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DISCLAIMER

This document is based on the Proposal for a Regulation on the Recovery and Resilience Facility (hereafter ‘the Proposal’) adopted by the Commission on 28 May 2020 and takes into account the conclusions of the European Council of 17-21 July 2020. It takes into account the co-legislators’ latest discussions on the proposal and will therefore be updated when necessary, particularly once the co-legislators reach an agreement on the Regulation. The document reflects in particular the scope and objectives of the Proposal (Articles 3 and 4), the structure of the recovery and resilience plans (Article 15) and the corresponding assessment criteria in Article 16 and Annex II. The guidance is intended to help Member States prepare and present their recovery and resilience plans in a coherent way and is without prejudice to the ongoing negotiations on the Proposal in the European Parliament and the Council.

STRUCTURE OF THE DOCUMENT

The Proposal, in particular Article 15, outlines the information Member States need to provide in their recovery and resilience plan. Article 16 and Annex II provide criteria for the assessment of the plans and criteria to specify the nature of the reforms and investments that should be part of the plans. The criteria will be taken into account by the Commission when making its assessment under Article 16. The guidance and the proposed template (annexed) reflect this approach:

- Part I on the reform and investment objectives covers the overall contribution of the plan to the Proposal’s objectives and to the Semester priorities as well as the overall coherence of the plan and its components.
- Part II covers a description of the individual reforms and investments, structured through ‘components’.
- Part III covers the implementation of the plan and the complementarity with other EU programmes.
- Part IV covers the expected impact of the plan.

TIMELINE

According to the Proposal, Member States may submit their recovery and resilience plans at the latest by 30 April 2021. They may also wish to send a draft plan as from 15 October 2020. Member States are encouraged to have informal contacts with the Commission services as early as possible when preparing the plans. Member States are also invited to discuss with the Commission the draft recovery and resilience plans together with their draft programming documents for cohesion policy, including REACT-EU and the Just Transition Fund.
PART 1: GENERAL OBJECTIVES AND COHERENCE OF THE PLAN

The recovery and resilience plans need to reflect a substantive reform and investment effort. Both reforms and investments must be coherent and adequately address the challenges in the individual Member State. The reform efforts and investment put forward must be substantial and credible. To this end and as indicated in Article 15(3), the recovery and resilience plan shall be duly reasoned and substantiated. The Commission will assess the recovery and resilience plans prepared by the Member States on the basis of the criteria set out in Article 16(3) and Annex II of the Proposal.

The same procedure will apply to the assessment of both non-repayable financial contribution and loan requests, as explained later in this guidance. According to Article 11 of the Proposal, Member States may submit requests up to their maximum financial contribution to implement their recovery and resilience plans. According to Article 12, Member States can in addition to this allocation request a loan support, with a maximum ceiling, if they can provide evidence of higher financial needs linked to additional reforms and investments.

1. General objective/Executive summary

Background: Article 4(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.”

Member States are facing a number of challenges aggravated by and/or resulting from the COVID-19 crisis that the Recovery and Resilience Facility will help to address. As an introduction to their recovery and resilience plans and in the form of an executive summary, Member States are invited to describe: (i) the main challenges that they are facing and (ii) how addressing them through the recovery and resilience plan will contribute to the achievement of the following four general objectives:

1. Promoting the Union’s economic, social and territorial cohesion
2. Strengthening economic and social resilience
3. Mitigating the social and economic impact of the crisis
4. Supporting the green and digital transitions

The executive summary should outline the main narrative of the plan. Member States are invited to publish their plans to enable the European Parliament, the other Member States, the Commission and the public at large to have an overview of what the recovery and resilience plan will achieve. It should be illustrated by key facts and figures that provide a quantitative insight into the overall estimated impact of the plan. Examples of such facts and figures are provided below.

Sub-section 1.1: General objectives of the plan and justification (facts and figures)

1) Promoting the Union’s economic, social and territorial cohesion
The Proposal is based on Article 175(3) of the Treaty on the Functioning of the European Union (TFEU). As such, the Facility aims to promote the Union’s economic, social and territorial cohesion by improving the resilience and adjustment capacity of the Member States, and by mitigating the socio-economic impact of the COVID-19 crisis and becoming (more) resilient. Member States should outline how their plan will contribute to enhancing cohesion, taking into account local, regional and national disparities. Overarching challenges such as those linked to the demographic context can also be explained under this section.

Examples of facts and figures: Member States are invited to provide for instance official national and regional statistics on income (level and distribution), population, education, skills or employment, including indications of trends and changes in these areas in recent years and as a consequence of the COVID-19 crisis and their comparison with EU averages. Member States can also outline how the plan is expected to mitigate disparities and support cohesion.

2) Strengthening economic and social resilience

Resilience refers to the ability to withstand and respond to shocks and challenges, and recover quickly in a fair, sustainable and inclusive manner. The COVID-19 crisis has put to test the capacity of Member States and the Union to cope with large and unexpected shocks. The crisis is multidimensional. The pandemic has revealed the vulnerabilities of health systems to cope with high contagion rates and supply disruptions. The resulting economic crisis is affecting Member States’ capacity to grow while exacerbating existing, and possibly creating new, macroeconomic imbalances. There is also the need to strengthen the resilience of some critical supply chains especially for sectors most exposed to external shocks.

Member States should outline in this section how the plans will contribute to strengthening their economic and social resilience, in particular how the implementation of the plans will support them to come out stronger from this crisis, be better prepared to address future challenges and reinforce the long-term competitiveness of the EU economy.

Facts and figures: Member States are invited to provide data regarding the expected impact of the plan on macroeconomic stability, productivity and macroeconomic imbalances in the relevant cases, the strengthening of the social resilience (in relation to employment, skills and social policies), in particular when it comes to the most vulnerable groups, the health and care systems, the safeguarding of key value chains and critical infrastructure, ensuring access to critical raw materials, strategic autonomy, improved connectivity, the diversification and resilience of their key economic ecosystems, and the fitness of their business environment. Member States can also describe the impact of their plan on public finances and financial buffers in the private sector as an indicator of financial resilience.

3) Mitigating the social and economic impact of the crisis

Member States should outline in general terms how the plan responds coherently to the economic and social fallout of the crisis and in particular explain how the plan is expected to achieve a fast and robust recovery. The Member States are invited to explain in broad terms how the plans are coherent with, and effectively contribute to implementing the European

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Pillar of Social Rights in relation to its dimensions of equal opportunities and access to the labour market, fair working conditions and social protection and inclusion.

**Facts and figures:** Member States are invited to provide indicators on the economic and social impact of the crisis, in particular from the social scoreboard. They can provide indicators to reflect the expected economic impact of the crisis on GDP, household income, health and care systems, unemployment, employment and activity rates, education, skills and lifelong learning, risk of poverty or social exclusion rates, as well as the impact on businesses. Member States are also invited to provide the expected impacts of the plan on the above indicators. Member States are encouraged to highlight the social and economic impact across various groups in the society (for instance distributional impact) and the situation of vulnerable groups.

4) **Supporting the green and digital transitions**

In line with the political priorities of the Union, the Recovery and Resilience Facility is designed to foster a sustainable and inclusive recovery and promote the green and digital transitions. Member States should explain how the plans are coherent with the priorities of the European Green Deal and those set out in “Shaping Europe’s digital future”\(^2\), in particular how the plan supports actions in full respect of the climate, environmental, social and digital priorities of the Union and the ‘do no significant harm principle’, and how each plan will concretely achieve the 37% climate mainstreaming target. Furthermore, they should demonstrate consistency with their National Energy and Climate Plan (or updates thereof). On digital, the Commission proposes that each recovery and resilience plan includes a minimum level of 20% of expenditure related to digital. Member States should explain how the implementation their plan will contribute to the achievement of this target. For both dimensions, Member States are also invited to explain how the proposed plan, in general, will ensure that the workforce will be appropriately re- and upskilled.

**Facts and figures:**

- **Member States are invited to explain to what extent the plan will contribute to achieving the 2030 climate and energy targets, as well as climate neutrality by 2050 and other environmental goals.** On climate, national targets should be in line with those of the EU climate law proposed by the Commission in March 2020 and September 2020, with a 2050 timeframe. Targets are currently under revision but irrespective of the outcome Member States should specify the impact of the reforms and investments on the reduction of greenhouse gas emissions, share of renewable energy, the energy efficiency, energy system integration, new clean energy technologies and the electricity interconnection. Similarly, Member States are invited to explain how the plan will contribute to reaching the environmental goals and targets set at EU level, for instance the sustainable use and protection of water and marine resources, transition to a circular economy, waste prevention and recycling, pollution prevention control, and protection and restoration of healthy ecosystems, including forests, wetlands, peatlands and coastal areas, and the planting of trees and greening of urban areas. Member States are also invited to explain how the plan will respect the do no significant harm principle.

\(^2\) Communication from the Commission, Shaping Europe’s digital future, COM(2020) 67 final
• Member States are invited to explain how the plan will contribute to improving their digital performance as measured by the dimensions of the Digital Economy and Society Index (DESI)
. This could include, as relevant, and if feasible for the different areas: improving connectivity in line with the EU 2025 objectives, including via a wide-spread deployment of very high capacity networks, including fibre and 5G connectivity, and by reducing the cost and increasing the speed of network roll-out; ensuring effective digital public services; ICT research & development, and integration of digital technology by businesses; deploying digital capacities; promoting cyber-resilience, and increasing the digital skills of EU citizens (including for vulnerable social groups) and the availability of digital technology experts. Targets and impact measurements should relate to the EU’s digital strategy and its objectives and, to the extent possible, the indicators measured in the DESI.

Sub-section 1.2: Flagship initiatives

At the end of the executive summary, Member States are invited to provide information on which components of their national recovery and resilience plan will contribute to the seven European Flagships identified in the Communication on the 2021 Annual Sustainable Growth Strategy: 1) Power up, 2) Renovate, 3) Recharge and Refuel, 4) Connect, 5) Modernise, 6) Scale-up and 7) Reskill and upskill. For each of the flagships, these are EU-wide ambitions:

1. **Power up:** Support the building and sector integration of almost 40% of the 500 GW of renewable power generation needed by 2030, support the instalment of 6 GW of electrolyser capacity and the production and transportation of 1 million tonnes of renewable hydrogen across the EU by 2025.

2. **Renovate:** By 2025, contribute to the doubling of the renovation rate and the fostering of deep renovation.

3. **Recharge and refuel:** By 2025, aim to build one out of the three million charging points needed in 2030 and half of the 1000 hydrogen stations needed.

4. **Connect:** Ensure that by 2025 there is the widest possible uninterrupted 5G coverage for all areas.

5. **Modernise:** By 2025, ensure the provision of a European digital identity (e-ID) and public administrations should be providing interoperable, personalised and user-friendly digital public services.

6. **Scale-up:** By 2025, double the production of semi-conductors in Europe, to produce 10 times more energy efficient processors and to double the share of EU companies using advanced cloud services and big date (from 16% today)

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7. **Reskill and upskill:** By 2025, the share of Europeans aged from 16 to 74 with basic digital skills should increase to reach 70%. Education systems need to be further adapted to the challenges of the 21st century. Member States should ensure that pupils’ digital competence is significantly improved, in order to reduce the share of 13-14 year old students who underperform in computer and information literacy to under 15%. By 2025, at least four in five VET graduates should be employed and three in five should benefit from on-the-job-training.

For each flagship, Member States are invited to provide an analysis of the existing national challenges (including the existence of market or systemic failures) related to the development of the European flagships. In this regard, they are invited to describe their status quo (existing national strategies and targets) and how they can be further developed to meet the 2025 EU-wide ambitions of each flagship. Member States are invited to describe the relevant reforms and investments supported by the Facility. This description may include the delivery models to implement the measures (including how they would act as investments multipliers and would contribute to a maximum of beneficiaries who shall co-finance projects and minimise competition distortions) and the main actors involved. Member States are invited to describe which of their measures supported by the Facility contribute to the EU-wide ambitions of each flagship.

2. **Link with the European Semester**

*Background:*

- Article 15(3)(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”
- Article 16(3)(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;”
- Annex II section 2.1

Member States should look at the full set of country-specific recommendations addressed to them by the Council, in particular under the 2019 and 2020 Semester cycles. Unless the Commission has assessed the progress with these recommendations as ‘substantial progress’ or ‘full implementation’, all country-specific recommendations are considered to be relevant. Member States should provide a detailed explanation of how the country-specific recommendations are addressed by the proposed measures.

Against this background, any prioritisation of country-specific recommendations in the plan should be justified. In particular, it should be indicated why these prioritised challenges are considered more significant to boost the sustainable growth potential of the economy of the Member State and improve its economic and social resilience.

Important Union priorities that have been addressed in country-specific recommendations and that will contribute to a swift implementation of reforms and investments should be reflected in the Member States’ priority setting. These are notably the following:
• The application of the anti-money laundering framework, anti-fraud and anti-corruption activities in the EU as, with more money flows being part of the EU financial system, it will become even more important to detect early the weaknesses in those areas. This is important to ensure the financial resilience.

• Reforms linked to improving the business environment, an effective public administration, the effectiveness of justice systems and in a broader sense respect of the Rule of Law are essential elements of the Member States’ overall recovery strategy as they contribute to ensuring a swift implementation of reforms and investments, including from the private sector.

• The fight against aggressive tax planning, since, more than ever, the upcoming economic recovery requires Member States to secure tax revenues for public investment and reforms and avoid distortion of competition between firms.

3. **Coherence**  
   **Background:**

• *Article 15 (3) (i): “a justification of the coherence of the recovery and resilience plan;”*

• *Article 16 (3) (f): “whether the recovery and resilience plan contains measures for the implementation of reforms and public investments projects that represent coherent actions;”*

• *Annex II section 2.6*

Member States should put forward recovery and resilience plans that are coherent. They should therefore demonstrate coherence between reforms and investments as well as demonstrate the coherence within the overall plan. In particular, the coherence between the reform and the investment dimensions of the plan will need to be detailed. This could be done with reference to a specific sector or activity or to a specific theme, as explained in the next section.
PART 2: DESCRIPTION OF REFORMS AND INVESTMENTS

1. **Description of the component**

The Recovery and Resilience Plans should be composed of reforms and investments, grouped in coherent components. A component is a constituent element or a part of the recovery and resilience plan. Each component should reflect related reform and investment priorities in a policy area or related policy areas, sectors, activities or themes, aiming at tackling specific challenges, forming a coherent package with mutually reinforcing measures.

The components should be of a sufficient granularity / specificity to show a direct link between the proposed measures therein.

Member States are invited to present each component separately, and for each component to include the various elements mentioned in Part 2. Namely, for each component, the Member States are invited to detail the investments and reforms included in the component, their expected contribution to the objectives of the Facility; the related milestones, targets and timeline; and their financing and costing. In each case, Member States are invited to provide clear evidence and analysis to underpin, explain and motivate the investment and reform. Components to be covered by a loan should be indicated separately, with the same elements included therein.

Member States are invited to develop components that reflect national preferences in line with the overarching principles in the Box below. Each component should support one or more of these principles.

**Box: Overarching principles underpinning a component**

1) The proposed reforms and investments tackle one or more of the challenges outlined in the Member State’s country-specific recommendations.

2) The proposed reforms and investments contribute to the digital or green transitions, going beyond the issues addressed in the country-specific recommendations.

3) The proposed reforms and investments contribute to effectively strengthen the sustainable growth potential, job creation, and economic and social resilience, and mitigate the economic and social impact of the crisis while fostering cohesion and convergence.
<table>
<thead>
<tr>
<th>Labour market, education, health and social policies</th>
<th>Public finances and taxation</th>
<th>Sectoral policies</th>
<th>Green transition</th>
<th>Digital transition</th>
<th>Business environment</th>
<th>Public administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Upskilling and reskilling of the working age population</td>
<td>- Improving revenue collection</td>
<td>- Fostering research and innovation</td>
<td>- Reducing greenhouse gas emissions</td>
<td>- Deploying very high capacity networks, including fibre and 5G and 6G</td>
<td>- Improving the business environment, especially for SMEs, and innovation ecosystems</td>
<td>- Improving the quality and effectiveness of public administration;</td>
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<tr>
<td>- Reducing labour market segmentation</td>
<td>- Reducing the tax burden on labour in a budget neutral way</td>
<td>- Strengthening competition &amp; regulatory framework</td>
<td>- Improving carbon pricing</td>
<td>- Ensuring Gigabit connectivity for socio-economic drivers</td>
<td>- Reducing administrative burden;</td>
<td>- Reducing administrative burden;</td>
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<tr>
<td>- Improving coverage of short-time work schemes and unemployment benefits</td>
<td>- Broadening tax bases / greening tax bases</td>
<td>- Improving access to finance</td>
<td>- Improving the energy and resource efficiency of public infrastructures</td>
<td>- Digitalising public administration and public services</td>
<td>- Making the public administration a facilitator for innovation;</td>
<td>- Making the public administration a facilitator for innovation;</td>
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<tr>
<td>- Ensuring equality for all and inclusion of persons with disabilities in accordance with obligations under the UN Convention on the Rights of Persons with disabilities,</td>
<td>- Fighting against tax evasion</td>
<td>- Measures to improve the resilience of key sectors of the economy</td>
<td>- Improving energy performance of the building stock through a renovation wave</td>
<td>- Strengthening the insolvency framework</td>
<td>- Ensuring high quality and modern management;</td>
<td>- Ensuring high quality and modern management;</td>
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<tr>
<td>- Improving labour market participation, including vulnerable groups</td>
<td>- Improving tax administration</td>
<td>- Developing local capital markets</td>
<td>- Supporting clean energy deployment, notably though renewable energy, smart grid and storage infrastructure</td>
<td>- Measures to reduce private indebtedness</td>
<td>- Reducing risks of mismanagement and corruption;</td>
<td>- Reducing risks of mismanagement and corruption;</td>
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<tr>
<td>- Improving the resilience, accessibility and effectiveness of health and care systems, their accessibility and their crisis preparedness</td>
<td>- Tackling tax avoidance</td>
<td>- Ensuring food safety</td>
<td>- Supporting the development and deployment of innovative clean technologies</td>
<td>- Removing unnecessary and unjustified regulatory and non-regulatory barriers to the Single Market for goods and services</td>
<td>- Improving the effective management of public funds</td>
<td>- Improving the effective management of public funds</td>
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<td>- Strengthening social protection (including long-term care)</td>
<td>- Spending reviews</td>
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<td>- Promoting the circular economy, the sustainable blue economy and bi-economy</td>
<td>- Strengthening administrative capacity for law enforcement</td>
<td>- Ensuring that civil servants have the right skills to deal with the digital and green transition</td>
<td>- Ensuring that civil servants have the right skills to deal with the digital and green transition</td>
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<td>- Strengthening the link between education and training and the labour market</td>
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<td>- Increasing the use of sustainable and environmentally friendly transport,</td>
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<tr>
<td>- Developing skills for green and digital transitions</td>
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<td>- Improving environmental infrastructure</td>
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<td></td>
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<td>- Reducing waste, improving waste management systems and water management, and reducing pollution</td>
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<td>- Restoration of ecosystems, such as forests, wetlands, peatlands, protection of biodiversity and promoting nature-based solutions.</td>
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<td>- Promoting sustainable food production and consumption</td>
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<td></td>
<td></td>
<td></td>
<td>- Greening urban spaces</td>
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</table>
2. **Reforms**

*Background:*

- **Article 14(1):** “These plans shall set out the reform and investment agenda of the Member State concerned. 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.”
- **Article 16(3)(f):** “whether the recovery and resilience plan contains measures for the implementation of reforms and public investments projects that represent coherent actions;”

*Characteristics of reforms*

A reform is an action or process of making changes and improvements with significant impact and long-lasting effects on the functioning of a market or policy, the functioning or structures of an institution or administration, or on progress to relevant policy objectives, such as growth and jobs, resilience and the twin transitions.

The aim of a reform is to structurally change parameters, address necessary drivers, or remove obstacles or other hindrances to the proper performance or to the fundamentals of fair and sustainable growth and wellbeing. Reforms should also improve the framework conditions in areas such as quality of public institutions and services, as well as the business environment, education or social protection. There are therefore important synergies between reforms and investments covered under the Facility.

In some cases, reforms will be essential to ensure the efficient and effective implementation of investments by providing a supportive business and administrative environment and by preventing the misuse of EU funding (i.e. anti-corruption, anti-fraud strategies as well as anti-money laundering, see section 1.2).

Plans should address those areas in need of reform to improve the functioning of the economy and society and the sustainability of public finances today, to create jobs, to enhance inclusive growth and social cohesion and to make sectors, economies and social systems more future-proof and more resilient to shocks and change. In this context, modernizing and improving the efficiency and quality of public administration is essential.

The reforms should be duly reasoned and substantiated (Art. 15(3)). This means that the information provided on each reform included in the plan needs to be sufficiently granular to determine whether they address the overarching objectives (actors, timeline of the reforms need to be detailed) and to serve as a basis to establish the relevant milestones and targets, and calculate the estimated associated costs.

**Impacts and effectiveness of reforms**

Member States can rely on different elements to indicate the estimated impacts of reforms and to substantiate their expected effectiveness. For instance, reforms can have a major positive impact by raising potential sustainable growth or by strengthening economic and social resilience, ensuring the long-term sustainability of public finances, improving the business environment (especially for SMEs,) or by accelerating the twin transitions.
Examples of such types of reforms are pension reforms, labour market reforms, education and training reforms, reforms improving the business environment by addressing regulatory requirements and red tape or well-designed and comprehensive reform packages in the green and digital sectors.

Reforms can have a larger impact when they reinforce the effects of other reforms or investments in the Plan through an appropriate combination and sequencing of implementation. Reforms might also bring budgetary savings (such as some pension reforms or the removal of environmentally harmful national subsidies), or increase the revenue potential in the medium to long-run (as a second-round effect from fostering a more efficient, digital and sustainable economy with a higher potential output, lower structural unemployment, increased labour force participation or higher innovation capacity), or from a combination of all these effects. For instance, shifting away from labour taxation into well-designed environmental taxation, with due consideration to possible distributional effects, has the potential to stimulate employment, change behaviour towards more sustainable consumption and production and to help the EU and Member States achieve their environmental and climate objectives.

The sustainability effects of reforms can also be measured as regards the attainment of the objectives linked to the green and digital transition, in coherence notably with the National Energy and Climate Plans and the focus on just transition requirements under the Green Deal. The social dimension of these transitions and their impact on equality should be factored in by Member States in the analysis of the impact of the reform proposals presented in their plans.

Member States are encouraged to seek the opinion of their national productivity boards and/or independent fiscal authorities on their recovery and resilience plans. Member States are also invited to outline in the plan how the social partners, and as appropriate civil society organisations, have been consulted and involved in designing the reforms included in the plan.

3. **Investments**

   **Background:**

   1. *Article 14(1): “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. *Article 15(3)(c): “the envisaged investment projects, and the related investment period;”*

   3. *Article 16(3)(f): “whether the recovery and resilience plan contains measures for the implementation of reforms and public investments projects that represent coherent actions;”*

   **Characteristics of an investment**

   When preparing their plans, Member States should consider an investment as an expenditure on an activity, project, or other action within the scope of the Proposal that is expected to bring beneficial results to society, the economy and/or the environment. The Proposal aims at promoting measures that, if taken now, would bring about a structural change and have a
last lasting impact on economic and social resilience, sustainability and long-term competitiveness (green and digital transitions), and employment.

The Proposal is therefore consistent with a broad concept of investment as capital formation in areas such as fixed capital, human capital, and natural capital. This would also cover for instance intangible assets such as R&D, data, intellectual property and skills. Funding should also respect the ‘do no significant harm’ principle. When applying this principle, Member States are invited to take into account the Taxonomy Regulation (in particular its article 17).

Fixed capital is broadly equivalent to the concept of ‘gross fixed capital formation’ used in national accounts (e.g. infrastructure, buildings, but also some intangibles like R&D, patents or software). Human capital is accumulated by means of spending on health, social protection, education and training, etc.

Natural capital is enhanced by actions aiming at increasing resource efficiency and the share of renewable natural resources, protecting or restoring the environment (e.g. emission reduction, waste and water management, pollution control, protection and restorations of ecosystems and biodiversity, land rehabilitation, reforestation), or by mitigating/adapting to climate change.

Promoting social, economic and territorial cohesion, fostering employment creation and mitigating the social impacts of the crisis and promoting sustainable and inclusive growth are explicitly in the scope and objectives of the Proposal, and investments in fixed, human and natural capital that contribute to these objectives are encouraged. For instance, investments to improve external border controls and internal market surveillance will contribute to resilience by improving the safety and reliability of goods and services entering and circulating freely in the internal market. Also, investing in rural areas through a long-term vision will stimulate urgently needed economic growth in those areas.

Nevertheless, not all types of expenditures will be covered by the Facility. Member States should focus on covering costs that are of a non-recurrent nature. Exceptionally, expenses of a recurrent nature may be financed to the extent that the Member State is able to demonstrate that they will produce longer-term effects in line with the objectives of the Facility, that their financing will be sustainably ensured after the duration of the Facility and that the negative effect on the government balance is only temporary. The main criteria to take into account is (i) whether the cost is an integral part of a reform/investment, and (ii) this reform/investment meets the assessment criteria (see Q&A from 28 July 2020 for a detailed overview: human resources in public administration, acquisition of financial assets, intangible assets, compensation costs, technical support, subsidies). Member States should ensure that all investments comply with the EU State aid rules and follow all regular procedures and rules. Investments should not cover areas that are already satisfactorily covered by the market but should address market failures and, to the extent possible, aim at attracting private investors to multiply the impact of the Recovery and Resilience Facility.

The timeline of investments should take into account the timeline of the Recovery and Resilience Facility. Member States should therefore avoid investment whose implementation cannot be ensured within the timespan of the Facility, and be cautious in considering investments that would require permanent fiscal commitments beyond the lifespan of the Facility, as those commitments would require budgetary savings within the national budgets.
Such situations could nevertheless be envisaged if Member States explain how they will sustain fiscal commitments going forward to support the investment.

When presenting their investments in the recovery and resilience plan, Member States should set out a sufficiently detailed breakdown of all the investment elements.

Types of investments

Investments can take the form of direct investments (e.g. financing a project with public money), or be implemented in more indirect ways (such as building renovations to improve energy and resource efficiency, measures to help digitalise small businesses, development of research and technology infrastructures or large-scale low-carbon technology demonstrators). This can take the form of financial instruments, support schemes, subsidies and other facilities. When structuring the investments, Member States should ensure that all applicable rules are complied with, in particular State aid and competition rules. Support should be provided in a well-targeted and least trade distortive manner, in line with the EU’s pursuit of a model of open strategic autonomy and its international obligations. This is particularly relevant for large investments, including Important Projects of Common European Interest (IPCEI).

Member States are invited to also specify if they expect that the public investments undertaken under the Facility will generate associated private investments. This is important to assess the overall impacts of the proposed measures. Likewise, Member States should specify how they avoid crowding out of private investments.

Overall, the EU green public procurement criteria should be used in all relevant public purchases.

Cross-border and multi-country projects

Cross-border and multi-country projects are essential for the recovery and to strengthening Europe’s resilience and are of a particular relevance for the flagship initiatives; they have the potential to better integrate value chains and deepen the Single Market. Member States can decide for example to include investments on cross-border projects in the digital, transport, energy or waste sectors (i.e. infrastructure projects implementing the Trans-European Transport and Energy Networks, fast-tracking long distance recharging/refueling infrastructure for zero- and low-emissions propulsion, Single European Sky and European Rail Traffic Management System, energy interconnections in the context of the Energy Union (including cross-border renewable projects), 5G corridors on roads and railways in the context of EU’s Digital Strategy). Member States should coordinate the preparation of their plans with the Member States that would be affected by the cross-border or multi-country project. This can for example cover rail infrastructures, common digital infrastructures or the integration of energy grids or systems or use part of their non-repayable contribution through the Renewables Energy Financing Mechanism and/or cooperation mechanisms on renewables.
Cross-border and multi-country projects or projects having a Single Market dimension such as the important projects of common European interest\(^4\) can go beyond the sphere of infrastructure investments. For instance, Member States are encouraged to work together to develop technologies and systems for a functioning clean hydrogen market, develop European battery technology capabilities, develop joint capabilities in advanced digital technologies such as European data cloud, microelectronics and processors, high-performance computing or quantum, partnerships to deploy the Pact for Skills, or support the circular economy, cross-border cooperation in strategic sectors such as space, defence and secure connectivity. They can also invest to reinforce market surveillance infrastructures (testing laboratories, IT systems), digitalisation and wider usage of a common IT system, and in the deployment of sufficient human resources.

Cross-border initiatives could also be linked to EU initiatives (e.g. Industrial Alliances or Horizon Europe R&I partnerships), including projects also supported by EU programmes such as InvestEU, Horizon Europe, Creative Europe, Connecting Europe Facility, the Single Market Programme, the Innovation and Modernisation funds and Digital Europe, to increase the coherence and effectiveness of funding. In all of the above, special attention needs to be paid to including SMEs in these projects and initiatives.

The Commission will play an active role to ensure that multi-country projects are open to all interested Member States, to maximise their potential to integrate value chains, strengthen the resilience of industrial ecosystems and deepen the Single Market, and in line with the economic, social and territorial cohesion goals pursued by the Facility. The Commission stands ready to provide a coordination mechanism whenever Member States deem it suitable. Moreover, provisions and frameworks are available to organise and facilitate the implementation of projects including the joint procurement of goods, services and works by authorities within and across different Member States.

Member States should indicate which other Member States are involved, and the modalities for reporting, milestones and targets, and disbursements should be clearly divided between the concerned Member States to avoid overlaps and delays in assessment and implementation. The successful completion of one recovery and resilience plan should be independent of that of another country.

4. **Green and digital dimensions of the component**

*Background:*

- **Article 15(3)(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”
- **Article 16(3)(b):** whether the plan contains measures that effectively contribute to the green and the digital transitions or to addressing the challenges resulting from them;”
- **Annex II section 2.2**

Green transition

\(^4\) [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_2014.188.01.0004.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_2014.188.01.0004.01.ENG)
Member States should explain to what extent the plan will contribute to achieving climate neutrality and the 2030 energy and climate targets entailed in the National Energy and Climate Plans (and updates thereof). They should also explain how it respects the 37% climate mainstreaming target. To this effect, Member States should use the methodology for climate tracking applied for cohesion policy funds, in particular as set out in Table 1, Table 4 and Table 6 of Annex I to [Common Provision Regulation COM(2018) 375] as regards the calculation of the coefficient for support to the climate change objectives.

The EU climate law proposed by the Commission in March 2020 sets out strategic climate objectives and targets with a 2050 timeframe. The Commission proposal of 15 September increases the CO2 reduction target by 2030 for Europe. Member States should specify the scope, timeline and expected impact of the measures on the reduction of greenhouse gas emissions or adaptation to climate change, share of renewable energy, the energy efficiency and the electricity interconnection. This should be done by selecting indicators consistent with the national energy and climate plans.

As regards the environmental objectives of the green transition, Member States should explain how the measures will help to meet targets for waste, water, pollution control, sustainable mobility, biodiversity protection and restoration, marine and water resources, and support the transition to sustainable food systems as well as to a circular economy as appropriate, while ensuring that nobody is left behind. Due attention should also be paid to the development and deployment of research and innovation as well as acquisition of the skills needed to address those objectives and accelerate the deployment of the technologies needed for the green transition. Finally, Member States should explain how in their overall design of the plan, due care is taken of the objective to ensure a just transition.

When explaining to what extent the proposed measures contribute to the green transition or to addressing the challenges resulting from it, Member States are invited to the extent possible to take into account the six climate and environmental objectives as defined in 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 (“EU Taxonomy Regulation”):

1) climate change mitigation
2) climate change adaptation
3) sustainable use and protection of water and marine resources
4) transition to a circular economy
5) pollution prevention and control
6) protection and restoration of biodiversity and ecosystems.

For the climate and environmental proofing of infrastructure investments, Member States are encouraged to apply the guidance from the Commission established under the InvestEU Regulation and the Connecting Europe Facility (CEF) Regulation. For the climate and environmental proofing of other types of investment than infrastructure, Member States are encouraged to apply climate proofing as laid down in the guidance from the Commission on sustainability proofing under the InvestEU Regulation.
Digital transition

The Commission proposes that each recovery and resilience plan includes a minimum level of 20% of expenditure related to digital. For the digital transition, particular attention will be paid to the contribution of the measures proposed to the digital transformation of the economic or social sectors (including public administration, including justice and health system and public services). When explaining to what extent the proposed measures contribute to the digital transition or to addressing the challenges resulting from it, Member States are invited to take as a reference, wherever possible, existing indicators such as those included in the Digital Economy and Society Index (DESI). The objective should be improving not only the competitiveness, but also the resilience, agility and security of companies and public actors, while ensuring inclusiveness.

Member States can for instance use the following categories to check the objectives of their investments:

1) connectivity: measures to bridge the digital divide including between rural and urban areas and address market failures with respect to the deployment of very high capacity networks, including fibre 5G and 6G coverage, notably large-scale 5G corridors and smart traffic management systems along transport pathways, access to very high capacity connectivity in urban and rural areas and affordable to all households and businesses, and connecting all socio-economic drivers to Gigabit networks, as well as developing quantum encryption communication. Full account should be taken of the 5G cybersecurity tool box.

2) digital-related investment in R&D: publicly funded Information and Communication Technology R&D (artificial intelligence, cybersecurity, block chain, Quantum) in all sectors, investments in data infrastructures for research.

3) human capital: developing digital capacity to support resilient and efficient education, training and research systems; enhancing digital skills and competences for the digital transformation, including audiovisual and media, and building a trusted European digital education ecosystem of content, tools, services and platforms, including to improve access to and build digital skills for to distance learning for those groups facing barriers to decrease the digital divide.

4) e-government, digital public services and local digital ecosystems: modernizing public administration using key digital enablers, e-ID, mobility of citizens, businesses, goods and services through cross-border interoperability, pan European cloud federation for delivering services of public interest notably e-health, accelerating administrative processes and facilitating digital interaction between administrations, citizens and businesses and improving decision-making and public services using advanced digital technologies including e-ID high performance computing, artificial intelligence.

5) digitalisation of businesses: speeding up decision making and execution with automation based on artificial intelligence, redesigning supply chains to optimize resilience and speed based on cross-sectoral data spaces and running on innovative, secure and energy efficient European cloud and edge infrastructures. Re-positioning in an advancing digital ecosystem, in particular via Digital Innovation Hubs.
6) investment in digital capacities and deployment of advanced technologies: such as data spaces, edge computing, high performance computing, cybersecurity, artificial intelligence, quantum computing infrastructures, cloud infrastructure, supply chain for the Internet of Things, electronic components and systems and microelectronics and in promoting diversification of supplies.

7) greening the digital sector: policies to reduce waste and energy consumption and to increase the use of renewable energy for digitalization and the use of waste heat from data centres.

Examples of investments

When designing their investments in relation to the twin transitions, Member States can take inspiration from the below examples.

**Box: Non-exhaustive examples of typical reforms and investments linked to the green and digital transitions**

**Green transition:**

- Renovation wave of residential buildings, social and affordable housing, private or public buildings (with a focus on schools and hospitals), modernisation of district heating systems and land restoration.
- Decarbonisation of industry, investments in energy efficiency in the industry sector and SMEs, supporting innovation, competitiveness of their value chains and reform programmes.
- Development of renewable energy capacities (including infrastructure) and other clean energy technologies (including renewable hydrogen and support to the uptake of these technologies, notably by SMEs), efficient district heating and cooling systems, power, fostering energy efficiency and carbon neutrality of industry, resilient smart grid and storage infrastructure.
- Investments in smart and sustainable mobility, such as the promotion of smart, safe and clean collective transport, development of waterborne and rail infrastructures, including the European rail signaling system (ERTMS).
- Stimulate agro-ecological approaches to farming and scale up investments leading to increased “green value added” processing by primary producers that would make the agricultural sector more resilient throughout the supply chain.
- Investments to support the climate-proofing of European forest, infrastructure and land, as well as the creation and restoration of land-based carbon sinks.
- Participation in financing initiatives to develop alternative energy sources such as renewable energy and renewable-based hydrogen, investments in charging infrastructure or other elements for reduction of transport-related emissions, insofar as these are cost effective and/or of strategic importance.
- Investments in waste (prevention and management) and water (re-use) infrastructure as well as environmental services for marginalised communities.
- Investments in circular economy and the bio-economy (industrial symbiosis sites; incentivising circular business models and resources efficient production as well as activities based on service instead of ownership, repair and reuse activities; support of tools aimed at increasing sustainable consumption).
- Investments in sustainable food production and consumption in line with objectives set out in the Farm to Fork Strategy.
- Investment in smart and sustainable mobility projects, in the whole battery value chain (from material to recycling), in renewable hydrogen technology, in sustainable alternative transport fuels.
- Mitigating measures for vulnerable households accompanying investments to improve the energy efficiency of public and private housing. Investments in heating systems and social housing.
- Investments in upgrading skills in construction and other relevant sectors; curricula reforms, setting up graduate tracking systems and modular vocational education and training programmes.
- Investments in biodiversity and nature-based solutions to increase resilience against natural disasters and climate change (restoration of ecosystems such as forests, wetlands, peatlands, free-flowing rivers and coastal ecosystems; improving infrastructure in protected areas and investing in nature-tourism; planting trees; greening urban spaces).

**Digital transition:**

- Investments in secure networks and other infrastructures to address market failures, bridge the digital divide and reach the EU’s 2025 connectivity objectives, in line with National Broadband Plans, to enable businesses, in particular SMEs, as well as all households, including in rural areas, to participate safely in the digital economy.
- Investments to address market failures and reinforce the EU’s open strategic autonomy and cybersecurity/cyber-resilience notably for the critical sectors of components and enabling technologies, for example by acquiring and improving access to advanced high performance computing (including quantum) and cybersecurity.
- Financing of digital skills and education programmes either for the labour force, students, citizens or the public sector. Upgrading education and training digital infrastructures and equipment (connectivity and digital devices); as well as teachers training in the use of ICT for teaching.
- Supporting small companies to reposition themselves after the pandemic in a more digital ecosystem with digital tools that respect European values and taking into account cybersecurity needs; and supporting the development of business models and skills to enable their organisational structures to keep pace securely and sustainably.
- Funding of Digital Innovation Hubs to support digitisation of industry and the public sector, including justice systems.
- Collective or synchronized investments in local, national and cross-border secure digital platforms and data spaces, and for businesses in the European Strategy for Data.
- Investments in the development and maintenance of infrastructures and databases for interoperable digital public services and their integration with the Once-Only principle infrastructure.
- Funding of material tracking systems and databases (i.e. product passport type information) to facilitate handling of materials and substances along the value chain and feed back to production processes.
- Supporting the development, uptake and upgrade of Electronic Health Records and interoperability, as well as promoting tele-health, including tele-medicine, tele-
monitoring, m-health, virtual consultation models. Enabling the secondary use of health data for research and policymaking.

Measuring the share of green and digital actions and their impact

Member States should tag the green and digital content of the proposed reforms and investments. Member States will have to specify whether the reform or investment contributes principally (100%), contributes significantly (40%) or has no impact (0%) on each of these objectives. Combining these tags with the cost estimates of individual reforms and investments will allow assessing the extent of financing of the national plan contributing to the climate-mainstreaming target, as well as the green and digital transitions.

For all measures, Member States have to document that the measures respect the “do no significant harm” principle. To do so, Member States are invited to rely to the extent possible on the Articles 3(b) and 17 of the EU Taxonomy Regulation. For example, if a measure has a positive impact on employment, Member States will need to show that it does no significant harm to the environment. Member States are invited to set clear commitments and mechanisms on how this principle will be respected and effectively implemented. Following the principles of the taxonomy can also help the Member States in attracting private investment into sustainable finance in order to leverage on that for the recovery.

Where the plans support activities that risk causing climate and environmental damage, Member States are invited to explain what measures will address those risks and foster their green transformation. For example, moving towards best performance GHG emission levels, avoiding to hamper the development and deployment of low-carbon alternatives, avoiding to create a lock-in of carbon-intensive assets, and making best efforts to reduce climate risks may be important elements in relevant activities. Impacts on circular economy, biodiversity, pollution, water and marine resources should also be fully taken into account. Wherever possible, Member States are encouraged to use as a reference the criteria of the Taxonomy Regulation (including, once adopted, the forthcoming delegated acts supplementing article 17 referred to in Article 3(d) of the Taxonomy Regulation, for the economic activities they cover).

As the cost of a reform or investments (combined with its ‘tag’ of 0%, 40% or 100%) is only a crude measure of the extent to which it contributes to climate, green and digital objectives, Member States will be invited to provide an assessment of the direct and indirect impact of the proposed reform or investment.

It should be noted that the use of percentages (or tagging) does not suggest that a low score would imply a low priority of a reform or investment for the plan, since it is understood that not all investments and reforms under the Recovery and Resilience Facility necessarily would have to contribute to the green and digital transitions. However, such investments and reforms should not counter the attainment of the green and digital objectives of the Facility.

Overall, the measures to be financed under each plan should ensure that spending in the plan is contributing to 37% of climate mainstreaming. Member States should therefore set out in their plans how they contribute to the 37% target, both ex-ante in the programming stage and ex-post in the annual reporting exercise. Member States should set clear baselines for the
commitment profiles, so that possible deviations from the trend can be identified in a timely manner. On digital, the Commission proposes that each recovery and resilience plan strives to a minimum level of 20% of expenditure related to digital. Member States should equally set out in their plans how they contribute to the 20% target, both ex-ante and ex-post.

5. **Milestones, targets, timeline**

**Background:**

- Article 16(3)(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.
- Annex II section 2.7

**General principles**

According to the conclusions of the European Council of 17-21 July, the deadline for payment would be end 2026. The milestones and targets will have to be designed in a way to fit within this time span while still allowing sufficient time for the assessment and approval processes; indicatively this implies an end date of July 2026 by which all milestones and targets are to be achieved.

For the purpose of the Facility, milestones and targets are measures of progress towards the achievement of a reform or an investment, specifying a stage to be reached by a certain date. The following distinction should be made:

A **target** is a quantitative result on an agreed indicator (number of investment projects, number of beneficiaries, etc.). The choice of targets should reflect the implementation of reforms and investments, and therefore be operational.

*Ex: a reform aiming to improve the accessibility of health care through improving the access to primary care and defining clear integrated care pathways might have a target such as “activating X new primary care practices across X municipalities and surrounding areas”.*

A **milestone** does not reflect amounts but rather an objectively verifiable qualitative achievement (adopted legislation, realised investment project, full operationalisation of IT systems, etc.), and details desirable content and characteristics.

*Ex: the milestone of “adopting a new legislation for the removal of barriers to entry to regulated professions”.*

A **baseline** reflects the state, quantitative or qualitative, of the variable that a given indicator is measuring immediately prior to the start of the intervention and/or at the point of submission of the recovery and resilience plan. Care should be taken that the baseline is already established and/or can be easily and objectively measured.

*Ex: “the number of primary care practices in underserved communities prior to the start of the intervention”. Note that if the indicator is formulated in the form “number of new primary care practices”, the baseline would be different (most likely 0 in the absence of the*
intervention) from an indicator formulated “number of primary care practices” (here the number would be dependent on the current state of affairs).

The milestones and targets should reflect the implementation of the reform and investments plan. They should be easily relatable to each of the plan’s components and a sufficient number of milestones and targets should cover each reform and investment of the plan to allow for tracking progress and demonstrate achievements on all components.

Granularity in setting milestones and targets

Milestones and targets should be chosen to reflect the achievement of meaningful steps or progress towards reaching the objectives of the plan. They can reflect four different stages of the implementation of reforms and investments:

- **Input**: resources provided, which can be financial, human, administrative (e.g. money spent);
- **Output**: Specific deliverables of the investment (e.g. teachers trained);
- **Result**: Effect of the intervention’s output (e.g. number of students with improved IT skills);
- **Impact**: Wider economic or social effect (e.g. decrease in the number of unfilled vacancies in the IT sector).

Most milestones and targets are expected to focus at least on the first three points. The precise number of milestones and targets will depend on the scope of the plan and the number of components it encompasses. The relevance and quality of the milestones and targets should be privileged, rather than their number. Overall, Member States should define milestones and targets with a high level of specificity to ensure that progress can be tracked effectively.

Milestones and targets will be discussed bilaterally with the Member States based on their plans before agreeing on the ones to be included in the implementing decision.

**Ex: A Strategy to improve basic digital skills and digital learning for pupils in rural areas**

A component to boost the acquisition of basic digital skills by pupils in rural areas includes three elements: a) investments to equip schools in rural areas with suitable devices, chosen by the schools from a pre-selected catalogue and purchased at central level to assure efficiencies; b) designing, staffing and implementing a training programme that equips teachers in rural areas with the pedagogical and technical competences needed to implement digital learning and foster pupils’ digital skills and competences; c) a comprehensive update of the curricula and accompanying guidance documents for teachers.

**Milestones and targets:**

- **At least X% of schools in the selected rural areas are equipped with two classroom sets of suitable digital devices for teaching and learning, chosen according to the school’s own need and preference (target 1, focused on input).**
• Each school equipped has at least two active teachers who completed the training course (target 2, focused on output).
• Final curricula with specific provisions published (milestone 1 focused on output).
• X% increase in basic digital skills in pupils (target 3, focused on results).

Characteristics of good milestones and targets

According to Annex II of the proposal, milestones and targets should be clear and realistic, and the proposed indicators relevant and robust. This means that both milestones and targets should follow the SMART principles, i.e. be specific, measurable, achievable, realistic, and time-bound.

Member States are invited to set milestones and targets with the following characteristics:

• For targets: they should be based on a simple formula and focused on the relevant, acceptable and robust indicators that provide evidence of continued progress towards the objectives. Targets can be fixed at a specific level or can set a reasonable range to achieve depending on what is measured and on how precise the estimate can be.

Ex: Percentage of women aged 25 to 60 with at least one test for cervical cancer in the last three years

- What? Number of women aged 25 to 60 with at least one test for cervical cancer in the last three years /Total number of women aged 25 to 60.
- How? Unit of measure: percentage
- Baseline: 10
- End target: 50
- Data source/methodology: database x
- By when? By 20XX QX (no later than 2026)
- Who? Responsibility for data collection and implementation: Ministry of Health
- Why this target is important: widespread cancer screening coverage is a key way to assess whether the prevention package is efficient and effectively implemented.

• For milestones, they should be reliable, factual and, when referring to future documents (impact assessment, legislation, etc.), detail their desirable content. The milestone to be achieved should be precise and the qualifier objective and related to the key steps (e.g. “new IT system fully operational”, “law approved by parliament”, “new regulation agency set up”, or “tripartite agreement with social partners reached”); vague or subjective measures should be avoided (“legislative proposal well developed” or “tripartite discussions with social partners well advanced”). Developing specific action plans for each envisaged reform and investment is a good way to ensure the quality of milestones.

Example: For a component aiming to make the revenue administration more effective by improving tax compliance, while also making it more cost-efficient, the main milestone is an appropriate risk analysis based on a wide range of data, which will identify the largest compliance risks lie and main reasons for non-compliance. The milestone would then be:
What? Develop and implement a risk analysis for the tax administration

How? The risk analysis should cover various types of non-compliance risks (including filing, payment, common fraud structures) for the most important types of taxes (VAT, personal and corporate income tax) and identify for each type of risk and tax the x% taxpayers where the highest risks lie

Baseline: 0 (no risk analysis has yet taken place)

By when? By 20XX QX

Who? Responsibility for implementation: Ministry of Finance and tax administration

Why this milestone is important: Key for identifying where the largest compliance risks lie and what are the reasons for non-compliance

Timeline and disbursements

Milestones and targets should be associated to a clear timeline, which will feature in the implementing decision. All milestones and targets will be given an indicative date by which they are expected to be reached. Member States will be expected to adhere to this timeline to make sure that the reform and investment programme takes place without undue delay.

As there will be several reforms and investments happening in parallel, several milestones and targets will need to be fulfilled for one payment to be made. Disbursements will therefore be tied to the satisfactory completion of a group of milestones and targets reflecting progress on several reforms and investments of the plan. Since payment can happen maximum twice a year, there cannot be more than two groups of milestones and targets per year.

Member States may delay the submission of their request for payment in case they consider that all milestones and targets have not been satisfactorily met. In any case, all targets and milestones, including output indicators, must be verifiably achieved within the timeframe of the Recovery and Resilience Facility implementation; any delay in impact or availability of data should be considered when setting targets.

For the purpose of the Facility, a milestone or target is considered as either fully met or not met. Should there be a need to set intermediary steps towards reaching a specific milestone or target, they can be indicated as such in the plan and reported on, but only indicators defined as milestones and targets can be tied to a disbursement.

6. Financing and Costs

Background:

- Article 15(3)(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;”
- Article 16(3)(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;”
- Annex II section 2.5
Within the maximum allocation for each Member State as per the Recovery and Resilience Facility allocation key, the cost estimate, if approved, sets the overall ceiling for the disbursements to the Member State in relation to their national reforms and investments of the recovery and resilience plan. Payments are made on the basis of progress achieved with respect to pre-agreed milestones and targets (Article 19(3) of the Proposal).

This section a) details what the Proposal requires in relation to the costing of the recovery and resilience plan by Member States and the assessment of the costing by the Commission, b) explains what is expected in relation to the costing frameworks that Member States would use to produce their cost estimates, and c) details what is the type of information on the cost estimates that needs to be submitted by Member States to the Commission.

What does the Proposal require?

The Commission will assess whether the cost estimate provided (ex-ante) by the Member State for the reforms and investments of the recovery and resilience plan is i) reasonable, ii) plausible and iii) commensurate to the expected impact on the economy and employment (Article 16(3)(e)). These criteria are further developed in Annex II of the Proposal:

- **Reasonable.** The Member State provides sufficient information and evidence that the amount of the estimated total cost of the component is appropriate.
- **Plausible.** The Member State provides sufficient information and evidence that the amount of the estimated total cost of the component is in line with the nature and type of envisaged reforms and investments. This requires a horizontal assessment to ensure alignment between the qualitative nature of the investment or reform in the component and its cost.
- **Commensurate.** The amount of the estimated total cost of the plan is commensurate to the expected impact of the envisaged measures on the economy and employment of the Member State concerned. This assessment will be done at the level of the plan. It refers to assessing whether the cost of the plan will, for the particular Member State concerned, have an economic impact that is aligned with such cost, including because of the impact of the reforms included in the plan.

In addition, Annex II also requires that the Member States provide sufficient information and evidence that the amount of the estimated total cost of the reforms and investments of the recovery and resilience plan to be financed under the Facility is not covered by existing or planned Union financing.

What is expected from Member States when they perform the costing?

The Regulation stresses the need for ensuring national ownership of the programmes (recitals 21 and 22 and Article 16). The measures to be financed need to be embedded in the national budgetary process. This would in particular involve national costing frameworks to arrive at cost estimates and national budgetary planning procedures to ensure comprehensive coverage of planned reforms and investments. The approach to costing and the justification provided should be guided by balancing the following objectives:

- **Accuracy:** While noting that the assessment is made on estimation before the costs are actually incurred, costing should arrive at an amount that is reasonably close to the
actual costs. Use of accounting, historical, statistical data or market prices facilitates such an assessment.

- **Accountability and transparency:** Cost estimates should be traceable. Where accounting, historical, statistical data or market prices are used to prepare them, such information should be freely available for possible checks.

- **Simplicity:** The administrative burden should be kept as manageable as possible for all parties. Member States should not incur an undue administrative burden and the Commission needs to be able to assess the elements related to the costing together with the assessment of the other elements of the recovery and resilience plan in a short period of time.

- **Consistency:** cost estimates should be consistent with other EU policies.

The Commission will also seek a close cooperation with the Member States to ensure that Union financial interests are properly protected. This will entail a control and audit mechanism to prevent any irregularities (see Part III section 4).

**What type of information should be submitted?**

Member States should submit a higher level of detail of costs compared to that used for fiscal surveillance purposes. The regulation also empowers the Commission to seek additional information in case of need to ensure it meets its obligation to assess recovery and resilience plans and, in particular, to assess if estimated costs are reasonable, plausible, and commensurate to the impact on the economy and employment.

Member State are invited to submit information on costing estimates for each reform and investment considered separately, at the most granular level possible. In particular, the Member State is invited to include the following information:

- **Basic information in a table** format. The Member States is invited to provide one table per component, broken down in individual reforms and investments linked to that component. For this purpose, Member States are invited to use the template accompanying this guidance. These tables become part of the main body of the recover and resilience plans.

- **Information on the method** used, the underlying assumptions made (e.g. on unit costs) and justification for these assumptions and who conducted the costing estimate.

- **Information on budgetary implications**, i.e. how the cost will be reflected in the next budget and the medium-term budget. This will enable checks based on budget execution.

- **Calculation** that shows how the final estimate was obtained, including, if available, calculations for the high-level categories that are the main cost drivers.

- **Comparative costing data:** the Member State is invited to provide information on the actual cost of similar reforms or investments that have been carried out in the past. For example, if the cost for a reform is mainly trainings by external experts and costs for IT hardware and software, the Member State would be invited to provide information on these type of costs from past projects. If adjustments are required to
make the cost more comparable, an explanation on parameters and the relevant data used to make the adjustments.

- **Independent validation by an independent public body.** The Member State should ensure that a suitable independent public institution validates the costing estimates and submit the resulting reports to the Commission. Given the variety of national situations, it would be up to the Member State to decide which body to involve, depending on their mandates, expertise and the types of investments and reforms included in the plan.

7. **Loan request**
   
   **Background:**

   - **Article 13(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).

   - **Article 15(3)(k):** “The recovery and resilience plan shall be duly reasoned and substantiated. It shall in particular set out the following elements: [...] where appropriate, the request for loan support and the additional milestones as referred to in Article 12(2) and (3) and the elements thereof;”

   Member States need to justify requests for loan support by higher financial needs linked to additional reforms and investments. The Member States are invited to describe each of the components supported by a loan in the same manner and following the guidance provided for the non-repayable financial contribution, including all elements mentioned in section 1 to 6 of part 2 of this Guidance.
PART 3: COMPLEMENTARITY AND IMPLEMENTATION OF THE PLAN

1. **Consistency with other initiatives**

   **Background:**

   - **Article 14(2):** “[…] 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)2018/1999 […] in the territorial just transition plans under the Just Transition Fund […] and in the partnership agreements and operational programmes under the Union funds.”
   - **Article 15(3)(g):** “where relevant, information on existing or planned Union financing;”
   - **Article 15(3)(h):** “the accompanying measures that may be needed;”

As set out in recital 16 and Article 14(2) of the Proposal, 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 (‘NRPs’), the National Energy and Climate Plans (‘NECPs’) and the Partnership Agreements and programmes to be adopted under the sectoral legislation concerning Union funds.

In order to maximise the potential of the different tools supporting the economic recovery, it will be critical to ensure that they operate in synergy and that this is reflected in the different documents. Strong coordination mechanisms need to be established prior to the designing and implementing of reforms and investments under the Facility. In addition, it is in the collective interest to make sure that resources are channelled in such a manner that the level playing field in the Union is ensured.

**National energy and climate plans (and updates thereof):** The Regulation on the Governance of the Energy Union and Climate Action sets up a framework for Member States to implement National Energy and Climate Plans containing targets, objectives, commitments, as well as policies and measures to achieve them, the long-term Union greenhouse gas emissions commitments consistent with the Paris Agreement – and for the first ten-year period, from 2021 to 2030, the Union’s 2030 targets for energy and climate. The governance mechanism is based on long-term strategies, integrated NECPs and updates of the latter by 2023 / 2024. Due to the ongoing COVID-19 crisis, NECPs are expected to highlight their specific parts that could support the recovery of the EU economy. From 2023 onwards, Member States will submit biannual National Energy and Climate Progress Reports by 15 March. The Commission will assess progress annually, by October, in the State of the Energy Union reports. In October this year, the Commission will present the individual assessment of each Member State’s National Energy and Climate Plan, which will provide important

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5 For the last report see: Report from the Commission, Fourth report on the State of the Energy Union, COM(2019) 175 final
guidance for Member States to duly consider and rely upon while preparing their recovery and resiliency plans.

The priority areas of the National Energy and Climate Plans (and updates thereof) will overlap with those of the Recovery and Resilience Facility, in particular regarding the green transition: building renovation and affordable, energy-efficient housing, deployment of renewables, sustainable transport, energy system integration, dealing with negative externalities, energy efficiency measures, clean industry, hydrogen, other clean energy technologies, and including environmental impacts (i.e. on natural resources and biodiversity). Member States should provide early indications in their recovery and resilience plan on how they will ensure consistency and complementarity and of how specific investments or policies and measures set out in National Energy and Climate Plans could be fast-tracked with the help of the recovery and resilience plans.

Partnership Agreements and programmes: The Partnership Agreement must cover the selected policy objectives indicating by which of the Funds and programmes they will be pursued, taking into account relevant country-specific recommendations. Each programme should contain a summary of the main challenges\(^6\), taking into account: economic, social and territorial disparities; market failures, investment needs and complementarity with other forms of support; challenges identified in relevant country-specific recommendations and other relevant Union recommendations. Member States should submit their partnership agreements before or at the same time as the submission of the first programme. In terms of timeline, the programming documents cannot be formally submitted before the legal framework is in force. For programmes entailing support from the Just Transition Fund, consistency with the territorial just transition plans, annexed to the programmes, should also be ensured.

Member States should take into account as part of their recovery and resilience plan the timing and content of the programming documents.

2. Complementarity of funding

Background:

- Article 8: “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 15(g): “Where relevant, information on existing or planned Union financing”
- Article 22: “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

\(^6\) The European Maritime and Fisheries Fund will include a complete SWOT analysis.
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.”

As stated in Article 8 of the Proposal, support under the Recovery and Resilience Facility is 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. Member States shall ensure the effective and efficient functioning of such synergies, through a consistent and harmonised approach of all involved authorities. To comply with Article 8, close coordination between all public actors is needed. Since the same expenditure cannot be financed twice, national authorities should clearly and strictly differentiate the specific measures, activities and projects funded under the Recovery and Resilience Facility from those financed under other Union programmes and instruments.

When Member States decide to finance, investment projects simultaneously under cohesion policy funds (European Regional Development Fund, Cohesion Fund, Just Transition Fund, European Social Fund+) and the Facility the conditions for financing shall be met under both processes and the same expenditure cannot be reimbursed both by the Facility and any of the other policy funds. When setting the milestones and targets, Member States should in this case pay particular attention to different timeframes between the cohesion programmes or any of the other policy funds and the Recovery and Resilience Facility.

Support from other Union programmes such as InvestEU, Connecting Europe Facility, LIFE and Horizon Europe can also be combined with the Recovery and Resilience Facility. In this regard, Member States should clearly indicate expected money from other funding sources when calculating financing needs for investments.

The InvestEU programme and the Horizon Europe missions can be used in complementarity to the Recovery and Resilience Facility support in order to deliver additional investments and crowding in private investments in support of the objectives of the Recovery and Resilience Plans. To that end, Member States should seek compatibility and possible synergy in their recovery plans (i.e. identification of planned EU financing). It should be avoided that these two sources of financing support competing, financing schemes. Complementarity can be ensured by considering the financial profile and financing needs of the targeted investments.

Similarly, support provided from national funds can also be combined with the Recovery and Resilience Facility – in particular to ensure the replication and scaling up of planned national support schemes (e.g. for renewables, for energy efficiency in buildings).

Guiding principles on the use of the Facility and the cohesion policy funds

The use of different Union funding sources, the synergies and complementarities among them should be part of a concrete strategic reflection between the Member State and the Commission. It should consider the purpose of the different instruments and include a justification for supporting a certain investment. Strong coordination in the management of the different instruments at national level should be ensured by the Member States.
Bearing in mind the different eligibility rules of the different instruments, this leaves Member States with a high degree of flexibility to decide which investments should receive support under the Recovery and Resilience Facility or for example under the Common Provision Regulation funds. Among the considerations that would influence the choices, the following considerations can be taken into account:

- the objective of the support;
- the available allocations for the respective Member State under the different programmes;
- the level at which the competences for implementing a reform or investment (national/regional) lie in accordance with the institutional and legal framework of the Member State concerned;
- the availability of mature projects and the envisaged timeline of their implementation (keeping in mind the different implementation deadlines applicable for the Recovery and Resilience Facility and the cohesion policy funds).
- the size of the investment considered.

In order to guarantee the added value of the support from the Union budget, Member States will need to put in place appropriate arrangements to ensure that the demarcation between the different instruments will be respected throughout the implementation of the recovery and resilience plans and double funding will be excluded at all times. As mentioned above, national authorities should clearly differentiate the specific measures, activities and projects funded under the Recovery and Resilience Facility from those financed under the cohesion policy funds.

**Information to be provided by Member States**

European instruments and programmes may include cohesion policy funding, InvestEU, the Just Transition Mechanism, Horizon Europe, the Space Programme of the Union, the European Defence Fund, Digital Europe, Creative Europe, Connecting Europe Facility, ELENA and LIFE, Innovation Fund and Modernisation Fund. Member States are also invited to detail all other sources of (public) financing for the investment projects proposed in the plan. This may include direct budgetary support (such as subsidies or tax incentives) and/or financing mechanisms including de-risking, guarantees, renovation loans and subsidies, support for capacity building, etc.

Member States are invited to provide a dedicated section on Financing and Costs with granular information identifying for each component, which costs are covered by other sources of funding as well as the amounts concerned. High granularity is required to ensure that there is no double funding for measures benefitting from different sources of Union financing.

Member States should detail the processes and structures set up at national, regional and local levels to ensure complementarity and coordination of the management of various Union sources of funding in line with Article 22 of the Proposal.

**Coordination and assistance by the Commission**

The Commission stands ready to provide advice to the Member States on this aspect of complementarity. The Commission will also set up an internal process to monitor the
The Technical Support Instrument can be used by Member States to support the implementation of measures agreed in the Recovery and Resilience plans. To the extent that technical support finances the support to Member States for the implementation of their plan but is not in charge of the delivery of a measure, the technical support does not constitute funding of the same costs as those covered by payments from the Recovery and Resilience Facility.

Union funds channelled through the authorities of Member States become State resources and can constitute State aid if all the other criteria of Article 107 TFEU are satisfied. State aid rules fully apply to the measures funded by the Recovery and Resilience Facility. As a rule, State aid measures must be notified to and cleared by the Commission before funds are granted, unless they comply with the conditions of the applicable General Block Exemption Regulation declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 TFEU.

3. Implementation

Background

- Article 15(3)(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;”
- Article 15(3)(l): “any other relevant information.”
- Article 16 (3) (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. ”
- Annex II section 2.7

Effective implementation

Public administrations will be at the centre of the implementation of the plan. This will require an efficient use of resources and a large degree of flexibility to make sure that the reforms and investments proceed as planned. Member States should ensure that the administrative capacity needed for the effective implementation of the plans is present. In that context, the country-specific recommendations linked to the efficiency of the public administration, business environment (in particular business environment concerning SMEs), public procurement, the effectiveness of justice systems and the fight against corruption and money-laundering, and in a broader sense to the respect of the Rule of Law can play an essential role to ensure a successful implementation.

Member States should explain how they intend to implement the proposed reforms and investments; following effective public procurement rules in line with the EU strategic objectives is essential in that regard. They should also provide details about the measures they will put in place to avoid any risk of fraud, corruption or maladministration in general in the award of contracts.
To ensure that funds are absorbed in a timely manner, Member States are invited to describe if a mature project pipeline is in place or which steps would be necessary to create such a pipeline and support the maturing of projects. This reflection will help identify where technical support could be provided to Member States. This reflection should be done at the level of the entire plan and also at the level of each component to specify a clear implementation path.

Member States can request technical support under the Technical Support Instrument to implement their recovery and resilience plans or part thereof, including for support to meet milestones and targets. Technical support requests should be addressed to DG REFORM of the European Commission through the national Coordinating Authority for the Technical Support Instrument. Member States are also encouraged to make use of other support sector-specific services offered by the Commission services.

Uncertainties

If a reform or investment or one or several related milestones can no longer take place because of objective circumstances, the Member State may decide to submit an amended plan, which will trigger a new assessment and possibly an amended implementing act. Any amended plan should contribute in the same manner as the initial plan to the objectives of the Facility. However, in case of a non-implementation of agreed reforms and investments or a policy reversal within the implementation period, the Commission may not authorise further disbursements. This could be the case if the last milestone requires all previous ones to have been met. Indeed, the satisfactory fulfilment of milestones and targets presupposes that measures related to previously satisfactory fulfilled milestones and targets have not been reversed by the Member State.

Member States are invited to do an updated cost estimate after two years, in case they revise their plan to factor in the final allocation of 30% (30% of the allocation will be calculated based on new figures by 30 June 2022). They will have to accompany this revision by an independent validation on this updated cost estimate by an independent public body (or private sector if no suitable public body is available).

The upward revision of the cost estimates at a later stage does not represent an objective circumstance that can trigger an amendment of the plan. Member States should anticipate this uncertainty linked to the implementation period by designing the milestones and targets, especially the ones referring to the period towards the end of the implementation period, in a way to ensure the full and successful completion of the plan.

Institutional structure and decision-making process

Member States are invited to describe the institutional nature of the plan, as well as the role of their national/regional parliaments, other regional/local authorities, and national advisory bodies such as national fiscal boards and national productivity boards in the decision process leading up to the adoption/submission of the Recovery and Resilience Plans.

Member States are invited to describe any consultation and contribution of social partners, civil society and other relevant stakeholders, in the drafting and implementation of the recovery and resilience plan.

Administrative arrangements
To ensure an effective implementation, clear responsibilities need to be established: A lead ministry/authority should be nominated that has the overall responsibility for the recovery and resilience plans and is the single point of contact for the Commission (‘coordinator’). The coordinator would be responsible for the implementation of the recovery and resilience plans, for ensuring coordination with other relevant ministries at national level (including ensuring coherence regarding the use of other EU funds), for monitoring of progress on milestones and targets, for overseeing and – if appropriate – implementing the control and audit measures and providing the reporting (Article 20 of the Proposal) and the requests for payments of the financial contribution and, where relevant, of the loan tranche (Article 19 of the Proposal). The Recovery and Resilience Plan needs to outline that the coordinator has the (i) administrative capacity in terms of human resources (staff numbers and profiles), institutional experience and expertise, and (ii) the mandate and authority to exercise all relevant tasks. If a responsible authority (i.e. ministry or agency) is defined at the level of a component, the respective information needs to be provided as well. In addition, the coordination structure as well as the reporting responsibilities to the coordinator should be clearly described.

**Communication**

The Recovery and Resilience Plans should include a national communication strategy to ensure the public awareness of the Union funding. The contribution of EU funding should be communicated and given clear visibility for the overall plan and for each reform and investment detailed in Part 3 of this Guidance.

**4. Reporting**

Member States will report on their progress at least biannually, when submitting payment requests. The information provided in the reporting by Member States will be used by the Commission to monitor the plans, to decide on payment requests, and to report on progress and performance of the Recovery and Resilience Facility.

For this purpose, the report shall detail the Member State’s progress towards or achievement of the agreed milestones and targets, accompanied by qualitative information where relevant and suitable evidence demonstrating the achievement. (See also section ‘Payments, control and audit’).

In order to ensure transparency and accountability, the Recovery and Resilience Facility, as all parts of the EU budget, is embedded in an annual performance framework. This performance framework is based on a clear description of how the implemented interventions contribute to the stated policy objectives and the selected indicators to trace progress against them. The performance framework will measure progress towards the Facility’s policy objectives and by measuring key results achieved on the ground. Given the high-level crosscutting objectives pursued by the Facility, it will be important to be able to show the aggregated results on the programme objectives of recovery, resilience, green and digital transition.

Member States are therefore invited to set indicators to measure the overall performance of their plan, using either existing or proposing new indicators, which show progress towards the specific aims of the plan. Member States are invited in particular to include the indicators provided in the list below to ensure consistency and allow reporting on the Recovery and
Resilience Facility performance as a whole. In their plans, Member States should indicate how and for which reforms and investments they intend to track the contribution of their recovery and resilience plan towards these indicators.

Member States are invited to report on those common indicators at least once a year in their reporting to the Commission, providing accurate data or, if this is impossible, an estimation of the specific contribution of the Recovery and Resilience Facility.

<table>
<thead>
<tr>
<th>Common indicators</th>
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<tbody>
<tr>
<td><strong>Recovery</strong></td>
</tr>
<tr>
<td>Public investment as a percentage of GDP (broad definition) compared to average (2017-2019); Reporting in table 6: investment baseline</td>
</tr>
<tr>
<td><strong>Resilience</strong></td>
</tr>
<tr>
<td>Number of reform related country specific recommendation that have progressed substantially. Commission assessment</td>
</tr>
<tr>
<td>Number of reform targets and milestones met Commission assessment based on Member State’s progress reporting</td>
</tr>
<tr>
<td><strong>Green transition</strong></td>
</tr>
<tr>
<td>Number of building renovated with Recovery and Resilience Facility support, by type of building (houses, public, commercial) and associated reduction in energy consumption Data to be collected by each Member State for all relevant investments and reforms</td>
</tr>
<tr>
<td>Increase in renewable energy capacity enabled by the Recovery and Resilience Facility Data to be collected by each Member State for all relevant investments and reforms</td>
</tr>
<tr>
<td>Number of electrical charging stations enabled by the Recovery and Resilience Facility. This information should be provided by Member States.</td>
</tr>
<tr>
<td><strong>Digital transition</strong></td>
</tr>
<tr>
<td>Number of people benefiting from digital skills training supported by Recovery and Resilience Facility. Data to be collected by each Member State for all relevant investments and reforms</td>
</tr>
<tr>
<td>Percentage of connected households through fixed Very High Capacity Network or 5G Data to be collected by each Member State for all relevant investments and reforms.</td>
</tr>
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5. **Payments, control and audit**

Under the Facility, payments will be linked to performance. The Commission will authorise disbursements based on the achievement of the agreed milestones and targets up to the deadline for payments in 2026. If the milestones are not met, no payment will intervene. Whereas the allocation of the total financial contribution without prejudice to the maximum allocations by Member State as per Recovery and Resilience Facility allocation key will be determined based on the estimate of the total cost of the Member State’s recovery plan, the
These disbursements will not be linked to the costs incurred. These disbursements then go to the general budget of the Member State.

Therefore, the main focus of the control will be on the achievement of the milestones and targets. The Commission will implement the Recovery and Resilience Facility under direct management with Member States as beneficiaries. The Member States will have to respect Union and national law while using these funds, in particular they will have to ensure that conflict of interests, corruption and fraud, and double funding are avoided. The Commission will remain accountable towards the budgetary authority in the context of the annual discharge procedure and Union funds disbursed under the Recovery and Resilience Facility will be subject to the external audit of the European Court of Auditors. The latter has called for effective measures to counter new risks of irregularity and fraud resulting from Recovery and Resilience Facility support.

The Commission must ensure that the financial interests of the Union are effectively protected. Therefore, whereas it is primarily the responsibility of the Member State itself to ensure that the Recovery and Resilience Facility is implemented in compliance with EU and national rules, the Commission needs to receive sufficient assurance from the Member States concerning the respect of key sound financial management principles (no fraud, no corruption, no conflict of interests, no double funding) when using EU’s financial contribution under the Facility. Furthermore, the Commission must be able to impose proportionate recoveries in cases of serious irregularities (i.e. fraud, corruption, conflict of interests) that have not been corrected by the Member State.

**Ex ante controls**

The Recovery and Resilience Plans submitted by the Member States to the Commission will need to include sufficiently detailed milestones and targets. The indicators chosen to ascertain the fulfillment of the milestones and targets, and therefore used as a basis for payment requests, should be clear and simple to measure. Baselines should be provided to present an effective gauge of the starting point. Milestones and targets should be sufficiently granular to ensure that progress can be tracked effectively and determined with certainty. With this in mind, indicators should be chosen carefully, with a focus on tangible outputs and results. Detailed definitions, underlying data as well as a description of verification mechanisms of these data need to be provided by the Member States and agreed with the Commission.

In addition, the Member States will have to explain in their plans how they will demonstrate to the Commission that the milestones/targets are met and ensure that the related data is reliable, including control mechanisms to ensure such reliability.

Furthermore, and as indicated above, the Member States will have to describe how they will implement their plans, including systems and concrete measures to prevent, detect and correct conflict of interest, corruption and fraud when using Recovery and Resilience Facility funding. The Member States will also detail in their plan how they will avoid double funding from other Union funding sources. Member States should also collect data on the final beneficiaries of projects or investments necessary to achieve the milestones/targets as this has proven to be the best way to prevent corruption, fraud, conflict of interests and double funding. This data, including the projects or investments concerned, should be made available to the Commission upon request.
In this context, Member States could cross-rely on already existing/accredited national management and control system(s) and related bodies for other EU funds (e.g. Cohesion).

The recovery and resilience plan should contain, notably, information on the national bodies that will be responsible for ensuring control and audit, and for preventing, detecting, reporting and addressing serious irregularities, fraud, conflicts of interest and corruption, as well as the resources allocated to those bodies for the purpose of the Recovery and Resilience Facility, and the type and number of controls foreseen.

Should the Commission detect serious deficiencies while assessing the draft plan, it will require these to be addressed in the final plan, possibly through the inclusion of an action plan including remedies going forward.

If these deficiencies have not been addressed in a satisfactory manner in the final plan, the Commission's proposal to the Council for approval of the plan will signal this and indicate that disbursements will be conditional on the Member State addressing any such deficiencies by a set date, through the inclusion of such a requirement as a milestone of the plan.

**Controls during implementation: the payment requests**

Member States will submit their payment request, and payment will be made if the milestones and targets have been satisfactorily met and the related data reported are indeed reliable. The Commission will control the fulfilment of the conditions for disbursement. To this end, the Member States will accompany each payment claim with the information necessary to allow the Commission to assess the fulfilment of the conditions for disbursement. If the milestones and targets are not satisfactorily met, payments will be suspended and, eventually, the financial contribution could be reduced.

Member States will also accompany each payment request by a management declaration confirming effective implementation in accordance with the above mentioned key principles of sound financial management. The declaration will be complemented by a summary of the audits and controls that they have carried out to ensure compliance with the respect of Union rules on avoidance of conflict of interest, fraud prevention and avoidance of corruption. This summary will include (i) the scope of these audits in terms of amount of spending covered and period of time covered and (ii) an analysis of the related weaknesses found and the corrective actions taken.

The Commission may suspend the disbursement if serious irregularities (i.e. fraud, corruption, conflict of interests) are evident from the payment request. In such a case, the Commission can ask access to more detailed information recorded by the Member State, including data on final beneficiaries of projects or investments necessary to achieve the milestones/targets, and carry out, if necessary, an audit.

**Ex-post controls**

The Commission’s control strategy will be risk-based, ensuring that the controls carried out by the Commission remain proportionate. Such a strategy will include reliance on Member States control systems. These control systems should ensure the protection of the financial interests of the Union, in line with the Financial Regulation.
The ex-post controls will consist of verifications of the achievement of milestones and targets. They will include, if appropriate, on the spot checks. In case ex-post controls of the Commission reveal that the data provided as evidence that milestones or targets were met was false/incorrect, the Commission will recover a proportionate amount.

When Member State audits find that part of the funds spent by the Member State under the Recovery and Resilience Facility are affected by irregularities, it is the duty of the Member State itself to recover the related amounts from the recipient. However, in case Member States audits find serious irregularities and the Member State does not recover the related amounts, the Commission will recover a proportionate amount from said Member State and/or, to the extent applicable, request an early repayment of the entire or part of the loan support.

Furthermore, in cases where the Commission has received information that puts in serious doubt that the milestones and targets have been achieved while respecting the above mentioned sound financial management principles, it will carry out related checks – where appropriate on the spot. The Commission might also decide to carry out such checks on a horizontal or risk-based approach, covering all countries. Where the Commission audit finds serious irregularities, fraud, conflict of interest or corruption, the Commission will recover a proportionate amount and/or, to the extent applicable, request an early repayment of the entire or part of the loan support.
PART 4: OVERALL IMPACT

Member States are invited to provide under this section a consistent picture of the overall economic and social impact of the plan together with an overall assessment of the macroeconomic outlook.

1. **Strengthening the economic and social resilience**

   **Background:**
   
   - *Article 15(3)(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;”*
   - *Article 16 (3) (c): “whether the recovery and resilience plan is expected to have a lasting impact on the Member State concerned;”*
   - *Annex II section 2.4*

   Member States are invited to submit an overview of forward-looking policy initiatives aimed at overcoming the challenges and imbalances identified in the previous years’ Semester documents, including available evidence on possible impacts and financial estimates consistent with the stability or convergence programmes. At a minimum, the following elements are to be included:

   **Macroeconomic outlook:** Summary of the main elements of, and appropriate cross-reference to, the macroeconomic scenario described in the stability or convergence programmes, including:
   
   - GDP
   - Inflation/wages
   - employment, unemployment, labour force participation
   - Budget balance
   - The social situation, including poverty or social exclusion and inequality risks (Social Scoreboard accompanying the European Pillar of Social Rights)
   - Upside and downside risks to the outlook should be brought out

   **Macroeconomic and social impact of the plan:** Member States should include in their plans information on the budgetary, economic, employment and social effects of reforms and investments. This should include a summary of the main quantitative impact in terms of (potential) GDP, employment and other main macroeconomic variables, involved in the exercise, and any other relevant economic, social and environmental impacts, including SME-related ones.

   Member States should estimate the expected impact of the components on growth potential, job creation and economic and social resilience of the Member State concerned, how it
mitigates the economic and social impact of the crisis, and its contribution to enhancing economic, social and territorial cohesion. The assessment should explain how and to what extent the component is expected to improve on the current state-of-play, also by means of quantitative indicators. This could be done via benchmarking (e.g. by measuring the gap between the Member State and an appropriate set of benchmark countries and estimating how much of this gap expected to be closed).

**Methodology.** Member States are invited to provide a clear description of the macroeconomic assumptions underlying the estimate as well as a description of the quantitative methodologies used. Member States should to the extent possible provide such figures and explain the underlying econometric and microsimulation models that have been used (e.g. QUEST, EUROMOD). In particular, Member States are invited to document:

- the type of the model used/estimation technique (e.g. econometric estimations or simulation based assessments with DSGE/dynamic CGE/static CGE models, etc.);
- the main assumptions underlying the assessment, including on fiscal multipliers
- data sources and the frequency of macroeconomic data used in the empirical exercise;

For investments: Member States should quantify the positive, direct and verifiable long-term effects on growth and job creation that the investment will generate. Member States are also invited to propose key performance indicators to assess the impact of investments in terms of environmental, climate, economic and social benefits over time, as well as the impact on the general government budget deficit and debt.

For reforms: Member States should provide a detailed explanation of the channels through which the impact is expected to take place and the relevant assumptions; and a description of whether the reform is expected to have effects on other Member States. Special attention should be given to provide the related quantitative information. In particular, the quantification of impacts and up-front costs of the reforms will be an essential element of the plans. Having recourse to external parties with authoritative expertise in the modelling of reforms is encouraged.

**Sustainability:** Member States should demonstrate that the positive impact of the plan is expected to be long-lasting. To demonstrate this, Member States should provide the following:

- An analysis of the long-term sustainability, in particular highlighting that the measures will be implemented in an inclusive manner to avoid pressure to revert the changes.
- An analysis outlining the sustainability of the changes in budgetary and financial terms, to make sure that they are viable without the support of the Recovery and Resilience Facility.

**Green and digital impact:** in line with the main facts and figures that Member States will present in the explanatory memorandum, Member States should outline under this section with more details how they will reach their respective climate and clean energy targets and their environmental goals, thus demonstrating the long lasting positive impact of the plan on environmental sustainability.
In the same way, Member States should explain under this section how they will reach the 20% target of expenditure related to digital. When explaining to what extent the proposed measures contribute to the digital transition or the challenges resulting from it, Member States should take into account the objectives mentioned under Part 2 and are also invited to reflect on how the reforms and investments would help them overall improve their digital performance as measured by the dimensions of the Digital Economy and Society Index. This can be based on the impacts of each component as identified in Part 2.

To assess whether the Recovery and Resilience Plan meets the climate mainstreaming target of 37%, the Commission will combine information on the costing of each reform and investment put forward in the Recovery and Resilience Plan with their climate tags. On the do no significant harm principle, Member States are invited to detail how they will ensure an effective implementation of this principle, taking into account to the extent possible the Taxonomy Regulation.

**Cohesion:** the resilience and recovery plans should identify relevant indicators to monitor the contribution of the Facility to the reduction of disparities, including at territorial level. The indicators can be chosen among those regularly used to report on cohesion policy as a whole, such as:

- the unemployment rate
- the GDP per capita relative to the EU-average, if possible at subnational level
- the quality of government index
- the EU social scoreboard, used to report on progress towards implementing the European Pillar of Social Rights
- Indicators on performance of education and training system, adaptation of skills to workplace, youth not employment, education or training

The four elements, macroeconomic outlook, macroeconomic and social impact, sustainability and cohesion, should reflect the cumulative assessment of all the components presented in Part II of this Guidance taken together, in particular as regards the overall quantitative and qualitative impacts of reforms and investments.

To comply with the specific reporting requirements under the European Semester that are normally fulfilled by the National Reform Programme, Member States should report on the implementation of 2019 and 2020 country-specific recommendations under this section, to the extent this is not already covered in Part I Section 2 of this Guidance.

2. **Comparison with the investment baseline**

In order to provide clarity on the impact of the Facility in terms of additional investments and macroeconomic impact of the Facility that supports the recovery, Member States are invited to provide their average level of public expenditures, over the last years, before the introduction of the Recovery and Resilience Facility. This would allow to provide a reference point for assessing the expenditure related to the Recovery and Resilience Facility. Member States are invited to explain in that context the data and main assumptions used.

For this purpose, the Commission suggests using publicly available statistics on general government expenditure by function (COFOG) at an appropriate level of detail (as a rule, at
level II – ‘groups’), first by providing a table that lists as much as possible all general
government expenditure in each of the years 2017-2019 of a similar type as what is included
in the recovery and resilience plan. This is likely to be possible mainly for investments, but
may also include expenditure directly related to reforms. Then, budget plans for these
COFOG expenditure items should be provided for the years 2020-2026 including Recovery
and Resilience Facility funding. The average of the years 2017-2019 is the reference level to
which the total of these expenditures, excluding Recovery and Resilience Facility non-
repayable support, will be compared. Note that the focus is on plan-related expenditures,
which may be substantially different from total government expenditure or investment.

The data and main assumptions used for the projection should be explained. Explanations
should also be provided for the reasons why in any of the years the reference level is not
achieved if this is the case (for example, in case the reference level of expenditure was
exceptionally high in those years).
ANNEX

Please note that this template is expected to be filled and sent to the Commission when sending payment requests. It is shared well ahead of time for transparency and information purposes, but is not expected to be filled for the submission of the plans. The templates for payment requests and reporting will be sent to Member States separately in due course.

MANAGEMENT DECLARATION – TEMPLATE

I, the undersigned, [First Name, Surname], in my capacity as [Function] of [MS Responsible authority]

Declare that, in relation to the implementation of the Recovery and Resilience Plan approved by the Council Decision [date and reference], based on my own judgement and on the information at my disposal, including, inter alia, the results of the audits and controls carried out:

1. The funds were used for its intended purpose as defined in [specific provision] of the Agreement.

2. The performance information submitted under [specific provision] of the Agreement [reference to the agreement between the Commission and the Member State concerned] (hereinafter referred to as “the Agreement”) for the [financial period / payment tranche] is properly presented, complete, accurate and reliable; demonstrating that the milestones and/or targets concerned have been achieved.

3. The control systems put in place give the necessary assurances that the funds were managed in accordance with the provisions of the Agreement, and more specifically that the sound financial management principle is respected and that there have been no breaches in terms of fraud, corruption, or conflict of interests.

4. The activities implemented to achieve the milestones and targets under the Recovery and Resilience Facility as declared in the request for payment or the request for funds are not financed by any other Union programme or instrument.

5. The responsible authorities performed the activities in compliance with the obligations laid down in the Agreement and applying the accounting, internal control, audit systems, and procedures referred to in [specific provision] of the Agreement. A summary of the controls and/or audits carried out, with an analysis of the related weaknesses found and the corrective actions taken or planned, is complementing this management declaration.

6. As the information accompanying the request for payment to which this management declaration is attached is not certified through a national authority, more detailed information (e.g. inventory of final beneficiaries, documentation of financial management of investments/reforms which are covered by targets/milestones in the recovery and resilience plan) is kept for potential traceability or audit trail purposes.
Furthermore, I confirm that I am not aware of any undisclosed matter, which could harm the interests of the European Union.

[However the following reservations should be noted: ........] (delete this sentence if not applicable)

[With reference to the reservation made in the previous Management Declaration – [Reference] – [follow-up given].] (delete this sentence if not applicable)

Place ............... , date ............... 

................................. 

(signature)

[Name and Function of the signatory]