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| To: | Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union |
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| Subject: | Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a Recovery and Resilience Facility |

Delegations will find attached document COM(2020) 408 final.

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Brussels, 28.5.2020
COM(2020) 408 final

2020/0104 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing a Recovery and Resilience Facility

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

- **Reasons for and objectives of the proposal**

The outbreak of the COVID-19 pandemic has changed the economic outlook for the years to come in the Union.

The short-term impact in each Member States will depend on the duration and severity of the lockdown measures, the composition of output and the economic policy measures taken to cushion the immediate impact of the crisis. The medium and long-term effects will depend on the intensity of the shock to economic activity caused by the COVID pandemic across sectors of the economy, the economic resilience of the economies and the ability to take adequate measures. The risk of a distortion of the level playing field of the Single Market can lead to increasing economic divergences in the Union and aggravate Europe's long-term growth challenges in the absence of decisive policy action.

As confinement measures are gradually lifted, a sustainable recovery necessitates a strategic policy orientation of mitigating the economic and social impact of the crisis by fostering economic convergence and resilience, thereby contributing to long-term sustainable growth. This includes enabling the twin transitions towards a greener and digital society while ensuring the strategic autonomy of the Union. Past experiences have shown that investment is often drastically cut during crises. Yet, it is essential to support investment in this particular situation. In addition, addressing the major economic and social challenges related to this crisis is necessary to prevent a lasting loss in productive capacity and employment ("hysteresis" effects), thereby safeguarding economic and social resilience. Moreover, a sustainable and resilient recovery requires a framework conducive to the right type of investment and reforms. It is also crucial that the recovery strategies put into place by the Member States adequately integrate the challenges regarding green and digital transitions and support investments and reforms in these two key areas.

The proposed Recovery and Resilience Facility (the 'Facility') will offer large scale financial support for public investments and reforms that make Member States economies more resilient, and better prepared for the future. It will help Member States to address the economic and social challenges they are facing, in an even more critical manner in the aftermath of the crisis, in various areas such as social, employment, skills, education, research and innovation, health issues, but also issues related to the business environment, including public administration and the financial sector. Crucially, it will also ensure that these investment and reforms focus on the challenges and investment needs related to the green and digital transitions, thereby ensuring a sustainable recovery. Investing in green and digital technologies, capacities and processes aimed at assisting clean energy transition, boosting energy efficiency in various key sectors of the economy will help create jobs and sustainable growth and allow the Union to make the most of the first-mover advantage in the global race to recovery. It will also help make the Union more resilient and less dependent by diversifying key supply chains. The identification and preparation of pipelines of relevant projects in line with the priorities presented in the European Semester of economic policy coordination ('European Semester') is of utmost importance.

For reasons of expediency, and with a view to reaching an agreement as soon as possible by the co-legislators, this proposal for a regulation takes as a basis the latest text discussed by the

co-legislators on the proposal establishing a Reform Support Programme¹, which was adopted by the Commission on 31 May 2018 as part of the Multiannual Financial Framework (MFF) for 2021-2027, and makes appropriate changes to it to reflect the revised objectives, and the adjusted delivery mode of the new instrument. Therefore, this proposal replaces the Commission's proposal for a Reform Support Programme, which is withdrawn. Consequently, the proposal for a Regulation of the European Parliament and of the Council on a governance framework for the budgetary instrument for convergence and competitiveness for the euro area² is also withdrawn. In addition, a separate proposal by the Commission for a regulation [COD...] is also being made to provide technical support to Member States.

The Facility will be a key programme of the European Union Recovery Instrument as part of the revised Multiannual Financial Framework. It will provide non-repayable financial support and loans to Member States to support public investments and reforms, as set out in their recovery and resilience plans. This will make Union economies more resilient and better prepared for the future. Loans will complement non-repayable support and will be proposed in exchange of additional reforms and investments beyond those that already benefit from the non-repayable financial support. The loans will benefit from the long maturities and favourable interest rates that the Union enjoys. They will therefore be of particular interest and benefit to Member States that face higher borrowing costs. In order to make sure that the allocation of the resources is well aligned with the objective of the Facility, the non-repayable support under the Facility will be particularly beneficial to the countries with a lower per capita income and with high unemployment rate to reflect the high economic and social challenges that these countries face.

The Commission is proposing to harness the full power of the EU budget to mobilise investment and frontload financial support in the crucial first years of recovery. These proposals are based on two pillars:

(i) an emergency European Recovery Instrument amounting to EUR 808 984.090 million (in current prices) . This will temporarily boost the financial firepower of the EU budget by using the headroom in the EU budget to raise additional financing on the financial markets. The funds raised will underpin the immediate and fast-acting measures needed to protect livelihoods and get the economy back on its feet:

(ii) a reinforced multiannual financial framework (MFF) for 2021-2027. The Commission is proposing to strengthen key programmes through the European Recovery Instrument to channel investment quickly to where it is needed most, reinforce the single market, step up cooperation in areas such as health and crisis management, and equip the Union with a budget tailor-made to drive the long-term transition to a more resilient, greener, and digital Europe.

Given the temporary period under which funding is made available to the Facility, the financial support and the relevant actions undertaken by the Member States under the aegis of the Facility should be frontloaded by the end of 2024 and, as regards the non-repayable financial support, for at least 60 percent of the total, be committed by the end of 2022. The remaining years after 2024 until the end of the MFF should therefore be used by the Commission and the Member States to foster the implementation of the relevant actions on the ground and to achieve the expected recovery in the relevant economic and social sectors and promoting resilience and convergence. If financial resources are available thereafter for

¹ 2018/0213 (COD). Brussels, 31.5.2018 COM(2018) 391 final.

² 2019/0161 (COD), Brussels, 24.7.2019 COM(2019) 354 final.

the Facility, and are allocated to it in the Union budget, further calls could also be organised by the Commission.

- **Consistency with existing policy provisions in the policy area**

The revised MFF and related sectoral legislation propose new and reinforced instruments to address the economic fallout of the COVID-19 pandemic. The present proposal integrates this package of measures, namely the REACT EU³ under the structural and cohesion funds and the amended proposals for the European Fund for Strategic Investments (EFSI) and InvestEU [...]. The proposal is also part of a range of measures developed in response to the current COVID-19 pandemic such as the “Coronavirus Response Investment Initiative”⁴.

The proposed instruments are complementary. REACT EU will target crisis repair actions in the shorter term related to labour markets, health care and SMEs (liquidity and solvency support) to provide immediate and direct support to Member State economies. The Facility will support longer-term reform and investments, notably in green and digital technologies, with lasting impact on the productivity and resilience of the economy of the Union.

Furthermore, several policy instruments at Union level support the implementation of reforms and investments. The Structural Reform Support Programme currently provides technical support to Member States for the preparation, and implementation of reforms. Union funds finance investment-projects in the policy areas addressed by the Union funds, requiring thematic concentration of funding and provided a number of enabling conditions prior to the disbursement of funds are fulfilled. InvestEU provides financing to projects under different policy windows, but not necessarily linked to reform efforts.

The present proposal will be closely aligned with the policy guidance provided under the European Semester. First, the recovery and resilience plans to be supported by the Facility will need to contribute to effectively address the country-specific recommendations addressed by the Council to the Member States in the context of the European Semester. The instruments included in this proposal will therefore enhance the effectiveness of the European Semester and contribute to the implementations of the challenges identified in that context. Second, the timing of the submission of Member States’ recovery and resilience plans will be aligned to the one of the European Semester, and these plans will constitute an annex of the National Reform Programme. Third, reporting on the progress in the implementation of these plans will also take place in the context of the European Semester.

- **Consistency with other Union policies**

The proposal is consistent with and provides for complementarity and synergies with the other Union policies.

The Commission proposed a new scheme called ‘SURE’⁵ to protect Europeans against the risk of unemployment. Its aim is to provide up to €100 billion of financial assistance to Member States to help protect jobs and workers affected by the coronavirus pandemic. These loans will assist Member States to cope with sudden increases in public expenditure to preserve employment.

³ OJ...

⁴ OJ...

⁵ COM (2020) 139 final, Brussels, 2.4.2020.

The Eurogroup has also politically agreed that the European Investment Bank and the European Stability Mechanism will together make €440 billion of financing available to businesses and Member States who need it, the latter with no other condition than to cover the direct and indirect costs of health care, treatment and prevention.

Next to this unprecedented European fiscal response, the European Central Bank has also taken measures, including by launching the €750 billion Pandemic Emergency Purchase Programme, which will increase the total assets purchased by the European Central Bank to €1.1 trillion in 2020, in order to maintain financial stability in the government bond markets.

Given the strong focus on investments and reforms aimed at addressing the challenges related to the green and digital transitions, the Facility complements and supports the European Green Deal and the Digital Agenda.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The proposal is based on Article 175 (third paragraph) of the Treaty on the Functioning of the European Union (TFEU).

Article 175 (third paragraph) TFEU provides that, if specific actions prove necessary outside the Funds and without prejudice to the measures decided upon within the framework of the other Union policies, such actions may be adopted by the European Parliament and the Council acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee and the Committee of Regions.

In line with Article 175 (third paragraph) TFEU, the Recovery and Resilience Facility under the regulation is aimed to contribute to enhancing cohesion, through measures that allow the Member States concerned to recover faster and in a more sustainable way from the COVID-19 crisis, and become (more) resilient.

• Subsidiarity (for non-exclusive competence)

The funding of the proposed activities through the envisaged regulation respects the principles of European added-value and subsidiarity. Funding from the Union budget concentrates on activities whose objectives cannot be sufficiently achieved by the Member States alone ("necessity test"), and where the Union intervention can bring additional value compared to action of Member States alone.

The overall objectives of the regulation is to enhance cohesion, through measures that allow improving the resilience of the Member States, mitigating the social and economic impact of the crisis and supporting the green and energy transitions, thereby contributing to the recovery and to fostering the growth potential of the economies of the Union in the aftermath of the COVID-19 crisis. For that purpose, the Recovery and Resilience Facility established by the regulation should provide support to reforms and investments that address challenges of a structural nature of the Member States.

The underlying logic of Recovery and Resilience Facility is such that support is provided in response to a request from the Member State concerned made on a voluntary basis. As a

result, each Member State decides whether action at Union level is necessary, in light of the possibilities available at national, regional or local level. The implementation of measures linked to economic recovery and resilience is a matter of common interest for the Union.

Action at the Union level is needed to coordinate a powerful response to the outbreak of the COVID-19 pandemic and for the mitigation of the huge economic fallout. Action at the Union level is thus necessary to achieve a fast and robust economic recovery in the Union. This goal cannot be achieved to a sufficient degree by the Member States acting alone, while the Union's intervention can bring an additional value by establishing a regulation that sets out an instrument targeted at supporting Member States financially as regards the design and implementation of much needed reforms and investments. Such support would contribute to also mitigate the societal impact caused by the present COVID-19 crisis.

- **Proportionality**

The proposal complies with the proportionality principle in that it does not go beyond the minimum required in order to achieve the stated objective at the European level and which is necessary for that purpose. The voluntary character of the Recovery and Resilience Facility established by the proposed regulation and the consensual nature of the cooperation throughout the entire process constitute an additional guarantee for respecting the proportionality principle and for the development of mutual trust and cooperation between the Member States and the Commission.

- **Choice of the instrument**

The goals described in the preceding sections cannot be reached through a harmonisation of legislations, or by voluntary action of the Member States. Only a regulation would allow them to be achieved. A regulation applicable to all Member States is also the most appropriate legal instrument to organise the provision of financial support with a view to ensure equal treatment of Member States.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Stakeholder consultations**

Due to the urgency to prepare the proposal so that it can be adopted in a timely manner by the co-legislators, a formal stakeholder consultation could not be carried out. The views of the stakeholders were taken into account also in the course of the legislative process on the Reform Support Programme proposal.

- **Impact assessment**

Due to the urgent nature of the proposal, no impact assessment was carried out. However, the present proposal for a regulation builds on the original Commission proposal for the Reform Support Programme, which was based on an impact assessment, whose main findings remain valid *mutatis mutandis*.

- **Fundamental rights**

The proposal has a positive effect on the preservation and development of Union fundamental rights, assuming that the Member States request and receive support in related areas. For example, support in areas such as, labour markets and social insurance, healthcare, education, the environment, property, public administration and the judicial system can support Union fundamental rights such as dignity, freedom, equality, solidarity, citizens' rights and justice.

4. BUDGETARY IMPLICATIONS

The financial envelope for the implementation of the facility shall be EUR 602 905 000 000 (in current prices). The envelope will be financed from the borrowing operations of the Union as set out in Regulation (EU) XXX/XX (EURI regulation). The amount will be made available to the Member States in the form of non-repayable support under direct management (for the total amount of EUR 334 950 000 000) and in the form of loans up to an amount of EUR 267 955 000 000. The amount for the non-repayable support represents external assigned revenue within the meaning of Article 21(5) of the Financial Regulation.

Given the temporary nature of the financing scheme of the Facility in relation to Member States' economic recovery, the availability period of these resources is limited to 31 December 2024 for both the non-repayable financial support and for the loan support.

As regards the non-repayable financial support, for at least 60 percent of the total resources the necessary legal commitments should be entered into by 31 December 2022. Budgetary commitments may be broken down, where necessary, into annual instalments spread over several years, with an indicative timetable for the implementation of the reforms over a maximum period of four years, and of the investments over a maximum period of seven years.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

In order to monitor the performance of the instrument set out by this regulation in delivering on their objectives, the Commission has identified some key performance indicators and will collect relevant data periodically. A set of indicators will need to be further defined, in agreement with the Member State concerned, at the level of individual recovery and resilience plans of the Member States; those indicators will refer to the appropriate micro-data to be aggregated as needed and other relevant data. The disbursement of the financial contribution will follow the completion of the milestones and targets agreed with the Member State concerned. Those relevant data will need to be integrated in a dedicated tool for monitoring by Member State, and by policy area.

For that purpose, Member States will include, in their annual reporting on progress in the European Semester, evidence on the progress made towards milestones and targets, and provide the Commission with access to the underlying data, including administrative data where relevant.

An evaluation and an ex-post evaluation will be carried out with a view to assessing its effectiveness, efficiency, relevance, coherence of the instruments. Where appropriate, the Commission will accompany the evaluation with a proposal for review of the Regulation. Evaluations will be carried out in line the Interinstitutional Agreement of 13 April 2016⁶. Evaluations will include lessons learned to identify any deficiencies and/or problems or any potential to further improve the actions or their results and help maximise their exploitation and impact.

The evaluation will be performed once sufficient information is available about its implementation, but no later than three years after the start of the implementation. No later than four years after the end of the period of application of the Regulation, an ex-post final evaluation will be carried out by the Commission. The Commission will communicate the conclusions of the evaluations accompanied by its observations, to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

- **Detailed explanation of the specific provisions of the proposal**

This Regulation establishes the Recovery and Resilience Facility. The scope of the instrument encompasses a broad range of policy domains and covers areas related to cohesion, the twin transitions (green and digital), competitiveness, productivity, health, and smart innovation, (Article 3).

The financial envelope is fixed at: (i) EUR 334 950 000 000 available for financial support (non-repayable support) and (ii) EUR 267 955 000 000 available for loans to Member States. The non-repayable support amounts are financed by external assigned revenue within the meaning of Article 21(5) of the Financial Regulation. Legal commitments for at least 60 percent of the non-repayable support should be entered into by 31 December 2022. For the remaining amount, legal commitments should be entered into by 31 December 2024 (Article 5). Resources could be transferred on voluntary basis by Member States to the Recovery and Resilience Facility from shared management programmes (Article 6).

The instrument set out by this Regulation is subject to the sound economic governance rules established under the Common Provisions Regulation of the structural and cohesion funds (Article 9). It is to be implemented by the Commission in direct management in accordance with the Financial Regulation (Article 6). Financial support will be additional to that provided under other Union funds and programmes and cannot cover the same cost (Articles 8).

Provisions on communication activities vis-à-vis the European Parliament and the Council (Article 21) and vis-à-vis the general public (Articles 26) as well as provisions on complementarity (Article 22), monitoring (Article 23), annual reports (Article 24) and evaluation (Article 25) are foreseen.

⁶ Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making of 13 April 2016 (OJ L 123, 12.5.2016, p. 1).[OJ references only set out the first page.]

The objective of the Facility is to promote the Union's economic, social and territorial cohesion by improving the resilience and adjustment capacity of the Member States, mitigating the social and economic impact of the crisis, and supporting the green and digital transitions aimed at achieving a climate neutral Europe by 2050, thereby contributing to restoring the growth potential of the economies of the Member States in the aftermath of the COVID-19 crisis, fostering employment creation and promoting sustainable growth. To that effect, the Facility will provide Member States with direct financial support with a view to achieving the milestones and targets of reforms and investments (Article 4). Rules of eligibility are also set out as regards reforms and investments: Member States should prepare national recovery and resilience plans that set out the reform and investment agenda for the subsequent four years. These plans should comprise measures for the implementation of reforms and public investment projects through a coherent package. The plans should be consistent with the challenges and priorities identified in the European Semester, with the national reform programmes, the national energy and climate plans, the just transition plans, and the partnership agreements and operational programmes adopted under the Union funds. They should include measures aimed at addressing the challenges faced by the Member States regarding their green and digital transitions, thereby fostering a sustainable recovery path. If a Member State is exempted from the monitoring and assessment of the European Semester on the basis of Article 12 of Regulation (EU) 472/2013⁷, or is subject to surveillance under Council Regulation (EC) No 332/2002⁸, the provisions of this regulation should be applied to the Member State concerned in relation to the challenges and priorities identified by the measures set out under the regulations thereof (Article 14).

For the purposes of informing the preparation and the implementation of the recovery and resilience plans by Member States, the Council may discuss in the context of the European Semester the state of recovery, resilience and adjustment capacity in the Union. This discussion should be based on the Commission's strategic and analytical information available in the context of the European Semester and, if available, on the basis of the information on the implementation of the plans in the preceding years (Recital 18).

Member States will be able to receive a financial contribution in the form of a non-repayable support. A maximum amount per Member State will be determined based on a defined allocation key (Annex I). Those amounts will be calculated based on the population, the inverse of the per capita Gross Domestic Product (GDP) and the relative unemployment rate of each Member State (Article 10). The financial envelope for non-repayable support of the Facility will be made available in the period until 31 December 2022 for Member States' plans for recovery and resilience. After that period until 31 December 2024, if money is available, the Commission may organise calls in line with the calendar of the European Semester (Article 11).

In addition to non-repayable support, Member States will have the possibility to request a loan. The loan will aim at financing additional reforms and investments. The request for a loan can be made together with the plan, or at a different moment in time accompanied by a revised plan (Article 12). The maximum volume of the loan for each Member State will not exceed 4.7% of its Gross National Income. An increase of the capped amount will be possible in exceptional circumstances subject to available resources. Upon decision on the loan request, the Commission will conclude a loan agreement with the Member State concerned (Article 13).

⁷ OJ L 140 of 27.5.2013.

⁸ OJ L 53 of 23.2.2002.

Member State will have to submit recovery and resilience plans to the Commission at the latest by 30 April. The plans should constitute an annex to the respective National Reform Programme, which can be submitted separately from it and earlier than it. To this effect, Member States may submit a draft plan earlier together with their national draft budget. The plans should set out reforms and investments for addressing the challenges identified in the context of the European Semester and inter alia explain how they strengthen the growth potential and economic and social resilience of the Member State concerned, and the contribution to enhance cohesion. The plan should also include measures that are relevant for the green and digital transitions. The plan should also set out estimated total cost and appropriate milestones, targets and an indicative timetable for the implementation of the reforms and of the investments. The proposed plan, where applicable, could include a request for a loan for more reforms and investments. (Article 15). During implementation, the plan might be amended if so justified by objective circumstances (Article 18).

The Commission will assess the plans on the basis of transparent criteria, notably, inter alia: whether the plan is expected to effectively addresses challenges identified in the European Semester, whether it contributes to strengthen the growth potential and economic and social resilience of the Member State, and contribute to enhance economic, social and territorial cohesion; whether the plan contains measures that are relevant for the green and the digital transitions; and whether the cost estimate provided by the Member State is reasonable and plausible and is commensurate to the expected impact on the economy. A rating system for the assessment of the proposals is established to that effect (Annex II). Where applicable, the Commission would also assess the request for a loan from the Member State concerned, based on the plausibility of the higher cost required in relation to the additional reforms and investments (Article 16).

Following its assessment, the Commission will adopt a decision by a way of implementing act setting out the financial contribution allocated to the Member State (Article 17) and, where applicable, the amount of the loan; provided that the assessment criteria are satisfactorily fulfilled, the Member State concerned will be allocated the maximum financial contribution foreseen, or the amount of the total cost of the plan, depending on whether the cost of the plan is higher, or lower than the maximum financial contribution foreseen for that Member State. No financial contribution is awarded to the Member State if the plan does not satisfactorily fulfil the assessment criteria.

The amount of the loan will be not higher than the difference between the total cost of the recovery and resilience plan, revised where relevant, and the maximum financial contribution. It will also be subject to a maximum cap per eligible Member State. In exceptional circumstances, subject to available funding the capped amount could be increased (Article 12).

Rules on payments and on other financial matters, including suspension and cancellation are also established; in particular, Member State may submit request for payments on a biannual basis; payments of the financial contribution or of the additional loan support should be made in instalment, based on the fulfilment of targets and milestones (Article 19).

The Member State concerned will report on a quarterly basis within the European Semester on the progress made in the achievement of the reform commitments, with such reports being appropriately reflected in the National Reform Programmes. Appropriate reporting to the European Parliament and to the Council is also foreseen (Article 20).

The conferral of implementing powers is made to the Commission in relation to the adoption of the recovery and resilience plans and for the payment of the financial support upon fulfilment of the relevant milestones and targets, in accordance with the examination procedure of the comitology Regulation (Article 27).

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
establishing a Recovery and Resilience Facility

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the third paragraph of Article 175 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee⁹,

Having regard to the opinion of the Committee of the Regions¹⁰,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) In accordance with Articles 120 and 121 of the Treaty on the Functioning of the European Union ('the Treaty'), Member States are required to conduct their economic policies with a view to contributing to the achievement of the objectives of the Union and in the context of the broad guidelines that the Council formulates. Under Article 148 of the Treaty Member States shall implement employment policies that take into account the guidelines for employment. The coordination of the economic policies of the Member States is therefore a matter of common concern.
- (2) Article 175 of the Treaty provides, inter alia, that Member States should coordinate their economic policies in such a way as to attain the objectives on economic, social and territorial cohesion set out in Article 174.
- (3) At Union level, the European Semester of economic policy coordination ('European Semester'), including the principles of the European Pillar of Social Rights, is the framework to identify national reform priorities and monitor their implementation. Member States develop their own national multiannual investment strategies in support of those reforms. Those strategies should be presented alongside the yearly National Reform Programmes as a way to outline and coordinate priority investment projects to be supported by national and/or Union funding.

⁹ OJ C , , p. .

¹⁰ OJ C , , p. .

- (4) The outbreak of the COVID-19 pandemic in early 2020 changed the economic outlook for the years to come in the Union and in the world, calling for an urgent and coordinated response from the Union in order to cope with the enormous economic and social consequences for all Member. The challenges linked to the demographic context have been amplified by COVID-19. The current COVID-19 pandemic as well as the previous economic and financial crisis have shown that developing sound and resilient economies and financial systems built on strong economic and social structures helps Member States to respond more efficiently to shocks and recover more swiftly from them. The medium and long-term consequences of the COVID-19 crisis will critically depend on how quickly Member States' economies will recover from the crisis, which in turn depends on the fiscal space Member States have available to take measures to mitigate the social and economic impact of the crisis, and on the resilience of their economies. Reforms and investments to address structural weaknesses of the economies and strengthen their resilience will therefore be essential to set the economies back on a sustainable recovery path and avoid further widening of the divergences in the Union.
- (5) The implementation of reforms contributing to achieve a high degree of resilience of domestic economies, strengthening adjustment capacity and unlocking growth potential are among the Union's policy priorities. They are therefore crucial to set the recovery on a sustainable path and support the process of upward economic and social convergence. This is even more necessary in the aftermath of the pandemic crisis to pave the way for a swift recovery.
- (6) Past experiences have shown that investment is often drastically cut during crises. However, it is essential to support investment in this particular situation to speed up the recovery and strengthen long-term growth potential. Investing in green and digital technologies, capacities and processes aimed at assisting clean energy transition, boosting energy efficiency in housing and other key sectors of the economic are important to achieve sustainable growth and help create jobs. It will also help make the Union more resilient and less dependent by diversifying key supply chains.
- (7) Currently, no instrument foresees direct financial support linked to the achievement of results and to implementation of reforms and public investments of the Member States in response to challenges identified in the European Semester, and with a view to having a lasting impact on the productivity and resilience of the economy of the Member States.
- (8) Against this background, it is necessary to strengthen the current framework for the provision of support to Member States and provide direct financial support to Member States through an innovative tool. To that end, a Recovery and Resilience Facility (the 'Facility') should be established under this Regulation to provide effective financial and significant support to step up the implementation of reforms and related public investments in the Member States. The Facility should be comprehensive and should also benefit from the experience gained by the Commission and the Member States from the use of the other instruments and programmes.
- (9) The types of financing and the methods of implementation under this Regulation should be chosen on the basis of their ability to achieve the specific objectives of the actions and to deliver results, taking into account, in particular, the costs of controls, the administrative burden, and the expected risk of non-compliance. This should

include consideration of the use of lump sums, flat rates and unit costs, as well as financing not linked to costs as referred to in Article 125(1)(a) of the Financial Regulation.

- (10) In accordance with Regulation [European Union Recovery Instrument] and within the limits of resources allocated therein, recovery and resilience measures under the Recovery and Resilience Facility should be carried out to address the unprecedented impact of the COVID-19 crisis. Such additional resources should be used in such a way as to ensure compliance with the time limits provided for in Regulation [EURI].
- (11) Reflecting the European Green Deal as Europe's sustainable growth strategy and the translation of the Union's commitments to implement the Paris Agreement and the United Nations' Sustainable Development Goals, the Facility established by this Regulation will contribute to mainstreaming climate actions and environmental sustainability and to the achievement of an overall target of 25 % of the EU budget expenditures supporting climate objectives.
- (12) In order to implement these overall objectives, relevant actions will be identified during the Facility's preparation and implementation, and reassessed in the context of the relevant evaluations and review processes. Also, due attention should be paid to the impact of the national plans submitted under this Regulation on fostering not only the green transition, but also the digital transformation. They will both play a priority role in relaunching and modernising our economy.
- (13) In order to enable measures to be taken that link the Facility to sound economic governance, with a view to ensuring uniform implementing conditions, the power should be conferred on the Council to suspend, on a proposal from the Commission and by means of implementing acts, the period of time for the adoption of decisions on proposals for recovery and resilience plans and to suspend payments under this Facility, in the event of significant non-compliance in relation to the relevant cases related to the economic governance process laid down in the Regulation (EU) No XXX/XX of the European Parliament and of the Council [CPR] (...). The power to lift those suspensions by means of implementing acts, on a proposal from the Commission, should also be conferred on the Council in relation to the same relevant cases.
- (14) The Facility's general objective should be the promotion of economic, social and territorial cohesion. For that purpose, it should contribute to improving the resilience and adjustment capacity of the Member States, mitigating the social and economic impact of the crisis, and supporting the green and digital transitions aimed at achieving a climate neutral Europe by 2050, thereby restoring the growth potential of the economies of the Union in the aftermath of the crisis, fostering employment creation and to promoting sustainable growth.
- (15) The specific objective of the Facility should be to provide financial support with a view to achieving the milestones and targets of reforms and investments as set out in recovery and resilience plans. That specific objective should be pursued in close cooperation with the Member States concerned.
- (16) To ensure its contribution to the objectives of the Facility, the recovery and resilience plan should comprise measures for the implementation of reforms and public

investment projects through a coherent recovery and resilience plan. The recovery and resilience plan should be consistent with the relevant country-specific challenges and priorities identified in the context of the European Semester, with the national reform programmes, the national energy and climate plans, the just transition plans, and the partnership agreements and operational programmes adopted under the Union funds. To boost actions that fall within the priorities of the European Green Deal and the Digital Agenda, the plan should also set out measures that are relevant for the green and digital transitions. The measures should enable a swift deliver of targets, objectives and contributions set out in national energy and climate plans and updates thereof. All supported activities should be pursued in full respect of the climate and environmental priorities of the Union.

- (17) Where a Member States is exempted from the monitoring and assessment of the European Semester on the basis of Article 12 of Regulation (EU) 472/2013¹¹, or is subject to surveillance under Council Regulation (EC) No 332/2002¹², it should be possible that the provisions of this regulation are applied to the Member State concerned in relation to the challenges and priorities identified by the measures set out under the regulations thereof.
- (18) To inform the preparation and the implementation of the recovery and resilience plans by Member States, the Council should be able to discuss, within the European Semester, the state of recovery, resilience and adjustment capacity in the Union. To ensure appropriate evidence, this discussion should be based on the Commission's strategic and analytical information available in the context of the European Semester and, if available, on the basis of the information on the implementation of the plans in the preceding years.
- (19) In order to ensure a meaningful financial contribution commensurate to the actual needs of Member States to undertake and complete the reforms and investments included in the recovery and resilience plan, it is appropriate to establish a maximum financial contribution available to them under the Facility as far as the financial support (i.e. the non-repayable financial support) is concerned. That maximum contribution should be calculated on the basis of the population, the inverse of the per capita Gross Domestic Product (GDP) and the relative unemployment rate of each Member State.
- (20) It is necessary to establish a process for the submission of proposals for recovery and resilience plans by the Member States, and the content thereof. With a view to ensuring the expediency of procedures, a Member State should submit a recovery and resilience plan at the latest by 30 April, in the form of a separate annex of the National Reform Programme. To ensure a fast implementation, Member States should be able to submit a draft plan together with the draft budget of the forthcoming year, on 15 October of the preceding year.
- (21) In order to ensure the national ownership and a focus on relevant reforms and investments, Member States wishing to receive support should submit to the Commission a recovery and resilience plan that is duly reasoned and substantiated. The recovery and resilience plan should set out the detailed set of measures for its implementation, including targets and milestones, and the expected impact of the

¹¹ OJ L 140 of 27.5.2013.

¹² OJ L 53 of 23.2.2002.

recovery and resilience plan on growth potential, job creation and economic and social resilience; it should also include measures that are relevant for the green and the digital transitions; it should also include an explanation of the consistency of the proposed recovery and resilience plan with the relevant country-specific challenges and priorities identified in the context of the European Semester. Close cooperation between the Commission and the Member States should be sought and achieved throughout the process.

- (22) The Commission should assess the recovery and resilience plan proposed by the Member States and should act in close cooperation with the Member State concerned. The Commission will fully respect the national ownership of the process and will therefore take into account the justification and elements provided by the Member State concerned and assess whether the recovery and resilience plan proposed by the Member State is expected to contribute to effectively address challenges identified in the relevant country-specific recommendation addressed to the Member State concerned or in other relevant documents officially adopted by the Commission in the European Semester; whether the plan contains measures that effectively contribute to the green and the digital transitions and to addressing the challenges resulting from them; whether the plan is expected to have a lasting impact in the Member State concerned; whether the plan is expected to effectively contribute to strengthen the growth potential, job creation and economic and social resilience of the Member State, mitigate the economic and social impact of the crisis and contribute to enhancing economic, social and territorial cohesion; whether the justification provided by the Member State of the estimated total costs of the recovery and resilience plan submitted is reasonable and plausible and is commensurate to the expected impact on the economy and employment; whether the proposed recovery and resilience plan contains measures for the implementation of reforms and public investment projects that represent coherent actions; and whether the arrangement proposed by the Member State concerned are expected to ensure effective implementation of the recovery and resilience plan, including the proposed milestones and targets, and the related indicators.
- (23) Appropriate guidelines should be set out, as an annex to this Regulation, to serve as a basis for the Commission to assess in a transparent and equitable manner the recovery and resilience plans and to determine the financial contribution in conformity with the objectives and any other relevant requirements laid down in this Regulation. In the interest of transparency and efficiency, a rating system for the assessment of the proposals for recovery and resilience plans should be established to that effect.
- (24) In order to contribute to the preparation of high-quality plans and assist the Commission in the assessment of the recovery and resilience plans submitted by the Member States and in the assessment of the degree of their achievement, provision should be made for the use of expert advice and, at the Member State request, peer counselling.
- (25) For the purpose of simplification, the determination of the financial contribution should follow simple criteria. The financial contribution should be determined on the basis of the estimated total costs of the recovery and resilience plan proposed by the Member State concerned.

- (26) Provided that the recovery and resilience plan satisfactorily addresses the assessment criteria, the Member State concerned should be allocated the maximum financial contribution where the estimated total costs of the reform and investment included in the recovery and resilience plan is equal to, or higher than, the amount of the maximum financial contribution itself. The Member State concerned should instead be allocated an amount equal to the estimated total cost of the recovery and resilience plan where such estimated total cost is lower than the maximum financial contribution itself. No financial contribution should be awarded to the Member State if the recovery and resilience plan does not satisfactorily address the assessment criteria.
- (27) To ensure that the financial support is frontloaded in the initial years after the crisis, and to ensure compatibility with the available funding for this instrument, the allocation of funds to the Member States should be made available until 31 December 2024. To this effect, at least 60 percent of the amount available for non-repayable support should be legally committed by 31 December 2022. The remaining amount should be legally committed by 31 December 2024.
- (28) Financial support to a Member State's plan should be possible in the form of a loan, subject to the conclusion of a loan agreement with the Commission, on the basis of a duly motivated request by the Member State concerned. Loans supporting the implementation of national recovery and resilience plans should be provided at maturities that reflect the longer-term nature of such spending. Those maturities may diverge from the maturities of the funds the Union borrows to finance the loans on capital markets. Therefore, it is necessary to provide for the possibility to derogate from the principle set out in Article 220(2) of the Financial Regulation, according to which maturities of loans for financial assistance should not be transformed.
- (29) The request for a loan should be justified by the financial needs linked to additional reforms and investments included in the recovery and resilience plan, notably relevant for the green and digital transitions, and by therefore, by a higher cost of the plan than the maximum financial contribution (to be) allocated via the non-repayable contribution. It should be possible to submit the request for a loan together with the submission of the plan. In case the request for loan is made at a different moment in time, it should be accompanied by a revised plan with additional milestones and targets. To ensure frontloading of resources, Member States should request a loan support at the latest by 31 August 2024. For the purposes of sound financial management, the total amount of all the loans granted under this Regulation should be capped. In addition, the maximum volume of the loan for each Member State should not exceed 4.7% of its Gross National Income. An increase of the capped amount should be possible in exceptional circumstances subject to available resources. For the same reasons of sound financial management, it should be possible to pay the loan in instalments against the fulfilment of results.
- (30) A Member State should have the possibility to make a reasoned request to amend the recovery and resilience plan within the period of implementation, where objective circumstances justify such a course of action. The Commission should assess the reasoned request and take a new decision within four months.
- (31) For reasons of efficiency and simplification in the financial management of the instrument, the Union financial support to recovery and resilience plans should take the form of a financing based on the achievement of results measured by reference to

milestones and targets indicated in the approved recovery and resilience plans. To this effect, the additional loan support should be linked to the additional milestones and targets compared to those relevant for the financial support (i.e. the non-repayable support).

- (32) For the purpose of sound financial management, specific rules should be laid down for budget commitments, payments, suspension, cancellation and recovery of funds. To ensure predictability, it should be possible for Member States to submit requests for payments on a biannual basis. Payments should be made in instalments and be based on a positive assessment by the Commission of the implementation of the recovery and resilience plan by the Member State. Suspension and cancellation of the financial contribution should be possible when the recovery and resilience plan has not been implemented in a satisfactory manner by the Member State. Appropriate contradictory procedures should be established to ensure that the decision by the Commission in relation to suspension, cancellation and recovery of amounts paid respects the right of Member States to provide observations.
- (33) For effective monitoring of implementation, the Member States should report on a quarterly basis within the European Semester process on the progress made in the achievement of the recovery and resilience plan. Such reports prepared by the Member States concerned should be appropriately reflected in the National Reform Programmes, which should be used as a tool for reporting on progress towards completion of recovery and resilience plans.
- (34) For the purposes of transparency, the recovery and resilience plans adopted by the Commission should be communicated to the European Parliament and the Council and communication activities should be carried out by the Commission as appropriate.
- (35) In order to ensure an efficient and coherent allocation of funds from the Union budget and to respect the principle of sound financial management, actions under this Regulation should be consistent with and be complementary to ongoing Union programmes, whilst avoiding double funding for the same expenditure. In particular, the Commission and the Member State should ensure, in all stages of the process, effective coordination in order to safeguard the consistency, coherence, complementarity and synergy among sources of funding. To that effect, Member States should be required to present the relevant information on existing or planned Union financing when submitting their plans to the Commission. Financial support under Facility should be additional to the support provided under other Union funds and programmes, and reform and investment projects financed under the Facility should be able to receive funding from other Union programmes and instruments provided that such support does not cover the same cost.
- (36) Pursuant to paragraphs 22 and 23 of the Interinstitutional Agreement for Better Law-Making of 13 April 2016, there is a need to evaluate the Recovery and Resilience Facility established by this Regulation on the basis of information collected through specific monitoring requirements, while avoiding overregulation and administrative burdens, in particular on Member States. These requirements, where appropriate, should include measurable indicators, as a basis for evaluating the effects of the instruments on the ground.

- (37) It is opportune that the Commission provides an annual report to the European Parliament and the Council on the implementation of the Facility set out in this Regulation. This report should include information on the progress made by Member States under the recovery and resilience plans approved; it should also include information on the volume of the proceeds assigned to the Facility under the European Union Recovery Instrument in the previous year, broken down by budget line, and the contribution of the amounts raised through the European Union Recovery Instrument to the achievements of the objectives of the Facility.
- (38) An independent evaluation, looking at the achievement of the objectives of the Facility established by this Regulation, the efficiency of the use of its resources and its added value should be carried out. Where appropriate, the evaluation should be accompanied by a proposal for amendments to this Regulation. An independent ex-post evaluation should, in addition, deal with the long-term impact of the instruments.
- (39) The recovery and resilience plans to be implemented by the Member States and the corresponding financial contribution allocated to them should be established by the Commission by way of implementing act. In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission. The implementing powers relating to the adoption of the recovery and resilience plans and to the payment of the financial support upon fulfilment of the relevant milestones and targets should be exercised by the Commission in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council, under the examination procedure thereof¹³. After the adoption of an implementing act, it should be possible for the Member State concerned and the Commission to agree on certain operational arrangements of a technical nature, detailing aspects of the implementation with respect to timelines, indicators for the milestones and targets, and access to underlying data. To allow the continuous relevance of the operational arrangements in respect of the prevailing circumstances during the implementation of the recovery and resilience plan, it should be possible that the elements of such technical arrangements may be modified by mutual consent. Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union apply to this Regulation. These rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also concern the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States, as the respect for the rule of law is an essential precondition for sound financial management and effective EU funding.
- (40) In accordance with the Financial Regulation, Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council¹⁴, Council Regulation (Euratom, EC)

¹³ Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

¹⁴ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999, (OJ L248, 18.9.2013, p. 1)

No 2988/95¹⁵, Council Regulation (Euratom, EC) No 2185/96¹⁶ and Council Regulation (EU) 2017/1939¹⁷, the financial interests of the Union are to be protected through proportionate measures, including the prevention, detection, correction and investigation of irregularities and fraud, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, the imposition of administrative sanctions. In particular, in accordance with Regulation (EU, Euratom) No 883/2013 and Regulation (Euratom, EC) No 2185/96, the European Anti-Fraud Office (OLAF) may carry out administrative investigations, including on-the-spot checks and inspections, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union. In accordance with Regulation (EU) 2017/1939, the European Public Prosecutor's Office (EPPO) may investigate and prosecute fraud and other criminal offences affecting the financial interests of the Union as provided for in Directive (EU) 2017/1371 of the European Parliament and of the Council¹⁸. In accordance with the Financial Regulation, any person or entity receiving Union funds is to fully cooperate in the protection of the Union's financial interests, to grant the necessary rights and access to the Commission, OLAF, the EPPO and the European Court of Auditors and to ensure that any third parties involved in the implementation of Union funds grant equivalent rights to the Commission, OLAF, the EPPO and the European Court of Auditors.

- (41) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States alone, but can rather be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond that which is necessary to achieve that objective.
- (42) In order to allow for the prompt application of the measures provided for in this Regulation, this Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union,

¹⁵ Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.95, p.1)

¹⁶ Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L292, 15.11.96, p.2)

¹⁷ Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L283, 31.10.2017, p.1)

¹⁸ Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, 28.7.2017, p. 29)

HAVE ADOPTED THIS REGULATION:

CHAPTER I

General provisions and financial envelope

Article 1

Subject matter

This Regulation establishes a Recovery and Resilience Facility (the ‘Facility’).

It lays down its objectives, the financing, the forms of Union funding and the rules for providing such funding.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

1. ‘Union Funds’ means the funds covered by Regulation (EU) YYY/XX of the European Parliament and of the Council [CPR successor]¹⁹;
2. ‘Financial contribution’ means non-repayable financial support available for allocation or allocated to the Member States under the Facility; and
3. ‘European Semester of economic policy coordination’ (hereinafter ‘European Semester’) means the process set out by Article 2-a of Council Regulation (EC) No 1466/97 of 7 July 1997²⁰.

Article 3

Scope

The scope of application of the Recovery and Resilience Facility established by this Regulation shall refer to policy areas related to economic, social and territorial cohesion, the green and digital transitions, health, competitiveness, resilience, productivity, education and skills, research and innovation, smart, sustainable and inclusive growth, jobs and investment, and the stability of the financial systems.

¹⁹ OJ C , , p. .

²⁰ Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (OJ L 209, 2.8.1997, p. 1).

Article 4
General and specific objectives

1. The general objective of the Recovery and Resilience Facility shall be to promote the Union's economic, social and territorial cohesion by improving the resilience and adjustment capacity of the Member States, mitigating the social and economic impact of the crisis, and supporting the green and digital transitions, thereby contributing to restoring the growth potential of the economies of the Union, fostering employment creation in the aftermath of the COVID-19 crisis, and promoting sustainable growth.
2. To achieve that general objective, the specific objective of the Recovery and Resilience Facility shall be to provide Member States with financial support with a view to achieving the milestones and targets of reforms and investments as set out in their recovery and resilience plans. That specific objective shall be pursued in close cooperation with the Member States concerned.

Article 5
Resources from the European Union Recovery Instrument

1. Measures referred to in Article 2 of Regulation [EURI] shall be implemented under this Facility:
 - (a) through amount of EUR 334 950 000 000 referred to in point (ii) of Article 3(2)(a) of Regulation [EURI] in current prices, available for non-repayable support, subject to Article 4(4) and (8) of Regulation [EURI].

These amounts shall constitute external assigned revenues in accordance with Article 21(5) of the Financial Regulation.

 - (b) through amount of EUR 267 955 000 000 referred to in Article 3(2)(b) of Regulation [EURI] in current prices, available for loan support to Member States pursuant to Article 12 and 13, subject to Article 4(5) of Regulation [EURI].
2. The amounts referred to in paragraph 1(a) may also cover expenses pertaining to preparatory, monitoring, control, audit and evaluation activities, which are required for the management of each instrument and the achievement of its objectives, in particular studies, meetings of experts, information and communication actions, including corporate communication of the political priorities of the Union, in so far as they are related to the objectives of this Regulation, expenses linked to IT networks focusing on information processing and exchange, corporate information technology tools, and all other technical and administrative assistance expenses incurred by the Commission for the management of each instrument. Expenses may also cover the costs of other supporting activities such as quality control and monitoring of projects on the ground and the costs of peer counselling and experts for the assessment and implementation of reforms and investments.

Article 6
Resources from shared management programmes

Resources allocated to Member States under shared management may, at their request, be transferred to the Facility. The Commission shall implement those resources directly in accordance with point (a) of Article 62(1) of the Financial Regulation. Those resources shall be used for the benefit of the Member State concerned.

Article 7
Implementation

The Recovery and Resilience Facility shall be implemented by the Commission in direct management in accordance with the Financial Regulation.

Article 8
Additionality and complementary funding

Support under the Recovery and Resilience Facility shall be additional to the support provided under other Union funds and programmes. Reform and investment projects may receive support from other Union programmes and instruments provided that such support does not cover the same cost.

Article 9
Measures linking the Facility to sound economic governance

1. In the event of significant non-compliance in relation to any of the cases laid down in Article 15(7) of the Regulation laying down common provisions on the [...] [CPR], the Council shall, on a proposal from the Commission, adopt a decision by means of an implementing act to suspend the time period for the adoption of the decisions referred to in Articles 17(1) and 17(2) or to suspend payments under the Recovery and Resilience Facility.

The decision to suspend payments referred to in paragraph 1 shall apply to payment applications submitted after the date of the decision to suspend.

The suspension of the time period referred to in Article 17 shall apply from the day after the adoption of the decision referred to in paragraph 1.

In case of suspension of payments Article 15(9) of Regulation laying down common provisions on the (...) shall apply.

2. In the event of occurrence of any of the cases referred to in Article 15(11) of the Regulation laying down common provisions on the [...], the Council shall, on a proposal from the Commission, adopt a decision by means of an implementing act to lift the suspension of the time period or of payments referred to in the previous paragraph.

The relevant procedures or payments shall resume the day after the lifting of the suspension.

CHAPTER II

Financial contribution, allocation process and loans

Article 10

Maximum financial contribution

A maximum financial contribution shall be calculated for each Member State for the allocation of the amount referred to in Article 5(1)(a), using the methodology set out in Annex I, based on the population, the inverse of the per capita Gross Domestic Product (GDP) and the relative unemployment rate of each Member State.

Article 11

Allocation of financial contribution

1. For a period until 31 December 2022, the Commission shall make available for allocation EUR 334 950 000 000, referred to in point (a) of Article 5(1). Each Member State may submit requests up to their maximum financial contribution, referred to in Article 10, to implement their recovery and resilience plans.
2. For a period starting after 31 December 2022 until 31 December 2024, where financial resources are available, the Commission may organise calls in line with the calendar of the European Semester. To that effect, it shall publish an indicative calendar of the calls to be organised in that period, and shall indicate, at each call, the amount available for allocation. Each Member State may propose to receive up to a maximum amount corresponding to its allocation share of the available amount for allocation, as referred to in Annex I, to implement the recovery and resilience plan.

Article 12

Loans

1. Until 31 December 2024, upon request from a Member State, the Commission may grant to the Member State concerned a loan support for the implementation of its recovery and resilience plans.
2. A Member State may request a loan at the same time of the submission of a recovery and resilience plan referred to in Article 15, or at a different moment in time until 31 August 2024. In the latter case, the request shall be accompanied by a revised plan, including additional milestones and targets.
3. The request for a loan by a Member State shall set out:
 - (a) the reasons for the loan support, justified by the higher financial needs linked to additional reforms and investments;
 - (b) the additional reforms and investments in line with Article 15;

- (c) the higher cost of the recovery and resilience plan concerned compared to the amount of the maximum financial contribution referred to in Article 10, or to the financial contribution allocated to the recovery and resilience plan on the basis of Article 17(3)(b).
- 4. The loan support to the recovery and resilience plan of the Member State concerned shall not be higher than the difference between the total cost of the recovery and resilience plan, as revised where relevant, and the maximum financial contribution referred to in Article 10. The maximum volume of the loan for each Member State shall not exceed 4.7% of its Gross National Income.
- 5. By derogation from paragraph 4, subject to availability of resources, in exceptional circumstances the amount of the loan support may be increased.
- 6. The loan support shall be disbursed in instalments subject to the fulfilment of milestones and targets in line with Article 17(4)(g).
- 7. The Commission shall take a decision on the request for a loan support in accordance with Article 17. Where appropriate, the recovery and resilience plan shall be amended accordingly.

Article 13 *Loan agreement*

- 1. Prior to entering into a loan agreement with the Member State concerned, the Commission shall assess whether :
 - (a) the justification for requesting the loan and its amount is considered reasonable and plausible in relation to the additional reforms and investments; and
 - (b) the additional reforms and investments comply with the criteria set out in Article 16(3).
- 2. Where the request for a loan fulfils the criteria referred to in paragraph 1, and upon adoption of the decision referred to in Article 17(2), the Commission shall enter into a loan agreement with the Member State concerned. The loan agreement, in addition to the elements laid down in Article 220(5) of the Financial Regulation, shall contain the following elements:
 - (a) the amount of the loan in euro;
 - (b) the average maturity; Article 220(2) of the Financial Regulation shall not apply with regard to this maturity;
 - (c) the pricing formula, and the availability period of the loan;
 - (d) the maximum number of instalments and the repayment schedule;
 - (e) the other elements needed for the implementation of the loan support in relation to the reforms and the investment projects concerned in line with the decision referred to in Article 17(2).

3. In accordance with Article 220(5)(e) of the Financial Regulation, costs related to the borrowing of funds for the loans referred to in this Article shall be borne by the beneficiary Member States.
4. The Commission shall establish the necessary arrangements for the administration of the lending operations related to loans granted in accordance with this Article.
5. A Member State benefitting from a loan granted in accordance with this Article shall open a dedicated account for the management of the loan received. It shall also transfer the principal and the interest due under any related loan to an account indicated by the Commission in line with the arrangements put in place in accordance with the previous paragraph twenty TARGET2 business days prior to the corresponding due date.

CHAPTER III

Recovery and resilience plans

Article 14 *Eligibility*

1. In pursuance of the objectives set out in Article 4, Member States shall prepare national recovery and resilience plans. These plans shall set out the reform and investment agenda of the Member State concerned for the subsequent four years. Recovery and resilience plans eligible for financing under this instrument shall comprise measures for the implementation of reforms and public investment projects through a coherent package.
2. The recovery and resilience plans shall be consistent with the relevant country-specific challenges and priorities identified in the context of the European Semester, in particular those relevant for or resulting from the green and digital transition. The recovery and resilience plans shall also be consistent with the information included by the Member States in the national reform programmes under the European Semester, in their national energy and climate plans and updates thereof under the Regulation (EU)2018/1999²¹, in the territorial just transition plans under the Just Transition Fund²², and in the partnership agreements and operational programmes under the Union funds.
3. Where a Member States is exempted from the monitoring and assessment of the European Semester on the basis of Article 12 of Regulation (EU) 472/2013, or is subject to surveillance under Council Regulation (EC) No 332/2002, the provisions set out in this regulation shall be applied to the Member State concerned in relation to the challenges and priorities identified by the measures set out under the regulations thereof.

²¹ Regulation (EU)2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action.

²² [...]

Article 15
Recovery and resilience plan

1. A Member State wishing to receive support under the Facility shall submit to the Commission a recovery and resilience plan as defined in Article 14(1).
2. The recovery and resilience plan presented by the Member State concerned shall constitute an annex to its National Reform Programme and shall be officially submitted at the latest by 30 April. A draft plan may be submitted by Member State starting from 15 October of the preceding year, together with the draft budget of the subsequent year.
3. The recovery and resilience plan shall be duly reasoned and substantiated. It shall in particular set out the following elements:
 - (a) an explanation of the way the relevant country-specific challenges and priorities identified in the context of the European Semester are expected to be addressed;
 - (b) an explanation of how the plan strengthens the growth potential, job creation and economic and social resilience of the Member State concerned, mitigates the economic and social impact of the crisis, and its contribution to enhance economic, social and territorial cohesion and convergence;
 - (c) an explanation of how the measures in the plan are expected to contribute to the green and the digital transitions or to the challenges resulting from them;
 - (d) envisaged milestones, targets and an indicative timetable for the implementation of the reforms over a maximum period of four years, and of the investments over a maximum period of seven years;
 - (e) the envisaged investment projects, and the related investment period;
 - (f) the estimated total cost of the reforms and investments covered by the recovery and resilience plan submitted (also referred as ‘estimated total cost of the recovery and resilience plan’) backed up by appropriate justification and how it is commensurate to the expected impact on the economy and employment;
 - (g) where relevant, information on existing or planned Union financing;
 - (h) the accompanying measures that may be needed;
 - (i) a justification of the coherence of the recovery and resilience plan;
 - (j) the arrangements for the effective implementation of the recovery and resilience plan by the Member State concerned, including the proposed milestones and targets, and the related indicators;
 - (k) where appropriate, the request for loan support and the additional milestones as referred to in Article 12(2) and (3) and the elements thereof ; and
 - (l) any other relevant information.

4. In the preparation of proposals for their recovery and resilience plan, Member States may request the Commission to organise an exchange of good practices in order to allow the requesting Member States to benefit from the experience of other Member States. Member States may also request technical support under the Technical Support Instrument in accordance with the regulation thereof.

Article 16
Commission assessment

1. When assessing the recovery and resilience plan, the Commission shall act in close cooperation with the Member State concerned. The Commission may make observations or seek additional information. The Member State concerned shall provide the requested additional information and may revise the plan if needed, prior to its official submission.
2. When assessing the recovery and resilience plan and in the determination of the amount to be allocated to the Member State concerned, the Commission shall take into account the analytical information on the Member State concerned available in the context of the European Semester as well as the justification and the elements provided by the Member State concerned, as referred to in Article 15(3), and any other relevant information including, in particular, the one contained in the National Reform Programme and the National Energy and Climate Plan of the Member State concerned and, if relevant, information from technical support received via the Technical Support Instrument.
3. The Commission shall assess the importance and coherence of the recovery and resilience plan and its contribution to the green and digital transitions, and for that purpose, shall take into account the following criteria:
 - (a) whether the recovery and resilience plan is expected to contribute to effectively address challenges identified in the relevant country-specific recommendations addressed to the Member State concerned or in other relevant documents officially adopted by the Commission in the European Semester;
 - (b) whether the plan contains measures that effectively contribute to the green and the digital transitions or to addressing the challenges resulting from them;
 - (c) whether the recovery and resilience plan is expected to have a lasting impact on the Member State concerned;
 - (d) whether the recovery and resilience plan is expected to effectively contribute to strengthen the growth potential, job creation, and economic and social resilience of the Member State, mitigate the economic and social impact of the crisis, and contribute to enhance economic, social and territorial cohesion;
 - (e) whether the justification provided by the Member State on the amount of the estimated total costs of the recovery and resilience plan submitted is reasonable and plausible and is commensurate to the expected impact on the economy and employment;

- (f) whether the recovery and resilience plan contains measures for the implementation of reforms and public investments projects that represent coherent actions;
 - (g) whether the arrangements proposed by the Member States concerned are expected to ensure an effective implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators.
4. In case the Member State concerned has requested a loan support as referred to in Article 12, the Commission shall assess whether the request for loan support fulfils the criteria set out in Article 13(1), notably whether the additional reforms and investments concerned by the loan request fulfil the assessment criteria under paragraph 3.
5. For the purpose of the assessment of the recovery and resilience plans submitted by Member States, the Commission may be assisted by experts.

Article 17 *Commission decision*

1. The Commission shall adopt a decision within four months of the official submission of the recovery and resilience plan by the Member State, by means of an implementing act. In the event that the Commission gives a positive assessment to a recovery and resilience plan, that decision shall set out the reforms and investment projects to be implemented by the Member State, including the milestones and targets, and the financial contribution allocated in accordance with Article 11.
2. In case the Member State concerned requests a loan support, the decision shall also set out the amount of the loan support as referred to in Article 12(4) and (5) and the additional reforms and investment projects to be implemented by the Member State covered by that loan support, including the additional milestones and targets.
3. The financial contribution referred to in paragraph 1 shall be determined on the basis of the estimated total costs of the recovery and resilience plan proposed by the Member State concerned, as assessed under the criteria set out in Article 16(3). The amount of financial contribution shall be set as follows:
- (a) where the recovery and resilience plan complies satisfactorily with the criteria set out in Article 16(3), and the amount of the estimated total costs of the recovery and resilience plan is equal to, or higher than, the maximum financial contribution for that Member State referred to in Article 10, the financial contribution allocated to the Member State concerned shall be equal to the total amount of the maximum financial contribution referred to in Article 10;
 - (b) where the recovery and resilience plan complies satisfactorily with the criteria set out in Article 16(3), and the amount of the estimated total costs of the recovery and resilience plan is lower than the maximum financial contribution for that Member State referred to in Article 10, the financial contribution allocated to the Member State shall be equal to the amount of the estimated total costs of the recovery and resilience plan;

- (c) where the recovery and resilience plan does not comply satisfactorily with the criteria set out in Article 16(3), no financial contribution shall be allocated to the Member State concerned.
4. The decision referred to in paragraph 1 shall also lay down :
- (a) the financial contribution to be paid in instalments once the Member State has satisfactorily implemented the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan;
 - (b) the description of the reforms and of the investment projects and the amount of the estimated total cost of the recovery and resilience plan;
 - (c) the period for implementation of the recovery and resilience plan as follows:
 - (1) as regards completion of the investment, the investment period by which the investment project must be implemented shall end no later than seven years after the adoption of the decision;
 - (2) as regards completion of reforms, the period by which the reforms must be implemented shall end no later than four years after the adoption of the decision.
 - (d) the arrangements and timetable for implementation of the recovery and resilience plan;
 - (e) the relevant indicators relating to the fulfilment of the envisaged milestones and targets; and
 - (f) the arrangements for providing access by the Commission to the underlying relevant data.
 - (g) where appropriate, the amount of the loan to be paid in instalments and the additional milestones and targets related to the disbursement of the loan support.
5. Where the Commission gives a negative assessment to a recovery and resilience plan, it shall communicate a duly justified assessment within four months of the submission of the proposal by the Member State.
6. The arrangements and timetable for implementation as referred to in point (d), the relevant indicators relating to the fulfilment of the envisaged milestones and targets referred to in point (e), the arrangements for providing access by the Commission to the underlying data referred to in point (f), and, where appropriate, the additional milestones and targets related to the disbursement of the loan support referred to in point (g) of paragraph 4 shall be further illustrated in an operational arrangement to be agreed by the Member State concerned and the Commission after the adoption of the decision referred to in paragraph 1.
7. The implementing acts referred to in paragraphs 1 and 2 shall be adopted in accordance with the examination procedure referred to in Article 27(2).

Article 18
Amendment of the Member State's recovery and resilience plan

1. Where the recovery and resilience plan including relevant milestones and targets, is no longer achievable, either partially or totally, by the Member State concerned because of objective circumstances, the Member State concerned may make a reasoned request to the Commission to amend or replace the decisions referred to in Article 17(1) and 17(2). To that effect, the Member State may propose a modified or a new recovery and resilience plan.
2. Where the Commission considers that the reasons put forward by the Member State concerned justify an amendment of the relevant recovery and resilience plan, the Commission shall assess the new plan in accordance with the provisions of Article 16 and shall take a new decision in accordance with Article 17 within four months of the official submission of the request.
3. Where the Commission considers that the reasons put forward by the Member State concerned do not justify an amendment of the relevant recovery and resilience plan, it shall reject the request within four months of its official submission, after having given the Member State concerned the possibility to present its observations within a period of one month of the communication of the Commission's conclusions.

CHAPTER IV

Financial provisions

Article 19
Rules on payments, suspension and cancellation of financial contributions

1. The Commission decision referred to in Article 17(1) shall constitute an individual legal commitment within the meaning of the Financial Regulation, which may be based on global commitments. Where appropriate, budgetary commitments may be broken down into annual instalments spread over several years.
2. Payment of financial contributions to the Member State concerned under this Article shall be made in accordance with the budget appropriations and subject to the available funding. The Commission decisions referred to in this Article shall be adopted in accordance with the examination procedure referred to in Article 27(2).
3. Upon completion of the relevant agreed milestones and targets indicated in the recovery and resilience plan as approved in the implementing act of the Commission, the Member State concerned shall submit to the Commission a duly justified request for payment of the financial contribution and, where relevant, of the loan tranche. Such requests for payment may be submitted by the Member States to the Commission on a biannual basis. The Commission shall assess, within two months of receiving the request, whether the relevant milestones and targets set out in the decision referred to in Article 17(1) have been satisfactorily implemented. For the

purpose of the assessment, the operational arrangement referred to in Article 17(6) shall also be taken into account. The Commission may be assisted by experts.

Where the Commission makes a positive assessment, it shall adopt a decision authorising the disbursement of the financial contribution in accordance with the Financial Regulation.

4. Where, as a result of the assessment referred to in paragraph 3, the Commission establishes that the milestones and targets set out in the decision referred to in Article 17(1) have not been satisfactorily implemented, the payment of all or part of the financial contribution shall be suspended. The Member State concerned may present its observations within one month of the communication of the Commission's assessment.

The suspension shall be lifted where the Member State has taken the necessary measures to ensure a satisfactory implementation of the milestones and targets referred to in Article 17(1).

5. By derogation from Article 116(2) of the Financial Regulation, the payment deadline shall start running from the date of the communication of the positive outcome to the Member State concerned pursuant to the second subparagraph of paragraph 3, or from the date of the communication of the lifting of a suspension pursuant to the second subparagraph of paragraph 4.
6. Where the Member State concerned has not taken the necessary measures within a period of six months from the suspension, the Commission shall cancel the amount of the financial contribution pursuant to Article 14(1) of the Financial Regulation after having given the Member State concerned the possibility to present its observations within two months from the communication of its conclusions.
7. Where, within eighteen months of the date of the adoption the decision referred to in Article 17(1), no tangible progress has been made in respect of any relevant milestones and targets by the Member State concerned, the amount of the financial contribution shall be cancelled pursuant to Article 14(1) of the Financial Regulation.

The Commission shall take a decision on the cancellation of the financial contribution after having given the Member State concerned the possibility to present its observations within a period of two months of the communication of its assessment as to whether no tangible progress has been made.

8. The provisions of this Article apply mutatis mutandis to the additional loan support in line with the provisions of the loan agreement referred to in Article 13, and of the decision referred to in Article 17(2).

CHAPTER V

Reporting and Information

Article 20

Reporting by the Member State in the European Semester

The Member State concerned shall report on a quarterly basis within the European Semester process on the progress made in the achievement of the recovery and resilience plans, including the operational arrangement referred to in Article 17(6). To that effect, the quarterly reports of the Member States shall be appropriately reflected in the National Reform Programmes, which shall be used as a tool for reporting on progress towards completion of the recovery and resilience plans.

Article 21

Information to the European Parliament and the Council and communication on the Member States' recovery and resilience plans

1. The Commission shall transmit the recovery and resilience plans as approved in the implementing act of the Commission in accordance with Article 17 to the European Parliament and the Council without undue delay. The Member State concerned may request the Commission to redact sensitive or confidential information, the disclosure of which would jeopardise public interests of the Member State.
2. The Commission may engage in communication activities to ensure the visibility of the Union funding for the financial support envisaged in the relevant recovery and resilience plan, including through joint communication activities with the national authorities concerned.

CHAPTER VI

Complementarity, monitoring and evaluation

Article 22

Coordination and complementarity

The Commission and the Member States concerned shall, in a measure commensurate to their respective responsibilities, foster synergies and ensure effective coordination between the instruments established by this Regulation and other Union programmes and instruments, and in particular with measures financed by the Union funds. For that purpose, they shall:

- (a) ensure complementarity, synergy, coherence and consistency among different instruments at Union, national and, where appropriate, regional levels, in particular in relation to measures financed by Union funds, both in the planning phase and during implementation;

- (b) optimise mechanisms for coordination to avoid duplication of effort; and
- (c) ensure close cooperation between those responsible for implementation at Union, national and, where appropriate, regional levels to achieve the objectives of the instruments established under this Regulation.

Article 23
Monitoring of implementation

1. The Commission shall monitor the implementation of the Facility and measure the achievement of the objectives set out in Articles 4. Indicators to be used for reporting on progress and for the purpose of monitoring and evaluation of the Facility towards the achievement of the general and specific objectives are set in Annex III. The monitoring of implementation shall be targeted and proportionate to the activities carried out under the Facility.
2. The performance reporting system shall ensure that data for monitoring the implementation of the activities and results are collected efficiently, effectively, and in a timely manner. To that end, proportionate reporting requirements shall be imposed on recipients of Union funding.

Article 24
Annual report

1. The Commission shall provide an annual report to the European Parliament and the Council on the implementation of the Facility set out in this Regulation.
2. The annual report shall include information on the progress made with the recovery and resilience plans of the Member States concerned under the Facility.
3. The annual report shall also include the following information:
 - (a) The volume of the proceeds assigned to the Facility under the European Union Recovery Instrument in the previous year, broken down by budget line, and
 - (b) the contribution of the amounts raised through the European Union Recovery Instrument to the achievements of the objectives of the Facility.
4. For the purpose of the reporting on the activities referred to in paragraph 2, the Commission may use the content of the relevant documents officially adopted by the Commission under the European Semester as appropriate.

Article 25
Evaluation and ex-post evaluation of the Facility

1. Four years after the entry into force of this Regulation, the Commission shall provide the European Parliament, and the Council, the European Economic and Social Committee and the Committee of the Regions with an independent evaluation report on its implementation and with an independent ex post evaluation report no later than three years after the end of 2027.

2. The evaluation report shall, in particular, assess to which extent the objectives have been achieved, the efficiency of the use of resources and the European added value. It shall also consider the continued relevance of all objectives and actions.
3. Where appropriate, the evaluation shall be accompanied by a proposal for an amendments to this Regulation.
4. The ex-post evaluation report shall consist of a global assessment of the instruments established by this Regulation and shall include information on its impact in the long-term.

CHAPTER VII

Communication and final provisions

Article 26

Information, communication and publicity

1. The recipients of Union funding shall acknowledge the origin and ensure the visibility of the Union funding, in particular when promoting the actions and their results, by providing coherent, effective and proportionate targeted information to multiple audiences, including the media and the public.
2. The Commission shall implement information and communication actions relating to the instruments established by this Regulation, its actions and its results. Financial resources allocated to the instruments established by this Regulation shall also contribute to the corporate communication of the political priorities of the Union, as far as they are related to the objectives referred to in Articles 4.

Article 27

Committee procedure

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 28

Entry into force

This Regulation shall enter into force on the following day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management mode(s) planned

2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. *Summary of estimated impact on expenditure*
 - 3.2.2. *Estimated impact on operational appropriations*
 - 3.2.3. *Estimated impact on appropriations of an administrative nature*
 - 3.2.4. *Compatibility with the current multiannual financial framework*
 - 3.2.5. *Third-party contributions*
- 3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility

1.2. Policy area(s) concerned in the ABM/ABB structure²³

Cohesion

Economic and financial affairs

1.3. Nature of the proposal/initiative

☒ The proposal/initiative relates to a **new action**

☐ The proposal/initiative relates to a **new action following a pilot project/preparatory action**²⁴

☐ The proposal/initiative relates to **the extension of an existing action**

☐ The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objective(s)

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

The strategic objective of the Recovery and Resilience Facility is to promote the Union's economic, social and territorial cohesion by improving the resilience and adjustment capacity and convergence of the Member States and supporting the green and energy transitions, thereby contributing to restoring the growth potential of the economies of the Member States in the aftermath of the COVID-19 crisis, , and to fostering sustainable growth.

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned*

Specific objective No

The specific objective is to provide Member States with financial support ("grants" and "loan") with a view to achieving the milestones and targets of reforms and investment as set out in the recovery and resilience plans that the Member States will submit and the Commission will approve. The specific objective will be pursued in close cooperation with the Member States concerned.

²³ ABM: activity-based management; ABB: activity-based budgeting.

²⁴ As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

ABM/ABB activity(ies) concerned

[...]

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The financial support under the Facility is linked to the achievement of results; therefore, the Facility is expected to contribute to improving Member States' resilience and adjustment capacity and regaining the path of economic recovery and of sustainable growth; this will also include the contributing to the green and digital transitions, and ensure fairness of the process as far as social sectors are concerned.

1.4.4. *Indicators of results and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

Output indicators:

number of plans as approved by the Commission;

overall financial contribution allocated to the plans;

Result indicators:

number of plans implemented;

Impact indicators

the objectives set in the plans, which have been achieved due, inter alia, to the financial support received

1.5. **Grounds for the proposal/initiative**

1.5.1. *Requirement(s) to be met in the short or long term*

Developing sound and resilient economies and financial systems built on strong economic and social structures will help Member States to respond more efficiently to shocks and recover more swiftly from them. Reforms and investments to address structural weaknesses of the economies and to strengthen their resilience are therefore essential to set the economies back on a sustainable recovery path and avoid further widening of the divergences in the Union.

1.5.2. *Added value of EU involvement*

Action at Union level is necessary to achieve a fast and robust economic recovery in the Union. This goal cannot be achieved to a sufficient degree by the Member States acting alone, while the Union's intervention can bring an additional value by establishing instruments targeted at supporting Member States financially as regards the design and implementation of the much needed reforms and investments. Such support would contribute to also mitigate the societal impact caused by the crisis.

1.5.3. Lessons learned from similar experiences in the past

Other instruments at Union level support the implementation of structural reforms and investments. On the policy side, the policy recommendations provided by the Union under the European Semester identify reform and investment priorities. Union funds, notably those covered by Regulation (EU) No XXX/XX of the European Parliament and of the Council [CPR] finance investment projects requiring thematic concentration and that certain enabling conditions are fulfilled. InvestEU provides financing to private investment projects under different policy windows, not necessarily linked to reform efforts.

None of these instruments though provide direct and comprehensive financial support in the form of “grants” and “loans” to Member States in view of the fulfilment of results related to agreed recovery plans for reforms and investments. This will be the distinctive delivery mode of the Facility.

1.5.4. Compatibility and possible synergy with other appropriate instruments

The Facility will be complementary and ensure synergies with other Union programmes, notably the projects financed by the structural and cohesion funds and by InvestEU; this will contribute to leverage the use of the Union funds and to avoid duplications. To that effect, firstly Member States are required to present the relevant information on existing or planned Union financing when submitting their plans to the Commission; secondly, financial support from the Facility will be additional to the support provided under other Union funds and programmes, in that reform and investment projects may receive funding from other Union programmes and instruments provided that such support does not cover the same cost; thirdly, the coordination between the Facility and other Union programmes and Union funds will be ensured via a strengthened governance within the internal working arrangements of the Commission. Decisions to provide financial support to a Member State will take into account the measures financed by the Union funds and programmes, and the need to avoid double funding. In addition, reforms and investments that will benefit from financial support under the instruments will be identified in the context of the European Semester.

1.6. Duration and financial impact

☐ Proposal/initiative of **limited duration**

- ☐ Proposal/initiative in effect from [DD/MM]YYYY to [DD/MM]YYYY
- ☒ Financial impact from 2021 to 2024 for commitment appropriations and from 2021 for payment appropriations.

☒ Proposal/initiative of **unlimited duration**

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.7. Management mode(s) planned²⁵

☒ **Direct management** by the Commission

- ☐ by its departments, including by its staff in the Union delegations;
- ☐ by the executive agencies

☐ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

- ☐ third countries or the bodies they have designated;
 - ☐ international organisations and their agencies (to be specified);
 - ☐ the EIB and the European Investment Fund;
 - ☐ bodies referred to in Articles 208 and 209 of the Financial Regulation;
 - ☐ public law bodies;
 - ☐ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
 - ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
 - ☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

²⁵ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

| |
|-----|
| N/A |
|-----|

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

Specific output, result and impact indicators will be defined in each approved plan with the Member States, so that the completion of the milestones and targets will be set as a condition for receiving the financial support.

Member States will report on a quarterly basis in the European Semester on progress made towards milestones and targets. The Commission will also report annually to the European Parliament and to the Council.

A mid-term evaluation and an ex-post evaluation will be carried out with a view to assessing the effectiveness, efficiency, relevance, and coherence of the Facility.

The Commission will communicate the conclusions of the evaluations accompanied by its observations, to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

2.2. Management and control system

2.2.1. Risk(s) identified

The risk relates to the performance measurement (non-achievement of pre-defined targets/milestones).

The measures that will be put into place to mitigate these risks are the following:

- thorough evaluation process before the disbursement of funds for achievement of the milestones/targets by the beneficiary Member States;
- activation of suspension, and cancellation of payments in case of non achievement of the milestones/targets by beneficiary Member States.

2.2.2. Information concerning the internal control system set up

The Facility will be implemented in direct management by the Commission in accordance with the Financial Regulation.

2.2.3. Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error

Financial contribution will be provided to Member State in the form of financing not linked to cost referred to in point (a) of Article 125(1) of the Financial Regulation.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

Standard provisions exist in the proposal for Regulation for the protection of the financial interests of the Union.

DG REFORM will apply its Anti-fraud Strategy, having regard to the proportionality and cost benefit of the measures to be implemented.

Appropriate internal control processes will apply at levels of management and be designed to provide reasonable assurance of achieving the following objectives: effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; adequate management of the risks relating to the legality and regularity of the underlying transactions, and prevention, detection, correction and follow up of fraud and irregularities.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

| Heading of multiannual financial framework | Budget line | Type of expenditure | Contribution | | | |
|--|-------------------------------|-------------------------------|-----------------------------------|--|----------------------|--|
| | Number [Heading.....]] | Diff./Non-diff. ²⁶ | from EFTA countries ²⁷ | from candidate countries ²⁸ | from third countries | within the meaning of Article 21(2)(b) of the Financial Regulation |
| | [XX.YY.YY.YY] | Diff./Non-diff. | YES/NO | YES/NO | YES/NO | YES/NO |

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

| Heading of multiannual financial framework | Budget line | Type of expenditure | Contribution | | | |
|--|---------------------------------|---------------------|---------------------|--------------------------|----------------------|--|
| | Number [Heading..... ...] | Diff./Non-diff. | from EFTA countries | from candidate countries | from third countries | within the meaning of Article 21(2)(b) of the Financial Regulation |
| | [XX.YY.YY.YY] | | YES/NO | YES/NO | YES/NO | YES/NO |

²⁶ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

²⁷ EFTA: European Free Trade Association.

²⁸ Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

Apart from the administrative expenditure under Heading 7 of the multiannual financial framework, the proposed expenditure linked to the Recovery and Resilience Facility will be covered by EUR 267 955 000 000 (in current prices) in the form of loans and EUR 334 950 000 000 (in current prices) made available as external assigned revenue, within the meaning of Article 21(5) of the Financial Regulation, stemming from the borrowing operations of the Union as set out in Regulation (EU) XXX/XX [EURI regulation].

Out of this amount, up to EUR 42 000 000 may be dedicated to administrative expenditure.

The indicative breakdown of the expenditure is as follows (EUR million, in current prices):

| Recovery and Resilience Facility | | Year 2021 | Year 2022 | Year 2023 | Year 2024 | Year 2025 | Year 2026 | Year 2027 | Later years | TOTAL |
|---|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| • Operational appropriations | | | | | | | | | | |
| Loans | Signed agreements | 132 651.000 | 135 304.000 | - | - | - | - | - | - | 267 955.000 |
| | Loan instalments | 39 795.300 | 73 753.950 | 66 988.750 | 60 356.200 | 27 060.800 | - | - | - | 267 955.000 |
| Grants | Commitments | 131 580.000 | 134 211.000 | 34 228.000 | 34 913.000 | 6.000 | 6.000 | 6.000 | - | 334 950.000 |
| | Payments | 19 742.100 | 53 030.250 | 78 162.750 | 86 952.550 | 59 129.300 | 25 743.850 | 10 443.850 | 1 745.350 | 334 950.000 |
| of which appropriations of an administrative nature financed from the above-mentioned envelope for grants | | 6.000 | 6.000 | 6.000 | 6.000 | 6.000 | 6.000 | 6.000 | - | 42.000 |

| Heading of multiannual financial framework | | 7 | 'Administrative expenditure' | | | | | | | |
|---|--|--------------------------------------|--------------------------------------|-------|-------|-------|-------|-------|-------|--------|
| | | | EUR million (to three decimal place) | | | | | | | |
| Commission (ECFIN, SG) | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | TOTAL |
| • Human resources | | | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 15,750 |
| • Other administrative expenditure | | | | | | | | | | |
| TOTAL Commission (ECFIN, SG) | | Appropriations | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 15,750 |
| TOTAL appropriations under HEADING 7 of the multiannual financial framework | | (Total commitments = Total payments) | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 15,750 |
| | | | EUR million (to three decimal place) | | | | | | | |
| TOTAL appropriations under HEADINGS 1 to 7 of the multiannual financial framework | | Commitments | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 15,750 |
| | | Payments | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 15,750 |

3.2.2. Estimated impact on operational appropriations

- ☐ The proposal/initiative does not require the use of operational appropriations
- ☐ The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

| Indicate objectives and outputs | | Year N | Year N+1 | Year N+2 | Year N+3 | Enter as many years as necessary to show the duration of the impact (see point 1.6) | | | | | | | TOTAL | |
|---|--|--------------------|--------------|----------|----------|---|------|---------|------|---------|------|---------|----------|------------|
| | | OUTPUTS | | | | | | | | | | | | |
| | | Type ²⁹ | Average cost | Cost No | Cost | Cost No | Cost | Cost No | Cost | Cost No | Cost | Cost No | Total No | Total cost |
| SPECIFIC OBJECTIVE No 1 ³⁰ ... | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | |
| Subtotal for specific objective No 1 | | | | | | | | | | | | | | |
| SPECIFIC OBJECTIVE No 2 ... | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | |
| Subtotal for specific objective No 2 | | | | | | | | | | | | | | |
| TOTAL COST | | | | | | | | | | | | | | |

²⁹ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).
³⁰ As described in point 1.4.2. ‘Specific objective(s)...’

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

- ☐ The proposal/initiative does not require the use of appropriations of an administrative nature
- ☒ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | TOTAL |
|--|------|------|------|------|------|------|------|-------|
|--|------|------|------|------|------|------|------|-------|

| HEADING 7 of the multiannual financial framework | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|--------|
| Human resources | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 15,750 |
| Other administrative expenditure | | | | | | | | |
| Subtotal HEADING 7 of the multiannual financial framework | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 | 15,750 |

| Outside HEADING 5³¹ of the multiannual financial framework | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|--------|
| Human resources | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 42,000 |
| Other expenditure of an administrative nature | | | | | | | | |
| Subtotal outside HEADING 7 of the multiannual financial framework | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 42,000 |

| | | | | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| TOTAL | 8,250 | 8,250 | 8,250 | 8,250 | 8,250 | 8,250 | 8,250 | 57,750 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

³¹ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.3.2. Estimated requirements of human resources

- ☐ The proposal/initiative does not require the use of human resources.
- ☒ The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--|-------------------|------|------|------|------|------|------|
| • Establishment plan posts (officials and temporary staff) | | | | | | | |
| XX 01 01 01 (Headquarters and Commission's Representation Offices) | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| XX 01 01 02 (Delegations) | | | | | | | |
| XX 01 05 01 (Indirect research) | | | | | | | |
| 10 01 05 01 (Direct research) | | | | | | | |
| • External staff (in Full Time Equivalent unit: FTE)³² | | | | | | | |
| XX 01 02 01 (AC, END, INT from the 'global envelope') | | | | | | | |
| XX 01 02 02 (AC, AL, END, INT and JED in the delegations) | | | | | | | |
| XX 01 04 yy³³ | - at Headquarters | | | | | | |
| | - in Delegations | | | | | | |
| XX 01 05 02 (AC, END, INT - Indirect research) | | | | | | | |
| 10 01 05 02 (AC, END, INT - Direct research) | | | | | | | |
| Other budget lines (specify) | 75 | 75 | 75 | 75 | 75 | 75 | 75 |
| TOTAL | | | | | | | |

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

| | |
|-------------------------------|--|
| Officials and temporary staff | |
| External staff | |

³² AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations.

³³ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.4. *Compatibility with the current multiannual financial framework*

- ☐ The proposal/initiative is compatible the current multiannual financial framework.
- ☐ The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

- ☐ The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to three decimal places)

| | Year N | Year N+1 | Year N+2 | Year N+3 | Enter as many years as necessary to show the duration of the impact (see point 1.6) | | | Total |
|-------------------------------------|-----------|-------------|-------------|-------------|---|--|--|-------|
| Specify the co-financing body | | | | | | | | |
| TOTAL appropriations co-financed | | | | | | | | |

3.3. Estimated impact on revenue

- ☐ The proposal/initiative has no financial impact on revenue.
- ☐ The proposal/initiative has the following financial impact:
 - ☐ on own resources
 - ☐ on miscellaneous revenue

EUR million (to three decimal places)

| Budget revenue line: | Appropriations available for the current financial year | Impact of the proposal/initiative ³⁴ | | | | | | |
|----------------------|---|---|----------|----------|----------|---|--|--|
| | | Year N | Year N+1 | Year N+2 | Year N+3 | Enter as many years as necessary to show the duration of the impact (see point 1.6) | | |
| Article | | | | | | | | |

For miscellaneous ‘assigned’ revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

³⁴ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % for collection costs.