Recovery and Resilience Facility: Key features and developments

The Recovery and Resilience Facility is intended to be the Union's main tool in support of economic and social recovery from the consequences of the coronavirus pandemic. It will provide €672.5 billion in grants and loans as financial support over the coming years. The aim of the Facility is to promote economic, social and territorial cohesion and secure lasting recovery. In its 2021 annual sustainable growth strategy, the Commission set out strategic guidance for implementation of the Facility. Currently, the European Parliament, the Council and the Commission are committed to completing the Facility's design phase and ensuring its prompt entry into force.

Key features

On 28 May 2020, following the outbreak of coronavirus pandemic, which brought abrupt change to the EU's economic outlook, the Commission adopted a proposal for a regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility.

The Facility is the flagship instrument of Next Generation EU and aims to offer large-scale financial support for public investment and reform, in order to mitigate the economic and social consequences of the pandemic in the Member States and to make EU economies more sustainable. The policy areas relating to its implementation are economic, social and territorial cohesion, health, education and skills, research and innovation, jobs and investments. The ultimate aim is to facilitate the competitiveness, resilience, green and digital transformation, smart sustainable inclusive growth and stability of the EU's financial systems.

The guiding principles for implementation of the Facility are environmental sustainability, productivity, fairness and macroeconomic stability, as set out in the 2021 annual sustainable growth strategy. The European Council agreed on an envelope of €672.5 billion to support the implementation of investments and reforms in the Member States. The grants will amount to €312.5 billion (in 2018 prices) while a further €360.0 billion (in 2018 prices) will be available as loans. For 70 % of the total of €312.5 billion available in grants the allocation key will be based on each Member State's population, the inverse of its GDP per capita, and its average unemployment rate over the past five years (2015 to 2019) against the EU average. For the remaining 30 %, instead of the unemployment rate (2015-2019), consideration will be given to the observed loss in real GDP over 2020 and the observed cumulative loss in real GDP over the 2020-2021 period.

Recovery and resilience plans

In order to receive support through the Facility, Member States will be required to produce recovery and resilience plans proposing a congruent set of reforms and public investment projects that could be implemented up until 2026. The plans must be consistent with the priorities identified in the European Semester framework, the national reform programmes, the national energy and climate plans, the 'Just Transition' plans and the partnership agreements and operational programmes. Challenges identified in the context of the European Semester, and in particular the country-specific recommendations adopted by the Council, should be addressed in the plans through the proposals for investments and reforms.

Member States will be able to present their plans formally for assessment once the Facility comes legally into force, expected on 1 January 2021. The deadline for the submission of plans is 30 April 2021, but Member States are encouraged to submit their preliminary draft plans from 15 October 2020. Recovery and resilience plans can be submitted in the first two years of implementation (until 2022) by 30 April of each year. It will also be possible up to 2024 if funding is available, and based on a call from the Commission.

The Commission will use transparent criteria for the assessment of the plans. More specifically, it will evaluate if the proposed reforms and investments are effective in addressing the challenges identified in the relevant country-specific recommendations; enhance the potential for growth, economic and social resilience and job creation in the Member State and include measures that will genuinely contribute to the

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twin green and digital transition. The plan should specify how it supports action corresponding to the climate, environmental, social and digital priorities set by the EU. With regard to environmental objectives, each plan should align with the 'do no significant harm' principle, and should achieve the 37 % climate mainstreaming target. Consistency with the national energy and climate plan should also be demonstrated.

Recent developments

The 2018 proposal for a Reform Support Programme has been withdrawn and its content replaced by the proposed Recovery and Resilience Facility and a Technical Support Instrument, in two standalone regulations.

On 16 August 2020, the Recovery and Resilience Task Force (RECOVER) was set up within the European Commission's Secretariat-General. Its task is to lead implementation of the Recovery and Resilience Facility and coordination under the European Semester. The task force reports to the Commission President.

On 17 September, the Commission published its Guidance to Member States – Recovery and resilience plans, which underlines how milestones and targets should be clear, realistic, specific, measurable, achievable and time-bound. The proposed indicators should be relevant and robust. The guidance includes examples of objectives relating to the green and digital transition, the labour market, education, health and social policies, sectoral policies, public administration, public finances and taxation, and the business environment. The second part of the guidance includes information on the general objectives and coherence of the plans, a description of reforms and investments, and information on the complementarity and implementation of the plans. A further internal working document sets out how the Commission aims to avoid possible overlaps between programmes within the Recovery and Resilience Facility.

European Economic and Social Committee

At its plenary session on 16 July 2020, the European Economic and Social Committee (EESC) adopted an opinion strongly supporting the Commission proposal.

Council and European Council

On 21 July 2020, at the conclusion of the special European Council meeting on the recovery package and the 2021-2027 budget, a political agreement was reached on the Recovery and Resilience Facility. While the European Commission had proposed €310 billion in grants and €250 billion in loans, the European Council agreed €312.5 billion of grants and €360 billion in loans. The agreement set a ceiling for the maximum volume of loans for each Member State at 6.8 % of its GNI, as opposed to the Commission proposal of 4.7 %. The timeline for committing the funds was limited to the end of 2023.

In Council, there have been more than ten working party meetings on the Facility. The ECOFIN video-conference meeting on 6 October reached political agreement on the proposal, and the mandate for trilogue negotiations with Parliament should be finalised rapidly.

European Parliament

In Parliament, the Committees on Budgets and on Economic and Monetary Affairs are working jointly on the Facility proposal. On 1 September, the co-rapporteurs published their draft report on the proposed regulation. A proposed amendment relates to the measures linking the Facility to the protection of the Union budget in cases of generalised deficiencies as regards the rule of law. Furthermore, a further amendment stipulates that spending under the Facility must be subject to discharge of the European Parliament, and that the Commission must report to the European Parliament on a quarterly basis, by means of public hearings, on the implementation of the Facility in the Member States.

European Court of Auditors

On 9 September 2020, the European Court of Auditors published an opinion concerning the Commission proposal on the Facility. The opinion highlights several shortcomings and makes some recommendations. These include: ensuring coordination with other sources of EU funding and additionality; improving the link between recovery and resilience targets and allocation keys; simplifying procedures for the plans and payment requests; revising the frequency and timing of reporting and evaluation; and determining the role of Parliament in the budgetary process. It also emphasises the importance of effective measures against fraud and irregularities.

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