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Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Portugal

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2021/0154 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Portugal

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility[1] and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) The COVID-19 outbreak has had a disruptive impact on the economy of Portugal. In 2019, the gross domestic product per capita (GDP per capita) of Portugal was 67% of the EU average. According to the Commission's Spring 2021 forecast, the real GDP of Portugal declined by 7,6% in 2020 and is expected to decline by 3,9% cumulatively in 2020 and 2021. Longer-standing aspects with an impact on medium-term economic performance include the large stocks of external, private and government debt, and low productivity growth; moreover, shortfalls in investment, make it more challenging to participate and take full advantage of the opportunities brought by the green and digital transitions.

(2) On 9 July 2019 and on 20 July 2020, the Council addressed recommendations to Portugal in the context of the European Semester. In particular, the Council recommended to take all the necessary measures to effectively address the pandemic, to improve the quality of public finances by prioritising growth-enhancing spending, to strengthen the resilience of the health system and ensure equal access to quality health and long-term care. It also recommended to improve the overall level of skills of the population (with a focus on digital skills and to increase the number of graduates in fields related to science, technology, engineering and mathematics), as well as to support quality employment and reduce segmentation in the labour market. It also recommended Portugal to improve the effectiveness and adequacy of the social safety nets and guarantee sufficient and effective social protection and income support. It recommended to focus investment on the green and digital transition, in particular on innovation, railway transport and port infrastructure, low carbon and energy transition, and extending energy interconnections, taking into account regional disparities. Further, the Council recommended to implement measures to secure access

[1] OJ L 57, 18.2.2021, p. 17-75.

to liquidity for firms in the context of the pandemic, to frontload public investment projects and to promote private investment to foster the economic recovery. Lastly, it recommended to carry out reforms to improve the business environment, in particular to reduce regulatory and administrative barriers derived from licensing and reducing regulatory restrictions in regulated professions and to increase the efficiency of administrative and tax courts and insolvency and recovery proceedings. Having assessed progress in the implementation of these country-specific recommendations at the time of submission of the recovery and resilience plan, the Commission finds that the recommendation on taking, in line with the general escape clause, all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery, has been fully implemented. Substantial progress has been achieved with respect to the recommendation on implementing the temporary measures aimed at securing access to liquidity for firms, in particular small and medium-sized enterprises.

(3) On 2 June 2021, the Commission published an in-depth review under Article 5 of Regulation (EU) No 1176/2011 of the European Parliament and of the Council[2] for Portugal. The Commission's analysis led it to conclude that Portugal is experiencing macroeconomic imbalances related to large stocks of net external liabilities, private and public debt, and non-performing loans remaining high, against a backdrop of low productivity growth.

(4) [The Council recommendation on the economic policy of the euro area recommended to euro area Member States to take action, including through their recovery and resilience plans, to, inter alia, ensure a policy stance which supports the recovery and to further improve convergence, resilience and sustainable and inclusive growth. The Council recommendation also recommended to strengthen national institutional frameworks, to ensure macro-financial stability and to complete EMU and strengthen the international role of the euro.] [If the Council recommendation is not adopted by the time of the CID adoption, please remove the recital].

(5) On 22 April 2021, Portugal submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. That submission followed a consultation process, conducted in accordance with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. The national ownership of the recovery and resilience plans is underpinning their successful implementation and lasting impact at national level and credibility at European level. Pursuant to Article 19 of that Regulation, the Commission has assessed the relevance, effectiveness, efficiency and coherence of recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation.

(6) The recovery and resilience plans should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 and of the EU Recovery Instrument set up by Council Regulation (EU) 2020/2094[3] in order to support the recovery in the aftermath of the COVID-19 crisis. They should promote

[2] Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25).

[3] Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433I , 22.12.2020, p. 23).

the Union´s economic, social and territorial cohesion by contributing to the six pillars referred to in Article 3 of Regulation (EU) 2021/241.

(7) The implementation of the Member States' recovery and resilience plans will constitute a coordinated effort of investment and reforms across the Union. Through the coordinated and simultaneous implementation of these reforms and investments and the implementation of cross-border projects, these reforms and investments will mutually reinforce each other and generate positive spillovers across the whole Union. Therefore, about one third of the impact of the Facility on Member States' growth and job creation will come from spillovers from others Member States.

Balanced response contributing to the six pillars

(8) In accordance with Article 19(3), point (a) and section 2.1 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of Regulation (EU) 2021/241, taking into account the specific challenges and the financial allocation of the Member State concerned and the requested loan support.

(9) The plan includes measures that contribute towards all of the six pillars, with a significant number of components of the plan addressing multiple pillars. Such an approach contributes to ensuring that each pillar is comprehensively addressed in a coherent manner. Furthermore, given the specific challenges of Portugal, the particular focus on smart, sustainable and inclusive growth, along with the overall weighting across pillars, is considered adequately balanced.

(10) The plan envisages taking a broad range of climate related measures, with around three quarters of all components contributing to the green transition. Such measures include increasing the energy-efficiency of buildings, decarbonising industry, and adapting to climate change. The plan addresses digital related challenges in multiple areas, with around half of all components contributing, including the digitisation of public services and the adoption of digital technologies to promote entrepreneurship, and business scale-up with a view to boost the digital transition of the productive fabric. In order to address the challenges related to the lack of digital skills, the plan includes measures to modernise the education as well as vocational education and training systems, inter alia, to provide market relevant qualifications, increase the relevance of adult learning, and the number of graduates in science, technology, engineering, arts and mathematics (STEAM) courses, particularly in IT.

(11) The plan extensively covers the third pillar of smart, sustainable and inclusive growth, with nearly all components directly contributing. Economic cohesion, productivity and competitiveness are directly covered by nearly all components of the plan, addressing various interrelated challenges, like the promotion of sustainable growth and adapting to climate change, the universal provision of social services, the contribution to innovation, new technologies and decarbonisation, the dematerialisation of public services, and the contribution to the financing of firms and the development of capital markets. The social and territorial cohesion dimensions are closely intertwined, notably in the less developed Portuguese regions. Regional and local authorities are called upon to play a central role in the provision of various community-based services, securing a broad territorial coverage, in areas such as social housing, kindergarten and early childcare and education, health care provision, long term care

services and social day care centres for elderly people and persons with disabilities in line with the UN Convention on the Rights of Persons with Disabilities.

(12) Around half of all components contribute towards health, economic, social and institutional resilience, being covered by measures such as strengthening of the national networks for primary health care, continuous and palliative care, the provision of social and affordable housing and innovative integrated social services in the metropolitan areas of Lisbon and Porto. The adoption of digital technologies and interoperability solutions strengthen the institutional capacity and resilience of the public administration. Policies for the next generation are covered by a number of measures with nearly one third of all components directly related to it, with a direct impact on children and the youth, such as increasing the capacity of childcare facilities, vocational education and training courses and tertiary education, including for STEAM courses, improving youth career and income prospects, increasing the stock of student accommodation in higher education. This is accompanied by the measure on the digitisation of education and the distribution of personal IT equipment to students.

Addressing all or a significant subset of challenges identified in Country Specific Recommendations

(13) In accordance with Article 19(3), point (b) and section 2.2 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations, including fiscal aspects thereof and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011, addressed to Portugal concerned or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.

(14) The recommendations related to the immediate fiscal policy response to the pandemic can be considered as falling outside the scope of Portugal's recovery and resilience plan, notwithstanding the fact that Portugal has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the provisions of the General Escape Clause. Moreover, the recommendation to achieve the medium-term budgetary objective in 2020, taking into account the allowance linked to unusual events for which a temporary deviation was granted, is no longer relevant, due both to the lapsing of the corresponding budgetary period and the activation in March 2020 of the General Escape Clause of the Stability and Growth Pact in the context of the pandemic crisis.

(15) The plan includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Portugal by the Council in the European Semester in 2019 and in 2020, notably in the areas of quality and sustainability of public finances, accessibility and resilience of social services and the health system, labour market, education and skills, R&D and innovation, climate and digital transition, business environment and justice system.

(16) The plan includes an all-encompassing fiscal-structural reform that is expected to substantially improve the quality and sustainability of public finances and strengthen overall expenditure control, cost efficiency and adequate budgeting. Such a reform includes gradual steps that are expected to lead to the full and effective implementation of the 2015 Budgetary Framework Law, making spending reviews a

structural feature of Portugal's annual budgetary process and ensuring the ex-post evaluation of efficiency gains, and strengthening centralised procurement. That reform is also expected to strengthen the financial sustainability of state-owned enterprises, through the implementation of a new model for analysing and disclosing their financial situation and performance, in order to allow a more timely, transparent and comprehensive monitoring. It also provides for planning and management tools to be deployed to increase accountability, such as revamped management contracts to disseminate performance-oriented management practices. That reform is accompanied by an investment in the information systems for public financial management.

(17) Reforms and investments are also included to strengthen the resilience of the health system and contribute to equal access to quality health and long-term care. Such reforms and investments notably foresee the strengthening of the response capacity of the primary health care, mental health and long-term care services, combined with steps to enhance efficiency and the articulation between different elements of the National Health Service. Specific measures are targeted at strengthening the regional health system of the outermost region of Madeira and at digitalising the health systems of both Madeira and the Azores. In addition, the completion of the reform of the governance model of public hospitals addresses the root causes of persistent arrears in public hospitals. That reform is expected to combine hospitals' greater autonomy in terms of investment and hiring decisions, with enhanced monitoring and stronger accountability, thereby contributing to prevent the accumulation of arrears in a durable manner.

(18) The plan addresses social challenges by providing a significant response to the need for improvement of the effectiveness and adequacy of the social safety nets, notably through reforms and investments in social housing and social services, with a focus on elderly, children, and vulnerable groups with disabilities. Such reforms and investments foresee the approval of the National Housing Plan and the National Strategy to Combat Poverty, and a support programme for access to housing via the construction of new buildings or the renovation of existing dwellings, the creation and renovation of places in social facilities, strengthening of home- and community based care, the setting up of social intervention teams in the municipalities of continental Portugal, integrated programmes to support disadvantaged communities in deprived metropolitan areas, and making social security services more user-friendly through digitalisation.

(19) The plan includes reforms and investments that address long-lasting bottlenecks affecting the business environment. Those include the reduction of the restrictions weighing on various regulated professions to foster competition, the review of business licensing requirements and the implementation of the 'once only' principle in the dealings with public administration to reduce administrative costs, and the modernisation and increased efficiency of the justice system, while reaping the efficiency increase linked to the digitalisation of procedures.

(20) Significant investments are introduced to boost research and innovation, notably via the development of innovation agendas in key sectors, including green agendas that aim at fostering business science links. Investments are also foreseen to foster research and innovation in sustainable agriculture. The plan also includes investments to recapitalise firms such as the creation of a special purpose vehicle which is to subsequently invest in viable Portuguese firms in the form of equity and quasi-equity financing.

(21) The plan significantly contributes to addressing the climate transition challenge. It includes investments aimed at research and innovation for decarbonising the productive sectors, as well as measures to increase the energy performance of buildings both in the private and public sector. The plan is expected to make urban transport more sustainable by strengthening public transport management authorities and investing in the extension of the metro networks as well as light rail and bus rapid transit systems in the Lisbon and Porto metropolitan areas and purchasing zero-emission vehicles for the public transport fleet. Measures also aim at promoting renewable energy investments in the mainland and the outermost regions of Madeira and Azores. Significant reforms and investments should protect forests to mitigate the impact of climate change. Landscape Planning and Management Programmes are expected to design the desirable landscape of vulnerable territories to increase their resilience to the risks associated with climate change, in particular rural fires and biodiversity loss, and to promote sustainable growth and territorial cohesion through the increase of the average size of agricultural property, the change in land use and the planning of new economic activities.

(22) The plan significantly contributes to addressing the digital transition challenge in both mainland and the autonomous regions of Madeira and Azores. Significant reforms and investments are planned in the areas of digitalisation of enterprises to adopt digital technologies and processes. Investments and reforms in education and vocational education and training systems largely focus on the adaptation of curricula, teaching methods and resources for the provision of digital skills adapted to the particular needs of different groups, such as students, teachers, the workforce, businesses and civil servants. Other significant reforms and investments target the digitalisation of the public administration with actions foreseen for the general public administration, the justice system and public financial management, with the aim to make the public administration more efficient, resilient and more accessible to citizens.

(23) By addressing the aforementioned challenges, the plan is expected to also contribute to correcting the macroeconomic imbalances[4] related to large stocks of net external liabilities, private and public debt, in a context of high non-performing loans and low productivity growth.

Contribution to growth potential, job creation and economic, social and institutional resilience

(24) In accordance with Article 19(3), point (c) and section 2.3 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to have a high impact (Rating A) on strengthening the growth potential, job creation, and economic, social and institutional resilience of the Member State, contributing to the implementation of the European Pillar of Social Rights including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.

[4] These macroeconomic imbalances refer to the recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011 in 2019 and 2020.

(25) Simulation by the Commission services show that the plan has the potential to increase the GDP of Portugal by 1,5% to 2,4% by 2026[5]. The Portuguese recovery and resilience plan includes an ambitious package of reforms and investments to address the country's vulnerabilities to shocks and to strengthen its economic, institutional and social resilience. The reforms that remove institutional bottlenecks and foster competition, together with significant investments in active labour market policies, R&D, innovation and digitalisation target the root causes of the challenges identified and are expected to boost the country's competitiveness and productivity.

(26) The main contributions to both growth and employment are expected to come from investments and reforms in innovation, education, including digital skills and vocational training, decarbonisation of the industry, digitalisation of enterprises, capitalisation of businesses and housing. Other main areas of intervention include healthcare, culture, transport infrastructure, forestry and water management, quality and capacity of the public administration, including public financial management, judicial services and digitalisation of public services.

(27) The plan envisages significant measures to address long-standing social challenges, which also have an important impact on the territorial dimension and the rural urban divide, thereby enhancing the economic, social and territorial cohesion and convergence within Portugal and the Union. These cover the need to strengthen the responsiveness and accessibility of health and long-term care services in view of rapid demographic ageing, and provide access to affordable and social housing. Social vulnerabilities should also be addressed through provision of a wide range of social services focusing on the elderly, people with disabilities, ethnic minorities and migrants, and through integrated programmes to support disadvantaged communities in deprived metropolitan areas. It should strengthen public transport networks in urban areas, which is particularly relevant for disadvantaged commuting workers, and reinforce labour rights, especially for atypical labour contracts linked to the digital economy. These measures will help deliver on the implementation of the European Pillar of Social Rights Action Plan endorsed at the Porto Summit of 7 May 2021 and are expected to contribute to improving the levels of the indicators of the Social Scoreboard.

(28) Important measures are targeted at children and youth, such as measures to raise the capacity of kindergartens and childcare services and favour the creation of permanent quality jobs for young people. The plan should also foster the enrolment in tertiary education courses, especially in STEAM disciplines, and establish a network of higher education institutions offering post-graduate courses of short duration. Measures should also support the integration of digital technologies in the primary and secondary education system with the use of digital resources in classrooms, the digitalisation of educational contents, the creation of laboratories with educational technologies like programmable robots.

Do no significant harm

(29) In accordance with Article 19(3), point (d) and section 2.4 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to ensure that no measure

[5] Such simulations reflect the overall impact of NGEU, which also includes funding for ReactEU, and increased funding for Horizon, InvestEU, JTF, Rural Development and RescEU. Such simulation does not include the possible positive impact of structural reforms, which can be substantial.

for the implementation of reforms and investments projects included in the recovery and resilience plan does significant harm to environmental objectives (Rating A) within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council[6] (the principle of 'do no significant harm').

(30) The recovery and resilience plan ensures for each reform and investment that no significant harm is done to any of the six environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852, namely climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Portugal provided justifications in accordance with the 'do no significant harm' technical guidance of the European Commission (2021/C 58/01). Where needed, Portugal has proposed the implementation of mitigating measures to avoid significant harm, which should be ensured through relevant milestones.

(31) Particular attention has been paid to measures whose impact on environmental objectives warrants close scrutiny. Component 7 – Infrastructures, contains four measures that involve the construction or upgrade of road transport infrastructure (RE-C7-I2, I3, I4 and I5). To avoid significant harm to the climate change mitigation and pollution prevention and control objectives, Portugal's recovery and resilience plan includes as a flanking measure investment RE-C7-I0 – Expansion of the Electric Vehicle Charging Network. It should decarbonise road transport through making available 15 000 publicly accessible electric vehicle charging stations by 2025. Similarly, concerning the water management measures in Component 9 – Water Management (TC-C9-I1 and I2), which include the construction of a dam, a desalination plant and irrigation and water abstraction measures, Portugal should further ensure that no significant harm to the environment is done through the implementation of any result and condition from the Environmental Impact Assessment relevant for those measures, in compliance with EU environmental law, including the Water Framework Directive (2000/60/EC). This aims in particular to avoid significant impact on the relevant water bodies that would jeopardise or delay the objective of reaching good status or potential. It also aims to ensure that protected habitats and species directly dependent on the concerned water are not negatively impacted by the measures.

Contribution to the green transition including biodiversity

(32) In accordance with Article 19(3), point (e) and section 2.5 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 37,9% of the plan's total allocation, calculated in accordance with the methodology of Annex VI to Regulation (EU) 2021/241. In accordance with Article 17 Regulation (EU) 2021/241, the recovery and resilience plan is consistent with the information included in the National Energy and Climate Plan 2030.

[6] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

(33) Reforms and investments are expected to make a significant contribution to advance the decarbonisation and energy transition objectives of Portugal as set out in the National Energy and Climate Plan 2030 (NECP 2030) and the Carbon Neutrality Roadmap 2050, thereby contributing to the Union's climate target and objective respectively. Sixteen components contain measures contributing to the climate objective, and sixteen components contain measures contributing to environmental objectives, including biodiversity. Biodiversity is expected to be enhanced in particular through improvements of the forest management, addressing extensive areas of unmanaged monocultures and high risks of fires, or the promotion of a sustainable blue economy. The implementation of these proposed measures is expected to have a lasting impact, notably by contributing to the green transition, the enhancement of biodiversity, and environmental protection.

(34) Energy-efficiency interventions provide for a large part of the climate contribution. Other significant climate or environmental contributions are provided by investments in sustainable urban transport or climate change adaptation and prevention. Also research and innovation processes focusing on the low-carbon economy, resilience and adaptation to climate change as well as forest and water management measures contribute to climate and environmental objectives. Reforms aim to promote the decarbonisation of industry develop more sustainable production processes and improve transport planning.

Contribution to the digital transition

(35) In accordance with Article 19(3), point (f) and section 2.6 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan contains measures that to a large extent (Rating A) are expected to effectively contribute to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 22,1% of the plan's total allocation, calculated in accordance with the methodology of Annex VII to Regulation (EU) 2021/241.

(36) Overall fourteen components contain measures contributing to the digital objective with a broad, cross-cutting approach, with four components wholly dedicated to the digital transition. Significant reforms and investments are planned in the areas of digitalisation of enterprises and in and the provision of digital skills. Other significant reforms and investments aim at the digitalisation of the public administration, the justice system and public financial management. Other investments target the digitalisation of specific sectors such as primary and secondary education, health, culture, and forest management.

(37) Beyond contributing to the digital transition, these investments also address the challenges related to the skill levels of the population, in particular the digital literacy of the adult population and the need to adjust the skills to the changing needs of the labour market. The investments also contribute to address the challenges related to equal access to digital technologies as well as quality education and training.

(38) The digital-related reforms and investments included in the recovery and resilience plan are expected to have a lasting impact, notably on the digital transition of the country's public administration, on the justice system, on social services, on the business fabric, on skill levels of the population and on the national and regional health services.

Lasting impact

(39) In accordance with Article 19(3), point (g) and section 2.7 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to have a lasting impact on Portugal to a large extent (Rating A).

(40) The plan presents structural changes in the public administration, housing, business capitalisation and innovation, justice system, highly regulated professions, and digitalisation of the public administration. In many cases, measures across various components of the plan are designed to increase the level of digitalisation of relevant institutions, which is expected to have a lasting impact on the quality of services and the business environment.

(41) In the area of investment, a lasting structural change is expected from the establishment, capitalisation and mission expansion of the National Promotional Bank, *Banco Português de Fomento*. The proposed increase in the bank capitalisation is expected to facilitate access to finance, particularly for SMEs affected by the crisis, and to boost competitiveness and job creation on a long-term basis. Other key policy objectives include knowledge and technology transfers to businesses, diversification of product and services, and reaching R&D investments of 3% of GDP by 2030. Finally, investments and policies to decarbonise industry aim at improving its energy efficiency and reducing the import content of the Portuguese economy, thus improving the country's competitiveness and growth potential while helping to meet climate goals.

(42) Lasting impact of the plan can also be enhanced through synergies between the plan and other programmes financed by the cohesion policy funds, notably by addressing in a substantive manner the deeply rooted territorial challenges and promoting a balanced development.

Monitoring and implementation

(43) In accordance with Article 19(3), point (h) and section 2.8 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the recovery and resilience plan are adequate (Rating A) to ensure effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators.

(44) The administrative structure 'Estrutura de Missão Recuperar Portugal' ('task force *Recuperar Portugal*') should monitor and implement the plan. . Its responsibilities are clearly defined and enshrined in national legislation, which ensures sound coordination and reporting mechanism between this structure and other bodies responsible for the implementation of the investments and reforms under the various components. It has clearly assigned responsibilities and an adequate structure for the implementation of the plan, the monitoring of progress and reporting. The task-force should be in place until the end of the implementation of the plan.

(45) The milestones and targets of the Portuguese plan constitute an appropriate system for monitoring the plan's implementation. They are sufficiently clear and comprehensive to ensure that their completion can be traced and verified. The verification mechanisms, data collection and responsibilities described by the Portuguese authorities appear sufficiently robust to justify in an adequate manner the disbursement requests upon completion of the milestones and targets. Milestones and targets are also relevant for measures already completed which are eligible according

to Article 17(2) of the Regulation. The satisfactory fulfilment of these milestones and targets over time is required to justify a disbursement request.

(46) Member States should ensure that financial support under the Facility is communicated and acknowledged in line with article 34 of the Regulation (EU) 2021/241. Technical support may be requested under the Technical Support Instrument to assist Member States in the implementation of their plan.

Costing

(47) In accordance with Article 19(3), point (i) and section 2.9 of Annex V to Regulation (EU) 2021/241, the justification provided in the plan on the amount of the estimated total costs of the recovery and resilience plan is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.

(48) Portugal has provided individual cost estimates for all investments and reforms with an associated cost included in the recovery and resilience plan. The cost breakdown is generally detailed and well-substantiated. The estimates are for the most part based on comparisons with procurement contracts for similar services, past investments of similar nature or market consultations. The assessment of the cost estimates and supporting documents show that most of the costs are reasonable and plausible. However, the fact that sometimes the methodology used is not sufficiently well explained and the link between the justification and the cost itself is not fully clear precludes an A rating for this assessment criterion. Finally, the estimated total cost of the recovery and resilience plan is in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

Protection of financial interests

(49) In accordance with Article 19(3), point (j) and section 2.10 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the recovery and resilience plan and the additional measures contained in this Decision are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding under that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with EU law, including for preventing, detecting and correcting corruption, fraud and conflicts of interests, and for protecting the Union finances in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council.

(50) The internal control system described in the plan is based on robust processes and structures and clearly identifies actors (bodies/entities) and their roles and responsibilities for the performance of the internal control tasks. The national management will be centralised in the '*Recuperar Portugal*' task force. The implementation of the plan will be contracted out to public agencies or bodies or intermediaries responsible at decentralised levels. The control system and other relevant arrangements, including for the collection and making available of data on final recipients, are adequate.

(51) For the implementation, monitoring and control of the recovery and resilience plan Portugal will make use of IT tools. The IT functionalities are clearly described in the plan. Portugal has indicated that the General Inspectorate of Finance (IGF) will carry

out a first audit on the management and control system for the recovery and resilience plan prior to the submission of the first payment request (excluding pre-financing) to the European Commission.

Coherence of the plan

(52) In accordance with Article 19(3), point (k) and section 2.11 of Annex V to Regulation (EU) 2021/241, the plan includes to a high extent (Rating A) measures for the implementation of reforms and public investment projects that represent coherent actions.

(53) The Portuguese recovery and resilience plan reveals a strategic and consistent vision throughout the plan, displaying coherence between components and between individual measures. The reforms and investments in each component are consistent and mutually reinforcing, and synergies and complementarities exist between components. No measures proposed within a component contradict or undermine each other's effectiveness, nor have inconsistencies or contradictions between different components been identified.

Equality

(54) The plan contains a series of measures that are expected to contribute to addressing the challenges in the area of gender equality and equal opportunities for all. These include reforms dedicated to combating gender pay inequality and occupational segregation, as well as measures attracting young women into STEAM studies. The part of the plan dealing with social policy responses includes a National Strategy for the Inclusion of Persons with Disabilities as well as a National Strategy to Combat Poverty.

Security self-assessment

(55) A security self-assessment has been provided for the investments on connectivity and digital capacities, in accordance with Article 18(4), point (g) of Regulation (EU) 2021/241. The self-assessment provides for a matrix of risks and mitigating measures. A total of eighteen possible risks are identified, including vendor dependency, high risk suppliers, cybersecurity concerns, disruption of critical systems. The matrix identifies thirteen mitigating measures to be enacted to counter the possible risks, including requirement for security clearance by the providers, application of restrictions to suppliers considered to be high risk, multi-vendor strategies and backup systems for critical functions.

Cross-border and multi-country projects

(56) The recovery and resilience plan includes cross-border investments in the areas of justice. It accelerates and develops the interoperability of criminal record information in the European Criminal Records Information System (ECRIS) and enables the publication and search of interoperable judicial decisions through the European Case Law Identifier (ECLI). It also facilitates the exchange of information between judicial entities on the basis of E-Codex and enhances cooperation within the framework of the European Car and Driving Licence Information System (EUCARIS) and of cross-border identification resources such as eIDAS. Other cross-border initiatives are in the area of digitalisation of business with the set-up of 16 'Digital Innovation Hubs', one-stop shops that help companies improve business/production processes, products, or services using digital technologies. The hubs included in the plan are expected to contribute to the European Digital Innovation Hubs network. Other cross-border collaborations may also take place in the area of hydrogen. Portugal is working with

other Member States on the development of a possible Important Project of Common European Interest (IPCEI) on hydrogen. The projects on hydrogen included in the plan are expected to contribute directly or indirectly to this initiative.

Consultation process

(57) The plan has been subject to an ample debate, formal public consultations, and thematic seminars with the presence of members of the government. In parallel to this public consultation process, the government held a series of consultations with institutional stakeholders, such as the Economic and Social Council, the Territorial Coordination Council and the National Health Council. In reaction to the written contributions received during the second public consultation, the government introduced a number of changes to the plan, also including two new components: Component 4 - Culture and Component 10 - Sea.

(58) For the implementation of the plan, Portugal set up a National Monitoring Commission, made up of representatives of social partners and key civil society figures, who can make recommendations for the implementation of the plan. Furthermore, the implementation of the plan will also be open to public scrutiny through the Transparency Portal. To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the plan.

Positive assessment

(59) Following the positive assessment of the Commission concerning the Portuguese recovery and resilience plan with the finding that the plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) and Annex V to that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the plan, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the plan in the form of non-repayable financial and loan support.

Financial contribution

(60) The estimated total cost of the recovery and resilience plan of Portugal is EUR 16 643 679 377. As the recovery and resilience plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241 and, furthermore, as the amount of the estimated total costs of the recovery and resilience plan is higher than the maximum financial contribution available for Portugal, the financial contribution allocated for Portugal's recovery and resilience plan should be equal to the total amount of the financial contribution available for Portugal.

(61) In accordance with Article 11(2) of Regulation (EU) 2021/241, the calculation of the maximum financial contribution for Portugal is to be updated by 30 June 2022. As such, in accordance with Article 23(1) of that Regulation, an amount for Portugal should be made available now for a legal commitment by 31 December 2022. Where necessary following the updated maximum financial contribution, the Council, on a proposal from the Commission, should amend this Decision to include the updated maximum financial contribution without undue delay.

(62) Furthermore, in order to support additional reforms and investments, Portugal has requested loan support. The loan amount requested by Portugal is less than 6,8% of its

2019 Gross National Income in current prices. The amount of the estimated total costs of the recovery and resilience plan is higher than the combined financial contribution available for Portugal and the requested loan support.

(63) The support to be provided is to be financed from the borrowing by the Commission on behalf of the Union on the basis of Article 5 of Council Decision (EU, Euratom) 2020/2053[7]. The support should be paid in instalments once Portugal has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan.

(64) Portugal has requested pre-financing of 13% of the financial contribution and of 13% of the loan. That amount should be made available to Portugal subject to the entry into force and in accordance with the Financing Agreement provided for in Article 23(1) of Regulation (EU) 2021/241 and the Loan Agreement provided for in Article 15(2) of that Regulation.

(65) This Decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any other Union programme than Regulation (EU) 2021/241 or to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty,

HAS ADOPTED THIS DECISION:

Article 1
Approval of the assessment of the recovery and resilience plan

The assessment of the recovery and resilience plan of Portugal on the basis of the criteria provided for by Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the recovery and resilience plan, the arrangements and timetable for monitoring and implementation of the recovery and resilience plan, including the relevant milestones and targets and the additional milestones and targets related to the payment of the loan, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.

Article 2
Financial contribution

1. The Union shall make available to Portugal a financial contribution in the form of non-repayable support amounting to EUR 13 907 294 284[8]. An amount of EUR 9 758 504 454 shall be available to be legally committed by 31 December 2022. Subject to the update provided for in Article 11(2) of Regulation (EU) 2021/241 calculating an amount for Portugal equal to or more than this amount, a further amount of EUR 4 148 789 829 shall be available to be legally committed from 1 January 2023 until 31 December 2023.

[7] OJ L 424, 15.12.2020, p. 1.
[8] This amount corresponds to the financial allocation after deduction of Portugal's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

2. The Union financial contribution shall be made available by the Commission to Portugal in instalments in accordance with the Annex to this Decision. An amount of EUR 1 807 948 257 shall be made available as a pre-financing payment, equal to 13 per cent of the financial contribution. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

3. The pre-financing shall be released subject to the entry into force and in accordance with the Financing Agreement provided for in Article 23(1) of Regulation (EU) 2021/241. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.

4. The release of instalments in accordance with the Financing Agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Portugal has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan. Subject to the entry into force of the legal commitments referred to in paragraph 1, to be eligible for payment, milestones and targets shall be completed no later than 31 August 2026.

Article 3

Loan support

1. The Union shall make available to Portugal a loan amounting to a maximum of EUR 2 699 000 000.

2. The loan support shall be made available by the Commission to Portugal in instalments in accordance with the Annex to this Decision. An amount of EUR 350 870 000 shall be made available as a pre-financing payment, equal to 13 per cent of the loan. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

3. The pre-financing shall be released subject to the entry into force and in accordance with the Loan Agreement provided for in Article 15(2) of Regulation (EU) 2021/241. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.

4. The release of instalments in accordance with the Loan Agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Portugal has satisfactorily fulfilled the additional milestones and targets covered by the loan and identified in relation to the implementation of the recovery and resilience plan. To be eligible for payment, the additional milestones and targets covered by the loan shall be completed no later than 31 August 2026.

Article 4
Addressee

This Decision is addressed to the Portuguese Republic.

Done at Brussels,

For the Council
The President