The current state of affairs around the Recovery and Resilience Facility[1]

What is the Recovery and Resilience Facility?

Unprecedented times call for unprecedented measures. As part of a wide-ranging European response and the cornerstone of NextGenerationEU instrument[2], the Recovery and Resilience Facility (RRF) was set up to mitigate the economic and social impact of the coronavirus pandemic.

At the same time, the RRF is also forward-looking. It therefore aims not only to help the EU recover from the crisis, but also make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions.

For these purposes, the RRF will disburse up to EUR 800 billion (in current prices) in grants and loans to Member States.

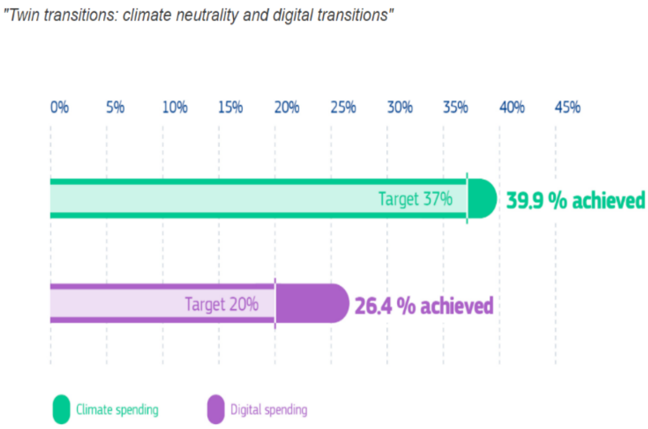
How does it work in practice?

To benefit from the support under the Facility, Member States submit their national recovery and resilience plans. Each plan sets out reforms and investments to be implemented by the end of 2026.

Importantly, each plan needs to comply with a set of 11 assessment criteria outlined in the RRF Regulation. These criteria include, for instance, that each plan should effectively address the relevant country-specific challenges identified in the European Semester[3]. Another criterion is that a plan cannot be approved if it contains measures that do significant harm to the environment. Each plan further needs to outline monitoring and control systems which the Member State will apply for the reforms and investments under the RRF.

What are the objectives of the RRF?

The twin transition and the six pillars



Source: [The European Commission's RRF website]

To accelerate the green and digital transitions, each Member State must dedicate at least 37% of funds to measures contributing to climate objectives and at least 20% of the expenditure to contribute to the digital transition.

Across the national recovery and resilience plans that have been approved so far, Member States have exceeded these targets. They have allocated almost 40% of the spending to climate measures and more than 26% of funds to the digital transition.

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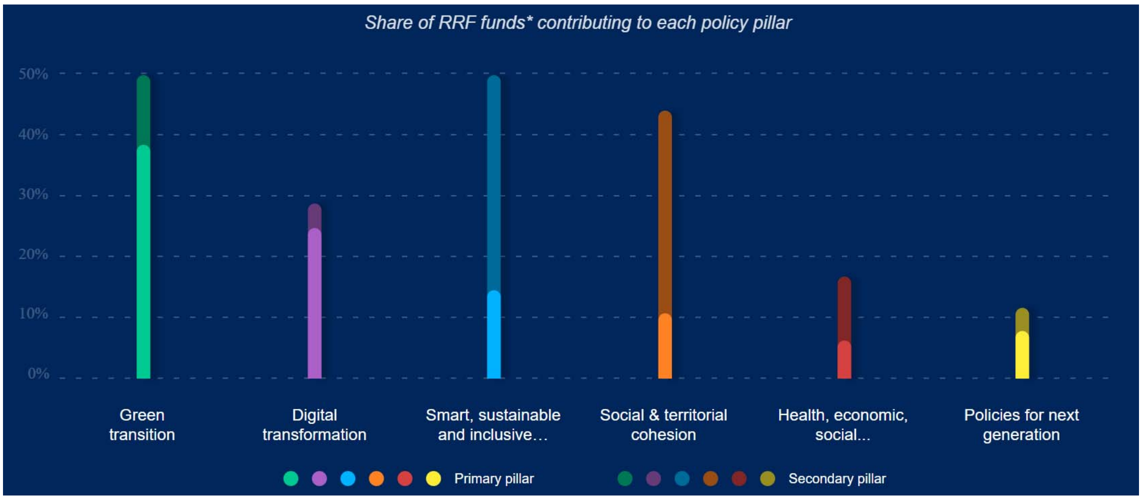
1 This paper was prepared by the Commission services for the roundtable discussion on the Recovery and Resilience Facility organised by the European Affairs Committee of the House of Representatives of the Netherlands on 26 January 2022.

2 For more information on NextGenerationEU, see https://ec.europa.eu/info/strategy/recovery-plan-europe_en.

3 For more information on the European Semester, see https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester_en.

More generally, the Facility can support recovery and resilience within the scope of six broad policy areas ('six pillars'): green transition; digital transformation; smart, sustainable and inclusive growth; social and territorial cohesion; health, and economic, social and institutional resilience; and policies for the next generation, children and the youth.

While each of the national recovery and resilience plans covers all of the six pillars, they do so to varying degrees, depending on each Member State's national specificities.



The graph reflects the share of the RRF funds contributing to each policy pillar. As each measure contributes towards two of the six pillars, the total contribution to all pillars, presented on this chart, amounts to 200%.
** Data relates to 22 national recovery and resilience plans that have so far been endorsed.*
Source: [The European Commission's Recovery and Resilience Scoreboard]

Economic convergence between Member States

The COVID-19 crisis is likely to have differential long-term effects on Member States, depending on, *i.a.* their starting position, different severity of the pandemic situation, and their economic resilience. The RRF supports reforms and investments that are sustainable and that favour economic growth, as these are essential to set the Member States' economies back on track and reduce inequalities and divergences in the Union.

The objective of improving the economic convergence between Member States has guided the allocation of the RRF funds. For 70% of the total funds available in grants, the allocation key takes into account:

- the Member State's population;
- the inverse of the gross domestic product (GDP) per capita; and
- the average unemployment rate over the past 5 years (2015-2019), compared to the EU average.

For the remaining 30%, instead of the unemployment rate, the observed loss in real GDP over 2020 and the observed cumulative loss in real GDP over the period 2020-2021 is considered.

What about the rule of a law and the protection of the financial interests of the Union?

Rule of law-related challenges can have a macro-economic relevance given their impact on business environment and investment climate. Such challenges can also have a bearing on the protection of the financial interests of the Union.

First of all, the RRF, like other programmes under the Multiannual Financial Framework, must be implemented in accordance with the Financial Regulation and the Regulation on a general regime of conditionality for the protection of the Union budget. As such, the horizontal instruments that apply for the protection of the EU budget, including from a rule of law perspective, also apply to the RRF.

Secondly, from a RRF perspective, Member States have to address the relevant country-specific recommendations, which relate in particular to: the fight against corruption, the effectiveness of justice systems, or the predictability and transparency of policy making. During the assessment phase, the Commission paid particular attention to whether measures proposed in the national recovery and resilience plans effectively address the identified challenges.

Moreover, to benefit from the RRF funds, Member States must have in place effective and efficient internal audit and control systems, allowing to prevent, detect and correct serious financial irregularities. In case serious irregularities are found and Member States do not correct them, the Commission can apply a financial correction.

State of play of the RRF implementation

RRF implementation in numbers

So far, the recovery and resilience plans of 22 Member States[4] have received a positive assessment of the European Commission and been approved by the Council. The assessment of national plans of four Member States[5] is ongoing. The Netherlands have not yet submitted a plan and the Commission is currently exchanging with the Dutch authorities.

The Commission has already disbursed more than EUR 54 billion in pre-financing payments[6] to 20 Member States[7]. All future payments will be conditional on the implementation of reforms and investments included in each national plan and the fulfilment of specific milestones and targets related to those. So far, four Member States (Spain, France, Greece and Italy) have submitted their first payment requests and the first payment of EUR 10 billion was made to Spain at the end of December 2021.

Recovery and Resilience Scoreboard

In order to ensure transparency and accountability, on 15 December 2021, the European Commission has launched the Recovery and Resilience Scoreboard[8]. This Scoreboard is a public online platform allowing to monitor the implementation of the RRF as a whole as well as showing progress of the individual national recovery and resilience plans.

Conclusion

With the vast majority of national recovery and resilience plans having already been approved, the overall focus shifts towards the implementation. It will be key that the highly ambitious plans adopted so far are effectively implemented, to translate in concrete outcomes for the European citizens.

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4 Austria, Belgium, Cyprus, Czech Republic, Denmark, Germany, Estonia, Greece, Spain, Finland, France, Croatia, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Portugal, Romania, Slovakia, Slovenia.

5 Bulgaria, Hungary, Poland, Sweden.

6 Pre-financing is equivalent to 13% of the country's total financial allocation under the RRF. It is disbursed to kick-start the implementation of the crucial investment and reform measures.

7 Austria, Belgium, Cyprus, Czech Republic, Denmark, Germany, Estonia, Greece, Spain, France, Croatia, Italy, Latvia, Lithuania, Luxembourg, Malta, Portugal, Romania, Slovakia, Slovenia.

8 The RRF Scoreboard is available at: https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html.