the Portuguese Competition Authority jointly with the OECD presented to the government a document suggesting reforms in 13 self-regulated professions (OECD, 2018). The suggested actions included the separation of regulation and representativeness, the establishment of independent supervisory bodies within the professional associations, the reduction of reserved activities to those strictly necessary, the possibility of individuals with alternative educational backgrounds to access the professions, in addition to the lifting of restrictions on legal form, shareholding, management, and advertising.

3.2.4 Spain

In Spain there were 186 regulated professions in 2021, corresponding to 17% of the labour force (EC, 2021d). In several professions membership of the relevant professional association is mandatory. These associations have been delegated power by the government to self-regulate the professional activities, while at the same time they represent the interests of the professionals concerned. As of 2021 the level of restrictiveness in Spain was higher than the EU average in 3 out of 7 occupations (Table 3.2.1). The professions of tourist guides and legal representatives are regulated at the regional level, giving rise to regulatory fragmentation and creating obstacles to territorial mobility. Legal representatives have been obliged to respect minimum and maximum fees. The establishment of professional companies is allowed for Architects, Engineers, and Lawyers, but at least 50% of the shares must be owned by qualified professionals. Lawyers can practice in professional companies with several liberal professions deemed compatible, but excluding legal representatives, auditors, and notaries. The EC reported low entry and exit rates in sectors such as legal, accounting, architecture, and real estate activities (EC 2019d).

A draft bill to reform professional services and associations was sent to the parliament in 2012 but it was withdrawn in 2015. In 2016, Spain announced reforms on a limited number of professions, and a CSR followed demanding the government to adopt the planned reform (CSR4/16, CEU 2016d). However, Spain has failed to carry out the announced reforms since then (EC, 2021e). The EC (2017, 2021d) has recommended Spain to reconsider the scope of reserved activities for a range of professional activities (including the possibility of legal representatives to share certain activities with lawyers), the restrictions on shareholding and company form for architects, and the requirements on engineers to obtain authorizations for certain projects from the professional body. It also recommended the removal of regional differences in the rules governing the access and exercise of the professions of real estate agent and tourist guide. However, no reform has been implemented. References to excess regulation in professional services has also been recurrent in the country reports and in the document containing the CSRs (see Table 6.2.4).

In the Spanish RRP there is an action on regulated professions included in the context of reform "*C13.R1: Improving Business Regulation and Climate*". This consists of amending the regulatory framework for the professional practice of lawyers and *procuradores*: (i) allowing the same qualification to give access to both professions (but applicants must decide whether to register as a legal representative or as a lawyer); (ii) allowing multidisciplinary professional societies to offer services of legal defence and of representation in court; and (iii) replacing the minimum fee by a maximum fee on the services provided by *procuradores*. The three amendments were already implemented in 2022, and the corresponding milestone was considered satisfactorily fulfilled by the European Commission (EC 2022g).

The introduction of a single pathway to assess the professions of legal representative and lawyer will help increase mobility between the two activities. However, this measure can hardly be considered as a pure RRP reform because it was prompted by a Commission enforcement action (EC 2021e, p. 206). The second component of the reform addresses a 2017 recommendation to review multidisciplinary restrictions on professional companies, but the recommendation to allow certain activities to be shared with lawyers is not addressed. More generally, the reform is not tackling most EC recommendations on professional activities. In contrast to the Italian RRP, no measure is included to tackle the problem of regional fragmentation in some professions[17]. Finally, it may be questioned why a maximum tariff on the services of *procuradores* should be set at all, as it may act as a coordinating device, limiting

[17] Addressing fragmentation could be within the scope of the Law of Market Unity, but no provision in reform C13.R1 is committing the government to review regulations on regulated professions (see Section 3.1).

competition. All in all, the design of the reform reveals little ambition, being little more than a response to an EC enforcement action.

3.2.5 Assessment

Portugal is presenting a frontloaded and ambitious plan to reduce restrictions in highly regulated professions in accordance with the principle of free establishment, following a joint proposal of the OECD and the National Competition Authority. If properly implemented, Portugal will benefit from one of the more open environments in professional services. A weakness in the formulation of the measure is that the single milestone demands only the entry into force of the new framework law, while critical implementation issues, including the scope for reserved activities and access to professions depend on the adoption of individual profession by-laws. The Italian plan includes measures to ease the access of university graduates to professional associations and to unify the regulatory framework of tourist guides. The presence of a milestone demanding effective implementation of the law enabling the university degrees may be considered as a best practice, per opposition of the Portuguese case. However, the Italian plan fails to address most other barriers to competition in professional activities, including the scope of reserved activities, shareholding requirements, and minimum retributions. On balance, a more ambitious reform could have been included in the Italian RRP. In Spain, a law amendment will allow the same qualification to give access to the professions of legal representatives and of lawyers, and professional societies (not individuals) to offer both services. The first of these measures is responding to an enforcement action by the Commission, and hence shall not be considered as pushed by the RRF. In contrast to Italy, Spain is not explicitly dedicating a reform to tackle the problem of regional fragmentation in some regulated professions. The Spanish action on regulated professions is minor and disappointing, taking into account the EC recommendations on this front. The Cypriot plan does not include any reform on professional services, despite the EC recommendations.

Table 3.2.2 – Summary assessment: Regulated professions

	Cyprus	Italy	Portugal	Spain
Challenges addressed	None	Partial	Significant	Timid
Timing		M4C1.R1.6: Frontloaded M1C3.R4.1: Fair	Frontloaded	Frontloaded
Description/Rationale		M4C1.R1.6: Reasonable M1C3.R4.1: Reasonable	Reasonable	Reasonable
Milestones		M4C1.R1.6: Sensible M1C3.R4.1: Sensible	Weak	Sensible
Likely pushed by RRF?		M4C1.R1.6: Novel M1C3.R4.1: Novel	Novel	No
Implementation issues?			Yes	
Overall assessment	*	***	****	*

3.3 Public procurement

SME participation in public procurement may be hindered by many reasons, ranging from lack of open selection procedures, lack of information on public tenders, complex participation requirements, lengthy decision processes, and large contracting volumes. The EC (2008) recommended MSs to adopt policies to encourage the participation of SMEs in public procurement through the simplification of procedures, competitive tenders, the speeding up of decision processes, the subdivision of large contracts into lots, and the setting up of electronic portals to widen access to information. Public procurement is also an area in which risks of cost overruns and corruption are high. A well-designed governance structure with professional buyers, adequate monitoring, and audit are part of an effective procurement framework.

Table 3.3.1: Public Procurement: Selected Indicators

		Italy	Spain	Portugal	Cyprus	EU
% of SME contractors -2020 (i)		73	43	42	81	63
% of SME bids -2020 (i)		62	53	44	84	71
Public procurement composite Indicator -2020 (i)		-3.3	-8.7	-6.7	-12.0	-0.7
Competition and transparency (i) (from 1=low score to 3=high score)	Single bidder	1	1	1	1	
	No calls for bids	2	1	2	1	
	Publications rate	2	2	1	1	
SME participation (i) (from 1=low score to 3=high score)	SME contractors	1	1	1	3	
	SME bids	2	1	1	3	
	Procurement by lots	2	2	2	1	
Efficiency and Quality (i) (from 1=low score to 3=high score)	Cooperative procurement	3	1	1	1	
	Award Criteria	3	3	3	1	
	Decision speed	1	1	3	1	
Data quality (i) (from 1=low score to 3=high score)	Missing call for bids	1	1	1	3	
	Missing Seller Registration	1	1	1	1	
	Missing buyer registration	1	1	1	1	
% of firms reporting widespread corruption in national public procurement -2018 (ii)		81%	75%	79%	88%	

Sources: (i): EC (2022a, 2022b, 2022c, 2022d); (ii) EC (2020a, 2020b, 2020c, 2022d); Notes: Single Market public procurement scoreboard: 1=Red; 2=yellow; 3=Green.

3.3.1 Cyprus

Cyprus' performance in the Single Market Scoreboard's public procurement indicator ranks at the bottom of EU MSs (EU 2022a). An area in which Cyprus is underperforming refers to "Competition and transparency", with half of the contracts having a single bidder and with 25% consisting of direct awards (Table 6.3.1). Cyprus is also underperforming across measures of "Efficiency" and "Quality of Information", but it ranks rather well in terms of SME participation in public contracts. It is one of the EU countries where the perception of corruption is higher, and where corruption in public procurement is perceived to be widespread (Table 3.3.1). In the context of the ES, no CSRs have been addressed to Cyprus, but the EC has recommended the strengthening of administrative capacity, professionalization of the procurement staff, more competition, and transparency (Table 6.3.1).

The Cypriot RRP includes a measure on public procurement "*C3.4R4: Strengthen administrative capacity and transparency through the professionalisation of public procurement and further digitalisation of its process*" (2025:Q4). The measure aims to introduce an integrated e-procurement system. The platform is intended to be user friendly for SMEs, and to allow for statistical reporting. The description of the reform states that it will be accompanied by the revision of the organizational structure of the central public procurement function, as the title of the measure suggests (CEU 2021a, p.90). However, no details are given regarding what the organizational change will be. Moreover, the intention to change the organizational structure is not provisioned in the single milestone, which demands only that the new e-procurement system be fully operational and the staff to be trained (Table 7.3.1).

The reform goes along with the “once-only” principle, reducing paperwork and red tape, and has the potential to speed up the decision processes and improve data availability, areas in which Cyprus has underperformed. An easy access of participants may also help attract more candidates, reducing the number of direct deals, which has been an issue in Cyprus. Perhaps a more ambitious design could have been set, demanding the reduction in the proportion of direct awards by some proportion. The fact that the intention to revise the organizational structure of the central procurement function is not reflected in M&Ts may limit the scope of the reform, in a dimension where Cyprus is lagging behind.

3.3.2 Italy

Italy’s performance in the Single Market Scoreboard’s public procurement indicator ranks better than the other three countries in our sample but is still standing below the EU average (Table 3.3.1). The lowest scores are found in the percentage of contracts with a single bidder, the decision speed, and the quality of information in general. In terms of corruption perception, Italy is one of the worst performers in the EU, with 81% of the firm’s believing corruption in national public procurement to be widespread (EC, 2020b).

A new public procurement and concessions code was adopted in 2016. However, the Commission has reported incomplete implementation and warned about regulatory instability (EC 2020b). According to the various country surveys, the main inefficiencies in the Italian procurement system include legal fragmentation, low administrative capacity, lack of coordination amongst institutions, slow tendering procedures, single bidding, low transparency, and vulnerability to infiltrations of organized crime (Table 6.3.2). In 2019 a CSR demanded Italy to “address restrictions to competition (…) also through a new Annual Competition Law” (CSR3/19). This recommendation may be understood as including reported problems in public procurement by means of concession (street trade, beach concessions, retail trade, tourism, energy, and industrial activities), for which contracts have been awarded without competitive and transparent processes or extended without open selection procedures (Table 6.3.2).

In the Italian RRP, reform “*M1C1.R1.10: Reform of the public procurement legislative framework*” aims to simplify public procurement rules, reduce fragmentation, promote e-procurement, professionalize buyers, speed up tendering procedures, and enhance transparency. This reform is planned in two steps (Table 7.3.2). The first step (2021:Q2 and 2021:Q4) consists of the entering into force of a Decree-Law to simplify the public procurement system, as well as all the corresponding secondary legislation. The law shall: establish the setting up of dedicated offices at different levels of the administration to be coordinated by the Single Coordination Body; require the registration of all contracts and the qualification of contracting authorities by the National Anticorruption Authority; ensure an adequate level of trained staff; include targets to reduce the times for awarding contracts and for the execution of the works; and incentivize the use of alternative dispute resolution mechanisms. The corresponding milestones are already assessed as successfully fulfilled (EC 2022e). The second step (2023:Q1 and 2023:Q2), consists of the introduction of a New Procurement Code, including secondary legislation, built under the principles of reducing fragmentation, digitalization, the empowerment of the national anti-corruption authority, and the reduction of restrictions to the possibility of subcontracting. The mandate law delegating the government to prepare the new procurement code has already entered into force (EC 2022h). These steps are provisioned with detailed milestones.

In the scope of this reform, two quantitative targets demand the reduction of the average time between the publication and the contract award from 193 days currently to less than 100 days, and the reduction of the average time between the contract award and the realization of the infrastructure by 15%, by 2023:Q4. These are ambitious targets, results- based, and refer to precisely defined indicators. Notably, the Decree-Law simplifying the public procurement system, that already entered into force, establishes a maximum time of 90 days between publication and contract award, which is more ambitious than the provisioned target (EC 2022h). In addition, there are targets for the number of civil servants to be trained and for the percentage of contracting authorities using dynamic purchasing systems. All these quantitative targets are well defined and aligned with the objectives of the reform, thereby constituting a best practice.

All in all, this comprehensive reform addresses the main issues raised by the EC regarding fragmentation, administrative capacity, and vulnerability to corruption, with the empowerment of the coordinating office and of the anti-corruption authority, with training, and with improvements in the electronic platforms. Ambitious targets referring to well defined indicators demand more efficiency and institutional capacitation. The reform was scheduled to be frontloaded, and by now it has been swifty implemented. We consider it a best practice[18].

On another front, reform "M1C2.R2: Annual Competition Laws" addresses the recommendation to introduce more competition in the award of public contracts in local public services. The reform commits the Italian government to follow the recommendations of the Italian Competition Authority each year. The three milestones referring to the 2021 law (to be adopted in 2022:Q4) demand the widespread use of the principle of competition in local public service contracts, with limitation of direct awards and of unjustified prolongations of concessions (brief summary in Table 7.3.2). The commitment of the Italian government to follow the recommendations of the competition authorities adopting the Annual Competition laws should be considered as a best practice.

3.3.3 Portugal

Portugal's performance in the Single Market Scoreboard's public procurement indicator ranks below the EU average, with the lowest scores being observed in SME participation, contracts with single bidders, and data quality. Also the companies' perception of corruption is amongst the worst in the EU, with 79% of the companies stating that it is widespread in public procurement (Table 3.3.1).

In Portugal a new procurement code entered into force in 2018. A new platform was developed with automated procedures for data extraction and report generation, and different government agencies were given direct access to the database in order to prevent corruption and non-competitive practices. The EC acknowledged the improvement in the reliability of public procurement data but has observed that the poor administrative capacity of contracting authorities has resulted in insufficient planning, undue use of direct awards, weak ex-ante control mechanisms, and limited capability to monitor

[18] The Italian RRP also includes reform "*M1C1.R1.1: ICT procurement*", which envisages the identification and certification of a list of economic operators authorized to provide ICT goods and services to public administration.

contracts in the execution phase (EC, 2019c, 2020c). By 2022 the EC was reporting problems in transparency, competition and low SME participation (Table A3.3.C) [19].

The Portuguese RRP includes an initiative on public procurement in the context of Reform *"C17.r32: Modernisation and Simplification of Public Financial Management"* [20]. The initiative is defined in terms of two targets: the revision of 10 framework agreements and contracting models by 2022:Q4; and the simplification of 11 information systems by 2023:Q4. These are meant to achieve administrative simplification, reinforce monitoring and control, foster costs efficiency, and broaden the list of goods and services subject to centralized procurement.

The planned reform may help reduce the administrative burden and improve transparency, but is silent regarding the two main challenges in which Portugal has underperformed: the low administrative capacity that has resulted in lack of structured and quantified plans and in undue use of direct awards; and the low participation of SMEs in public contracts. A more ambitious reform would have included the professionalization of public buyers and the training of contract managers to improve their ability to monitor contracts, as suggested by the Council for the Prevention of Corruption (EC, 2020c, p. 61). We have no information to assess the quality of the targets set in this reform, but perhaps some targets demanding a reduction in the proportion of direct awards and a higher participation of SMEs would have been welcome.

3.3.4 Spain

Spain's performance in the Single Market Scoreboard's public procurement indicator ranks below the EU average, especially regarding SME participation in public contracts and in Data Quality (Table 3.3.1). According to the European Commission (2020d), the proportion of companies in Spain perceiving corruption as widespread in national public procurement increased from 71% in 2015 to 75% in 2018.

In Spain, Law 9/2017 on public sector contracts stipulated the adoption of a National Public Procurement Strategy. The aim of the strategy is to foster competition, enhance transparency and control, and improve legal certainty, with a better coordination and clarification of responsibilities across government levels, as well as the interconnection of existing electronic platforms. However, the EC has reported delays in implementation of the National Procurement Strategy and on the regulation establishing the National Evaluation Office, which will assess the financial sustainability of concession contracts. It also noted that insufficient resources had been allocated to the Independent Office for Regulation and Supervision of Public Procurement. In 2019 and 2020, two CSRs demanded Spain to strengthen the procurement framework (CSR1/19 and CSR4/20, Table 6.3.4).

In the Spanish RRP, measure "*C11.R4: National Public Procurement Strategy"* intends to complete the one reform initiated in 2017. The first milestone demands the establishment of the National Evaluation Office (2021:Q4) and was already successfully achieved (EC 2022g). The second step consists of the adoption, by 2022:Q4, of the National Procurement Strategy. The corresponding milestone demands the strategy to include the following elements: professionalization, facilitating SMEs' access, improve available data, foster efficiency, digitalization, supervision and control, and corruption prevention. A

[19] In the specific area of procurement by means of concession, lack of competitive and transparent processes to award public service contracts have been identified in the sector of maritime ports (OECD 2018, 2019, EC, 2020b). According to a study conducted by the OECD and the Portuguese competition authority (OECD, 2018), in some services regulations discriminate against smaller firms, and contracts have been granted to single providers, instead of allowing multiple private operators to compete, resulting in excessive costs.

[20] Other measures on public procurement in Portugal include the creation of specialized chambers on public procurement in the administrative and tax superior courts (C18-r33), an action plan to strengthen centralized purchasing mechanism for medicines (C01.r03), and a National Strategy for Green Procurement (C12.r25).

related investment is addressing the interconnection between all existing public procurement platforms ("C11.I1: modernization of the General State Administration: Interconnection of national public procurement platforms, to be completed by 2023:Q4).

Although this reform was already underway before the launch of the RRF, its implementation had been slow. This might be an example of a pending measure that the RRF helped release. Arguably, targets could have been set regarding the participation of SMEs in public procurement, for which Spain stands below the EU average.

3.3.5 Assessment

Italy is addressing reported problems in public procurement with an ambitious strategy, envisaging the capacitation of central public procurement, the empowerment of the national anti-corruption authority, and more competition in concessions. The milestones are detailed and demand the adoption of secondary legislation, which is a best practice. Several quantitative targets demand efforts in the right direction, including the reduction in the average time for awarding contracts and for the execution of works. We consider the two reforms proposed by Italy as best practices. The Spanish RRP includes a measure to complete a reform initiated in 2017, the implementation of which had been slow. It is also a comprehensive reform aiming at improvements in governance, capacity building, and transparency. The milestones of the reform reflect these various components. A more ambitious design could have demanded the fastening of procedures (as in Italy), or a minimum participation of SMEs in public contracts, areas in which Spain has underperformed. The reform of public procurement in Cyprus is back-end-loaded and partial. Its description suggests that it envisages the strengthening of the administrative capacity of the central procurement, for which Cyprus is underperforming, but the single milestone demands only the launch of a new integrated digital system. A target could have been set demanding a reduction in the number of direct awards, an area in which Cyprus has underperformed. In the Portuguese RRP, the initiative in public procurement is targeting the simplification of several framework contracts and information systems, but the main problem identified by the EC, namely insufficient administrative capacity that has resulted in lack of structured and quantified plans and in undue use of direct awards, is not explicitly addressed. The reform is silent regarding SMEs' participation, for which Portugal is lagging behind.

Table 3.3.2 – Summary assessment: Public Procurement

	Cyprus	Italy	Portugal	Spain
Challenges addressed	Partial	Significant	Timid	Significant
Timing	Back-end loaded	M1C1.R1.10: Frontloaded M1C2.R2: Frontloaded	Frontloaded	Frontloaded
Description/Rationale	Reasonable	M1C1.R1.10: Reasonable M1C2.R2: Reasonable	Reasonable	Reasonable
Milestones	Weak	M1C1.R1.10: Sensible M1C2.R2: Sensible	-	Sensible
Targets	Missing	M1C1.R1.10: Right	Missing	Missing

Likely pushed by RRF?	Novel	M1C1.R1.10: Novel M1C2.R2: Boosted?	Novel	Released
Overall assessment	**	*****	**	****

4 ACCESS TO FINANCE

4.1 Capital market regulations and direct support through financial instruments

In Europe bank credit is the most common source of finance, especially for SMEs. Nevertheless, many SMEs are constrained in obtaining bank loans due to lack of collateral or insufficient equity. Borrowing constraints are more likely to affect innovative SMEs and start-ups, due to their high-risk nature, absence of past financial records, and greater reliance on intangible capital, which cannot be easily used as collateral to secure bank loans. The EU strategy for SMEs (EC, 2008, 2020) recommends the development of sources of finance alternative to bank credit.

With the pandemics the case for expanding the range of financial instruments available to SMEs and start-ups was reinforced. Prolonged business shutdowns, depressed demand, and value chain disruptions created financial pressures on SMEs, depleting their working capital, and threatening the survival of many viable firms. Central banks responded with monetary stimulus and with the ease of capital requirements on banks to prevent credit crunches, and governments extended credit guarantees, subsidized loans, and decreed moratoria on debt repayments. These measures were phased out during the recovery. Measures relying on debt channels helped secure liquidity but could not address the capital erosion in firms that experienced accumulated losses. Many SMEs that took on additional debt to weather the pandemic became excessively leveraged and hence more exposed to the interest rate hikes that followed (OECD, 2022).

Table 4.1.1 – Access to finance (2020)

	Italy	Spain	Portugal	Cyprus	EU
Access to finance loan (0 to 1)	0.92	0.96	0.74	0.37	0.56
Access to finance equity (0 to 1)	0.09	0.12	0.07	0.20	0.18
Venture capital (% of GDP)	0.015	0.054	0.019	0.079	0.054

Sources: EC (2022a, 2022b, 2022c, 2022d). Notes: The composite indicators of access to finance, indexes from 0 to 1 (the higher the better).

4.1.1 Cyprus

In Cyprus the bank credit channel has been constrained by a high incidence of non-performing loans (NPL). Other sources of finance such as venture capital, business angels, and crowdfunding have remained marginal (EC 2020a). In 2018, 2019, and 2020 various CSRs have demanded Cyprus to improve SME access to finance (Table 6.4.1). In 2019 the EC acknowledged some progress, but observed that most measures had been based on grant schemes supported by EU funds, while equity finance and market-based mechanisms remained marginal. It also observed that extra efforts would be needed to increase the information of borrowers. In the 2020 report the EC acknowledged that a state equity fund was under preparation.

In the Cypriot plan, a relevant measure that may help the development of alternative sources of finance is investment "*C3.3I2): Creation of a Regulatory Sandbox to enable FinTech*"[21]. The aim of this measure is to establish a testing ground for innovative finance, allowing innovators to conduct live experiments under the regulator's supervision. This methodology is expected to facilitate the dialog between market participants and the regulator and to promote a faster deployment of innovative financial products and services.

Another important measure, "*C3.5R4: new legal framework and system of exchange data and credit bureaus",* is tackling the recommendation to improve the availability of information on borrowers, with a legal amendment to the existing system for exchange of credit data to enable the provision of credit scoring services. Key elements of the reform include the establishment of the duty of financial institutions to collect data, the launch of an upgraded digital system for exchange of data, and the establishment of data protection rules. All these components are adequately reflected in two milestones (Table 7.4.1). This measure tackles the market failure in access to credit at its root, by mitigating the information asymmetry that deters the development of credit markets in the first place. The measure is also expected to bring liquidity to the secondary market of troubled assets, thereby contributing to the stability of the financial system and the regular flow of resources from savers to borrowers.

As for direct supports, investment "*C3.3I6: State funded equity fund*" is to provide equity and venture capital particularly for innovative companies and start-ups, co-investing with market players (private equity funds, venture capital, business angels, commercial banks). The single milestone demands the investment fund to define an investment policy and eligibility criteria at the time of the registry (2022:Q4), without disentangling the elements that shall be included in the investment policy. A quantitative target demands at least 12 start-ups or innovative companies to be supported by the fund. As we argue below, a provision demanding a minimum number of beneficiaries does not constitute a good practice, as it may imply a conflict with the eligibility criteria. Arguably, with only 12 firms being targeted, this will be less of a problem in this particular case. Still, a quantitative target demanding a minimum level of efforts by the fund managers to attract applications (but not necessarily approvals) would be a better design. The stated intention to leverage financial supports by private co-investors could be considered as a good practice, but this requirement is not reflected in the M&Ts. Since the equity fund was already under preparation before the RRF, it is difficult to assess whether this measure was released by the facility, but we surmise that it will have been boosted by the availability of funds.

4.1.2 Italy

The Italian government had implemented a range of measures to promote alternative sources of finance, following CSRs addressed in 2018 and in 2019 (Table 6.4.2). These measures include the launch of a mini-bond market for unlisted companies, an alternative investment market (AIM), improvements in the regulatory framework for crowdfunding, a regulatory sandbox for Fintech, the setup of long-

[21] Regulatory Sandboxes are frameworks in which Fintech firms can simulate and pilot-test innovative financial products under fewer restrictions or outside the existing regulatory framework, but under regulatory supervision. Regulatory sandboxes enable technologically enabled financial innovations not already accounted for in existing regulations to be life-tested in a controlled environment, providing regulators the opportunity to adapt to new challenges through experimentation. Starting in the UK in 2015, more than 50 countries have already launched Regulatory Sandboxes, including Spain and Italy.

term individual savings plans channelling funds to Italian companies, a vehicle to invest in unlisted SMEs, and a venture capital fund to invest in start-ups and innovative SMEs (National Innovation Fund). In 2020 the EC recognized "some progress", as the measures previously implemented were "gradually kicking in", but noted that measures to improve the weak recourse to venture capital were still pending (EC 2020b, p. 35). During the pandemic the policy priority shifted to secure access to liquidity, and this was successfully tackled with the reinforcement of state guarantees and loan moratoria (OECD, 2022). However, the structural problem of low equity finance remained, and this is acknowledged again in the 2022 country report (Table 6.4.2).

In the Italian RRP, investment "*M4C2.I3.2: Financing Start-ups*" will supplement the resources of the state-owned equity fund (National Investment Fund), allowing it to reach more beneficiaries. The single milestone of this measure demands the signature of the financial agreement and definition of an investment strategy by 2022:Q2. The milestone lists a comprehensive set of elements to be included in the investment strategy, which we consider as a best practice (see Table 7.4.2). This milestone was already assessed as satisfactorily fulfilled by the EC (2022h, p. 88). Although the title of the measure suggests that the beneficiaries are mostly start-ups, its description reveals that the investment is targeting a broader audience, including SMEs and mid-caps/large companies. A quantitative target was set establishing "at least 250 SMEs and start-up projects" to be awarded through the initiative by 2025:Q2 (CEU, 2021b, p. 485). This goal was, however, amended in the adopted investment policy to "at least 250 enterprises with 250 operations" (EC 2022h, p. 87). The fact that this policy is targeting such a broad audience raises a question about what the policy is trying to address beyond the market failure in access to finance. In general, large companies should be able to cope with the fixed costs involved in releasing the information required to attract direct finance[22]. When a large firm fails to obtain funding in the market, the scope for the government is not entirely obvious.

The presence of quantitative targets regarding the level of intervention (minimum number of beneficiaries) is questionable, as it raises the possibility of conflict with the investment policy: in case the applications meeting the eligibility criteria fall short of the quantitative target, one provision must be sacrificed to the other. Since the investment policy and the eligibility criteria are established to safeguard the social value of the intervention, any goal establishing a minimum level of intervention should be at least subordinated to the investment policy. More reasonable quantitative targets could have been set, for instance demanding the vehicle manager to attract and analyse a minimum number of applications, or to implement a minimum number of investment programmes. Such targets would demand effort by the vehicle to achieve a good coverage of the universe of potential beneficiaries, increasing the chance of attracting valuable projects without risking excess subsidization ex post. In our view, any quantitative goal regarding the level of support should be downgraded to the level of monitoring indicator. This comment is extended to similar measures in the other countries.

4.1.3 Portugal

According to the OECD (2019), the percentage of SMEs reporting access to finance as a main barrier to business in Portugal fell by half between 2014 and 2018. This improvement reflected, to some extent, the sounder situation of the banking system. The EC has pointed out however that access to equity capital remained low, including venture capital (Table 4.1.1). During the pandemic, a CSR was addressed to Portugal demanding temporary measures to secure access to liquidity, and the

[22] The Italian plan also includes an initiative providing equity finance to start-ups involved in the green transition (*"M2C2-I5.4: Support to start-ups and venture capital active in the ecological transition"*). Since this measure is primarily tackling a different market failure, it is not within the scope of this research.

authorities put in place several measures, including the expansion of credit guarantees. According to the OECD (2020), the share of government guaranteed loans in total SME loans reached 23% in 2020 (5.4% in 2009). Supports to liquidity proved to be effective for the purpose, but the structural problem of low equity remained. By 2022 the EC reported that SME access to loans was already above the EU average, but access to finance remained constrained in terms of equity (Table 6.4.3).

The Portuguese RRP contains measures intending to facilitate the access of firms to equity capital both on the regulatory front and with direct provision of funding through the recently created national promotional bank (Banco Português de Fomento, BPF).

On the first avenue, reform "*C05-r13: Capital market development and promotion of capitalisation of non-financial companies*" includes three initiatives: a simplification of the legal framework for investment funds; an amendment to the Securities Code Act in order to remove unnecessary barriers; and the introduction of new legislation to develop the capital market, following contributions from market players. The three milestones of this reform do not provide much detail (Table 7.4.3). The first two only call for "regulatory and administrative simplification". The third initiative simply calls vaguely for law(s) to create incentives for investor participation, to provide access of corporations to finance, to create an environment conducive to business growth, etc. (Table 7.4.3). This is rather unclear. From the information available in the RRP, it is not clear which dimensions of the capital market are to be reformed. In the operational arrangements, and no monitoring indicator is set demanding an action plan or reports to be delivered at a later stage, as is recommended when the direction of the reform is to be decided later (EC 2021). This reform is poorly designed, and lacks detailed milestones and an adequate set of operational arrangements.

In respect to direct supports, investment "*C05.I06: Capitalisation of companies and financial resilience/Banco Português de Fomento*" launches a vehicle to be managed by Banco Português de Fomento (BPF), which will invest directly in Portuguese non-financial corporations (not necessarily SMEs or startups), in the form of equity and/or participative loans convertible in equity. A quantitative target is set, committing the vehicle to deliver at least 1.3bn euros by 2023:Q4. Two milestones are scheduled for 2021:Q3: the first demanding the adoption of a legislative act to regulate the fund and mandating BPF to define and adopt an investment policy with eligibility and selection criteria; and the second demanding the adoption of the investment policy by BPF. The milestones do not detail the elements to be included in the investment policy. Three monitoring indicators (5.29.1 to 5.29.3) demand the manager to launch a minimum number of investment programmes each year (Table 7.4.3).

The above-mentioned milestones are already assessed as successfully fulfilled by the EC (2022f). However, the investment policy adopted is merely qualitative regarding the risk-return objectives and does not present clear eligibility and selection criteria: it is stated instead that the eligibility and selection criteria are to be detailed in the scope of each investment programme (BPF, 2022, p.13-15). The EC argued that the eligibility and selection criteria "*are left rather broad but are sufficiently defined for the purpose of the investment policy, and will be detailed further in BPF's investment programmes*" (p. 88). In our view, however, forwarding the details of the eligibility criteria to the level of each investment programme should not be considered a good practice, as it opens the window for the parameters to be relaxed over time, in subordination to the quantitative target. A more effective combination would be to upgrade the monitoring indicators requiring the manager to launch a minimum number of investment programmes to the level of quantitative target, to push for effort in the attraction of more projects, and keep the definition of the eligibility and selection criteria (which safeguard the quality of the policy) strictly in the sphere of milestones. As for the level of expenditure, any quantitative goal should be downgraded to the level of monitoring indicator, as already argued.

The Portuguese RRP includes a supplementary measure on capitalization available only for the region of the Azores *("C05.I04: Recapitalization of the Business System of the Azores")*. The description of the measure states that the aim is to address a structural problem of undercapitalization in the Autonomous Region of the Azores (CEU 2021, p.54). However, no evidence is provided indicating that the problem is more severe in the Azores than in the rest of the country. This investment consists of the creation of a vehicle, also managed by BPF, to invest in Azorean firms mainly in the form of equity. In this case, however, the capital provided may include a component convertible into non-repayable grants (CEU 2021c, p.54). The conditions under which such convertibility may take place are not explained in the RRP or provisioned in milestones (Table 7.4.3). Regarding this, the investment policy document states that the conversion shall be enacted by "*contractually agreed targets*" (Governo Regional dos Açores, 2021, art. 3.2.1) but no information is given regarding the dimensions along which these targets are to be set, or what kind of effort by the beneficiaries is to be demanded. As for the remaining characteristics, the policy is structured in a manner similar to investment C05.i06, and the same considerations apply.

4.1.4 Spain

Spain had improved the regulatory framework for many financial instruments from 2015 to 2018 (EC, 2019d). By 2020 the volume of venture capital funding to Spanish firms was at the EU average (Table 4.1.1), and access to finance was considered the least important obstacle by Spanish firms, including SMEs (Table 6.4.4). During the pandemic, a CSR demanded Spain to secure liquidity to SMEs (CSR3/20) and the government responded with temporary measures. After normalization the problem of access to finance dissipated. In the 2022 ES country report the ES re-stated that "*Spain is not in a critical situation as regards to access to finance, either for loans or for equity*" (EC, 2022d, p. 44).

Nevertheless, an investment is included in the Spanish RRP aiming to increase the availability of credit to SMEs *("C13.I2: Growth", CERSA Guarantee")* provisioned by a quantitative target establishing that at least 1bn euros of guarantees shall be granted by 2023:Q4 (Table 7.4.4). This measure is at odds with the recognition that access to credit is not a general problem in Spain. In the absence of a general market failure in access to finance, the risk exists that this policy will move the cost of credit in the wrong direction, inducing firms to engage in low productivity investments. Moreover, it has the potential to distort competition in financial markets, crowding out market-based sources of finance.

The Spanish plan also includes a small initiative targeting an uncontroversial audience: under investment "*C17.I5: Knowledge transfer*" a risk-capital vehicle will be created to co-invest in technological start-ups, together with private investors. A quantitative target is established demanding at least 45 innovative and technology-based firms to receive public capital. The target demands explicitly co-investment by the private sector, which may be considered a good practice. However, no M&T is demanding an investment policy and eligibility criteria, apart from the mandatory compliance with the 'do no significant harm' (DNSH) rule. The actions under this investment are said to take the form of calls for proposals, but no quantitative target is demanding a minimum number of actions to be implemented. From the discussion above, a better design would have involved setting a quantitative target demanding a minimum number of calls by the manager and downgrading the goal regarding the number of beneficiaries to the level of monitoring indicator.

4.1.5 Assessment

Cyprus is tackling the problem of excess dependence of firms on bank credit with measures on the regulatory front and with the provision of direct support to innovative companies and start-ups. The initiatives on the regulatory front are narrow but reasonably described and traceable by milestones. As for the state equity fund, the description of the measure indicates that financial supports are to be leveraged by private co-investors, which could be considered as a good practice, but this requirement is not reflected in the M&Ts. In Italy, the recommendation to improve the availability of venture capital is addressed with the strengthening of the state equity fund. The single milestone of this measure is very detailed in terms of the elements to be included in the investment policy, which we consider as a best practice. The fact that financial supports are to be extended to large firms is controversial. A quantitative target is set demanding a minimum number of beneficiaries, raising the possibility of inconsistency with the investment policy and eligibility criteria, which safeguard the quality of the policy. More effective targets could have been set demanding effort by the vehicle in the attraction of candidates, downgrading any quantitative goal regarding the intensity of support to the level of monitoring indicator. The Portuguese plan tackles the reported problem of low capitalization of Portuguese firms with a vaguely described measure aiming at the development of the capital market, and with the launch of two vehicles that will provide equity finance to Portuguese firms in general (not necessarily SMEs and startups), and additionally to firms located in the Azores region. The creation of an additional tool to invest in the region of the Azores with more favourable conditions is not justified. A major weakness in the design of both measures is that the details of the investment policy and eligibility criteria are to be defined at the level of each investment programme, raising the question as to whether they might become less demanding over time, in subordination to the quantitative targets. In the Spanish RRP a measure is included to expand the availability of credit to SMEs in a country where access to credit is reported not to be a problem. Arguably, the risk exists of this measure to move relative prices too far in the wrong direction, inducing firms to engage in investments with low returns, and crowding out market-based sources of finance. A second measure in the Spanish plan providing equity support to innovative and technological companies targets an uncontroversial audience and requires co-investment by the private sector, which is a good practice.

Table 4.1.2 – Summary assessment: Capital market and Direct supports

	Cyprus	Italy	Portugal	Spain
Challenges addressed	Partial	Significant	Unclear	C17.I5: Significant
Capital market regulations				
Timing	C3.3I2: Fair C3.5R4: Fair		Frontloaded	
Description/Rationale	C3.3I2: Reasonable C3.5R4: Reasonable		Vague	
Milestones	C3.3I2: Sensible C3.5R4: Sensible		Poor	
Likely pushed by RRF?	C3.3I: Novel C3.5R4: Novel		Novel	
Direct Supports				

Timing	C3.3I6: Frontloaded	M4C2.I3.2: Frontloaded	C05.I06: Frontloaded C05.I04: Frontloaded	C13.I2: Frontloaded
Description/Rationale	Reasonable	M4C2.I3.2: Fragile	C05.I06: Fragile C05.I04: Fragile	C13.I2: Fragile C17.I5: Reasonable
Milestones	C3.3I6: Weak	M4C2.I3.2: Sensible	C05.I06: Sensible C05.I04: Sensible	
Targets	C3.3I6: Risky	M4C2.I3.2: Risky	C05.I06: Risky C05.I04: Risky	C13.I2: Risky C17.I5: Risky
Likely pushed by RRF?	C3.3I6: Boosted	M4C2.I3.2: Boosted	C05.I06: Novel C05.I04: Novel	C13.I2: Boosted C17.I5: Novel
Overall assessment	****	***	**	C13.I2: *

4.2 Late payments

Delays in payments create financial constraints for suppliers, worsening their liquidity management, and affect SMEs the most, as in general they have less bargaining power than large firms. Often, late payments give rise to chain reactions, with liquidity constrained firms trying to pass the delays through to their own suppliers, generating an adverse macroeconomic externality. The Directive 2011/17/EU establishes standard time payments for public procurement and for business-to-business (B2B) transactions at 30 days and 60 days, respectively. However, In the EU only 40% of businesses are paid on time (Rzepecka, et al. 2018). The EC (2020) report that late payments account for one out of four bankruptcies among SMEs.

Table 4.2.1 - Late payments: selected indicators

	Italy	Spain	Portugal	Cyprus	EU
Share of SMEs experiencing difficulties with late payments (2021)	46.6%	33.9%	38.1%	63.6%	45%
Average payment delays, B2B, 2020 (Spain 2019)	13.4	0	12		

Sources: Data on the share of SMEs experiencing difficulties with late payments are from the ECB survey on the Access to Finance of Enterprises in the Euro Area (SAFE, 2021), and reproduced in the Country Reports (EC 2022a, 2022b, 2022c, 2022d). The data on average payment delays in B2B are from the OECD (2022).

4.2.1 Cyprus

In Cyprus the share of SMEs experiencing regular or occasional difficulties with late payments from private and public entities was 64% in 2021 (Table 4.2.1). This is the worst performance in our sample of countries. In 2019 a CSR called for an improvement in payment discipline in Cyprus (CSR3/19) but no progress has been reported. In the 2020 CSR document, a remark was made on the need to speed up the contractual payments by public authorities (CEU 2020a, recital 22). The Cypriot RRP includes various measures intending to improve access to finance (Section 4.1), but no measure is tackling the problem of late payments explicitly. In 2022 the EC maintains that "*access to finance remains limited due to late payments*" (Table 6.5.1).

4.2.2 Italy

In Italy the share of SMEs experiencing regular or occasional difficulties with late payments was 47% in 2021 (Table 4.2.1). The CEU (2020c) reported that the problem is extensive to both "Administration to Business" and in B2B transactions. The EC reports that large firms are less disciplined than small firms, paying only 12% of their invoices on time, comparing to 36% of micro-SMEs (EC, 2020b). In 2020 a CSR was addressed for Italy to "avoid late payments" (Table 6.5.2).

In the Italian RRP, late payments from the public sector are tackled with a dedicated reform: "*M1C1-R1.11 – Reduction of late payments by public administrations and health authorities*". This reform commits all levels of Public Administration to pay invoices in due time by 2023:Q4. To ensure continuity, the same goal is to be met again in 2024:Q4. Through these targets, the government makes a strong commitment with payment discipline, addressing the problem in the dimension that is directly under its control. Insofar as what is envisaged, the design of this measure should be considered as a best practice. As for B2B transactions, no measure is included in the Italian RRP[23].

4.2.3 Portugal

In Portugal the share of SMEs experiencing difficulties with late payments was 38% in 2021 (Table 4.2.1). The EC qualified late payments from the Public Sector as "*critical*" with the corresponding average delay standing at 58 days in 2019. The most severe arrears have been reported in the health sector (228 days) and in the regional government of the Azores (122 days). In 2018 and 2019 CSRs demanded the reduction of arrears in hospitals, but limited progress was reported by the EC, which appealed to structural actions instead of one-off clearance of arrears, which produce only temporary gains (Table 6.5.3).

In the Portuguese RRP the description of "*Component 1 - National healthcare service*" states that "*the component supports addressing the Country Specific Recommendation on strengthening overall expenditure control, cost efficiency and adequate budgeting, with a focus on a durable reduction of arrears in hospitals*" (CEU 2021c, p. 1). In the 2022 country review, the EC echoes this statement, claiming that the planned reforms to the governance of hospitals "*can be expected to contribute to improving the situation"* (EC 2022c, p. 44). However, we found no measure, action, or target in the Portuguese RRP explicitly addressing the problem of arrears in hospitals, as there are no measures to address late payments in the public or in the private sectors in general.

4.2.4 Spain

In Spain the share of SMEs experiencing difficulties with late payments was 34% in 2021. The OECD (2022) reports delays to be negligible in the private sector, however (Table 4.2.1). In 2020 a CSR was addressed to Spain to secure liquidity including avoidance of late payments (Table 6.5.4).

In the Spanish RRP, reform *"C13.R1: Improving Business Regulation and Climate*" includes an action on late payments. In particular, it is stated that the Law on Business Creation and Growth shall include "*measures to foster an early payment culture*", such as "*guidelines on publicity and transparency of payment periods, best business practices and mechanisms for better enforcement such as an out-of-court dispute resolution system*" (p. 124). The description of the measure is vague and suggests a focus on

[23] Arguably, there is scope for improvement in simplified procedures involving small claims. In Italy, simplified procedures involving justices of peace are available for claims lower than 5000 euros, but a lawyer is mandatory for claims exceeding 1100 euros. For comparison, the European Small Claims procedure (regulation EC 861/2007) requires a lawyer only for claims above 5000 euros.

B2B transactions, while the problem is likely to be more prevalent in the public sector. There are no targets or monitoring indicators. The measure is poorly designed.

4.2.5 Assessment

Italy is addressing the problem on late payments with an ambitious reform that commits all levels of public administration to pay on time by 2023:Q4. In what is envisaged, this measure should be considered as a best practice. Spain also includes a measure on late payments, but it is vaguely described and does not explicitly commit the public sector. Cyprus and Portugal are not addressing the problem of late payments in their RRP, despite being countries where this problem has been reported to be severe.

Table 4.2.2 – Summary assessment: Late Payments

	Cyprus	Italy	Portugal	Spain
Challenges addressed	None	Significant	None	Unclear
Timing		Fair		Frontloaded
Description/Rationale		Reasonable		Vague
Milestones		Sensible		Poor
Targets		Right		
Likely pushed by RRF?		Novel		Novel
Overall assessment	*	*****	*	**

4.3 Insolvency framework

Table 4.3.1 - Resolving Insolvency: selected indicators

	Italy	Spain	Portugal	Cyprus	EU
Rank	21	18	15	31	
Recovery rate	65.6	77.5	64.8	73.8	
Time (years)	1.8	1.5	3	1.5	
Cost (% of estate)	22	11	9	14.5	10

Source: World Bank, Ease of Doing Business 2020.

A sound insolvency framework safeguards the well-functioning of credit markets, ensures financial stability, and facilitates the re-start of entrepreneurs. The case for addressing insolvency was reinforced with the pandemic crisis, which let many viable firms overleveraged at a time when the activity of courts was reduced or even suspended, risking the increase of backlogs. According to the Ease of Doing

Business indicator, Cyprus ranks the lowest in this sample in terms of the overall quality of the insolvency framework; Italy is where resolving insolvency is costliest; and Portugal is where proceedings are the lengthiest (Table 4.3.1).

4.3.1 Cyprus

In 2018 a CSR demanded Cyprus to fully operationalize the insolvency and foreclosure frameworks (CSR2/18), and substantial progress was acknowledged in the following year (Table 6.6.1). With a series of legal amendments the eligibility criteria for debt relief and personal repayment plans were broadened, private debt reduction by foreclosing on collaterals was facilitated, and a law on securitization of loans was adopted (EC, 2019a, p.34). However, the EC acknowledged slow implementation and recommended extra efforts to improve the efficiency of the Insolvency Service and a review of the regulation on insolvency practitioners. It also demanded the implementation of complementary reforms, such as the setting up of a reliable system for transferring and issuing property rights, the dissemination of information on borrowers, and a more effective enforcement of court decisions (Table 6.6.1).

In the Cypriot RRP, reform "*C3.5R6: Reinforcing and strengthening the insolvency framework*" envisages the strengthening of the Insolvency Service, including reorganization, the appointment of new staff, its capacitation, and the establishment of a framework for continuous professional development of Insolvency Practitioners. Other objectives include the improvement of digital systems, the implementation of a web portal for customers, and the creation of a Customer Service Line (Table 7.6.1). The reform addresses the main recommendations and the two milestones seem appropriate to trace the implementation of the reform in all its components. It is complemented with: "*C3.5R3: Strategy for addressing inadequacies of the property transaction system*" which is expected to ease the transfer of property rights (Section 3.1); "*C3.3R3: modernisation of the Companies Law*"(2005:Q4), which shall include the insolvency proceedings under the Companies Law; "*C3.5R4: new legal framework and system of exchange data and credit bureaus*", which shall enable the provision of credit scoring services (Section 4.1); and a revision of the Civil Procedure Law ("*C3.4R8 Efficiency of Justice*), scheduled for 2023:Q3, which is expected to facilitate the execution of court orders for the seizure of movable property.

Overall, a comprehensive package was designed and if implemented it may help improve the situation of NPL in Cyprus and facilitate access to new credit. On implementation, the EC (2022a) reported advances in digitalization but acknowledged political controversies on the regulatory front that can jeopardize the timely fulfilment of several milestones (Table 6.6.1).

4.3.2 Italy

In 2017 the Italian parliament passed an enabling law authorizing the government to review the bankruptcy laws, which dated back to 1942. The planned reform envisaged the simplification of procedures, the promotion of out-of-court agreements, and the introduction of a pre-emptive mechanism for corporate insolvencies. The new legislation was finalized in early 2019, but it failed to be immediately implemented. By 2020 the EC was expecting the insolvency reform to enter into force in August, but the government postponed its adoption, as it was considered inadequate to face the challenges created by the pandemic (Table 6.6.2).

The Italian government took the opportunity of the RRP to review the reform of the insolvency framework initiated in 2017. The reform "*M1C1 R1.6: Reform of Insolvency Framework*" introduces a new out-of-court procedure allowing the entrepreneur to rely on an independent expert to propose a negotiated arrangement with creditors in earlier restructurings. The reform also envisages the overall digitalization of restructuring and insolvency procedures, including the creation of an online platform to support the new out-of-court mechanism that will be interoperable with banks and public authorities to ensure a swift electronic exchange of documentation and data between debtors and creditors, particularly in the pre-insolvency phase. Other aspects of the reform include the introduction of an early warning mechanism for debtors, the capacitation of courts and pre-court institutions with training actions, and a clarification of the law ensuring that secured creditors are paid ahead of tax and employee claims (Table 7.6.3). Two milestones are set demanding the entry into force of the enabling legislation (2021:Q4) and the adoption of the law (2022:Q4). The first is already considered satisfactorily fulfilled by the EC, and the new platform for out-of-court resolutions is already operational (EC 2022e).

This reform was pending before the FFR and was now enhanced with the introduction of the new out-of-court resolution mechanism, and set to be frontloaded. It may constitute an example of a pending reform that was released and boosted by the facility.

4.3.3 Portugal

Portugal had achieved some progress in the insolvency framework, following CSRs in 2018 and 2019 (Table 6.6.3). Amongst the relevant initiatives the EC mentions the digitalization of some instances, a new legal regime for debt-to-equity swaps, a special regime allowing the transference of loan portfolios amongst financial institutions, and the regulation of insolvency practitioners (EC 2019c, 2020c). The EC warned however on the length of insolvency proceedings, which remained persistently high: 53 months as of June 2018 (EC, 2019c, p.60). In the 2020 CSR document there is no formal recommendation on insolvency procedures, but the lengthiness of proceedings is acknowledged again (Table 6.6.3).

In the Portuguese plan, reform "*C18.r33: economic justice and business environment*" includes a revision of the Insolvency Code, with the aim of fastening the procedures and adapting them to "digital by default". The single milestone demands the revised legal framework to enter into force by 2024:Q2, including: the strengthening of the role of insolvency practitioners, strengthening the rights of the lender, the institution of compulsory partial apportionment in specific cases, and the creation of specialized chambers in higher courts for special matters. The reform is reasonably described and is focused on the aim to reduce the length of the insolvency proceedings in the first place, which has been at the core of the EC recommendations. Considering the main objective, a quantitative target demanding the reduction of the average duration of insolvency proceedings could have been set[24].

4.3.4 Spain

Spain reformed the insolvency framework in 2014-2015. According to the EC (2019d, 2020d), this reform has facilitated debt restructuring, made insolvencies less onerous, and was successful in reducing the average length of insolvency proceedings (Table 6.6.4). The EC warned however that the median duration of ordinary insolvency proceedings was still high, and that further regulatory improvements would be expected to comply with the EU Directive 2019/1023 (Table 6.6.4).

[24] At the operational level, two unconventional monitoring indicators are set: one scheduling the adoption by the Council of Ministers of the legal package on insolvency and recovery (2022:Q2), which could have been set instead as a milestone; the second, scheduling the entry into production of the IT system for insolvency (2023:Q4), instead of scheduling its adoption.

The Spanish RRP includes an amendment to the Insolvency Law (in the scope of the reform "*C13.R1 Improving Business Regulation and Climate*") precisely aiming at the transposition of the EU Directive on preventive restructuring to the Spanish law. This will include the introduction of debt reliefs for natural persons without prior liquidation of the insolvent party's assets, and of a special procedure for micro-SMEs fully processed by electronic means, to reduce the duration and costs (Table 7.6.4).

This amendment complements the 2014-2015 reform that was already deemed successful. Since it was already expected as of 2020, without being reported to be pending, there is no clear sign that this reform was enacted or even accelerated by the RRF. Perhaps a more ambitious plan to enhance the insolvency framework could have involved the enhancement of out-of-court dispute resolutions, as recommended by the OECD (2021b).

4.3.5 Assessment

The Cypriot plan addresses the recommendations to improve the efficiency of the Insolvency framework and to review the regulation of insolvency practitioners with a dedicated reform, well reflected in the milestones, and complemented with other measures. Although the first component of the reform was set to be frontloaded, the EC reported possible delays in implementation. Italy took advantage of the RRF to implement a reform on the insolvency framework that had been pending since 2017, and to introduce a new out-of-court resolution mechanism fully supported by an online platform. The reform also includes a series of legal amendments and clarifications that will help speed up the insolvency proceedings. The two milestones contain all the elements of the reform and demand a frontloaded implementation. It provides an example of a pending reform that was released and boosted by the facility. Portugal is also improving its insolvency framework, with aims to fasten the proceedings and to strengthen the role of insolvency practitioners. This reform is reasonably described and its main components are well provisioned in the single milestone. Since the main objective of the reform is to shorten the length of insolvency procedures, some quantitative target in that direction could have been set. In Spain, the insolvency framework had already been successfully reformed, except for some amendments to comply with the EC 2019 Directive on preventive restructuring. These amendments were already expected as of 2020, but notwithstanding were introduced in the Spanish RRP. This reform can hardly be considered as enacted by the RRP.

Table 4.3.2 – Insolvency Framework

	Cyprus	Italy	Portugal	Spain
Challenges addressed	Significant	Significant	Significant	Significant
Timing	Frontloaded	Frontloaded	Fair	Frontloaded
Description/Rationale	Reasonable	Reasonable	Reasonable	Reasonable
Milestones	Sensible	Sensible	Sensible	Sensible
Likely pushed by RRF?	Novel	Released	Novel	No
Implementation issues?	Yes			
Overall assessment	*****	*****	*****	*****

5 CONCLUSIONS

In this study we performed an assessment of RRF measures along Pillar 3, focusing on their alignment with 6 policy areas in which challenges have been identified in the 4 countries under analysis: "Administrative burden, licences and permits", "Regulated professions", "Public procurement", "Capital markets regulations and direct support through financial instruments", "Late payments", and "Insolvency procedures".

In the policy area "**Administrative burden, licences and permits**", Italy stands out by presenting a plan to simplify about 600 administrative procedures affecting citizens and businesses from a digital perspective, along the principles of interoperability, once-only, and silent-consent, and with milestones demanding complete implementation. Italy presented a well detailed, frontloaded, and ambitious reform, providing a good example of a measure tilted by the RRF that may deliver lasting effects. Cyprus presented a narrower reform, but with two measures targeting specific barriers that have been identified as particularly burdensome in the country: one aiming at improvement in the process of issuance of title deeds, and a second launching a single portal for firms to submit authorizations for investment. In both cases adequate quantitative targets are set. These are two meaningful steps in the right direction, but the second reform could have envisaged simplifications beyond dematerialization, namely in the retail sector, where burdensome authorization processes have been identified. Portugal and Spain present initiatives to streamline licensing procedures and to reduce burdensome regulations, but these are vaguely described, and milestones fail to demand implementation. In the Portuguese case, the reform is back-end loaded, with the adoption of the primary legislation scheduled for 2025: Q3, only. In both Portugal and Spain the direction of the reform is to be defined by working groups, but only in the case of Spain is the activity of the working group to be traced through indicative operational arrangements. In this policy area the Italian plan stands out as the most ambitious and best designed reform, followed by a lighter but well-defined plan in the case of Cyprus, while Portugal and Spain are disappointing.

In the policy area "**Regulated professions**", Portugal is presenting an ambitious plan that includes the banning of all restrictions on legal form and shareholding of professional companies, the reduction in the scope of reserved activities to strict minima, and the separation of the regulation and representation roles in professional associations, following the advice of the Portuguese Competition Authority and the OECD. For what it is seeking to achieve, it should be considered as a best practice. It is worth noting that Portugal had presented no plans to reform the regulatory framework of professional services since 2015, despite the successive CSRs in that respect. The reform was now triggered by the RRF, providing another good example of the power of its implicit incentives structure. Notwithstanding, we identified a problem in the design of this measure, as its single milestone demands the adoption of only the main law, leaving important details, such as the extent of reserved activities in each profession, to be defined by the professional association bylaws. The fact that no milestone is demanding implementation can be seen as a major weakness in the design of this measure, considering that the previous attempt to reform regulated professions in Portugal failed precisely because the secondary regulations were never adopted. Italy is presenting a less ambitious reform in regulated professions but is tackling two specific problems with measures that are well designed for the purpose: it is addressing the regional fragmentation in the regulatory framework of tourist guides defining a national standard to access the profession, and barriers to the membership of professional associations with a law enabling the final examinations in university degrees to correspond to the professional association exam. In this measure, two milestones are set, one demanding the adoption of the primary law, and the other demanding the entry into force of the secondary regulations to ensure effective implementation. We consider this as a best practice. The Italian reform is, however, quite incomplete, as there are many other recommendations addressed to Italy in the area of regulated professions that the RRP is not tackling. In Spain, the single action in this policy area is rather limited and is little more than a response to an EC enforcement action. Hence, it can hardly be considered as tilted by the RRF. In Cyprus, no action is taken, despite the EC recommendations to address the excessive regulation in several professional activities.

In the policy area "**Public Procurement"**, Italy addresses the recommendations to reduce fragmentation, increase transparency and control, and increase the administrative capacity, with a comprehensive and frontloaded reform that covers all these areas, and sets several ambitious targets including for training actions and for the average duration of procurement procedures. Italy is also addressing a reported problem of lack of competition in public procurement by means of concession through the Annual Competition Laws, that demand limits to direct awarding and to unjustified prolongation of concessions. In Spain, the RFF is likely to have helped release a reform on public procurement initiated in 2017. This reform also involves a comprehensive agenda, including improvements in governance, capacity building, digitalization, and transparency, and is complemented with investments in the interconnections of the various public procurement platforms. In contrast to the Italian reform, however, no quantitative targets are set for training actions or for the length of procurement procedures. In Cyprus, a new e-procurement facility is to be introduced, allowing easier access by users and statistical reporting. However, this reform is back-end loaded, and the stated objective of revising the organizational structure of the central public procurement function is not provisioned in the single milestone. This may be considered as a weakness, considering that Cyprus has been urged to strengthen the administrative capacity and to professionalize the procurement staff. The Portuguese procurement system was recently reformed, allowing the dematerialization of processes and more transparency, but it has underperformed in terms of institutional capacity, weighing on competition, and on the undue use of direct awards. The Portuguese RRP contains two minor initiatives on public procurement, comprising the simplification of contract models and information systems, but the main problem that has been identified – lack of planning and supervision capacities – is not being tackled. In this policy area, we consider the two measures proposed in the Italian plan as best practices.

In the policy area "**Capital Market and direct support through financial instruments**", we distinguish measures improving the regulatory framework of financial trade and measures channelling financial resources directly to non-financial corporations.

In the first sub-area, the Cypriot plan includes two valuable measures: the launching of a regulatory sandbox to test innovative financial products, and a law amendment aimed at the development of credit scoring services leading to the improvement of the information environment for lending activities. These are two narrow reforms that notwithstanding are well-targeted and designed for the purpose with adequate milestones. The Portuguese plan also includes measures on the regulatory front, aiming at the simplification of the legal framework of investment funds and of the Securities Code Act, and new legislation with the broad goal of developing the capital market. However, the description of the measure does not reveal what the components of the reform will be. Spain and Italy are not including measures on the regulatory front, but these two countries had already introduced extensive reforms in the years before, and we found no recommendations on that direction in the latest EU documents.

As for **direct supports**, all four countries are presenting initiatives. In the Italian RRF, an investment is supplementing the resources of the state-owned equity fund, allowing it to reach more beneficiaries, including SMEs, mid-caps, and large companies. The milestones of this measure demand a quite detailed investment policy, which we consider as a bet practice. However, no rationale is given for the fact that the measure is targeting a broad audience including mid-caps and large firms. This raises a question on the scope of the policy beyond addressing a market failure regarding access to finance. Another main weakness resides in setting a quantitative target demanding a minimum number of beneficiaries, which may prove to be inconsistent with the eligibility criteria. The Cypriot plan includes the launch of a state equity fund that was already under preparation. The description of the measure indicates that financial supports are to be leveraged by private co-investors, which would ensure incentive compatibility. However, this requirement is not provisioned in M&T. In Portugal, two vehicles are created to provide equity capital to non-financial corporations. As in the Italian case, no rationale is provided for extending support to large firms. In addition, no credible argument is provided explaining why a supplementary instrument was created specifically for Azorean firms, and why in this case invested capital can be converted into non-repayable grants. An additional weakness in the design of the Portuguese measures is that the eligibility and selection criteria, instead of being clearly defined since the beginning, are to be defined at the level of each investment programme. Arguably, this opens a window for the eligibility criteria to be relaxed over time in subordination to the ambitious quantitative targets. The Spanish plan includes a measure strengthening the system of mutual guarantees with the aim of increasing the availability of credit to SMEs. This measure is however at odds with the evidence that access to credit is no longer considered as a barrier to investment by Spanish firms. In the absence of a market failure, the measure risks moving relative prices in the wrong direction, distorting investment decisions and also competition *vis-à-vis* market-based sources of finance.

In general, all of these policies of direct supports through financial instruments set quantitative targets demanding a minimum level of intervention (number of beneficiaries or amounts to be spent). Arguably, such design raises the risk of conflict between the quantitative target and the eligibility criteria. Since the eligibility criteria are there to protect the social value of the policy, they should be prioritized. We contend that a better design would involve setting quantitative targets demanding instead a minimum effort by the vehicle manager in the attraction of applications (for instance, launching a given number of calls), and downgrading quantitative references regarding the level of intervention to the level of monitoring indicators. In this policy area, no measure stands out as a best practice.

In the policy area "**late payments"** the Italian plan stands out with a measure that commits all levels of public administration to start paying on time beginning in 2023:Q4, with well-defined and ambitious quantitative targets. In its scope, it shall be considered as a best practice. Spain also includes an initiative on late payments, but it is vaguely described, and the writing suggest that it will be directed to B2B transactions, while late payments are affecting mostly the public administration. Portugal and Cyprus fail to address the problem of late payments, despite the reported problems in this dimension.

In the policy area "**Insolvency framework**", all four countries include reasonably designed reforms. Italy proposed a frontloaded reform, envisaging the capacitation of the personnel, the introduction of a new out-of-court-settlement arrangement, and an interoperable platform for out-of-court disputes allowing changes of documents between debtors and creditors including in the pre-insolvency phase. The first milestone was already met and the online platform for out-of-court dispute is already operational. Cyprus introduces a measure aiming at institutional capacitation and the digitalization of the insolvency procedures. This reform will be complemented with other actions including a legal amendment on company law, the fastening of property transfers, the enabling of credit scoring services, and the revision of the Civil Procedures Law. Portugal includes plans to revise the insolvency code to strengthen the rights of the lender and to reinforce the role of insolvency practitioners. In Spain, some minor amendments are introduced in an already successful framework, just to make it compliant with the EC directives. The reform of public procurement in Spain should not be considered as activated by the RRF, as it was already in a smooth process of implementation. In this policy area, all reforms are considered to be reasonably designed.

As a **final assessment** we conclude that the underlying incentives structure of the facility proved to be successful in bringing long-awaited structural reforms into the MSs policy agenda. Regarding the future, morphing this facility into a permanent EU fiscal instrument may not only constitute a meaningful step towards the completion of the monetary union, it may also endow the EU institutions with an effective tool to push for the implementation of national reforms that otherwise governments might resist adopting.

Still, we also acknowledged a considerable heterogeneity in the quality of the proposed reforms. The fact that some key reforms for the establishment of the single market are so well and ambitiously designed in some RRPs and so vaguely described in others is somewhat surprising. Learning from best practices in this programme may help to achieve more harmonized approaches in the design of future similar programmes. Also an ex post evaluation comparing the effectiveness of the reforms that were well detailed and traceable by milestones and targets as compared to those that were poorly defined may help determine what the minimum acceptable level of detail will be in similar policy plans.

A final remark relates to the effectiveness of the incentives structure of the facility. According to the RRF regulation, when the EC establishes that a M&T is not satisfactorily fulfilled, the payment of all or part of the financial contribution shall be suspended (EU 2021, art. 24). The EC (2021) guideline document states however that "*As there will be several reforms and investments happening in parallel, several milestones and targets will need to be fulfilled for one payment to be made. Disbursements will therefore be tied to the satisfactory completion of a group of milestones and targets reflecting progress on several reforms and investments of the plan*" (p. 24). Since the EC must hear the EFC before adopting a decision authorizing the disbursement, and since the EFC deliberations strive to reach consensus, it is not clear how this guideline will apply in practice. According to the RRF regulation, if one or more MSs consider that there are "serious deviations" from the satisfactory fulfilment of the relevant M&T, no decision authorizing the disbursement should be taken "*until the next European Council has exhaustively discussed the matter*" (EU 2021, recital 52). In our view, an assessment of what a "serious deviation" will be is complicated by the fact that RRPs include long lists of M&T with varying degrees of importance. We believe that it would have been better if a hierarchy of M&T had been set up from the beginning, for instance prioritizing milestones related to important reforms relative to quantitative goals that depend on the response of the economic agents[25]. If such a hierarchy had been established, it could have helped in shaping the policymakers' incentives to prioritize reforms that are important and aligned with the single market as opposed to idiosyncratic RRP initiatives and discriminatory state aids that, although respectable, may not be so consensual.

[25] The IMF Conditionality [https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/28/IMF-Conditionality] distinguishes between Structural Benchmarks (reform measures), Indicative Targets (quantitative indicators to progress regarding the objectives), and Quantitative Performance Clauses that relate to measurable variables under the direct control of the authorities. Missed Performance Clauses require a waiver by the IMF, while missed Structural Benchmarks and Indicative Targets do not require waivers, and are simply assessed in the context of the overall programme performance.

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6 ANNEX A: SUMMARY TABLES

6.1 Business regulations, licences, and permits

Table 6.1.1: Licences and permits: Cyprus

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Building permits and title deeds	CEU, 2018a: "*ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights*" [CSR2/18]. EC, 2019a: CSR2/18 assessed with "*Limited progress*" (p. 59). "*Extra efforts are needed in order to improve the following: (…) the system of issuing and transfer of title deeds*" (p. 24). CEU, 2019a: "*(…) ensure reliable and swift systems for the issuance and transfer of title deeds and immovable property rights*" [CSR5/19]. EC, 2020a: CSR5/19 assessed with "*Limited progress*" *(p.18). "A mechanism for the same day issuance of building permits (…) concerning more than 50% of permits issued annually is already well advanced and expected to be launched within the first half of 2020*" (p.57). CEU, 2020a: "*Reducing the backlog in the issuance of title deeds by implementing a structural solution to address the inadequacies of the property transaction system (i.e. the issuance and transfer of title deeds) remains an important task*" (recital 30).	• Measure C3.5R3 extends the range of permits to be granted with fixed deadlines, strengthens the role of supervising engineers, and introduces ex ante checks on properties to ensure readiness at the time the property is transferred. It also introduces a regulation shaping the incentives of supervising engineers. • A target is provisioned to reduce by 80% the number of pending cases in title deeds by 2023:Q2. • The reform will benefit from investment "C3.4I4"(2024:Q4), which will enable applying and issuing building permits digitally.	• Recommendation addressed with a dedicated measure, sufficiently detailed with an appropriate and ambitious target. • The measure was already underway before the RRP, but it will benefit from a complementary investment financed by the facility.
Other	EC, 2020a: "*Investments in large retail outlets (..) are discouraged by the complex and lengthy procedures to obtain the necessary licenses*" *(…). "The examination of applications takes one to three years (…)". (…) "a large amount of applications were rejected*" (p. 57).	• Reform "C3.3R2" aims to introduce a one-stop-shop where both domestic and foreign investors can apply for business permits and change documents with the competent authorities. • A quantitative target demands at least 50 applications for investment to be assessed through the platform by 2025:Q4.	• This reform has the potential to streamline authorization processes. • The measure is silent regarding simplification beyond dematerialization. • A target based on the number of applications to be examined through the platform looks appropriate.

Table 6.1.2: Licences and permits: Italy

Barrier	Recommendations, observations before 2021	RRP action	Assessment
General	CEU, 2020b: "*sectoral regulations need to be improved and simplified, while remaining barriers to competition need to be removed*" (recital 24)	• The reform of public administration (M1C1.R1.9) includes an action aiming at the simplification of 600 procedures affecting citizens and businesses, including the adoption of the silent consent mechanism, uniform regimes across regions and municipalities, and the reengineering of the single portals for economic activities and for construction. A wide range of procedures will be under review including authorizations in construction and in retail. • A task force will be created to provide technical assistance to the administration, including the production of a census of administrative procedures and its review (investment M1C1.I1.9). • The reform will be complemented by investment M1C1.I1.2.2, that will achieve back-office interoperability among key datasets and services across the public administration, and the adoption of the "once-only" principle in 21 administrative procedures. • Measure M1.C2.R2 includes a legal amendment aiming to reduce the minimum number of days to set up a business, which is very high in Italy.	• These measures will help reduce regulatory fragmentation and will simplify many procedures. • The milestones of the main measure demand the implementation of all delegated acts. • It is a good example of a reform tilted by the RRF that is likely to have a lasting impact on the business environment for SMEs.
Retail trade	EC, 2019b: "*(…) strict conditions apply to the authorisation process when opening a new outlet. Italy also scores among the highest in the EU on the number of permits required in the procedure*" (p.52). CEU, 2019b: "*Address restrictions to competition, particularly in the retail sector and in business services, also through a new annual competition law*" [CSR3/19]. EC, 2020b: "*no progress in addressing restrictions to competition*" (p. 19). "*Market access restrictions remain high (…) retail sector"* (…) "*The European Commission's retail restrictiveness indicator also places Italy among the most restrictive Member States, particularly for its regulations on the opening of new shops*". (…) "*Restrictions remain for sales promotions and the distribution of some products* (…). *Even for shops' opening hours, fully liberalised in 2012, draft legislation bringing back limits on Sunday trading is pending in Parliament*" (p. 56).		
Collaborative economy	EC, 2019b:" [STR] "*Fragmented and often very restrictive local regulations* (…) "*Excessive regulations threaten the proper functioning of some sectors (for example in collaborative transport*" (p.53). CEU, 2019b: "*improving the quality of the regulatory framework would ensure a level playing field for both innovative platforms and traditional operators, unleashing the full potential of the collaborative economy and fairer competition in all sectors*" (recital 26). EC, 2020b: "*Italy still lacks a comprehensive regulatory approach for the collaborative economy*" (..) "*recently adopted legislation has ultimately introduced restrictions for PHVs* (…)". "*In the accommodation sector, some provisions adopted recently (…) have increased legal uncertainty*" (p. 57).	• No reference to actions on the collaborative economy	• Not clear whether the reported fragmentation and disproportionate restrictions on the collaborative economy are to be addressed by the reform.

Table 6.1.3: Licences and permits: Portugal

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Licences and permits	CEU, 2018c: "*Reduce the administrative burden by shortening procedure deadlines, using more tacit approval and reduce document submission requirements*" [CSR3/18]. EC, 2019c: "*some progress*" in CSR3/18 with the implementation of the "once-only" principle, but "*few sector-specific simplification has been achieved (…). Burdensome authorisation procedures remain the preferred manner of entry control for service providers, with long procedural deadlines for decision and absence of tacit approval persisting in too many instances*" (p.65). CEU, 2019c "*Reforms aimed at administrative simplification have been largely absent, as efforts in this area are mostly limited to across-the-board implementation of dematerialisation of procedures and the once-only principle. Priority should be given in particular to limiting the number of documents that have to be submitted and either replacing authorisation schemes with simple declarations of compliance with applicable conditions or, for the more sensitive sectors, simplifying authorisations by reducing decision times and adopting tacit approval. The streamlining of procedures for specific sectors is still lacking*" (recital 18). "*Reduce the administrative and regulatory burden on businesses, mainly by reducing sector-specific barriers to licensing*" [CSR4/19]. EC, 2020c: "*Limited progress*" in CSR4/19. "*Reforms addressing barriers to competition are progressing more modestly, particularly as regards licensing requirements and procedures*" (p. 25).	• Reform C18-r33 will introduce a "legislative package on the removal of barriers to licensing". • A working group will be set up to identify the barriers to investment in the field of licensing. • A monitoring indicator is provisioned, consisting of the "presentation of the draft legislative amendments resulting from the study on licensing".	• Back end loaded reform • The description suggests that the reform is a mere continuation of the earlier trend, of digitalization of procedures, rather than advancing in the adoption of tacit approvals, as recommended by the EC. • The milestone on adoption of the law is vague, without specifying the principles to be followed, or the procedures to be simplified. • Implementation not provisioned in milestones
Construction	CEU, 2017c: "*Implement a roadmap to further reduce the administrative burden and tackle regulatory barriers in construction and business services by the end of 2017*" [CSR4/17]. EC, 2018c: "*Limited progress was observed in reforming regulation in the business and construction service sectors*" (p. 13). CEU, 2019c: "*Excessive administrative charges remain in place, notably in the construction sector*" (recital 18). EC, 2020c: "*Barriers to competition in construction services remain, leaving scope for reducing regulatory burden" (…) "administrative charges and fees imposed for licensing, registrations and regulatory supervision remain high. Construction services in specific segments (…) remain burdened by complex authorisation schemes (…). Building permits could be simplified (…), as well as through an even more ambitious recourse to 'responsible declarations' for installation services*" (p. 56).	• The description of the measure does not mention any particular sector.	• Not clear the extent to which barriers in these three sectors will be tackled.

Retail trade	EC, 2020c: "(…) *retail-specific taxes and para-fiscal fees, based on the outlet size, for the establishment or operation of a shop are applied in Portugal. As regards the establishment of retail outlets, there seems to be scope for simplification of authorisation procedures, i.e. reduction of the number of permits required and the number of entities involved in the establishment process*" (p. 56).		
Collaborative economy	EC, 2019c: [PHV]: Decree-Law 45/2018 introduces "*further requirements on both drivers and platforms (…) gives companies the exclusive right to provide the services (not private individuals) and introduces limitations in the determination of fees*". [STR]: "*The* [2018] *law introduces the possibility for municipalities to declare 'overloaded areas', where quotas on establishments can be fixed*" (p. 53).		

Table 6.1.4: Licences and permits: Spain

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Regulatory fragmentation	CEU, 2018d: "*Further the implementation of the Law on Market Unity by ensuring that, at all levels of government, rules governing access to and exercise of economic activities, in particular for services, are in line with principles of that Law and by improving cooperation between administrations*" [CSR3/18]. EC, 2019d: "*Limited progress*" (p. 19). CEU, 2019d: "*Further the implementation of the Law on Market Unity by ensuring that rules governing access to and exercise to economic activities, in particular for services, are in line with the principles of the Law and improving coordination between administrations*" [CSR4/19]. EC, 2020d: "*Limited progress*" (p. 19). CEU, 2020d: "*Improve coordination between different levels of government* (…)" [CSR4/20].	• Reform C13.R1 will include amendments to certain provisions of the Law on Market Unity where ambiguity have led to implementation problems. • A sectoral conference is to identify the unnecessary regulatory barriers and to advise the person responsible for economic regulation at all levels of administration. • Monitoring indicators are set demanding the sectoral conference to produce yearly reports.	• The reform intends to address the problem of regulatory fragmentation. • The milestone is vague, without committing the government to the removal of any specific barrier. • Monitoring indicators providing a verifiable timeline for the activity of the sectoral conference can be considered a good practice but might be insufficient to ensure depth and implementation.
Retail trade	EC, 2019d: "*Restrictions in retail services remain high. The autonomous communities regulate the retail sector and there are differences in their regulatory approaches*" (…). "*Spain is also one of the most restrictive Member States when it comes to operational restrictions, such as shop-opening hours and sales promotions. In addition, a retail specific tax based on the selling space imposed on large retailers in some regions* (…)" (p. 67). EC, 2020d: "*Regulatory barriers continue to restrict competition in certain professional services and in retail*" (p.7).	• The description of the law does not mention specific sectors.	• Not clear the extent to which barriers in these two sectors will be tackled.
Collaborative economy	EC, 2019d: "*Recently introduced legislation on private-hire vehicles, granting regional and local authorities' normative power to regulate these services, provides an illustration of regulatory fragmentation potentially leading to restrictions in the provision of services*" (…) *local authorities have adopted or intend to adopt more burdensome regimes for the short-term rental of accommodation*" (p. 67, 68).		

6.2 Regulated professions

Table 6.2.1: Regulated professions: Cyprus

Barrier	Recommendations, observations before 2021	Action in RRP	Assessment
General	EC, 2020a: "*For certain regulated professions, Cyprus has more restrictive regulation than the EU (OECD) average. This is the case for lawyers, architects, civil engineers and real estate agents, as demonstrated by the European Commission's restrictiveness indicator (European Commission, 2017b) and as confirmed more recently by the OECD Product Market Regulation indicator (2018). Some of the existing licensing requirements, residency requirements and shareholding requirements may disproportionately restrict market competition and the mobility of professionals, distorting efficient resource allocation. No specific measures to address these issues have been adopted or proposed so far*" (p. 57).	• No action.	• Cyprus missed an opportunity to address key recommendations, such as: the shareholding requirements on professional companies; the reservation of activities related to industrial property solely to lawyers, the membership requirements for workers in the real estate sector, and the power of some professional associations to regulate fees.

Table 6.2.2: Regulated professions: Italy

Barrier	Recommendations, observations before 2021	Action in RRP	Assessment
General	CEU, 2019b: "*address restrictions to competition, particularly in the retail sector and in business services, also through a new annual competition law*" [CSR3/19]. EC, 2020b: CSR3/19 Assessed with "no progress" (p.69). "*Market access restrictions remain high for regulated professions (…)". "According to the European Commission, the level of restrictiveness in Italy is higher than the EU average for engineers, architects, accountants, real estate agents, tourist guides and patent attorneys" (…) "Restrictions on prices were re-introduced in 2018 for regulated professions (equo compenso)*" (p. 56)	• Measure M4C1.R1.6 will simplify the access to profession by individuals with the required qualifications. • This measure includes two milestones demanding the adoption of the primary and secondary legislations respectively. • Measure M1C3.R4.1 establishes a single pathway to access the profession of professional guide, removing the current regional fragmentation.	• These two measures are expected to ease access to professional associations and to reduce fragmentation. • A milestone demanding the full implementation of the enabling degrees reform, including secondary legislation is a best practice. • However, the Italian plan fails to address disproportionate regulations, such as on the extent of reserved activities, stringent shareholding requirements on professional societies, incompatible rules, and minimum retributions.

Table 6.2.3: Regulated professions: Portugal

Barrier	Recommendations, observations before 2021	Action in RRP	Assessment
General	CEU, 2018c: "*Remove persistent regulatory restrictions by ensuring proper implementation of the framework law on self-regulated professions*" [CSR3/18]. EC, 2019c: CSR3/18 assessed with "no progress" (p.16). "*Regulatory barriers restrict competition for professional and business services. Despite considerable efforts to simplify rules and regulations with the introduction of a framework law in 2013 as part of the financial assistance programme, highly regulated professions are still subject to major restrictions. The longstanding restrictions on legal form, shareholding, management, multidisciplinary practices and advertising for legal services are in contravention of the 2013 framework law. A ban on corporate groups was introduced again in 2015 for all professional companies, deterring major EU players from operating in Portugal. Extensive reserves of activities for highly regulated professions, notably lawyers, legal agents, architects, and engineers remain unreformed, keeping out competitors wishing to provide ancillary services*" (p.52). CEU, 2019c: "*In the context of the financial assistance programme, Portugal has made an effort to reduce the regulatory burden for highly regulated professions, notably with the introduction of the 2013 framework law. In some cases, however, this progress was halted or even reversed with the adoption of bylaws for the individual professions and the introduction of a ban on corporate groups. Regulatory and administrative restrictions on business and professional services prevail, raising concerns about competition, price levels, innovation, and the quality of services. So far, no reform plans have been announced in response to the Commission's recommendations on regulation of professional services (…)*" (recital 19). "*Develop a roadmap to reduce restrictions in highly regulated professions*" [CSR4/19]. EC, 2020c: "*no reforms to reduce regulatory restrictions on highly regulated professions have been implemented or even announced. This is despite the Commission's repeated recommendations and recommendations made by the OECD and the Portuguese competition authority*" (p.17).	• Reform "C06-r16" (2022:Q4) addresses the EC and OECD recommendations, including the elimination of restrictions on legal form, ownership and management of professional firms; the reduction of the list of reserved professions; the separation of regulation and representation functions in professional associations. • The effectiveness of the new law will be assessed by the Portuguese Competition Authority by 2025:Q4 (monitoring provision). • A single milestone demands the adoption of the new framework law. • The scope of reserved activities and incompatibilities are to be defined by individual professional by-laws. • The new Law demands the government to propose to the parliament new by-laws for all self-regulated professions, but no M&T is demanding the adoption of these by-laws.	• This reform was pending since 2013. • The measure provides a good example of the potential role of the RRF in triggering long-pending reforms. • The fact that the reform addresses the main recommendations by the Competition Authority makes it a best practice. • The reform is front-loaded, and the new framework law was approved by the parliament on time. • The President of the Republic requested a preventive constitutional check that delayed its entering into force. Formally, Portugal did not reach the milestone on time, but the constitutional Court already ruled the law legal, so this incident is not likely to have implications for the next disbursement. • The fact that the adoption of the by-laws on self-regulated professions is not provisioned in M&T should be seen as a major limitation in the design of the measure, considering that the 2013 reform failed precisely because the new individual profession by-laws were never adopted.

Table 6.2.4: Regulated professions: Spain

Barrier	Recommendations, observations before 2021	Action in the RRP	Assessment
General	EC, 2019d: "*No proposals to reform professional services have been presented, keeping mark-ups and entry barriers high in economically important professions*" (p.66). "*Unnecessary barriers in the regulation of professional services are still in place. While the statutes of several professional services were revised (e.g. architects, engineers) or are about to be revised (e.g. real estate agents), the draft bill on professional services sent to Parliament in 2012 was withdrawn in 2015 and there are no proposals to relaunch this reform. The restrictiveness of regulation for certain professions continues to exceed the EU average, with persistent high barriers of entry to some professional activities, such as different regional requirements on membership to a professional association*" (p.67). CEU, 2019d: "(…) *implementing this law [the Law of Market Unity] more decisively and removing identified restrictions on services in particular for certain professional services such as civil engineers, architects, legal and computer services would improve growth opportunities and competition* (recital 18). EC, 2020d: "*Regulatory barriers continue to restrict competition in certain professional services and in retail*" (p. 7). EC 2020d: "*Reform of professional services are still pending*" (…). (p.71) "*A number of professional services in Spain (e.g. architecture, civil engineering, tourist guide services) are subject to more restrictive regulation than the EU average. Moreover, regional differences as regards membership of professional bodies can affect the efficient allocation of services and the free movement of professionals throughout Spain*"(p.71). EC, 2021g: "*A pending reform, prompted by Commission enforcement action to be adopted by Spain in 2021, will implement a single training pathway to access the profession of legal representative or lawyer. At the end of the training, applicants will have to choose between registering and practising as a lawyer or as a legal representative, and a lawyer cannot be a legal representative at the same time*". (p. 206)	• Reform C13.R1 will implement a single training pathway to access the profession of legal representative or lawyer. The reform will also allow lawyers and legal representatives to practice under the same legal entity and will replace a system of minimum fees for legal representatives with maximum ceilings. • The single milestone (entry into force) was already assessed as satisfactorily fulfilled by the EC.	• The first component of the reform was prompted by an EC enforcement action. • The second component addresses a previous recommendation but is rather partial in scope. • In contrast to the Italian case, no action is defined to address regional fragmentation in some professions. • The remaining recommendations (scope of reserved activities of several professions, restriction on shareholding and company form for architects) are not tackled. • A maximum fee on *procuradores* has the potential to act as a coordinating device, limiting competition. • Reform reveals little ambition.

6.3 Public Procurement

Table 6.3.1: Public procurement: Cyprus

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Governance, Administrative capacity	EC, 2020a: "*Strengthening administrative capacity, professionalising procurement staff, as well as other targeted measures could help addressing these deficiencies and foster a truly competitive and efficient public procurement market. Measures pursued by the government, such as enhancing central purchasing, training and professionalising contracting authorities, as well as supporting smaller contracting authorities (including by organising centrally award procedures on their behalf), are expected to have a positive impact on a short-term basis*" (p. 59).	• Reform C3.4R4 is said to target the professionalization of public procurement, including the revision of the organizational structure of the central procurement function.	• Intention to revise the organizational structure is not provisioned in M&T.
Competition and Transparency, Data Quality	EC, 2022a: "*Over the past few years, Cyprus performance in the Single Market Scoreboard's public procurement indicator has gone down and Cyprus ranks at the bottom of EU Member States. This is due to broad underperformance across measures of transparency, competition, efficiency, and quality of information*" (p. 43). "*Despite measures taken, there is still a high number of contracts with a single bidder (49% of procedures in 2018, as opposed to 24% in 2009). Cyprus remains one of the EU countries with the highest proportion of direct awards (25% of total procedures in 2018, as opposed to just 1% in 2009)*" (p.59).	• Reform C3.4R4 (2005:Q4) will introduce an integrated digital procurement system, intended to be user friendly and to allow data extraction. • The single milestone includes a reference to the "training of users", but no target in this dimension is specified.	• The reform adheres to the "once only" principle and may help speed up processes and reduce the number of direct awards. • A target could have been set demanding a decrease in the proportion of direct awards.

Table 6.3.2: Public procurement: Italy

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Governance, Administrative capacity Transparency	EC, 2019b: "*Crucial implementing measures are still missing (…). This is particularly true for the qualification of contracting authorities, preventing substantial improvements in their administrative capacity and ability to use public procurement efficiently*" (p. 58). "*The Italian public procurement system is inefficient because of the fragmentation of the legal framework*" (p. 61). "*Improve public procurement performance, in particular with regard to the number of contracting authorities, their professional capacity, their ability to integrate sustainability and innovation aspects in procurement, single bidding, simplification of procedures, decision speed, small and medium sized enterprises contractors, and capacity of the authorities to carry out effective verifications*" (p. 81). CEU, 2019b: "*lack of regulatory stability in the public procurement system*" (recital 26). EC, 2020b: "*The numerous attempts to reform the system generated uncertainty for local administrations and firms alike, while only marginally countering fragmentation*" (…) "*An efficient public procurement system could also help preventing the infiltrations of organised crime, which are a serious concern in various regions*" (p. 53). EC, 2022b: "*tendering procedures (…) are one of the longest in the EU* (p. 7). "*Italy keeps ranking at the bottom on the Single Market Scoreboard's public procurement indicator (…) due to broad underperformance across multiple measures tracking the transparency, competition and quality of information in procurement* (p. 47).	• Reform "M1C1-R1.10" aims to simplify rules, improve coordination, reduce fragmentation, promote e-procurement, empower the national anti-corruption authority, professionalize buyers, and speed up tendering procedures. • Quantitative targets demand the reduction of time: between the publication and the contract award and between the contract award and the realization of the infrastructure. • Targets also set for the number of civil servants to be trained and for the percentage of contracting authorities using dynamic purchasing systems.	• The reform addresses the main weaknesses reported in the procurement framework. • The detailed milestones commit the government to a comprehensive reform. • The adoption of quantitative targets demanding the fastening of procedures and a minimum size for the training actions can be considered as a best practice. • The reform was scheduled to be frontloaded, and by now it has been swifty implemented. • This reform is a best practice.
Competition (inc. concessions)	EC, 2019b: "*The lack of competitive processes to award public service contracts and concessions for public goods negatively affects the quality (and cost) of the service*" (p. 6). "*The actual grant of concessions of use of public areas for the provision of a wide range of services, related to trade, tourism, energy and industrial activities do not follow competition and transparency principles. Furthermore, reassignments are often subject to repeated ex-lege prorogations*" (p. 53) CEU, 2019b: "*Address restrictions to competition (…), also through a new annual competition law*" [CSR3/19]. EC, 2020b: CSR3/19 Assessed with "no progress" (p.69). "*Concessions to use public areas for providing a wide range of services (including retail and tourism) are still not being granted on the basis of open selection procedures*" (…) "*Also, existing concessions are being repeatedly extended by the legislator, contrary to EU and national case law*" (p. 57).	• The 2021 annual competition law (reform M1C2.R2) demands the adoption of the principle of competition in local public services contracts, the limiting of direct awards; lower fragmentation, and the separation of the functions of regulation and control of public service contracts. • Detailed milestones provided.	• The milestones of the measure explicitly demand more competition and a reduction of direct awards and are expected to reduce unjustified prolongation of concessions. • The commitment of the Italian government to follow the competition authorities adopting the Annual Competition laws may be considered a best practice.

Table 6.3.3: Public procurement: Portugal

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Competition and transparency, Data Quality	EC, 2022c: "*Portugal does not perform satisfactorily on public procurement, in particular in the core areas of competition and transparency* (…). *In addition, improvements could be made in (…) quality of data*" (p. 48) (…) "*Regulatory barriers and long-lasting concessions hold back competition in the management of ports and in the provision of ports' services*" (…) "*The re-tendering of these concessions by means of public tenders could help make Portuguese ports more productive*" (p. 57)	• Reform C17.r32 is defined in terms of two targets: the revision of 10 framework agreements and contracting models by 2022:Q4, and the simplification of 11 information systems by 2023:Q4. • The declared objectives for these revisions are to "promote administrative simplification, reinforce monitoring and control, foster costs efficiency, and broaden the list of goods and services subject to centralized procurement".	• The reform looks rather partial. • The main problems identified, namely insufficient administrative capacity and lack of structured and quantified plans that result in undue use of direct awards, is not tackled by the measure. • A target could have been set demanding a reduction in direct awards. • The description of the measure does not include references on the need to foster competition and SME participation in public procurement.
SME participation	EC, 2022c: "*Improvements could be made in the participation of small and medium-sized enterprises in public procurement*" (p. 48)		
Administrative capacity	EC, 2019c: "*The lack of appropriate, structured, and quantified plans leads to a sometimes too broad interpretation of the notion of extreme urgency and undue use of direct awards*" (p. 61). CEU, 2019c: "*The performance of public procurement could be improved by introducing structured and quantified planning and ensuring closer supervision of the execution phase of contracts*" (recital 18). EC, 2020c: "*Shortcomings in the coordination, governance and planning stage still hamper efficiency and competition in public procurement*" (p.7) "*The lack of appropriate, structured and quantified plans that would enable contracting authorities to reinforce ex-ante control mechanisms and the absence of adequate training and professionalisation that would allow the use of more sophisticated tender procedures hinder competition* (p. 61). "*The Council for the Prevention of Corruption suggests, among other measures, the adoption of specific planning instruments for public procurement, the professionalisation of public buyers and the training of contract managers to improve their capability to monitor contracts*" (p. 61).		

Table 6.3.4: Public procurement: Spain

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Governance, administrative capacity	CEU, 2019d: "*take measures to strengthen the procurement framework at all levels of government*" [CSR1/19]. EC, 2020d: CSR1/19 assessed with "*limited progress*" (P. 19). "*Progress on establishing a new governance structure for public procurement has been modest" (…) the new governance structure is still not fully operational (…)." (…) the new National Evaluation Office is not yet fully operational, as the implementing regulation has not been adopted, yet, and there is a lack of resources. This office will be responsible for issuing mandatory reports on the financial sustainability of concession projects*" (p. 74). "*The adoption of the National Public Procurement Strategy has been delayed. The law on public sector contracts stipulated its adoption by August 2018*" (p.75). CEU, 2020d: "*Improve coordination between different levels of government and strengthen the public procurement framework (…)*" [CSR4/20].	• Measure C11.R4 intends to complete the reform initiated in 2017. • The first milestone (2021:Q4), consisting of the establishment of the National Evaluation Office, which shall assess the financial sustainability of concession contracts, is already completed. • The second step will consist of the adoption of the National Procurement Strategy, which shall include the objectives of: facilitating SMEs' access, reinforcement of the legal framework of digital public procurement, improving the available data, and improved supervision and control. • Investment C11.I1 aims at the interconnection between all existing public procurement platforms.	• The Strategy was already planned but might have been accelerated with the RRF. • This might be an example of a pending reform that the RRF helped release. • Targets could have been set regarding the participation of SMEs in public procurement, an area in which Spain stands below the EU average

6.4 Capital market developments

Table 6.4.1: Capital market and direct support: Cyprus

Area	Recommendations, observations before 2021	RRP action	Assessment
Main	CEU, 2018a: "(…) take additional measures to improve access to finance for small and medium-sized enterprises" [CSR4/18]. EC, 2019a: CSR4/18 assessed with *"some progress" (…) "few measures are being implemented, mainly supported by EU funds"* (p. 60). CEU, 2019a: "*However, financial support measures for small and medium-sized enterprises are still based mainly on grants. Alternative sources of finance such as venture capital, equity funding and crowdfunding remain marginal for Cypriot businesses*" (recital 18). "*Improve access to finance for small and medium-sized enterprises*" [CSR4/19]. EC, 2020a: CSR4/19 assessed with *some progress "as grant schemes are ongoing. In addition, the establishment of an equity fund was adopted for the first time, and its implementation is under way"* (p. 72). "*Access to finance represents a significant constraint to investing in Cyprus, especially for small and medium-sized enterprises (…). Banks are reluctant to lend due to the debt overhang, and alternative funding sources such as venture capital, crowdfunding and equity financing are still restrained. The first equity fund in Cyprus is under preparation, whereas a number of grant schemes and financial instruments are being implemented*" (p.53). CEU, 2020a: "*Newly founded start-ups and scale-ups may need specific support, e.g. in the form of equity stakes by public institutions and incentives for venture capital funds to increase their investments in these firms. It remains important to implement the equity support measures prepared before the crisis (Cyprus Energy Fund of Funds)*" (recital 22); "*Secure adequate access to finance and liquidity, especially for small and medium-sized enterprises*" [CSR3/20].	• Investment C3.3I envisages the creation of a regulatory sandbox to enable Fintech.	• Regulatory sandboxes have proven effective in fastening the emergence of innovative financial products in other countries.
		• The state equity fund C3.3I6 will co-invest with other market players (private equity funds, venture capital, business angels, commercial banks), in equity of innovative companies. • The milestone demands the definition of an investment policy with legibility and selection criteria. • As a quantitative target, the fund is to support at least 12 start-ups or innovative companies by 2026:Q2.	• The measure addresses the recommendation to provide equity support to start-ups and scale ups. • Co-investment with other market players is a good practice, but this aim is not provisioned in M&T. • A quantitative target demanding a minimum number of beneficiaries is not a good practice. • The measure was already underway before the RRF.
Information on borrowers	EC, 2019a: "*Extra efforts are needed in order to improve the following: (i) available information on borrowers (…)* (p.24)	• Reform C3.5R4 consists of amending the existing system for exchange of credit data with the aim of enhancing the provision of credit scoring services.	• The measure will help facilitate the access of SMEs to new credit and promotes financial stability.

Table 6.4.2: Capital market and direct supports: Italy

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Italy	CEU , 2018b: "Improve market-based access to finance for firms" CSR3/18. EC, 2019b: CSR3/18 assessed with "limited progress" (p.19). CEU, 2019b: "Improve non-bank financing for smaller and innovative firms" CSR5/19. EC, 2020b: CSR5/19 assessed with "some progress" (p.19). "*Recent measures to support access to non-bank finance are gradually kicking in.* (…) *Measures to increase the use of venture capital are still pending. Italy ranks below the EU average in venture capital investment as a share of GDP. In early 2019, the government created the National Fund for Innovation to boost venture capital. In early 2020, a vehicle (CDP Venture Capital) has been set up to manage this National Fund for Innovation*" (p. 35). "*The use of initial public offerings on the AIM showed signs of recovery in 2018* (…). *The relevance of the mini-bond market for SMEs is also growing, despite its relatively small size. However, measures to improve the weak recourse to venture capital have not yet been implemented. New measures adopted in 2019 (extension of the scope of crowdfunding to bonds issued by SMEs, reintroduction of ACE, so-called Società di Investimento Semplice) are expected to help address the undercapitalisation of the corporate sector*" (p.71). EC, 2022b: "*non-banking finance, such as venture capital and business angels, has remained underdeveloped in comparison to other Member States, limiting the ability of small firms to scale up*" (p.4).	• Investment M4C2-I3.2 supplements the resources of the national venture capital fund, allowing it to reach more beneficiaries, ranging from start-ups to mid/caps and large companies. • The milestone (2022:Q2) demands the investment policy to contain a comprehensive list of elements. • A quantitative target is set, establishing that at least "250 SMEs" should be awarded, but the investment policy mentions "250 enterprises", which is more aligned with the description of the measure.	• The measure addresses the recommendation to develop venture capital. • The detailed milestone regarding the investment policy may be considered as a best practice. • Providing equity finance to large firms with public money goes beyond the usual EC recommendations and deserves an explanation. • Quantitative targets demanding a minimum number of beneficiaries are not a good practice.

Table 6.4.3: Capital market and direct supports: Portugal

Barrier	Recommendations, observations before 2021	RRP actions	Assessment
Portugal	CEU, 2018c: "Improve access to finance for businesses" CSR3/18. EC, 2019c: CSR3/18 assessed with "some progress", with creation of credit lines. "*However, alternative sources of finance showed limited improvement (…) and, although improvements, equity capital remains low, and venture capital investments (…) are among the lowest in OECD (…).* (p. 64). CEU, 2019c: "(…) *the proportion of firms reporting access to finance as main constraint to investment is now in line with the EU average. (…) Although other sources of financing, such as venture and equity capital, have been increasing over the last few years, they remain markedly lower than the EU average*" (recital 20). EC, 2022c: "*While access to loans is above EU average, access to finance remains constrained in terms of equity" (..). Productivity growth is held back in particular by (…) the large share of micro and undercapitalised firms, an underdeveloped capital market* (…). (p.44).	• Reform ReC05.r13 consists of three initiatives: (i) amendments to the legal framework of collective investment undertakings (2022:Q3); (ii) removal of idiosyncratic regulations from the Security Code Act (2022:Q3); (iii) new legislation to develop the capital market, following contributions from market players (2023:Q4).	• The measure has the potential to contribute to the development of market-based sources of finance. • However, the description of the measure is vague and milestones do not detail the direction of the reform. • Regarding the 3rd component, a monitoring provision demanding an action plan would be desirable.
		• Investments C05.I06 and C05.I04 create two vehicles to invest in non-financial corporations, in the form of equity and quasi equity. • Milestones provide for the definition and adoption of investment policies by the vehicle manager, including eligibility/selection criteria, but the elements to be included in the investment policy are not described in the milestone. • Input based targets: 1.3bn (I06) and 125m (I04). • Monitoring indicators demand a minimum of investment programmes. • Supports to Azorean firms may be convertible into non-repayable grants.	• Providing equity finance to large firms with public money goes beyond the usual EC recommendations and deserves an explanation. • Demanding the manager to launch a minimum number of investment programmes is a good practice, but it should be given the status of quantitative target. • Milestones could have more detail regarding the elements to be included in the investment policy. • The adopted investment policy allows for the discretionary adaptations of the eligibility/selection criteria throughout the implementation period, in subordination to the quantitative target. • No relevant indicator is provided to justify the additional support to the Azores. • Dimensions for convertibility into non-repayable grants could have been made explicit in a milestone.

Table 6.4.4: Capital market and direct supports: Spain

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Spain	EC, 2020d: "*Access to finance is considered the least important obstacle by firms, including SMEs*" (p. 37). EC, 2022d: "*Spain is not in a critical situation as regards to access to finance, either for loans or for equity*" (p. 44).	• Investment **"**C13.I2**"** provides counter-guarantee coverage to the mutual-guarantee system, and new credit lines for SMES are to be opened. • Target: 1bn euros of guarantees are to have been generated by Q4 2023.	• Extending credit guaranteed to SMEs in general in an economy where access to credit is not a constraint risks mispricing the cost of credit, crowding out market-based sources of finance and distorting firms' incentives. • A quantitative target demanding a minimum level of support is not appropriate.
		• Under investment C17.I5, a risk-capital vehicle will be created to co-invest in technological start-ups • A quantitative target demands a minimum of 45 projects to be supported.	• Co-investment enhances incentive compatibility. The fact that co-investment is explicitly requested in the milestone may be considered as a good practice. • The goal to support 45 projects should have been downgraded to the level of monitoring indicator. • The intention to launch calls for proposals could have been provisioned by quantitative targets.

6.5 Late Payments

Table 6.5.1: Late payments: Cyprus

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Cyprus	CEU, 2019a: "*Facilitate the reduction of non-performing loans including by (…) taking steps to improve payment discipline*" [CSR2/19]. EC, 2020a: "*limited progress on improving payment discipline*" (p. 18). CEU, 2020a: "*Speeding up of contractual payments by public authorities can also help improve the cash flow of SMEs*" (recital 22). EC, 2022a: "*Access to finance remains limited due to late payments (mentioned in surveys by almost two thirds of Cypriot companies)*" (p.40).	• No action	• Cyprus failed to address the problem of late payments, despite being a country where almost 2/3 of SMEs reported difficulties in that dimension.

Table 6.5.2: Late payments: Italy

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Italy	EC, 2020b: "*Payment performance between private firms is deteriorating. Delays in payments create financial constraints for suppliers, worsening their liquidity management*" (p.52). CEU, 2020c**: "***Delays in approved payments, whether by administrations-to-businesses or by business-to-business, should be prevented, as they are a drag on the liquidity of all firms, particularly of smaller ones*" (recital 20) "*Ensure effective implementation of measures to provide liquidity to the real economy, including to small and medium-sized enterprises, innovative firms and the self-employed, and avoid late payments*" [CSR3/20].	• Reform M1C1-R1.11 commits the government to pay all of its invoices in due time by 2023:Q4. • Quantitative targets are set for different levels of administration, with well-defined indicators.	• Within its scope, the measure can be considered as a best practice. • However, late payments in B2B transactions could have been addressed with parallel actions.

Table 6.5.3: Late payments - Portugal

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Portugal	EC, 2019c. "*Late payments from the public sector remain critical. Delays are particularly long in the health sector and for regional and some autonomous authorities*" (p.58). EC, 2020c: "*Late payments, despite improvements, are a critical issue*" *(…)* "*Average payment delays to suppliers in the public sector are slowly, but steadily improving. For 2018, the overall figure was 59 days, while in the first quarter of 2019, this figure went down to 58 days. Nevertheless, there are still many areas where this indicator remains excessive, such as the health sector (…), where the average delay in the first quarter 2019 was 228 days) or some administrations of the central state (…) - 545 days. and the Azores region (122 days). According to the latest SAFE Survey, 40% of Portuguese SMEs experienced late payments in commercial transactions in 2019. In terms of impacts, 21% SMEs delayed payments to their own suppliers, 15% cut on new hiring and investments, 11% reduced production and operation, and 10% delayed loan repayments and needed additional financing*" (p. 60). EC, 2022c: "*Late payments are still a critical issue despite improvements, with 38.1% of SMEs stating that they experienced payment delays in the last 6 months*". (p. 44). *Late payments in Portugal are mainly due to public entities, which is why the NRRP reforms of the governance model of public hospitals and to modernise and simplify public financial management can be expected to contribute to improving the situation" (…)* (p. 44).	• No action, milestone, or target is explicitly dedicated to the problem of late payments.	• Portugal missed the opportunity to address the problem of late payments in the public sector with RRP measures.

Health sector	CEU, 2018c: “*Strengthen (…) adequate budgeting (…) with a focus on the reduction of arrears in hospitals*” [CSR1/18]. EC, 2019c “*Limited progress has been achieved in putting persistently high hospital arrears in a steadily declining path*” (p. 62) CEU, 2019c: “*Improve the quality of public finances (…) with a focus in particular on a durable reduction of arrears in hospitals*” [CSR1/19]. EC, 2020c: CSR1/19 assessed with “limited progress”: “*after having decreased visibly in December 2018, mainly as a result of sizeable ad-hoc clearance measures in that year, hospital arrears are back on a steadily increasing path since July 2019*” (p. 69). “*Portugal has a well-established track record of in-year accumulation of hospital arrears only partly contained through sizeable ad-hoc clearance measures*” (p. 29).	• The Portuguese RRP states that: “*The component supports addressing the Country Specific Recommendation (…) with a focus on a durable reduction of arrears in hospitals (Country Specific Recommendation 1 2019)*” (CEU 2021c, p. 1).	• However, we identified no action, milestone, or target referring to arrears in hospitals.

Table 6.5.4: Late payments - Spain

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Spain	EC, 2020d: “Payment practices in Spain weigh on SMEs’ liquidity. According to the latest SAFE survey results, 40% of Spanish SMEs experienced regular or occasional difficulties as a result of late payments from private and/or public entities” (…) “In 2018, payment time exceeded 80 days in the business-to-business sector, substantially above the legal payment term of 60 days. In public entities, the figure was 53.5, against a legal term of 30 days” (p. 40). CEU, 2020d: “Ensure the effective implementation of measures to provide liquidity to small and medium-sized enterprises and the self-employed, including by avoiding late payments” [CSR3/20].	• The Law on Business Creation and Growth (reform C13:R1) shall include “*measures to foster an early payment culture*”, such as “*guidelines on publicity and transparency of payment periods, best business practices and mechanisms for better enforcement such as an out-of-court dispute resolution system*” (p. 124).	• The description of the measure is vague, does not commit the government sector, and is not supported by quantitative targets.

6.6 Insolvency Framework

Table 6.6.1: Insolvency Framework: Cyprus

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Cyprus	EC, 2028e: "*Take measures to fully operationalize the insolvency and foreclosure frameworks*" (CSR2/18). EC, 2019a: CSR2/18 assessed with "*substantial progress* (…) *with the enactment of strengthened legal frameworks*". However, "*measures to improve the efficiency and effectiveness of the Insolvency Service and the profession of insolvency practitioners are still pending*" (p. 59). "*Currently, the slow progress in setting up a reliable system for transferring and issuing property rights complicates foreclosure procedures and deters the liquidation of collateral*". (p.21) "*The running of the Insolvency Service and the information on borrowers still need to be improved*" (p.22). CEU, 2019a : "*Cumbersome and outdated civil procedure rules and weak enforcement of court decisions weigh on banks' incentives to use the insolvency and foreclosure frameworks*" (recital 19). EC, 2020a: "*insolvency tools remain under-utilized", weighing on capital market development*" (p.26) "*There has been limited progress on insolvency proceedings. Examinership and personal insolvency arrangements are still scarcely used despite the legislative amendments made in 2018*" (p.35). "*The foreclosure framework was strengthened in 2018, whereas the amendments adopted in 2019 may undermine the framework if implemented*" (p.69). CEU, 2020a: "*Strengthening the enforcement of claims and promoting the use of insolvency framework would help underpin a sustainable workout of bad loans*" (recital 30). EC, 2022a: "*There has been limited progress with insolvency proceedings. Examinership and personal insolvency arrangements continue to be scarcely used*" (p. 57). "*Discussions on amending the foreclosure framework re-emerged, which could partially undo the strengthening achieved in 2018*"; (…) "*The adoption of the amended Civil Procedure Law, which is expected to facilitate the execution of court orders for the seizure of movable property (…) has been pending since March 2020*" (…). "*Moreover, challenges remain such as improving the operations of the Department of Insolvency and on the bailiff system*" (p. 12).	• Reform C3.5R6 envisages the reorganization of the Insolvency Service, the training of its personnel (2022:Q4) and the introduction of new digital tools (2025:Q2). • No quantitative targets are defined. Complementary reforms: • Reform C3.3R3 (2005:Q4) shall include the insolvency proceedings (liquidation, receivership and examinership) under the Companies Law. • Reform C3.5R3 (2023:Q4) to address inadequacies of the property transaction system • Reform C3.4R8 (2023:Q3) includes amendments to the Civil Procedure Law that shall facilitate the seizure of movable property. • Reform C3.5R4 (2014:Q4) consists of amending the existing system for exchange of credit data with the aim of enhancing the provision of credit scoring services	• Reform C3.5R6 addresses issues raised by the EC, with measures aiming to improve the efficiency and effectiveness of the Insolvency Service and the profession of insolvency practitioners • The measure is complemented with reforms to facilitate the transfer of property, to modernize the Companies Law, and to enforce property claims, which makes an overall comprehensive package. • The EC (2022a) reports implementation difficulties

Table 6.6.2: Insolvency framework: Italy

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Italy	CEU, 2018b: "*promptly implement the insolvency reform*" [**CSR3/18**]. EC, 2019b: (…) "*the insolvency framework reform still has to be finalised*" (p.63). CEU, 2019b: "*A timely implementation of the insolvency reform decrees would help accelerate the still slow foreclosure and collateral enforcement procedures and further boost the resilience of the banking sector*" (recital 29) EC, 2020b: "*The reform of the insolvency framework, finalised by the government in early 2019, will enter into force in August 2020.*" (p.17). "*Previous measures to accelerate out-of-court collateral enforcement (Patto Marciano) have not been significantly used so far*" (p. 34).	• Reform M1C1-R1.6 introduces a new out-of-court settlement arrangement, supported by an interoperable platform. Other aspects of the reform include the capacitation of insolvency institutions with training actions, the strengthening of secure creditors' rights, and an early warning mechanism. • The first milestone (entry into force of the enabling legislation) was scheduled for 2021:Q4 and is already completed. The law is to be adopted by 2022:Q4.	• The measure completes an urgent reform initiated in 2017 that was pending. • It responds to a failure identified in the existing out-of-court resolution mechanism introducing a new mechanism supported with an IT platform. • The early warning mechanism might look disappointing.

Table 6.6.3: Insolvency framework: Portugal

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Portugal	CEU, 2018c : "Increase the efficiency of insolvency and recovery proceedings (…)"**CSR3/18**. EC, 2019c: CSR3/18 assessed with "some progress". "*The length of insolvency proceedings remains the weak point of the system, although a set of measures has already been introduced to expedite proceedings through the use of technology and the creation of insolvency practitioners acting as mediators for viable companies and/or assisting the debtors in both court and out-of-court procedures*" (p.34). *"Law 7/2018 introduced a legal regime for debt-to-equity swaps. This legislation applies in a situation of default and negative equity and concerns the restructuring of the balance sheet with the conversion of credits into equity by simplifying the existing procedures. Quarterly data show that between June 2017 and June 2018, the average full duration of insolvency and recovery proceedings increased from 45 to 53 months" (p. 59-60)*. CEU, 2019c: "*Over the past few years, the authorities have implemented a number of legal and institutional reforms for insolvency and debt enforcement. However, the average length of insolvency proceedings remains persistently high as does the number of pending court cases. The legal and judicial frameworks are heavily affecting the recovery process and the prospects for efficient repossession of collateral*" (recital 17). "*Allow for a swifter recovery of the collateral tied to non-performing loans by increasing the efficiency of insolvency and recovery proceedings*" [CSR4/19]. EC, 2020c, CSR4/19 assessed with "some progress". "*The efficiency of the insolvency and recovery procedures has been increasing at a slow pace, notwithstanding some reforms and the introduction of technology in some instances*" (p. 73). "*Nevertheless, challenges related to lengthy proceedings and a large backlog of cases remain" (p.37). Improving the efficiency of the justice system, particularly as regards insolvency proceedings, has the potential to improve the efficiency of credit allocation and facilitate a better reallocation of productive resources. Portugal is implementing reforms to the legal and institutional framework for insolvency and debt enforcement, such as an extrajudicial regime for business recovery, and a legal regime for debt-to-equity swaps*" (p. 55). CEU, 2020c: "*In recent years, several amendments have been made to both insolvency and the civil enforcement proceedings. Further adjustments, in particular targeting unjustified delay, would help for both creditors and borrowers, with the latter benefiting from a fresh start*" (recital 26).	• Reform C18.r33 includes a revision of the Insolvency Code, with the aim of fastening the procedures and adapting them to a digital framework. • The reform shall include (amongst other features): the strengthening of the role of insolvency practitioners, strengthening the rights of the lender, the institution of compulsory partial apportionment in specific cases, and the creation of specialized chambers in higher courts for special matters. • Two monitoring indicators are provided, demanding the adoption of the legal package by the Council of Minister (2002:Q2), and the entry into production of the IT system for insolvency (2023:Q4)	• The arrangement demanding the adoption of the law by 2022:Q2 with a monitoring indicator is unconventional. A milestone should have been provisioned instead. • A monitoring indicator on the timing of entry of the new IT system into production looks odd. • A quantitative target demanding the reduction of the average duration of insolvency proceedings could have been provided.

Table 6.6.4: Insolvency framework: Spain

Barrier	Recommendations, observations before 2021	RRP action	Assessment
Spain	EC, 2020d: "*The reforms of the insolvency framework in 2014/2015 have facilitated debt restructuring and made insolvencies less onerous*" (p. 27). "*Visible progress has been made for measures such as the length of insolvency procedures (471 days in 2015, 440 days in 2017, and 404 days in 2018 according to national data but time is needed for the reforms to produce their full impact, considering that the median duration of ordinary insolvency procedures is still high at 806 days (down from 899 days in 2017). (…) Further regulatory improvements are expected (such as the implementation of the Directive (EU) 2019/1023 on restructuring and insolvency)*" (p.43). CEU, 2020d: *It is essential to safeguard the justice system's capacity to handle insolvency proceedings efficiently. This is particularly important, as the current suspension of the activity of the courts and the expected increase in litigation due to the recession caused by the pandemic may further exacerbate already existing challenges with increasingly lengthy proceedings and growing backlogs of cases* (recital 28).	• Reform **C13.R1** aims to improve the effectiveness of pre-insolvency and insolvency instruments, including a special procedure for microenterprises and facilitating preventive debt restructuring and debt relief for natural persons. • A single milestone is provided establishing the entry into force of the legislative amendment by 2020:Q2.	• Spain had already implemented a successful reform in 2014-2015. • The amendment to the Insolvency Law aims to transpose the 2019/1023 Directive on preventive restructuring and was already expected by 2020, without being deemed pending or in delay. • Apparently, the reform was not enacted or accelerated by the RRF.

7 ANNEX B: MILESTONES AND TARGETS SUMMARIZED

7.1 Measures addressing Business regulations, licences, and permits

Table 7.1.1: Measures addressing Business regulations, licences, and permits: Cyprus

C3.3R2: Enhancing Fast-Track Business Activation Mechanism		
Milestones	2022:Q4 (136): Establishment of a platform where investors may track their online application and interact with the competent authorities. The online platform shall provide information for all the necessary permits required by the company to start operations, facilitation for the issuance of residence and employment permits in Cyprus for third country nationals, and offer guidance for establishment and operation.	
Targets	2025:Q4 (137): At least 50 applications for investment are assessed through the platform.	
Monitoring	2024:Q2: Interim progress report on the state of play of the measure.	
C3.5R3: Strategy for addressing inadequacies of the property transaction system		
Milestones	2022:Q4 (194): Extension of a new permit policy that provided fixed deadlines to grant planning and building permits (10 to 20 days) currently up to two residential units, to for residential units in a plot. 2022:Q4 (195): Entry into force of the amended Sale of Property Law allowing for transfer of Title Deeds, under full safety and legal certainty, while minimizing operational costs and delays through checks at a preliminary stage to identify specific obstacles to the transfer before the payment of the purchase price, safeguarding the interests of the buyers, and ensuring in advance that the transfer of real estate property shall be executed as soon as the buyer fulfils his/her contractual obligations. 2023:Q4 (196): Entry into force of an amending regulation that shall introduce the right incentives for the supervising engineer to (i) oversee the project development in accordance with the permit issued, to further discourage irregularities that would result in title deeds not being issued, and (ii) submit to the competent authority a certificate confirming the completion of work in line with the permit issued.	
Targets	2023:Q2 (193): Reduction of backlog of cases for issuance of title deed by 80%.	

Table 7.1.2: Measures addressing Business regulations, licences, and permits: Italy

M1C1.R1.9: Reform of the public administration: Creation of a repository, simplification and digitalization of a set of procedures affecting citizens and businesses		
Milestones	2021:Q2 (M1C1-52): Entry into force of primary legislation on simplification of administrative procedures for the implementation of the Italian recovery and resilience plan.	Completed: 2021:Q2
	2024:Q4 (M1C1-60): Complete implementation (including all delegated acts) of the simplification and digitalization of a set of 200 critical procedures affecting citizens and business. (…). State and regional procedures being selected may be summarized under the following major areas: 1. Environmental and energy authorizations: State environmental impact assessment procedure; Regional environmental impact assessment procedure (…); 2. Construction and urban requalification (…) 3. Digital infrastructures (…) 4. Public procurement (…). 5. Other procedures: Certification of silent consent; (…) Procedures in the retail sector; Authorizations to access the artisans and small business sectors; (…). 2026:Q2 (M1C1-63): Screening of procedural regimes shall be completed for all existing procedures, together with their further simplification and re-engineering of administrative procedures. Also the verification and monitoring of the effective implementation of the new procedures, with particular reference to standardized forms and the corresponding digitized management shall be ensured. The simplification shall apply to a total 600 critical procedures.	

Table 7.1.3: Measures addressing Business regulations, licences, and permits: Portugal

C18.r33: Economic Justice and Business Environment: legislative package on barriers to licensing		
Milestones	2025:Q3 (18.4) – Entry into force of the legislation on the removal of barriers to licensing, identified in the report of the working group set up by joint order of the members of the government's responsible person.	
Monitoring	2023:Q3: Presentation of the draft legislative amendments resulting from the study on licensing.	

Table 7.1.4: Measures addressing Business regulations, licences, and permits: Spain

C13.R1: Improving Business Regulation and Climate: Law on Business Creation and Growth		
Milestones	2022:Q4 (191): - Entry into force of the 'Law on Business Creation and Growth, which shall include amendments to the 'Law on Market Unity' to facilitate its implementation and to strengthen the mechanisms available to market operators affected by market barriers.	Draft law submitted to the parliament in November 2021
Monitoring	2021:Q4 (191.1): Creation and configuration of the areas of work of a Sectoral Conference of Better Regulation and Business Climate, aiming to: (i) identify the unnecessary regulatory barriers; (ii) transfer them to the competent sectoral conferences; (iii) advise decisionmakers based on best practices.	Completed 22/07/2021
	2022:Q4 (191.2): Yearly report on actions carried out by the sectoral conference 2023:Q4 (191.3): Yearly report on actions carried out by the sectoral conference 2024:Q4 (191.4): Yearly report on actions carried out by the sectoral conference 2025:Q4 (191.5): Yearly report on actions carried out by the sectoral conference	

7.2 Measures on Regulated professions

Table 7.2.1: Measures on Regulated professions: Italy

M4C1.R1.6: Enabling Degree Reform		
Milestones	2021:Q4 (M4C1-1): Provision in the law of the reform that shall include initiatives to reform the enabling university degrees in order to simplify and speed up the access to professions. 2023:Q4 (M4C1-10): Entry into force of all required regulations for the effective implementation the reform.	
M1C3.R4.1: Regulation ordering of the profession of tourist guides		
Milestones	2023:Q4 (M1C3-10): Entry into force of the definition of a national standard for tourist guides.	

Table 7.2.2: Measures on Regulated professions: Portugal

C06.r16: Reducing restrictions in highly regulated professions		
Milestones	2022:Q4 (6.15): Entry into force of the law on regulated professions aiming to: (i) separate the regulation and representation functions in professional associations; (ii) reduce the list of reserved professions: access to professions can be restricted only to safeguard constitutional interests, according to the principles of necessity and proportionality; (iii) end restrictions to ownership and management of business services firms, provided that managers respect the legal regime for the prevention of 'conflict of interests'; and (iv) allow multidisciplinary business services.	Law approved. Follow up by-laws to be published within 120 days upon publication.
Monitoring	2025:Q4: Competition authority assesses the effectiveness of the Law.	

Table 7.2.3: Measures on Regulated professions: Spain

C13.R1: Improving Business Regulation and Climate: access to the professions of lawyers and *procuradores*		
Milestones	2021:Q4 (189): Entry into force of the amending law on access to the professions of lawyers and *procuradores*, allowing the same qualification to give access to the exercise of both professions; allowing multidisciplinary professional societies with a single legal entity to jointly offer services of legal defence and representation in court; replacing the system of a minimum fee by a maximum fee.	Completed 2022:Q2

7.3 Measures on Public Procurement

Table 7.3.1: Measures on Public Procurement: Cyprus

C3.4R4: Strengthen administrative capacity and transparency through the professionalization of public procurement and further digitalization of its process		
Milestones	2025:Q4 (162): The new integrated e-procurement system shall be fully operational including all development, testing, and training of users. The main functionalities of the system include the "once only" principle, statistical reporting, simplification, user-friendly interface to economic operators with emphasis on SMEs, and publication of data and information.	

Table 7.3.2: Measures on Public Procurement: Italy

M1C1.R1.10: Reform of the Public procurement legislative framework		
Milestones	2021:Q2 (M1C1-69): Entry into force of a Decree-Law to simplify the public procurement system including: (i) targets to reduce the time between the publication and the contract award; (ii) targets (and a monitoring system) to reduce the time between the contract award and the completion of the infrastructure; (iii) Requirement to register the data of all contracts at the national anti-corruption authority; (iv) incentivize the alternative dispute resolution mechanisms; (v) The setting up of dedicated offices in charge of public procurement at all levels of administration. The decree shall also define how procedures should be digitalized and define interoperability and interconnectivity requirements.	Completed (2021:Q1)
	2021:Q4 (M1C1-71): Entry into force of all necessary legislation, regulations, and implementing acts (including secondary legislation) for the simplification of the public procurement system, ensuring that: contracting authorities are qualified by the anti-corruption authority, the Single Coordination Body has an adequate level of trained staff; all dedicated offices are in charge, the dynamic purchasing systems are available, all data on contracts are properly registered, and the monitoring system for timing of procedures shall be operational.	Completed (2021:Q1)
	2022:Q2 (M1C1-70). Entry into force of the Law of Delegation, which shall define the criteria and principles for the reform of the procurement code, including the principles of: reducing the fragmentation of contracting authorities; empowering the national anti-corruption authority; simplifying and digitalizing the procedures of central purchasing bodies; ensuring full interoperability and communication flows of the digital platforms; and reducing the restrictions to the possibility to subcontracting.	Completed (2022:Q2)
	2023:Q1 (M1C1-73): Primary legislation of the reform of the Public Procurement Code.	
	2023:Q2 (M1C1-74): Secondary legislation of the reform of the Public Procurement Code.	
Targets	2023:Q4 (M1C1-75): The interoperable national e-procurement system shall be fully operational and be fully in line with EU public procurement directives. The system desirable functions are to be defined in a study.	
	2023:Q4 (M1C1-84): The average time between the publication and the contract award shall be reduced from 193 days to less than 100 days (same in 2024:4. M1C1-96).	
	2023:Q4 (M1C1-85) The average time between the contract award and the realization of the infrastructure shall be reduced by at least 15% (same in 2024:Q4, M1C1-97). Precise indicator defined.	
	2023:Q4 (M1C1-86): At least 20% of civil servants have been trained through the Public Buyers Professionalization Strategy by 2023:4 (at least 35% by 2024:Q4, M1C1-98).	
	2023:Q4 (M1C1-87): At least 15% of contracting authorities are using dynamic purchasing systems by 2023:4 (20% by 2024:Q4, M1C1-99).	
Monitoring	Interim steps: continuous monitoring of average times between the publication and the contract award, and between the contract award and the realization of the infrastructure: 2022:Q4, 2023:Q4, 2024:Q4.	

M1C2.R2: Annual Competition Laws		
Milestones	2022:Q4 (M1C2-6): Entry into force of Annual Competition Law 2021, including (M1C2-7, M1C2-8) secondary legislation. Key elements [Summary]: widespread use of the principle of competition for local public services contracts; limitation of direct awarding; reduction of fragmentation; separation of regulation and control of public service contracts; mandatory tendering of concession contracts for hydropower, gas distribution; establishment of criteria for the award of port concessions. 2023:Q4 (M1C2-9): Entry into force of Annual Competition Law 2022, including (M1C2-10) secondary legislation. 2024:Q4 (M1C2-11): Entry into force of Annual Competition Law 2023, including (M1C2-12) secondary legislation. 2025:Q4 (M1C2-13)**:** Entry into force of Annual Competition Law 2024.	
Monitoring	2021:Q4: Approval of the draft annual competition law 2021 by the Council of Ministers. 2022:Q2: Approval of the draft annual competition law 2022 by the Council of Ministers. 2023:Q2: Approval of the draft annual competition law 2023 by the Council of Ministers.. 2024:Q2: Approval of the draft annual competition law 2024 by the Council of Ministers.	

Table 7.3.3: Measures on Public Procurement: Portugal

C17.r32 – Modernization and Simplification of Public Financial Management: improvements in the remit of centralized procurement		
Targets	2022:Q4 (17.1): 10 framework agreements and contracting models for the national central procurement system shall be revised and implemented. 2023:Q4 (17.12): 11 information systems of the national central public procurement system are modernized and simplified... …in order to: "(i) promote administrative simplification; (ii) reinforce monitoring and control mechanisms; (iii) foster cost efficiency and rationalization considerations; (iv) broaden the list of goods and services subject to centralized procurement; and, (v) promote collaboration among internal and external stakeholders" The verification mechanism includes a report on the demonstration of how the revised procurement models and how each upgraded information system contributes to the stated objectives.	

Table 7.3.4: Measures on Public Procurement: Spain

C11.R4- National procurement strategy		
Milestones	2021:Q4: (155) Establishment of the National Evaluation Office, which shall assess the financial sustainability of the concession contracts [Completed].	
	2022:Q4 (156): Adoption by the Independent Office of the National Procurement Strategy, including the following elements: (i) promote Strategic public procurement; (ii) professionalization; (iii) facilitating SMEs' access; (iv) improve available data; (v) foster efficiency; (vi) Full digital transformation; (vii) enhance legal certainty ; (viii) improve the supervision and control, including corruption prevention.	
Monitoring	2021:Q4 (156.1) Publication on the government webpage of the National Procurement Strategy.	

7.4 Capital market regulations and direct support

Table 7.4.1: Capital market regulations and direct support

C3.3I2 – Creation of a Regulatory Sandbox to enable FinTech		
Milestones	2023:Q2 (144): Launch of the regulatory Sandbox by Cyprus Securities and Exchange Commission, to facilitate the development of a regulatory regime on FinTech and innovative technologies striking a balance between the seamless deployment of innovative financial products and ensuring investors' protection.	
C3.5R4: New legal framework and system of data exchange and credit bureaus		
Milestones	2023:Q1 (197): Entry into force of the law amending the existing system for exchange of credit data (owned by the Central Bank), introducing a duty to collect data for credit facilities by credit institutions, to provide data to the insolvency department, and to define the terms and conditions of access to data and its protection.	
	2024:Q4 (198): Entry into service of an upgraded digital system of exchange of data and credit bureaus, and start of provision of credit scoring services.	
C3.3I6: State funded equity fund		
Milestones	2022:Q4 (151): Registration of the Registered Alternative Investment Fund, which shall increase the availability of alternative financing sources, particularly for innovative companies and start-ups. Investment policy shall define eligibility criteria.	
Targets	2026:Q2 (152**):** The fund shall support at least 12 investees (start-ups and innovative companies).	
Monitoring	2024:Q4 **:** Progress report on the state of play of the measure.	

Table 7.4.2: Direct support through financial instruments: Italy

M4C2.I3.2: Financing Start-ups		
Milestones	2022:Q2 (M4C2-20): Signature of the agreement between government and the implementing partner (*Cassa Depositi e Prestiti*). Elements that shall be included in the investment strategy: Investment targets (fund size, number of operations, amounts to be supported over time differentiated by type of beneficiary), Scope and eligible beneficiaries, Eligible financial intermediaries and selection process, Type of support provided (such as guarantees, loans, equity, and quasi-equity), Targeted risk/returns for each type of investor, Risk policy and AML policy, Governance (partners, fund managers, Board, Investment Committee, role and responsibilities), Diversification and concentration limits, Equity policy including exit strategy for equity investments, Lending policy for debt investment, including required guarantees and collateral, Timeline for fund raising and for implementation.	Completed. 28/06/2022))
Targets	2025:Q2 (M4C2-21): At least 250 firms and start-up projects awarded.	

Table 7.4.3: Capital market regulations and direct support: Portugal

C05.r13: Capital market development and promotion of capitalization of non-financial companies		
Milestones	2022:Q3 (5.24): Entry into force of the revision of the legal framework for collective investment undertakings, with a view to regulatory and administrative simplification. 2022:Q3 (5.25): Entry into force of the revision of the Securities Code Act, with a view to regulatory and administrative simplification. 2023:Q4 (5.26): Following the contributions from market players, entry into force of legislation for the capital market development, focusing on creating incentives for: (i) access to equity through the capital market, (ii) the creation of an environment conducive to business growth, (iii) debt financing in the market, (iv) investor participation.	
C05.i06: Capitalization of companies and financial resilience/Banco Português de Fomento		
Milestones	2021:Q3 (5.27)- Entry into force of a decree-law regulating the capitalization measure, establishing the need to establish an investment policy defining the criteria for eligibility and selection of beneficiaries.	Completed: 29/07/2021
	2021:Q3 (5.28) – Development and Adoption of the investment policy by the vehicle manager (BPF), including selection/eligibility criteria.	Completed 22/12/2021
	2022:Q1 (5.30): Notification to the EC of the successful passing of the pillar assessment to become an InvestEU implementing partner.	
	2022:Q1 (5.31) Capitalization of BPF by 250 million euros.	
Targets	2023:Q4 (5.29) – Delivery of a total of 1.3bn euros in equity and quasi-equity to Portuguese non-financial corporations. 2025:Q4 (5.32) – 100% of the guarantees made available by the capital increase have been signed.	
Monitoring	2021:Q4 (5.29.1): Development by the vehicle manager of at least one investment programme. 2022:Q1 (5.29.2): Development by the vehicle manager of at least two investment programmes. 2024:Q2 (5.29:3): Development by the vehicle manager of at least four investment programmes, for which indicative aggregate size shall cover 1.3bn euros. For each investment programme BPF shall describe “the purpose and the indicative size of the programme, the list of the financial instruments, detailing concretely the selection, eligibility criteria for supported companies, and specifying investment targets and targeted returns”. 2023:Q4 (5.29.4): Submission of an annual report by BPF showing the delivery of 750 million euros to non-financial corporations, including information on “investments made for each type of investment programme, expected rates of return, administrative costs incurred, and eventual divestments, repayments, and conversions into grants”.	
C05.I04-RAA: Recapitalization of the Business System of the Azores		
Milestones	2021:Q3 (5.15)- Adoption of a Regulation establishing the capitalization measure and mandating the adoption by Banco Português de Fomento of an investment policy defining, inter alia, the criteria for eligibility and selection of beneficiary companies for each type of financial instrument.	Completed 23/11/2021
	2021:Q3: (5.16)Adoption by BPF of the investment policy covering all financial instruments envisaged in the measure and reflecting the selection/eligibility criteria and applicable commitments/targets set out in the Regulation.	Completed 31/12/2021
Targets	2025:Q4 (5.17) : Delivery of a total of 125 million euros to the region’s non-financial corporations in equity and quasi-equity support. Publication by BPF of a report with the list of the beneficiary companies, the funding awarded, and the type of financial entity involved.	

Monitoring	2021:Q4 (5.17.1): Development by the vehicle manager of at least one investment programme. 2022:Q1 (5.17.2): Development by the vehicle manager of at least two investment programmes. 2024:Q2 (5.17:3): Development by the vehicle manager of at least four investment programmes, for which indicative aggregate size shall cover 125 million euros. For each investment programme BPF shall describe "the purpose and the indicative size of the programme, the list of the financial instruments, detailing concretely the selection, eligibility criteria for supported companies, and specifying investment targets and targeted returns". 2023:Q4 (5.17.4): Submission of an annual report by BPF showing the delivery of 50 million euros to the region non-financial corporations, including information on "investments made for each type of investment programme, expected rates of return, administrative costs incurred, and eventual divestments, repayments, and conversions into grants".	

Table 7.4.4: Direct support through financial instruments: Spain

C13.I2: Growth: CERSA guarantee		
Targets	2023:Q4 (196): an amount of at least 1 billion euros of guarantees granted by CERSA allowing SMEs to obtain guarantees for long-term investment and working capital.	
Monitoring	2021:Q4 (196.1) Counter-guarantee agreement signed between CERSA and the Mutual Guarantee Societies.	
C17.I5: "Knowledge transfer": Co-investment in technological start-ups		
Targets	2023:Q4 (265): at least 45 innovative and technology-based companies have received capital under the programme INNVIERTE. All of these companies have also received investment from the private sector.	

7.5 Measures on Late Payments

Table 7.5.1: Measures on Late Payments: Italy

	M1C1.R1.11 - Reduction of late payments by public administrations and health authorities	
Milestones	2023:Q1 (M1C1-72): Entry into force of new rules to reduce late payments from the public administration to businesses.	
Targets	2023:Q4 (M1C1-76 to 83): Public administration and central, regional, and local levels shall pay within 30 days on average. Public health administrations will pay within 60 days. 2024:Q4 (M1C1-88 to 95): Same targets.	
Monitoring	2022:Q4: Monitoring progress in reduction of the number of days.	

Table 7.5.2: Measures on Late Payments: Spain

	C13.R1: Improving Business Regulation and Climate: Law on Business Creation and Growth	
Milestone	2022:Q4 (191) - Entry into force of the new 'Law on Business Creation and Growth', which shall include: measures to foster an early payment culture, notably to provide liquidity to SMEs and the self-employed by avoiding late payments, through "guidelines on publicity and transparency of payment periods, best business practices, and mechanisms for better enforcement, such as out-of-court dispute resolution schemes".	30/11/2021: Draft law submitted to the parliament

7.6 Measures on the Insolvency Framework

Table 7.6.1: Measures on the Insolvency Framework: Cyprus

C3.5R6: Reinforcing and strengthening the insolvency framework		
Milestones	2022:Q4 (201): The full implementation of the legal and institutional framework for insolvency through: appointment of staff for the Department of Insolvency, and delivery of training for the personnel, (b) establishment of a communication plan for promoting insolvency proceedings, (c) implementation of a Customer Service line and a web portal for customers, (d) establishment of a framework for continuous professional development for insolvency Practitioners.	
	2025:Q2 (202): Operation of all new digital systems, that "shall increase the relevance and efficiency of the existing operational and technical systems of the Department of Insolvency".	
Monitoring	2023:Q4 (202.1): Progress report on the state of play and expected timeline for the implementation of the digital systems.	

Table 7.6.2: Measures on the Insolvency Framework: Italy

M1C1.R1.6: Reform of Insolvency Framework		
Milestones	2021:Q4 (M1C1-31): Entry into force of enabling legislation for insolvency reform framework. The reform shall: (i) include a review of out-of-court settlement arrangements to identify areas for improvement; (ii) put in place early warning mechanisms and access to information prior to the insolvency phase; (iii) shift courts as well as pre-court institutions to manage insolvency proceedings in insolvency; iv) allow secured creditors to be paid first (before tax claims and employee claims); (v) allow businesses to grant a non-possessory security right. As complement to the reform of insolvency, training and specialization for members of the judicial and administrative authorities shall be ensured, as well as the overall digitalization of restructuring and insolvency procedures and the creation of an online platform for the out-of-court resolution of disputes. Such an online platform shall also ensure interoperability with banks' IT systems, as well as other public authorities and databases.	Completed 2021: Q4
	2022: Q4 (M1C1-36): Entry into force of delegated acts	

Table 7.6.3: Measures on the Insolvency Framework: Portugal

C18.r33: economic justice and business environment: Insolvency Framework		
Milestones	2024:Q2 (18.3): Entry into force of the revised legal framework for insolvency and rescue of companies with a view to speeding up these proceedings and adapting them to 'digital by default'. The framework shall strengthen the role of insolvency administrator, strengthen the rights of the lender, institute the compulsory partial apportionment in specific cases, and create specialized chambers in higher courts for special matters.	
Monitoring	2022:Q2 (18.3.1). Adoption by the Council of Ministers of the legal package on insolvency and recovery.	
	2023:Q4 (18.3.2). Entry into production of the IT system for insolvency.	

Table 7.6.4: Measures on the Insolvency Framework: Spain

C13.R1 Improving Business Regulation and Climate: Reform of the insolvency law		
Milestones	2022:Q2 (190): Entry into force of the Reform of the 'Insolvency Law'. The Reform shall: (i) establish a more efficient second chance procedure for natural persons, allowing for debt relief without prior liquidation of the insolvent party's assets; (ii) establish a special procedure for micro-SMEs, fully processed by electronic means.	

Analysing a set of RRF measures proposed by four MSs under pillar 3, we address several questions: how successful was the facility in pushing for long-awaited economic reforms in these countries? To what extent are the proposed measures tackling identified challenges in a number of policy areas? How adequate are the corresponding milestones and targets for ensuring effective implementation? We conclude that the facility was effective in bringing important reforms to the policy agenda, but there is significant heterogeneity regarding the quality of measures proposed, as well as to their monitoring provisions.

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