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**COMMISSION STAFF WORKING DOCUMENT**

**GUIDANCE TO MEMBER STATES**

**RECOVERY AND RESILIENCE PLANS**

## DISCLAIMER

This document is based on the text of the Regulation on the Recovery and Resilience Facility politically agreed between the European Parliament and the Council in December 2020 (2020/0104 (COD)).<sup>1</sup> The numbering and the wording of the enacting provisions will change during the ongoing legal revision. This document amends and replaces the Staff Working Document on the guidance to Member States for preparing the recovery and resilience plans (SWD(2020) 205 final) published on 17 September 2020. The document reflects in particular the revised scope and objectives (Articles 3 and 4), the structure of the recovery and resilience plans (Article 15) and the assessment criteria (Article 16 and Annex II) as agreed by the co-legislators.

## STRUCTURE OF THE DOCUMENT

Article 15 of the Regulation outlines the information that Member States need to provide in their recovery and resilience plan. Article 16 and Annex II provide the criteria along which the Commission will assess the plans. The guidance and the proposed template (annexed) reflect these elements:

- Part I on the reform and investment objectives covers the overall contribution of the plan to the Regulation'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

Member States are currently preparing their recovery and resilience plans and discussions take place to this effect with the Commission since last year.

According to Article 15 of the Regulation, "the recovery and resilience plan presented by the Member State concerned may be submitted in a single integrated document together with the National Reform Programme and shall be officially submitted as a rule by 30 April. A draft plan may be submitted by Member States starting from 15 October of the preceding year."

Member States are invited to continue the discussions with the Commission on the draft recovery and resilience plans so that the plans can be officially submitted as soon as the Regulation enters into force.

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<sup>1</sup> <https://data.consilium.europa.eu/doc/document/ST-14310-2020-INIT/en/pdf>

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## 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. 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 Regulation.

The same assessment procedure will apply for both non-repayable financial contribution and loan requests, as explained later in this guidance. According to Article 11 of the Regulation, Member States may submit requests up to their maximum financial contribution to implement their recovery and resilience plans. In addition, according to Article 12, Member States can 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): In line with the six pillars referred in Article 3, the coherence and synergies they generate, and in the aftermath of the COVID-19 crisis, 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, crisis preparedness, adjustment capacity and growth potential of the Member States, mitigating the social and economic impact of the crisis, in particular on women, contributing to the implementation of the objectives of Union policies, the European Pillar of Social Rights, supporting the green transition, [and contributing to the achievement of the Union's 2030 climate targets set out in Article 2(11) of Regulation (EU) 2018/1999 amended by Article [10] of Regulation [European Climate Law] and complying with the objective of EU climate neutrality by 2050 and the digital transition, thereby contributing to the upward economic and social convergence, to restoring and promoting sustainable growth and the integration of the economies of the Union, and fostering high quality employment creation, and contributing to the strategic autonomy of the Union alongside an open economy and generating European added value.*
- *Article 15 (3) (a-): "an explanation on how the recovery and resilience plan, taking into account the measures included therein, represents a comprehensive and adequately balanced response to the economic and social situation of the Member State, thereby contributing appropriately to all pillars set out in Article 3, taking into account the specific challenges of the Member State concerned;"*
- *Article 15 (3) (b) 'a detailed explanation of how the plan strengthens the growth potential, job creation and economic, social and institutional resilience of the Member State concerned, including through the promotion of policies for children and youth, and mitigates the economic and social impact of the crisis, contributing to the implementation of the European Pillar of Social Rights, thereby enhancing the, and its economic, social and territorial cohesion and convergence within the Union;*

- *Article 16 (3) (a-): “whether the recovery and resilience plan represents a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars set out in Article 3, taking the specific challenges and the funding allocation of the Member State concerned into account;”*
- *Annex II section 2.1.*

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 and in line with the requirement of Article 15 to explain how the recovery and resilience plan represents a comprehensive and adequately balanced response to the economic and social situation of the Member State concerned, Member States should describe the main challenges that they are facing under the pillars set out in Article 3 and how the plan represents a comprehensive and adequately balanced response to the economic and social situation of the Member State. The six pillars are:

1. Green transition;
2. Digital transformation;
3. Smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning single market with strong SMEs;
4. Social and territorial cohesion;
5. Health, and economic, social and institutional resilience, including with a view of increasing crisis reaction and crisis preparedness; and
6. Policies for the next generation, children and youth, including education and skills.

Member States are invited to present this section as an **executive summary** outlining the main narrative of the plan. It should be illustrated by key facts and figures that provide a quantitative insight into the overall estimated impact of the plan and its synergies with other programming instruments.

#### 1. Green transition

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 transition, including biodiversity. Member States should explain how the plans are coherent with the priorities of the European Green Deal, in particular how the plan supports actions in full respect of the climate and environmental priorities of the Union, while ensuring a just transition, and how each reform and each investment respects the ‘do no significant harm principle’. Additionally, each plan should allocate at least 37% of plan’s total allocation to climate action. Member States should briefly indicate in this section how their plan achieves this target.

Member States are invited to explain to what extent the plan will contribute to achieving the 2030 climate targets, climate neutrality by 2050 and other environmental and energy goals. National targets should contribute to those of the EU climate law proposed by the Commission in March 2020 and September 2020, with a 2050 timeframe. Member States are invited to 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 set at EU level, including the use of most advanced digital technologies to deliver on these objectives. This includes 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. In this context, Member States are also invited to explain how the plan will ensure that the workforce will be appropriately re- and upskilled to face those challenges.

## 2. Digital transformation

Member States should explain how the plan will contribute to the digital transition or the challenges resulting from it. Each plan should allocate at least 20% of the total plan allocation to digital measures. Member States should briefly indicate in this section how their plan achieves this target.

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)<sup>2</sup> and the aims outlined in the Communication “Shaping Europe’s digital future”<sup>3</sup>. This could include, as relevant, and if feasible for the different areas: improving and digitalising public administration, 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, in particular SMEs; deploying digital capacities; promoting cyber-resilience, and increasing the digital access and competences of EU citizens (including for vulnerable social groups and pupils) and the availability of digital technology experts. Member States are further invited to align digital investments with the relevant Commission Communications (e.g. European Data Strategy, the White Paper on Artificial Intelligence, or the EU Cybersecurity strategy). Synergies between green and digital investment should be observed.

## 3. Smart, sustainable and inclusive growth

Member States should outline 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, robust and inclusive recovery and improve potential growth. The Member States are invited to explain how the plans effectively contribute to fostering productivity, competitiveness and macroeconomic stability, in line with the priorities outlined in the Annual Sustainable Growth Strategy. The Member States should explain how the plans are coherent with, and effectively contribute to implementing the European Pillar of Social Rights in relation to its dimensions of equal opportunities and access to the labour market, fair working conditions, access to healthcare and social protection and inclusion. The plan should be the opportunity to promote a strong policy response for supporting a shift in-employment policies from

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<sup>2</sup> <https://ec.europa.eu/digital-single-market/en/countries-performance-digitisation>

<sup>3</sup> [https://ec.europa.eu/info/sites/info/files/communication-shaping-europes-digital-future-feb2020\\_en\\_4.pdf](https://ec.europa.eu/info/sites/info/files/communication-shaping-europes-digital-future-feb2020_en_4.pdf)

employment preservation to job creation and support to job transitions, where needed; in order to ease and accelerate structural changes (green and digital transitions).

The plan should also be an opportunity to support reforms and investments in research and innovation and to develop multi-country investment projects. It should be an incentive to further strengthen the Single Market, including by removing barriers and improving market surveillance, in particular to facilitate the development of SMEs.

Member States are invited to refer to indicators on the economic and social impact of the crisis, including from the social scoreboard accompanying the European Pillar of Social Rights. They can provide information to reflect the expected economic impact of the crisis on GDP, household income, employment and activity rates, risk of poverty or social exclusion, as well as the impact on businesses. Member States are also invited to outline the expected impact of the plan's reforms and investments on productivity, competitiveness, job creation and macroeconomic stability, including on macroeconomic imbalances in the relevant cases.

#### 4. Social and territorial cohesion

Member States should outline how their plan will contribute to enhancing cohesion, taking into account local, regional and national disparities, including the rural/urban gaps. Overarching challenges such as those linked to the demographic context can also be explained under this section. Member States should for instance provide official national and regional statistics on income (level and distribution), population, health outcomes, 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 should also outline how the plan is expected to mitigate territorial disparities, promote a balanced regional development and support cohesion. Member States are encouraged to highlight the social and economic impact across various groups in the society (for instance distributional impact), including women and vulnerable groups<sup>4</sup>, in line with the principles of the European Pillar of Social Rights.

#### 5. Health, and economic, social and institutional resilience

The ongoing crisis has demonstrated the importance of functioning and effective health and care systems. The Recovery and Resilience Facility can be an important tool to strengthen Europe's health and care systems for the future.

According to the definition provided in the Regulation, resilience means the ability to face economic, social and environmental shocks and/or structural changes in a fair, sustainable and inclusive way. The COVID-19 crisis has put to test the capacity of Member States and the Union to cope with large and unexpected shocks, including vulnerabilities of health systems to cope with high contagion rates, disruptions in demand and supply, or other underlying structural weaknesses to their accessibility, effectiveness and resilience. The resulting economic crisis is affecting Member States' capacity to grow while exacerbating existing, and possibly creating new, macroeconomic imbalances and differences at

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<sup>4</sup> The Action Plan on integration and inclusion (COM(2020)758) adopted by the Commission on 24/11/2020 provides for that Member States are encouraged *to take into account the situation of migrants and their children (e.g. in health, employment and education) in their national Recovery and Resilience Plans.*

subnational level. There is also the need to strengthen the resilience of some critical supply chains especially for sectors most exposed to external shocks and enhance the resilience of critical infrastructure against disruptions. Member States should therefore outline in this section how the plans will contribute to strengthening their economic, social and institutional 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, turning them into opportunities for all, and reinforce their long-term competitiveness.

Member States are invited to provide information regarding the strengthening of institutional resilience and capacity to prepare for and react to crisis, the social resilience in relation to employment, skills active labour market policies that support and ease job transitions where needed and social policies, in particular when it comes to youth, women and the most vulnerable groups, the health and care systems (in relation the resilience, effectiveness and accessibility of care provision), the safeguarding of key value chains and critical infrastructure, ensuring access to critical raw materials, open strategic autonomy, improved connectivity, the diversification and resilience of their key economic ecosystems, and the fitness of their business environment.

In this context, Member States are invited to explain how they will ensure high quality governance processes and procedures of public institutions, including efficient and effective public administrations, notably to support the intake of the funds available under the Facility but also to ensure sustainable growth and competitiveness.

Member States are also invited to describe the impact of their plan on the quality, composition and longer-term sustainability of public finances, and on financial buffers in the private sector as an indicator of financial resilience.

## 6. Policies for the next generation

Member States should explain how the plan will promote policies for the next generation, in particular on early childhood education and care, education and skills, including digital skills, upskilling and reskilling, employment and inter-generational fairness, in line with Article 15(3) (b). These actions should ensure that the next generation of Europeans is not permanently affected by the impact of the COVID-19 crisis and that the generational gap is not further deepened. In line with the explanations on how the plan contributes to equal opportunities in Article 15 (3) (ia) these actions should also ensure that inequalities experienced by children and youth, for example in terms of access to inclusive education, including access to adequate digital tools and Internet connection, digital literacy online education, or the effects of the crisis on child poverty, are addressed. In line with the principles of the European Pillar of Social Rights, the Child Guarantee and Youth Guarantee, as well as of the Digital Education Action Plan 2021-2027, Member States should outline how their plan will bridge the generational gap, for instance through reviewing the impact and allocation of public expenditure across different age brackets, strengthening policies for the requalification of the active labour force and integration programmes for the unemployed, or investing in access and opportunity for children and youth related to childcare and education, health, nutrition, jobs or housing.

## **2. Link with the European Semester**

*Background:*



- *Article 14(2): “The recovery and resilience plans shall be consistent with the relevant country-specific challenges and priorities identified in the context of the European Semester, as well as those identified in the most recent Council recommendation on the economic policy of the euro area for Member States whose currency is the euro”*
- *Article 15(3)(a): “an explanation of how the plan contributes to effectively address challenges identified in the relevant country-specific recommendations, including fiscal aspects thereof, and challenges related to Article 6 of Regulation (EU) No 1176/2011 for the Member States concerned, or in other relevant documents officially adopted by the Commission in the context of the European Semester”*
- *Article 16(3)(a) : “whether the recovery and resilience plan is expected to contribute to effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations, including fiscal aspects and recommendations made under Article 6 of Regulation (EU) No 1176/2011 where appropriate, addressed to the Member State concerned or challenges in other relevant documents officially adopted by the Commission in the European Semester;”*
- *Annex II section 2.2.*

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, all or a significant subset of, the relevant country-specific recommendations are effectively addressed by the proposed measures, so that the related challenges are expected to be resolved or otherwise addressed in a manner that significantly contributes to their resolution. Against this background, any prioritisation of country-specific recommendations in the plan should be justified, so as to ensure that the plan addresses at least a significant subset of the recommendations. In particular, it should be indicated why these prioritised challenges are considered more significant to boost the growth potential of the economy of the Member State in a sustainable and inclusive manner and how the plan represents a comprehensive and adequate response to the economic and social situation of the Member State concerned.

Where relevant, this explanation should cover fiscal aspects (for instance, efficiency of revenue collection, composition of public expenditure with a view to improving the quality of public finances and the quality of revenue and expenditure composition or the longer-term sustainability of public finances) included in the recommendations, as well as issues relating to macroeconomic imbalances for those Member States that have been found to experience imbalances in line with Regulation (EU) No 1176/2011. Regarding the latter, 12 Member States identified with either imbalances or excessive imbalances are undergoing an In-Depth Review and are invited to explain how their plan will contribute to address the challenges identified.

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.

For those Member States whose currency is the euro, they should in particular ensure that the measures in the plan are consistent with the challenges and priorities identified in the most recent euro area recommendations. The relevant euro area recommendations to take into account are the ones adopted by the Council on 20 July 2020 (2020/C 243/01)<sup>5</sup> and the ones proposed by the Commission in November 2020 (COM(2020) 746 final)<sup>6</sup> and pending adoption by the Council.

#### Common challenges: European Flagships

The Commission adopted in September 2020 the Annual Sustainable Growth Strategy (COM/2020/575 final)<sup>7</sup>, launching the 2021 European Semester exercise. The Commission has identified a number of common challenges that Member States are facing in the form of European Flagships. Member States are invited to provide information on which components of their national recovery and resilience plan will contribute to the seven European Flagships: 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, including in rural and remote 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-

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<sup>5</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020H0723%2801%29>

<sup>6</sup> [https://ec.europa.eu/info/sites/info/files/2021\\_recommendation\\_for\\_euro\\_area\\_recommendation.pdf](https://ec.europa.eu/info/sites/info/files/2021_recommendation_for_euro_area_recommendation.pdf)

<sup>7</sup> <https://eur-lex.europa.eu/legal-content/en/TXT/?qid=1600708827568&uri=CELEX:52020DC0575>

friendly digital public services. In addition, public administrations should undertake reforms and investments to (re-)design processes, procedures and civil service according to best practices.

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 data (from 16% today)
7. **Reskill and upskill:** By 2025, 50% of the adult population should participate in training each year. 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 to which the plan contributes to, 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, contribute to employment creation and 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. Flagships can be implemented through multi-country projects (see Part 2, Section 4 of the present guidance).

### **3. Gender equality and equal opportunities for all**

*Background:*

- *Article 15 (3) (ia): “an explanation of how the measures in the plan are expected to contribute to gender equality and equal opportunities for all and the mainstreaming of these objectives in line with the principles 2 and 3 of the European Pillar of Social Rights, and principle 5 of the SDGs and the national Gender equality strategy, where relevant;”*

Member States should outline the most important national challenges in terms of gender equality and equal opportunities for all, including those resulting from or aggravated by the COVID-19 crisis, taking into account:

- equality of treatment and opportunities between women and men must be ensured and fostered in all areas, including regarding participation in the labour market, terms and

conditions of employment and career progression (principle 2 of the European Pillar of Social Rights)

- women and men have the right to equal pay for work of equal value (Article 157 TFEU, principle 2 of the European Pillar of Social Rights)
- regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, everyone has the right to equal treatment and opportunities regarding employment, social protection, education, and access to goods and services available to the public (principle 3 of the European Pillar of Social Rights)
- equal opportunities of under-represented groups shall be fostered (principle 3 of the European Pillar of Social Rights)

Member States should explain how the reforms and investments supported by the plan will be instrumental in overcoming the equality challenges identified, by replying to the following questions:

- How does the plan ensure and foster equality between women and men? When doing so, Member States are in particular invited to explain how the plan mitigates the social and economic impact of the crisis on women, including in relation to gender-based and domestic violence, and how it contributes to the UN Sustainable Development Goal 5 on gender equality and its targets.
- How does the plan promote equal opportunities regardless of gender, racial or ethnic origin, religion or belief, disability, age, and sexual orientation? When doing so, Member States are for example invited to explain how the plan ensures the mainstreaming of those objectives across relevant policies.
- How does the plan ensure respect for the rights of people with disabilities in conformity with the UN Convention on the Rights of Persons with Disabilities and the rights of other disadvantaged and marginalised populations? In this regard, Member States are for example invited to explain how the plan ensures disability (and otherwise) inclusive reforms of education, labour market and health sectors, accessibility of buildings, services and websites as well as transition from institutional to community-based services.

When replying to these questions, Member States should demonstrate that the objectives of gender equality and equal opportunities for all are mainstreamed into the plan, i.e. that the plan promotes the integration of gender equality and equal opportunities for all across the six pillars of Article 3, including green transition and digital transformation.

In addition, Member States are invited to disaggregate the data they present by gender, age, disability and racial or ethnic origin wherever possible.

#### **4. Coherence**

*Background:*

- *Article 15 (3) (i): “a justification of the coherence of the recovery and resilience plan; and an explanation of its consistency with principles and plans and, where relevant, programmes referred to in Article 14;”*
- *Article 16 (3) (k): “whether the recovery and resilience plan contains measures for the implementation of reforms and public investments projects that represent coherent actions;”*

- *Annex II section 2.11.*

Member States should put forward recovery and resilience plans that are coherent. They should therefore demonstrate coherence between reforms and investments (meaning how reforms and investments reinforce and /or complement the impact of one another and help address the relevant challenges) as well as demonstrate the overall internal coherence within the plan and consistency with the relevant national policy frameworks, strategies and plans. Coherence between specific reforms and investments can best be assured through a meaningful structure into components related to a specific sector or activity or 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 into 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 and complementary measures. Attention should be given to the quality of public administration provided the key role it will play for the effective implementation of reforms and investments in all policy areas.

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 investment 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, social and institutional resilience, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and mitigate the economic and social impact of the crisis while fostering cohesion and convergence.

## **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 Facility shall comprise measures for the implementation of reforms and public investment through a comprehensive and coherent package, which could also include public schemes aimed at incentivising private investment.”*

### 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, quality employment 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, research and innovation, education or social protection. There are therefore important synergies between reforms and investments covered under the Facility.

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, effective public administration, the effectiveness of justice systems, and in a broader sense respect of the Rule of Law, 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, to create jobs, strengthen active labour market policies and support job transitions where needed, 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, modernising and improving the efficiency and quality of public administration is essential.

All types of reforms should be considered under the Facility, including those that do not require any specific funding. When reforms are needed to address the national challenges or where they are necessary for the implementation of the investments, they should be included, even if they do not imply additional costs to be taken into account for the cost estimate. Whenever possible, Member States could also consider including in their plans the support for reforms provided by the Technical Support Instrument. Specific milestones and targets should be developed to ensure the implementation of the reforms.

The plan shall be duly reasoned and substantiated (Article 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 and job creation or by strengthening economic, social and institutional resilience, ensuring the long-term sustainability of public finances, by improving the effectiveness of public administration, the uptake of digital public services or the business environment and access to finance (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, including the strengthening of effective active labour market policies and of the capacity of public employment services, effective administration, notably in the area of digital, 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 related to improving the functioning of the Single Market.

Reforms can have a larger impact when they reinforce or complement 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 transitions, 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.

## **2. Investments**

*Background:*

- *Article 4a(1): “Support from the Facility shall not, unless for duly justified cases, substitute recurring national budgetary expenditure and shall respect the principle of additionality of the Union funding as referred to in Article 8.”*
- *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 Facility shall comprise measures for the implementation of reforms and public*



*investment through a comprehensive and coherent package, which could also include public schemes aimed at incentivising private investment.”*

- *Article 15(3)(e): “the envisaged investment projects, and the related investment period;”*

### 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 Regulation that is expected to bring beneficial results to society, the economy and/or the environment. The Regulation aims at promoting measures that, if taken now, would bring about a structural change and have a lasting impact on economic and social resilience, sustainability and long-term competitiveness (green and digital transitions), and employment.

The Regulation 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. Investments should also respect the ‘do no significant harm’ principle.

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, 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 Facility, 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 and contribute to reduce the digital divide.

The timeline of investments should take into account the timeline of the Recovery and Resilience Facility. Member States should therefore avoid to include investments in the plan for which the implementation of the related milestones and targets cannot be ensured within the timespan of the Facility.

### Recurrent and non-recurrent costs

As a rule, the Recovery and Resilience Facility should only finance costs that are non-recurrent in nature and fall within the time horizon of the Recovery and Resilience Plan. Article 4(1) of the Regulation lays out that support from the Facility should not, unless for duly justified cases, substitute recurrent national budgetary expenditure. This applies both to administrative expenditure such as staff costs and to operating costs. For example,

infrastructure maintenance cost of a recurrent nature would not be eligible but investments in upgrades, including very heavy or overdue maintenance, should be possible to be supported under the Recovery and Resilience Facility on a case-by-case basis.

For duly justified cases, costs of a recurrent nature may be financed to the extent 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 contributes to meeting the assessment criteria.

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 be direct (e.g. financing a project with public money) or indirect (e.g. public schemes to incentivise private investments, such as for example building renovations to improve energy and resource efficiency or digitalisation of small businesses). When structuring the investments, Member States should ensure that all applicable rules are complied with, in particular competition rules (State aid, antitrust and merger rules) as well as public procurement. Overall, Member States are encouraged to use the EU green public procurement criteria, in all relevant public purchases. 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 relevant for all investments, in particular for large ones in the form of Important Projects of Common European Interest (IPCEI).

Member States are invited to 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.

### Financial instruments

Investments may also take the form of financial instruments, support schemes, subsidies and other facilities, especially given their capacity to crowd-in additional private investments, provided they would target clearly identified market failures linked with the objectives of the Recovery and Resilience Facility.

This would include inter alia, guarantees, loans, equity and venture capital instruments and the setting-up of dedicated investment vehicles. As indicated in Recital 8 of the Regulation “[...] private investments could also be incentivised through public investment schemes, including financial instruments, subsidies and other instruments, provided state aid rules are complied with.” Member States can decide on the type of financial instrument, its set up (either done by itself or via the InvestEU Member State's compartment) and the selection of implementing/entrusted entities. When choosing the setup for financial instruments, Member States are encouraged to rely on existing structures as much as possible as the timeline of the Facility will make it difficult to develop new implementation structures.

Member States have the possibility to contribute up to 4% of their plan's financial total allocation to the Member State compartment of InvestEU (the level of 4% applies to contributions made both to InvestEU and the Technical Support Instrument combined), in line with Article 6(2) of the Regulation. This option would allow Member States to deliver the policy objectives defined in their recovery and resilience plans in a financially efficient way and through a readily available administrative set-up, ensuring State aid compliance. Such an approach would allow intermediaries to benefit from a Union guarantee, while the cash contribution of the Member State would be limited to the applicable provisioning rate under InvestEU (set at 40% adjustable according to Article 9 (2) of the Invest EU Regulation).

When Member States decide to rely on the InvestEU structures, they should indicate the following information in their plan:

- the policy objectives of the measure ;
- the State aid dimension of the measure (e.g. applicability of the General Block Exemption Regulations, individual notification, etc.);
- the contribution to the Invest EU provisioning;
- the target amount of finance and investment to be mobilized;
- the type of support to be deployed (e.g. loans, guarantees, equity...);
- the targeted beneficiaries (e.g. SMEs, mid-caps) and the nature of the investment(e.g. innovation, broadband, infrastructure);
- a clear milestone linked to the set-up of the instrument;
- a timetable for deploying the financial instrument;
- the name of the InvestEU implementing partner;
- a description of the monitoring system to report on the investment mobilized through the financial instrument (i.e. use could be made of the Invest EU monitoring systems).

Member States can also decide to set up financial instruments outside InvestEU, in which case they should in addition pay attention to the following elements:

- State aid dimension of the measure
- Mechanisms for monitoring and reporting
- Calculation of the loss distribution

To implement the financial instrument, an agreement between the Member State and the implementing partner/entrusted entity (in case of funds, this would be the fund manager on behalf of the partners) needs to be concluded translating in obligations the information included in the recovery and resilience plan. Any reflows (i.e. interests on the loan, return on equity, or principal repaid, minus associated costs) linked to these instruments that Member States would generate would need to be reinvested for the same policy objectives, including beyond 2026.

#### Compliance of reforms and investments with EU State aid rules

As set out in Recital 8 of the Regulation, State aid rules fully apply to the measures funded by the Recovery and Resilience Facility. Therefore, Member States should ensure that all reforms and investments comply with the relevant EU State aid rules and follow all State aid procedures.

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(1) TFEU are met. When this is the case and State aid is present, these measures must be notified and approved by the Commission before Member States can grant the aid, unless those measures comply with the applicable conditions of a block exemption regulation, in particular the General Block Exemption Regulation (GBER) declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 TFEU<sup>8</sup>. The Commission has published several State aid guiding templates<sup>9</sup> to assist Member States in the design of the State aid elements of their national recovery and resilience plans in line with EU State aid rules.

On this basis, Member States are invited to specify in the draft recovery and resilience plan for each measure (reforms and investments), whether in their view:

- the support for the reform or investment will not constitute State aid in the sense of Article 107(1) TFEU<sup>10</sup>; or
- the reform or investment will be financed on the basis of an existing State aid scheme falling under a block exemption regulation, in particular the GBER, or approved by a Commission State aid decision (providing the reference number to such scheme (SA.nnnnn)) or;
- the reform or investment will result in a new State aid measure, an explanation whether it will comply with the conditions of a block exemption regulation or the GBER (indicating which Article thereof); or
- the measure requires a State aid notification, an indication of when the measure will be pre-notified or notified to the Commission and details on the planned compatibility basis.

In case of doubt on the part of the Member State, either on the existence of State aid or on the compatibility of a measure with the EU State aid rules, the Member State is invited to contact the Commission<sup>11</sup> and flag this in the (draft) Recovery and Resilience Plan. When the (draft) Plan includes more detailed information on the measures involving State aid (or where State aid questions come up), the Commission services will be able to assist the Member State in identifying and providing the necessary and relevant information to the Commission. Ultimately, however, it is the duty of the Member State to notify State aid measures to the Commission before granting them, in compliance with Article 108(3) TFEU. In this respect, the State aid analysis carried out by the Member State in the recovery and resilience plan cannot be deemed a State aid notification. Also, the approval of the recovery and resilience plan cannot be understood as a Commission State aid decision on the measure concerned.

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<sup>8</sup> Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187, 26.6.2014, p. 1.

<sup>9</sup> [https://ec.europa.eu/competition/state\\_aid/what\\_is\\_new/covid\\_19.html](https://ec.europa.eu/competition/state_aid/what_is_new/covid_19.html)

<sup>10</sup> This could be the case for example if the support does not provide an undue advantage to the beneficiary (for instance, support at *pari passu* conditions) or if it is *de minimis*. For additional guidance, see the State aid guiding templates referred to in the footnote above.

<sup>11</sup> DG Competition has set-up a dedicated mailbox and telephone number, to assist Member States with any queries they have or measures they would like to discuss on the Temporary Framework or on the Recovery and Resilience Facility State aid guiding templates: Telephone number: (+32) 2 296 52 00; e-mail address: COMP-COVID@ec.europa.eu

### **3. Open strategic autonomy and security issues**

*Background:*

- *Article 4: “[...] and contributing to the strategic autonomy of the Union alongside an open economy [...]”*
- *Article 15(3)(cb): “where appropriate, for investments in digital capacities and connectivity, a security self-assessment, based on common objective criteria identifying any security issues, and detailing how those issues will be addressed in order to comply with the relevant national and Union laws”*

Open strategic autonomy may be relevant as regards key critical supply chains as well as for security and public order of the Union, as recalled in Recital 6-a of the Regulation. Therefore, Member States are invited to consider to what extent the relevant reforms and investments financed by the Facility will help make the Union more resilient, in particular as regards critical value chains<sup>12</sup>.

In addition, the Regulation requires specifically that Member States provide, where appropriate, a security self-assessment for investments in digital capacities and connectivity. Reforms and investments in digital technologies, infrastructures and processes will help increase the Union’s competitiveness at global level and will help make the Union more resilient, and less dependent by diversifying key supply chains. Guaranteeing a high level of cybersecurity and trust is a pre-requisite for a successful European digital transformation. This self-assessment should identify potential security issues and detail how they will be addressed to comply with national and European law and follow Union cybersecurity policies.

The EU has rules in place to mitigate security risks<sup>13</sup> that must be complied with by those willing to access the European market. As regards 5G networks, national authorities agreed to a common “EU Toolbox” aimed at mitigating security risks in the context of telecommunication networks.<sup>14</sup> The Toolbox sets out a range of strategic and technical measures, as well as supporting actions in order to address cybersecurity risks identified in the EU Coordinated Risk assessment<sup>15</sup>.

When conducting the security self-assessment required by the Regulation, Member States are asked to rely on the 5G Toolbox, to assess and identify security risks, as well as to explain how those risks are addressed. This should in particular include the following:

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<sup>12</sup> This includes renewable energy technologies and energy storage. Critical infrastructure in the energy sector is also crucial for strengthening strategic autonomy

<sup>13</sup> Including the Network and Information Security Directive, the Cybersecurity Act, and EU telecoms rules. See also the new cybersecurity package adopted on 16 December 2020: <https://ec.europa.eu/digital-single-market/en/cybersecurity-strategy>

<sup>14</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_123](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_123) and COM(2020) 50. The toolbox was accompanied by Commission communication (COM(2020)50), which endorsed the Toolbox and identified areas of EU competence and/or EU added-value, such as funding programmes and projects.

<sup>15</sup> EU Coordinated Risk Assessment of the Cybersecurity of 5G Networks of 9 October 2019.

- assess the risk profile of suppliers and apply relevant restrictions for suppliers considered to be high risk - including necessary exclusions to effectively mitigate risks - for key assets defined as critical and sensitive in the EU coordinated risk assessment (e.g. core network functions, network management and orchestration functions, and access network functions)<sup>16</sup>;
- strengthen security requirements for mobile network operators (e.g. strict access controls, rules on secure operation and monitoring, limitations on outsourcing of specific functions, etc.);
- ensure that each operator has an appropriate multi-vendor strategy to avoid or limit any major dependency on a single supplier (or suppliers with a similar risk profile), ensure an adequate balance of suppliers at national level and avoiding dependency on suppliers considered to be high risk; this also requires avoiding any situations of lock-in with a single supplier, including by promoting greater interoperability of equipment.

This guidance on key risks and measures from the Toolbox is relevant for not just 5G networks, but can *mutatis mutandis* also be applied to other investments and reforms in digital capacities and connectivity. Member States are invited to use the Toolbox for the purposes of the Facility as the ‘common objective criteria’ suggested by the Regulation.

Member States are invited to report as part of their plan how they have applied the above requirements.

#### **4. Cross-border and multi-country projects**

*Background:*

*Article 15(3)(cc): “an indication of whether the measures included in the plan comprise cross-border, or multi-country projects”*

Member States should indicate if reforms or investments contribute to any cross-border and multi-country projects. Such 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). If so, Member States should indicate it clearly in their recovery and resilience plans, and 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, 5G corridors and/or cooperation mechanisms on renewables.

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<sup>16</sup> The Toolbox and the EU coordinated assessment provide guidance concerning the criteria for assessing the risk profile of suppliers and identifying sensitive network assets. The Toolbox also identifies targeted supporting actions, including ensuring that 5G deployment projects supported with public funding take into account cybersecurity risks

Cross-border and multi-country projects or projects having a Single Market dimension such as the important projects of common European interest<sup>17</sup> 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. They can also develop multi-country projects relating to critical raw materials and to recycling hubs, in particular for plastics and textiles.

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, the Space Programme of the Union, 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, as well as technical support through the Technical Support Instrument, 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.

Where a reform or investment contributes to a multi-country project, Member States should indicate which other Member States are involved. Costs should be clearly attributable to a single Member State and reflect only the reforms and investments it will itself implement. All 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.

The implementation and governance of cross-border and multi-country projects can build on specific bilateral or multilateral implementation mechanisms established between Member States. Alternatively, a number of existing EU-level instruments can support coordination, for instance on Important Projects of Common European Interest (IPCEI). IPCEIs are large integrated cross-border projects supported by several Member States with co-financing by the private participants to achieve goals of common European interest beyond the participating Member States and beneficiaries. This State aid mechanism foreseen by the Treaty enables

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<sup>17</sup> [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 to provide support that can cover up the whole funding gap of the participating individual projects. The Recovery and Resilience Facility can be used by those Member States for providing IPCEI aid.

## **5. Green dimension of the component**

*Background:*

- *Article 15(3)(c): “a qualitative explanation of how the measures in the plan are expected to contribute to the green transition including biodiversity or to the challenges resulting from it, and whether they account for an amount that represents at least 37% of the plan’s total allocation, based on the methodology for climate tracking set out in Annex IIA; the methodology shall be used accordingly for measures that cannot be directly assigned to an intervention field listed in the table; the coefficients for support to the climate objectives may be increased up to a total amount of 3% of the allocation of the plan for individual investments to take account of accompanying reform measures that credibly increase their impact on the climate objectives as explained in the plan”*
- *Article 16(3)(e) “whether the plan contains measures that effectively contribute to the green transition, including biodiversity or to addressing the challenges resulting from it, and whether they account for an amount which represents at least 37% of the plan’s total allocation, based on the methodology for climate tracking set out in Annex IIA; the methodology shall be used accordingly for measures that cannot be directly assigned to an intervention field listed in the table; the coefficients for support to the climate objectives may be increased up to a total amount of 3% of the allocation of the plan for individual investments to take account of accompanying reform measures that credibly increase their impact on the climate objectives, subject to the agreement of the Commission”*
- *Annex II section 2.5.*

Member States should explain to what extent the plan will contribute to the green transition, including biodiversity, or address the challenges resulting from it. The green dimension of the plan’s components will be assessed under both a qualitative approach (to assess the link with the energy, climate and environmental challenges) and a quantitative approach (to verify the compliance with the 37% climate expenditure target).

### Measures supporting climate objectives

The EU climate law proposed by the Commission in March 2020 sets out strategic objectives and targets to achieve climate neutrality by 2050. Furthermore, the Commission proposal of September 2020 increases the Union’s CO<sub>2</sub> reduction target from 40% to 55% by 2030 and includes it in the EU Climate Law, which has been endorsed by the European Council in December 2020. In order to demonstrate that the recovery and resilience plans contribute to achieving these climate objectives, Member States should specify the scope, timeline and expected impact of the proposed measures on the reduction of greenhouse gas emissions or adaptation to climate change, share of renewable energy, the energy efficiency and the electricity interconnection in their plan. This should be done by selecting indicators that are



consistent with the National Energy and Climate Plans as well as the Commission assessments<sup>18</sup>.

Additionally, Member States should use a quantitative approach to demonstrate that their proposed plans contribute with at least 37% of the plan's total allocation to the climate target. To this effect, Member States should use the methodology for climate tracking set out in Annex IIA of the Regulation as regards the calculation of the coefficient for support to the climate change objectives (the application of the climate tracking methodology is outlined in Section 8).

#### Measures supporting environmental objectives

While the quantitative target of 37% applies only to climate change related measures, Member States should use a qualitative approach to explain how their plans contribute to broader environmental objectives of the green transition, including biodiversity. As such, Member States should outline how the proposed measures will help to meet objectives including waste, water and pollution control, marine and water resources, and support the transition to sustainable food systems and the transition towards a more resource efficient and circular economy as appropriate. Member States are invited to refer to the extent possible to the environmental objectives as defined in the EU Taxonomy Regulation. In addition, Member States are invited to take into account the level of support to environmental objectives, on the basis of environmental coefficients set out in Table IIA (see annexed Template, Table 1 of Part 2).

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. 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.

Biodiversity actions have many positive effects, including strengthening the carbon sink, boosting resilience and preventing the emergence and spread of future outbreaks of diseases, while also creating new economic opportunities in rural areas through more sustainable land use. Given its key role in the preservation of the environment and the co-benefits it can offer in the fight against climate change, the plans should also outline how the measures are expected to contribute to the protection and restoration of biodiversity and ecosystems. Relevant fields of action include, but are not limited to, the development and management of the Natura 2000 network, the conservation and restoration of species and habitats, reductions in the use and risks of pesticides, the control of invasive alien species or the construction and management of green or blue infrastructure.

In addition, due attention should be paid to the job creation potential, the development and deployment of research and innovation, as well as to the provision of trainings and acquisition of the skills that are necessary to address those objectives and accelerate the deployment of the technologies needed for the green transition. Finally, Member States

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<sup>18</sup> The Commission assessed the final National Energy and Climate Plans and published a [Communication on the EU-wide assessment of NECPs in September 2020 \(COM\(2020\) 564 final\)](#) as well as [individual assessments and summaries](#) for each Member State in October 2020.

should explain how in their overall design of the plan, due care is taken of the objective to ensure a just transition that leaves no one behind.

**Box: Non-exhaustive examples of typical reforms and investments linked to the 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).

## **6. Digital dimension of the component**

*Background:*

- *Article 15(3)(ca): “an explanation of how the measures in the plan are expected to contribute to the digital transition or to the challenges resulting from it, and whether they account for an amount which represents at least 20% of the plan’s total allocation, based on the methodology for digital tagging set out in Annex -III; the methodology shall be used accordingly for measures that cannot be directly assigned to an intervention field listed in the table; the coefficients for support to the digital objectives may be increased for individual investments to take account of accompanying reform measures that increase their impact on the digital objectives”*
- *Article 16(3)(f) “whether the plan contains measures that effectively contribute to the digital transition or to addressing the challenges resulting from it, and whether they account for an amount which represents at least 20% of the plan’s total allocation, based on the methodology for digital tagging set out in Annex -III; the methodology shall be used accordingly for measures that cannot be directly assigned to an intervention field listed in the table; the coefficients for support to the digital objectives may be increased for individual investments to take account of accompanying reform measures that increase their impact on the digital objectives”*
- *Annex II section 2.6.*

Member States should explain to what extent the plan contributes to the digital transition or to address challenges resulting from it. They must demonstrate that a minimum of 20% of the plan’s total allocation is attributed to expenditures related to digital. To this effect, Member States should use the methodology for digital tagging as laid down in Annex -III of the Regulation, as regards the calculation of the coefficient for support to the digital objectives (see section 8 for further information on the digital tagging).

For the digital transition, particular attention will be paid to the contribution of the measures proposed to the digital transformation of economic or social sectors, including public administration, public employment services, the justice<sup>19</sup> and health systems 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 to improve not only the competitiveness, but also the resilience, agility and security of companies and public actors, while ensuring inclusiveness.

Investments in digital technologies should respect the principles of interoperability, energy efficiency and personal data protection, allow for the participation of SMEs and start-ups and

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<sup>19</sup> Member States are invited to examine potential areas for improvement in the justice domain further to the 2020 Commission SWD on the state of play of digitalisation of justice (SWD(2020)540)

promote the use of open-source solutions. Where applicable, Member States should provide a security self-assessment as described in section 2.4.

Member States can use the following categories (consistent with the intervention field categories as set out in Annex -III of Regulation) 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.

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 distance learning and build digital skills 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, business process reengineering, simplification of legislation and administrative burden, legal, organisational and technical interoperability between central, regional and local administration, 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. For example, Member States investing in digital infrastructures should be

encouraged to prioritise the most energy efficient and greenest technologies. Likewise, measures to boost a more circular use of ICT products, encouraging repairing and recycling activities, will help to save emissions from producing new devices and equipment.

**Box: Non-exhaustive examples of typical reforms and investments linked to the 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.

## **7. Climate tracking and digital tagging**

### General principles

To reflect the extent to which each measure makes a contribution to the overarching climate and digital targets and compute the overall shares of the plan's total allocation related to climate and digital, Member States should use the methodologies, intervention fields and

associated coefficients for climate tracking and digital tagging set out in Annex IIA and Annex -III of the Regulation, respectively.

For each investment and reform, Member States should select a single intervention field from Annex IIA and/or Annex -III of the Regulation. The coefficient associated with the chosen intervention field expresses whether the measure contributes fully (100%), partly (40%) or has no impact (0%) on the climate and/or digital objectives. Combining the relevant coefficient for each measure with the associated cost estimates and summing these up allows assessing to which extent the plan contributes to at least 37% of the plan's total allocation supporting the climate target and at least 20% to the digital target<sup>20</sup>.

This is important for the Commission to assess whether the chosen intervention field is in line with the nature of the measure (i.e., whether it is aligned with its focus, objective or expected outcome) and to validate such choice. In many cases, the use of a single intervention field will allow to reflect the underlying objective of the measure in an appropriate way. When several intervention fields for the climate tracking or digital tagging could be relevant for a measure, in general Member States should choose the most appropriate one and explain their choice.

However, in some specific cases, the use of a single intervention field may lead to under- or overestimating the climate or digital nature of a given measure. In such cases, the Commission will discuss and agree with the Member State the best way to capture the nature of the measure, either by applying one specific intervention field to the entire measure or if more appropriate by applying the climate and/or digital coefficients at the level of a sub-measure (i.e. individual elements of a measure), provided that separate costing data are available.

#### Additional conditions linked to climate intervention fields

For climate tracking, the methodology is based on the Rio markers system with some adaptations to take into account elements from the EU Taxonomy Regulation (EU 2020/852). As a result, Annex IIA contains 143 intervention fields with 37 sub-intervention fields marked as “bis” or “ter” that were added in 27 instances to account for a higher or lower climate coefficient. For example, while the intervention field 025 “*Energy efficiency renovation of existing housing stock, demonstration projects and supporting measures*” accounts for a 40% climate coefficient, its sub-intervention field 025bis is given a 100% climate coefficient, provided that the objective of the measure is on average compliant with the energy efficiency criteria for a medium-depth level renovation (i.e., at least 30% primary energy savings) as set out in the Commission Recommendation on Building Renovation (EU) 2019/786.

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<sup>20</sup> In order to maximise the impact on the economy of the reforms and investments envisaged in their plans, Member States are encouraged to structure these plans, as much as possible, so as to achieve synergies between green and digital objectives. For examples of digital measures catering also for green objectives, see point 7 of Section 6 above. As regards green measures catering also for digital objectives, for example, Member States could also adopt measures to encourage that, at the occasion of building renovation, it is publicly offered in a transparent and non-discriminatory way to all utilities operators (e.g. broadband, electricity, gas, water, etc.) the possibility of placing/upgrading infrastructure, including for connectivity purposes, at the costs of the operators themselves.

The coefficient will be calculated at the level of each investment (e.g. a multiannual energy efficiency renovation programme) or reform, not at the level of each underlying project. Therefore, in order to be tagged to an intervention field which carries a higher coefficient associated with additional conditions related to compliance with specific objectives, the measures will have to explicitly pursue this objective. The compliance with the conditions set out in Annex IIA to benefit from a higher coefficient will be assessed against the documented objective of the measure and its actual implementation on the ground will be part of the overall implementation of the plan. For example, some intervention fields can carry a higher climate coefficient provided they comply with the energy efficiency criteria. A measure to incentivise building renovation through subsidies (intervention field 25bis) will have a 100% coefficient if the subsidies are conditioned to achieving on average across all supported building renovations at least 30% primary energy savings (i.e., at least a medium-depth level renovation according to Commission Recommendation on Building Renovation (EU) 2019/786).

#### **Box outlining selected footnotes of intervention fields in Annex IIA**

For intervention fields 010ter, 024ter, 025bis, 025ter, 026bis, 030, 030bis, 034bis, 039bis, 041bis, 045bis, 046bis, 066bis and 077 with corresponding footnotes 22-33, 35 and 39, Member States are requested to ensure that the additional requirement(s) for the objective of the measures form an integral part of the design of the measure and/or the related investment level (the numbering of the footnotes will change following the revision of the Regulation by the lawyers-linguists).

010ter: The objective of the measure is to enable reductions in greenhouse gas (GHG) emissions by processing or collecting data resulting in substantial GHG emissions savings across the life-cycle of the measure. If the measure concerns data centres, the objective of the measure requires them to comply with the ‘European Code of Conduct on Data Centre Energy Efficiency’.

024ter: Related to energy efficiency building renovations of enterprises, the objective of the measure is on average compliant with the energy efficiency criteria for a medium-depth level renovation (i.e., at least 30% primary energy savings) as set out in the Commission Recommendation on Building Renovation (EU) 2019/786. Related to other energy efficiency measures, including at a level of a renovation or an energy-efficiency programme, demonstration projects or supporting measures, the objective of the measures is to achieve, on average, at least a 30% reduction of direct and indirect GHG emissions compared to the ex-ante emissions without the measure.

025bis: Related to energy efficiency renovations of housing, including social infrastructure, the objective of the measure is on average compliant with the energy efficiency criteria for a medium-depth level renovation (i.e., at least 30% primary energy savings) as set out in the Commission Recommendation on Building Renovation (EU) 2019/786. For measures that focus on lower-level energy efficiency renovations, intervention field 025 applies.

025ter: For the construction of new energy efficient buildings, including social infrastructure, the objective of the measure requires new buildings to have a primary energy demand that is at least 20% lower than the definition of nearly zero-energy buildings (national directives), expressed in primary energy use in kWh/m<sup>2</sup> per year.

026bis: Related to energy efficiency building renovations of public infrastructure, including social infrastructure, the objective of the measure is on average compliant with the energy efficiency criteria for a medium-depth level renovation (i.e., at least 30% primary energy savings) as set out in the Commission Recommendation on Building Renovation (EU) 2019/786. Related to other energy efficiency measures, demonstration projects and supporting measures, the objective of the measures is to achieve, on average, at least a 30% reduction of direct and indirect GHG emissions compared to the ex-ante emissions without the measure.

030: The objective of the measures relates to the production of electricity or heat from biomass, in line with the Renewable Energy Directive (EU) 2018/2001.

030bis: Two different criteria apply according to the use of the biomass. First, if the objective of the measure relates to the production of electricity or heat from biomass, in line with Directive (EU) 2018/2001; and if the objective of the measure is to achieve at least 80% GHG emission savings at the facility from the use of biomass in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001. Second, if the objective of the measure relates to the production of biofuel from biomass (excluding food and feed crops), in line with Directive (EU) 2018/2001; and if the objective of the measure is to achieve at least 65% GHG emission savings at the facility from the use of biomass for this purpose in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex V to Directive (EU).

034bis: In case of high-efficiency cogeneration, if the objective of the measure is to achieve life cycle emissions that are lower than 100gCO<sub>2</sub>e/kWh or heat/cool produced from waste heat. In case of district heating/cooling, if the associated infrastructure follows the EU Energy Efficiency Directive, or the existing infrastructure is refurbished to meet the definition of the efficient district heating and cooling, or the project is an advanced pilot system (control and energy management systems, Internet of Things) or leads to a lower temperature regime in the district heating and cooling system.

039bis: The objective of the measure is for the constructed water system to have an average energy consumption of lower or equal to 0.5 kWh or an Infrastructure Leakage Index (ILI) of lower or equal to 1.5. In case the objective of the measure is to renovate the water system, it decreases the average energy consumption by more than 20% or decreases leakage by more than 20% compared to a situation before the measure.

041bis: The objective of the measure for the constructed front-to-end waste water system to have net zero energy use or for the renewal of the front-to-end waste water system to lead to a decreased average energy use by at least 10% (solely by energy efficiency measures and not by material changes or changes in load).

045bis: The objective of the measure is to convert at least 50%, in terms of weight, of the processed separately collected non-hazardous waste into secondary raw materials.

046bis: The objective of the measure is to turn industrial sites and contaminated land into a natural carbon sink (e.g., forests).



066bis/069bis: The objective of the measure relates to electrified trackside and associated subsystems or if there is a plan for electrification or it will be fit for use by zero tailpipe emission trains within 10 years.

077: The objective of the measure is in line with the Renewable Energy Directive (EU) 2018/2001.

### Uplifting of coefficients

Subject to the agreement of the Commission, the coefficients for support to the climate and/or digital objectives may be increased to 40% or from 40% to 100% for individual investments to take into account accompanying reform measures that credibly increase the impact of the investment on the climate and/or digital objectives. Only reforms that genuinely contribute to the climate or digital objectives in a significant way should be considered. In practice, this would be reforms that promote the uptake of the most cost-effective investments; it is up to the Member States to provide the necessary justification. For example, a tax reform for urban road charging (e.g. to internalise the negative external effects of GHG emissions from vehicles) might support an investment in smart and green traffic management systems (e.g. to improve the efficiency of the transport system and reduce GHG emissions), or reforms enabling grid planning and coordination between sectors or investments in electric grids and other green energy infrastructure. Other examples include spending reviews that lead to efficiency gains and a shift away from recurrent expenditures toward climate investments, or the phase-out of environmentally harmful subsidies that in turn strengthen the carbon price signal in the relevant investment decisions.

In the case of climate objective, the coefficients supporting this objective may be increased up to a total amount of 3% of the allocation of the plan for investments, to take account of accompanying reform measures that credibly increase their impact on the climate objectives. The uplifting of coefficients will be subject to the agreement of the Commission. Member States should therefore provide detailed justification for the increase so that the Commission can assess whether or not the increase is warranted. Member States are invited to provide this information as early as possible during the informal dialogue with the Commission to prepare the draft plans.

To support the issuance of green bonds, Member States are invited to report on expenditure incurred through their budgets on reforms and investments in the recovery and resilience plans that have been marked with a climate or environmental marker set out in Annex IIA of the Regulation.

## **8. Do no significant harm**

*Background:*

- *Article 4a(2): “The Facility shall only support measures respecting the “do no significant harm” principle”.*
- *Article 15(3)(bb): “an explanation of how the plan ensures that no measure for the implementation of reforms and investments included in the plan makes a significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852 (“do no significant harm principle”)”*
- *Article 16(3)(d) “whether the recovery and resilience plan is expected to ensure that no measure for the implementation of reforms and investments projects included in*

*the plan makes a significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852 ('do no significant harm principle'); the Commission shall provide technical guidance to the Member States to that effect"*

- *Annex II section 2.4.*

The Commission will provide a technical guidance document, which will detail how the “Do No Significant Harm” principle needs to be applied in the context of the Facility. Furthermore, for the operationalisation of the principle, the guidance document will include a checklist that should be used by Member States to support their analysis how each measure relates to the “Do No Significant Harm” principle. Member States should use the aforementioned technical guidance to fill in this section of the template.

The “Do No Significant Harm” principle needs to be assessed for each reform and investment. To this end, Member States should provide sufficient information to justify how no reform and no investment makes significant harm to any of the six environmental objectives as defined in Article 17 of the EU Taxonomy Regulation. The compliance of a measure with the Taxonomy Regulation will be an indication that it is also compliant with the do no significant harm principle.

## **9. Milestones, targets, timeline**

*Background:*

- *Article 2(4): “‘Milestones and targets’ mean measures of progress towards the achievement of a reform or an investment, with milestones being qualitative achievements and targets being quantitative achievements”*
- *Article 15(3)(d): “envisaged milestones, targets and an indicative timetable for the implementation of the reforms, and investments to be completed by the end of August 2026 at the latest”*
- *Article 16(3)(h) whether the arrangements proposed by the Member States concerned are expected to ensure an effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators.*
- *Annex II section 2.8.*

### **General principles**

Milestones and targets are measures of progress towards the achievement of a reform or an investment. The following distinction should be made:

A **target** is a quantitative achievement on an agreed indicator (number of kilometres of rail built, number of square meters of renovated building, number of beneficiaries of a particular investment scheme, etc.). The choice of targets should reflect the implementation of reforms and investments, and therefore be operational.

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

A **baseline** reflects the state, quantitative or qualitative, of the variable/indicator according to which it is measured, excluding the policy intervention. This may be the state at the point of

time immediately prior to the intervention and/or at the submission of the recovery and resilience plan, or it may be based on an extrapolation of current trends.

Milestones and targets should be clear and realistic, and the proposed indicators relevant, acceptable and robust. They can reflect different stages of the implementation of reforms and investments, either based on input indicators (e.g. resources provided, which can be financial, human, administrative) or preferably output indicators (e.g. number of workers trained, numbers of renovated schools).

Overall, it is important that milestones and targets remain within the control of the Member State and are not conditional on external factors such as the macroeconomic outlook or the evolution of the labour market. Impact indicators (e.g. decrease in the number of unfilled vacancies in the IT sector) should be avoided given the unpredictability of such indicators and their dependence on other factors outside the control of the Member State.

In that regard, Member States are invited to set milestones and targets with the following characteristics:

- Targets should be based on a single relevant, acceptable and robust indicator, or a simple formula based on several such indicators, that provide evidence of continued progress towards the objectives. Targets can be fixed at a specific level or a reasonable range, depending on what is measured and on how precise the estimate can be. Member States should consider how to assure and prove the quality of data and where relevant keep all necessary records.
- Milestones should be reliable, factual and, when referring to future documents (legislation, programming document etc.), detail their desirable content. The milestone to be achieved should be precise and related to the key steps (e.g. “new IT system fully operational”, “law approved by parliament”, “new regulatory agency operational”, or “tripartite agreement with social partners signed”); 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.

Measures in the plan should be associated with a limited but meaningful number of milestones and targets representing the key steps in implementation. 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. Milestones and targets will be discussed and agreed between the Commission and the relevant Member State based on their plans before agreeing on the ones to be included in the implementing decision. The details of these milestones and targets could be further detailed in the operational arrangements.

### Timeline and instalments

According to the Regulation, the deadline by which milestones and targets shall be completed and the request for payment submitted is 31 August 2026, leaving therefore time for the payment to still take place before the end of 2026. This deadline is important for calibrating the implementation calendar of the investments and reforms under the Facility.

As there will be several reforms and investments happening in parallel, instalments will depend on several milestones and targets to be fulfilled. 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 disbursements can happen maximum twice a year, there cannot be more than two groups of milestones and targets per year. Payment requests will hence generally be submitted by Member States either in the first and third quarter of each year or in the second and fourth quarter of each year up to 2026. The payment requests structure will be decided taking into account Member States' preferences to the largest extent possible while at the same time assuring that the overall expected volume of payment requests on a quarterly basis is in line with the funding capacity in the market, taking into account market size and market conditions. Member States are not expected to indicate a precise date by which each milestone and target would be met but provide an indicative timetable, as well as the envisaged timeline for the payment request.

For the purpose of a predictable implementation, Member States are encouraged to indicate the quarter of the year between February 2020 and August 2026 when the milestone or target is expected to be satisfactorily fulfilled. Member States will be expected to adhere to this timeline to make sure that the reform and investment programme takes place without undue delay.

The Facility can support measures only in so far as their implementation (for which the costs incur) has started only on or after 1 February 2020 and those measures form an integral part of the investment/reform contained in the plans. Member States may therefore include in their recovery and resilience plan milestones and targets that will have been reached prior to the approval of the plan, provided that they are duly reasoned and substantiated with reference to the provisions in Article 15.3 of the Regulation, while ensuring that the relevant milestones and targets pertain to both reforms and investments in line with the objectives of the Facility.

The size of a specific instalment is not to be necessarily linked to the estimated costs of the measures related to the milestones and targets but should rather be commensurate to the relative importance of the relevant milestones and targets and the progress in implementation of the plan they represent. Every instalment should ensure a balanced mix between reforms and investments and between components. The objective is to avoid that one specific instalment would be entirely associated to milestones and targets linked to a single component, thereby reflecting progress only on implementing this component and not the plan as a whole. Conversely, the objective is that the whole plan progresses at a relatively equal pace throughout the lifecycle of the Facility. Similarly, it should also be ensured that instalments are not linked only to investments or reforms but that there is an appropriate combination of both.

When a Member State considers it has satisfactorily fulfilled the relevant milestones and targets, it should submit a payment request for the corresponding disbursement. Member States may delay the submission of their request for payment in case they consider that not all milestones and targets have been yet satisfactorily fulfilled. In any case, all targets and milestones must be verifiably achieved by 31 August 2026 to allow a payment to be made still by 31 December 2026. Any delay in impact or availability of data should be considered when setting targets and milestones (cf. Column on assumption/risks in the template table 2).

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.

## **10. 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 in line with the principle of cost-efficiency and commensurate to the expected national economic and social impact;”*
- *Article 16(3)(i): “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 in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact;”*
- *Annex II section 2.9.*

Within the maximum allocation for each Member State as per the Recovery and Resilience Facility allocation key and the ceiling for loans, 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 19a(3) of the Regulation).

Member States are invited to submit recovery and resilience plans whose estimated total cost is as close as possible to the maximum financial contribution and any loan requested (that the financial size of the plan corresponds to the actual financial allocation). This is important to ensure that there is no need to change the scope of the plan once submitted and for the tracking towards the climate and digital targets. During the preparation stage, Member States can nevertheless submit draft plans whose estimated total cost is slightly higher than the maximum financial contribution; this will allow the Commission and the Member State concerned to discuss the cost estimates and if necessary envisage downward revisions during the drafting phase of the plan.

This section a) details what the Regulation 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 Regulation require?

The Commission will assess whether the cost estimates 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)(i)). These criteria are further developed in Annex II of the Regulation:

- **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 in line with the principle of cost-efficiency and commensurate to the expected social and economic impact of the envisaged measures on the Member State concerned. This assessment will be done at the level of the plan. It refers to assessing whether the plan will have an economic and social impact that is aligned with its cost. Such assessment will also take into account the reforms included in the plan. Member States should also provide evidence that their cost estimation aimed at achieving the most cost efficient outcomes.

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 cost estimates?

The Regulation stresses the need for ensuring national ownership of the measures. 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, the total estimated costs should arrive at an amount that is reasonably close to the actual costs. Use of accounting methods, historic costs, statistical data, credible and robust studies from trusted bodies or other similar sources of information and evidence facilitates such an assessment.
- **Accountability and transparency:** Cost estimates should be traceable. Where accounting methods, historic costs, statistical data, credible and robust studies from trusted bodies, market prices or other similar sources of information and evidence 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 and in particular with the costs applied to similar projects via other EU funding streams.

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 3 section 5).

When costing the reforms and investments, Member States could consider using simplified cost options (SCO) as a way to reduce the administrative burden. If the Member State uses a SCO that has already been agreed beforehand by the Commission (such as those used in the context of cohesion policy or directly managed EU programmes), a reference should be included in the plan but there is no need to have an additional description of the methodology. For all other SCOs a sufficiently detailed description of the methodology is needed and further information and explanations can be requested by the Commission when assessing the estimated total costs of the plan and their justification.

As regards the cost estimates for financial instruments, a distinction between unfunded and funded instrument should be made. For unfunded instruments, e.g. guarantees or contributions to the Member State compartment under InvestEU, Member States should be able to include in their plans as eligible costs the provisions to cover the expected losses of unfunded financial instruments (e.g. guarantees) and the unexpected losses with a 95% confidence interval. To this end, where Member States design their own instruments, the InvestEU provisioning rates for similar products will be used as a benchmark.

In order to maximise the use of the Recovery and Resilience Facility and the potential for leveraging, unfunded solutions, making use of intermediaries (be they private or public), offer a better solution than funded solutions, on the ground of the principle of cost efficiency that is embedded in the Regulation. In exceptional cases and depending on the size, maturity or risk profile, Member States would be able to rely on funded solutions.

In any case, if funded instruments are used, Member States are invited to include a commitment in the recovery and resilience plan that any unused amount, including potential reflows, will be re-invested in a similar manner. Such a commitment should allow Member States to include as eligible costs the total amount of the loan or equity investment.

#### 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 whether estimated costs are reasonable, plausible, and commensurate to the impact on the economy and employment.

Member States 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. Member States are 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 recovery and resilience plans.
- **Information on the methodology** used, the underlying assumptions made (e.g. on unit costs, costs of inputs, targeted number of people) 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**: Member State are invited to provide information on the actual cost of similar reforms or investments that have been carried out in the past, in particular if available from past projects financed via other EU funding streams. 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 (e.g. financed via the ESF+ or the ERDF) and explaining how the chosen examples were deemed cost-efficient. If adjustments are required to make the cost more comparable, an explanation on parameters and the relevant data used to make the adjustments.
- **Validation by an independent fiscal institution**. Member States are encouraged to seek the opinion of their national productivity boards and independent fiscal institutions on their recovery and resilience plans, including possible validation of cost estimates of their recovery and resilience plan. Given the variety of national situations, validation by other independent bodies are also welcome, depending on their mandates, expertise and the types of investments and reforms included in the plan.

## **11. 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): “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. 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, in the Youth Guarantee implementation plans and in the partnership agreements and operational programmes under the Union funds.”*
- *Article 15 (3)(i): “a justification of the coherence of the recovery and resilience plan; and an explanation of its consistency with principles and plans and, where relevant, programmes referred to in Article 14;”*

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<sup>21</sup>. In October 2020, the Commission presented the individual assessment of each Member State’s National Energy and Climate Plan, which provides important 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*

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<sup>21</sup> For the last report see: Report from the Commission, Fourth report on the State of the Energy Union, COM(2019) 175 final

*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 Agreements 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<sup>22</sup>, 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.*

Youth Guarantee implementation plans: All EU Member States have committed to the implementation of the reinforced Youth Guarantee as referred to in a Council Recommendation of October 2020. The reinforced Youth Guarantee is a commitment by all Member States to ensure that young people under the age of 30 receive a good quality offer of employment, continued education, apprenticeship and traineeship within a period of four months of becoming unemployed or leaving education. Member States should present recovery and resilience plans that are consistent with the reinforced Youth Guarantee and the short- and medium-term investment priorities and ambition of the “Youth Employment Support: a Bridge to Jobs for the Next Generation”. Measures under the reinforced Youth Guarantee are also financed by national resources, the Union instruments under cohesion policy (in particular the Youth Employment Initiative, the ESF and the European Regional Development Fund (ERDF) and other EU funding sources in line with their legal framework).

*Member States should present recovery and resilience plans that are consistent with the reinforced Youth Guarantee and support its implementation.*

Other relevant national policies and strategies: Member States are also invited to detail the consistency of their plan with other national policies and strategies – planned or ongoing. This concerns in particular those national policies and strategies that fall in the six pillars of the scope of the Facility. Also, Member States are invited to explain how their plan integrates into the country’s overarching long-term economic strategy. The consistency and

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<sup>22</sup> The European Maritime and Fisheries Fund will include a complete SWOT analysis.

complementarity of the plan with other national policies and the long-term economic strategy will help maximise the impact of the Facility.

## **2. Complementarity of funding**

*Background:*

- *Article 4a(1): “Support from the Facility shall not, unless for duly justified cases, substitute recurring national budgetary expenditure and shall respect the principle of additionality of the Union funding as referred to in Article 8”*
- *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 15 (jb): “an explanation of the Member State's system to prevent, detect and correct corruption, fraud and conflicts of interest, when using the funds provided under the Facility, including arrangements aimed at avoiding double funding from other Union programmes;”*
- *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 Facility and other Union programmes and instruments, including the Technical Support Instrument, and in particular with measures financed by the Union funds. For that purpose, they shall: (a) ensure complementarity, synergy, coherence and consistency among different instruments at Union, national and, where appropriate, regional levels, in particular in relation to measures financed by Union funds, both in the planning phase and during implementation; (b) optimise mechanisms for coordination to avoid duplication of effort; and (c) ensure close cooperation between those responsible for implementation and control at Union, national and, where appropriate, regional levels to achieve the objectives of the Facility.”*

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 cost cannot be financed twice, national authorities should describe in their plans how they will ensure compliance with Article 8 and avoidance of double-funding and 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. These elements will be subject to a case by case analysis by the Commission. The Facility can never cover mandatory national co-financing rates under other programmes.

If Member States decide to finance, investment projects 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 cost cannot be covered twice. 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, Digital Europe Programme, LIFE and Horizon Europe can also be combined with the Recovery and Resilience Facility. In the case of combinations with InvestEU, Member States should prioritise the option of contributing to the Member State compartment of InvestEU, as outlined in Part 3 of this guidance. In this regard, Member States should clearly indicate expected money from other funding sources when calculating financing needs for investments.

The InvestEU programme, the Horizon Europe missions and the Digital Europe Programme 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 an appropriate demarcation between the use of the different instruments 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, CAP funds, 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 (or are expected to be 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 may also envisage to jointly finance with the Recovery and Resilience Facility measures that already receive, or that are expected to receive, support from the Connecting Europe Facility, Digital Europe or Horizon Europe programmes. Such joint-financing could be possible provided it is in line with the policy objectives of both contributing programmes and the applicable State aid rules. The avoidance of double-funding would have to be ensured by clearly distinguishing what is to be covered by each funding source and demonstrated through appropriate reporting obligations both under the Recovery and Resilience Facility and the other contributing programmes.

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 Regulation and avoidance of double funding in line with Article 8 of the Regulation.

#### 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 complementarity of Union funding coming from the various programmes by making sure that the information is centralized.

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 helps Member States in their implementation of their plan but is not directly

in charge of the delivery of a milestone or target, the technical support does not constitute funding of the same costs as those covered by payments from the Recovery and Resilience Facility.

### **3. Implementation**

#### *Background*

- *Article 15(3)(j): “the arrangements for the effective monitoring and 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)(h): “whether the arrangements proposed by the Member States concerned are expected to ensure an effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators.”*
- *Article 19a: Rules on payments, suspension and termination of agreements regarding financial contributions and loan support.*
- *Annex II section 2.8.*

#### 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, addressing 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 prevent any risk of fraud, corruption or maladministration in general in the award of contracts, as well as to ensure the follow-up in case of fraud cases.

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, including external expertise, could be beneficial. 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.

The cost of external expertise when it is contracted directly by the Member State, such as consultancy or trainers, may be included in the estimated cost of a specific reform or investment if it is directly related and essential to its implementation, well justified, and does not imply an outsourcing of essential government tasks related to milestones and targets.

Member States can also request technical support under the Technical Support Instrument, which can take the form of Commission led support or external expertise, to help successfully implement specific reforms and investments. Such requests should be addressed to DG REFORM through the national Coordinating Authority for the Technical Support Instrument. In addition, and according to Article 6(2), Member States may specifically include as estimated costs in their recovery and resilience plan a Member State voluntary contribution to the Technical Support Instrument to enable additional technical support by the Commission (with a limit of 4% of the plan's total allocation). This should be discussed between the Commission and the Member States prior to the submission of the plan. Member States will need to propose specific milestones and/or targets linked to the use of funds for technical support.

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 be implemented due to objective circumstances, the Member State may decide to submit an amended plan, which will trigger a new assessment and possibly an amended implementing act (Article 18). Any amended plan should contribute to the objectives of the Facility. 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. 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 may accompany this revision by a validation of such estimate by an independent public body.

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.

### 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 acts as single point of contact for the Commission ('coordinator'). The coordinator will be responsible for the implementation of the recovery and resilience plans, for ensuring coordination with other relevant authorities in the country (including ensuring coherence regarding the use of other EU funds), for monitoring progress on milestones and targets, for overseeing and assuring implementation of control and audit measures, and for providing all necessary reporting, and requests for payment and the accompanying management declaration.

The recovery and resilience plan needs to outline that the coordinator has the (i) administrative capacity in terms of human resources, 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.

#### **4. Consultation process**

*Background: Article 15(3)(ja): “a summary of the consultation process, conducted in accordance with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations, and other relevant stakeholders, for the preparation and, where available, the implementation of the plan and how the inputs of the stakeholders are reflected in the plan”*

Member States are invited to describe the institutional nature of the plan, as well as the decision-making process leading up to the adoption/submission of the recovery and resilience plans.

Member States should in particular provide a summary of the consultation process conducted in accordance with the national legal framework when preparing the recovery and resilience plan, and describe how stakeholder inputs have been taken into account and are reflected in the plan. The summary should describe the scope (list of consulted social partners, civil society organisations, stakeholders etc.), the type (conference, bilateral, tripartite etc.), and timing of the outreach efforts and whether stakeholders have been consulted selectively on specific components or whether a general consultation has taken place on a comprehensive draft plan.

Member States should along the same lines, as far as possible explain the envisaged steps to involve and consult the relevant stakeholders in the implementation of the plans overall.

Both in preparatory work and implementation, consultations should be conducted in accordance with the national legal framework and involve as relevant local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders (e.g. national fiscal boards, national productivity boards and other national advisory bodies, depending on the country-specific decision-making process and institutional setup).

#### **5. Controls and audit**

*Background:*

- *Article 15(3)(jb): “an explanation of the Member State's system to prevent, detect and correct corruption, fraud and conflicts of interest, when using the funds provided under the Facility, including arrangements aimed at avoiding double funding from other Union programmes”*
- *Article 16(3)(j): “whether the arrangements proposed by the Member State concerned are expected to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds provided under the Facility, including the arrangements aimed to avoid double funding from other Union programmes”*



- *Article -19: Protection of the financial interests of the Union*
- *Annex II Section 2.10.*

### National control system

Under the Facility, payments will be linked to performance. The Commission will authorise disbursements based on the satisfactory fulfilment of the agreed milestones and targets up to the end of August 2026. If the milestones and targets are not satisfactorily fulfilled by then, no payment will intervene. While the total financial contribution will be determined based on the estimate of the total cost of the Member State's recovery and resilience plan at the point of submission (within the ceilings set out in Annex I of the Regulation), the disbursements will not be linked to the costs actually incurred. Disbursements will enter the general budget of the Member State.

Hence, the main control systems under the Facility will be the internal control systems of each Member State, which therefore must be sufficiently robust to protect the financial interests of the Union and in particular to prevent, detect, report and correct fraud, corruption and conflict of interests. According to Annex II section 2.10, the Commission assesses the control arrangements either as 'adequate' (A) or 'insufficient' (C). If the arrangements proposed by the Member State are deemed insufficient, the plan cannot be approved.

The Regulation requires that Member States describe in their plans the control systems as well as other relevant measures and arrangements, including for the collection and making available of data on final recipients (more detail below), that will prevent, detect, report and correct conflicts of interest, corruption and fraud when using Recovery and Resilience Facility funding. The Member States also have to detail how they will avoid double funding from other Union funding sources. As far as possible and suitable, Member States may make use of already existing national management and control system(s) and related bodies, such as those used for other EU funds. This is without prejudice to the requirement that Member States describe in their plans the control systems and other relevant arrangements (as mentioned above) and how these will be used in the context of the Recovery and Resilience Facility.

The recovery and resilience plan should clearly describe roles and responsibilities and identify the specific actors (bodies/entities) responsible for ensuring control and audit, and for preventing, detecting, reporting and addressing serious irregularities, fraud, conflicts of interest and corruption. The plan should provide details on the administrative capacity (staff resources, etc.) and the legal empowerment of the responsible bodies or entities for the purpose of the Recovery and Resilience Facility. The recovery and resilience plan should also contain information on the measures and procedures that are put in place to ensure that applicable Union and national law related to the protection of the financial interest of the Union will be complied with throughout the implementation of all measures under the Facility.

Should the Commission in its assessment detect deficiencies in the Member States' control systems that do not result in the rating 'insufficient', it may require the Member State to develop an action plan to remedy the deficiencies as a matter of urgency. Milestones and targets for these measures will be established and will become a condition for disbursements.

As outlined above, each Recovery and Resilience Plan will need to include milestones and targets with clearly defined and objective indicators for their fulfilment. 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.

For all measures supported through the Recovery and Resilience Facility, Member States must also collect and ensure in a fast and efficient way access to data on the final recipients of funds. In this respect, the recovery and resilience plan should describe clearly how data on the final recipients of measures in the plan will be collected, stored and made available. Such data must include the standardised categories of data foreseen in Article -19(2)(d). This data, including the projects or investments concerned, should be made available to the Commission and investigative bodies upon request. Such data collection has proven to be the best way to prevent corruption, fraud, conflict of interests and double funding. In addition, the Commission will provide an integrated and interoperable information and monitoring system, including a single data-mining and risk-scoring tool, that can be used to store, access and analyse the relevant data. Member States are strongly encouraged to use this tool, to make their national data systems compatible with this tool, and to provide it with access to the underlying data to assist national and EU-level controls.

#### The role of the Commission

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 prevent, detect, report and correct conflicts of interest, corruption and fraud, and avoid double funding. 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 Commission, the European Court of Auditors, the European Anti-Fraud Office and the European Public Prosecutors Office may therefore access and request information, undertake controls and investigate, according to their respective powers and competences.

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.

#### Controls during implementation: the payment requests

The focus of the Commission's controls will be on the achievement of the milestones and targets. Member States will submit their payment requests (including requests for disbursement of a loan tranche), and on this basis and considering any other information it deems relevant, the Commission will assess whether the milestones and targets have been

satisfactorily fulfilled and all other conditions for disbursement are met, including that previously fulfilled milestones and targets have not been reversed. Member States must therefore accompany each request for payment with the information necessary to allow the Commission to assess the fulfilment of the conditions for disbursement and the Commission may request additional information if necessary. 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 (i) a management declaration confirming that the funds were used for the intended purpose, that the information submitted with the request for payment is complete, accurate and reliable and that the control systems put in place give the necessary assurances that the funds were managed in accordance with all applicable rules, in particular rules on avoidance of conflict of interest, fraud prevention, corruption and double funding in accordance with the principle of sound financial management; and (ii) a summary of the audits carried out, including the scope of these audits in terms of amount of spending covered and period of time covered and an analysis of the related weaknesses found and the corrective actions taken.

The Commission may at any point suspend disbursements if serious irregularities (i.e. fraud, corruption, conflict of interests) become evident. 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, further checks or an audit.

#### Ex-post controls

As indicated above, the main responsibility for assuring sound financial management will lie on Member States and on their control systems. These control systems should ensure the protection of the financial interests of the Union, in line with the Financial Regulation, including through ex-post checks. The Commission's own ex-post controls will be principally risk-based and remain proportionate.

Due to the performance-based nature of the Facility, the Commission's ex-post controls will aim to verify that the payment conditions were met, most importantly 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 milestones or targets were in fact not met, the Commission may recover a proportionate amount.

Where a Member State finds, or is made aware of, through controls, audits or otherwise that part of the funds provided through 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 a Member State finds or is made aware of 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, even if the milestones and targets have been satisfactorily fulfilled, in case the Commission receives information that puts in serious doubt that the above mentioned sound financial management principles were respected, it may carry out checks on the financial management, including, where appropriate, on the spot checks. The Commission may also

decide to carry out such checks on a horizontal or risk-based approach, covering all countries. Even if milestones and targets have been fulfilled, where the Commission finds serious irregularities (namely fraud, conflict of interest, corruption), double funding or a serious breach of obligations resulting from the financing agreements and the Member States do not take timely and appropriate measures to correct such irregularities and recover the related funds, 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.

## **6. Communication**

*Background:*

- *Article 26(2): “The recipients of Union funding shall acknowledge the origin and ensure the visibility of the Union funding, including, where applicable, by displaying the emblem of the Union and an appropriate funding statement that reads “funded by the European Union– NextGenerationEU”, in particular when promoting the actions and their results, by providing coherent, effective and proportionate targeted information to multiple audiences, including the media and the public”*

To fulfil the communication requirements laid out in the Regulation, the Member States and the Commission need to work together. Member States are invited to include in their recovery and resilience plans an outline of their 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.

In order to facilitate this process for Member States, they are encouraged to use the existing synergies with other EU funds. Member States are invited to fulfil the same minimum communication requirements as under the Common Provisions Regulation and are thus invited to include in their communication strategy (to be developed as soon as possible) the following elements:

- Raise awareness and ensure recognition of the RRF’s contribution to Europe’s recovery and the twin green and digital transitions in particular, at project and Member State level. The strategy should be clear about how to implement joint communication actions with the European Commission and its Representation on the ground.
- Correctly and prominently display in all communication activities at project and Member State level the EU emblem with the funding statement “funded by the European Union– NextGenerationEU” as agreed in the regulation.
- Communicate on the adoption of their final RRFs as well as other subsequent key moments. The strategy should include a draft communication plan for the adoption of the RRF that can serve as an indication of future communication activities.
- Establish a single web space providing information on their RRFs and related projects. Publish on this web space their final RRFs and communicate the dedicated web link to the Commission ex ante.
- Indicate selected kinds of projects which Member States intend to promote and communicate on more actively and on which coordinated communication with the Commission would be envisaged.

## 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, social and institutional resilience**

*Background:*

- *Article 15(3)(b): “detailed explanation of how the plan strengthens the growth potential, job creation and economic, social and institutional resilience of the Member State concerned, including through the promotion of policies for children and youth, and mitigates the economic and social impact of the crisis, contributing to the implementation of the European Pillar of Social Rights, thereby enhancing the economic, social and territorial cohesion and convergence within the Union;”*
- *Article 16 (3)(b): “whether the recovery and resilience plan is expected to effectively contribute to strengthen the growth potential, job creation, and economic, institutional and social resilience of the Member State, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth and mitigate the economic and social impact of the crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union”*
- *Annex II section 2.3.*

Member States are invited to submit an overview of forward-looking policy initiatives aimed at overcoming the economic and social 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 and social 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, including in particular youth employment
- Budget balance
- The social situation, including poverty or social exclusion and inequality risks in particular for youth and children, including in education (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, as well as the impact on macroeconomic imbalances where relevant. This should include a summary of the main quantitative impact in terms of (potential) GDP, employment,

social (including on youth and children) and other main macroeconomic variables, involved in the exercise or affected by macroeconomic imbalances, as well as any other relevant economic, social and environmental impacts, including SME-related ones.

Member States should set-out the expected impact of the plan and its components on growth potential, job creation, and economic, social and institutional 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. They should also explain how the reforms and investments will contribute to the implementation of the European Pillar of Social Rights, including as regards children and youth policies and where relevant regarding the prevention of growing inequalities in education. 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), and by indicating the expected impact on the indicators, such as those in the scoreboard of the Macroeconomic Imbalances Procedure or the European Pillar of Social Rights.

Member States should in particular take into account the importance of fostering productivity, competitiveness and macroeconomic stability, in line with the policy priorities outlined in the Annual Sustainable Growth Strategy, as well as the three dimensions of the European Pillar of Social Rights based on the Social Scoreboard:

- As regards equal opportunities and access to the labour market, Member States should specify, where applicable, how quality and inclusive education and training, skills, life-long learning, digital skills and active support for employment will be improved, including dimensions related to adult learning, gender employment gap and inequalities.
- Regarding fair working conditions, Member States should outline, where applicable, the measures related for instance to quality employment, active labour market policies, income, including in-work poverty.
- Regarding social protection and inclusion, Member States should specify, where applicable, the impact of public policies on reducing poverty, improving access to childcare and healthcare. Member States are invited to detail for each dimension, whenever possible, how the measures will affect children and the youth, in particular the most marginalised and disadvantaged.

**Methodology.** Member States are invited to provide a clear description of the macroeconomic and distributional 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;

- data sources of social data

For investments: Member States should quantify the positive, direct and verifiable long-term effects on growth, job creation, and social cohesion 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 social, budgetary and financial terms, to make sure that they are viable without the support of the Recovery and Resilience Facility.

**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 and employment rate, including youth unemployment employment, disaggregated by gender
- 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 in employment, education or training

The five elements, macroeconomic and social outlook, macroeconomic and social impact, sustainability, social impact 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. Member States can rely as far as possible on the official statistics as defined and collected by Eurostat, with their adequate methodology and classification schemes.

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. Member States can build, in relation to the green transition objective, on the investments and investment needs set out in the National Energy and Climate Plans.

For this purpose, the Commission suggests using publicly available European 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).