

Recovery and Resilience Facility

2020/0104(COD) - 28/05/2020 - Legislative proposal

PURPOSE: to create a new ‘Recovery and Resilience Facility’ that aims to support reforms and investments by Member States to mitigate the economic and social consequences of the coronavirus pandemic and make EU economies more sustainable.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure on an equal footing with the Council.

BACKGROUND: the outbreak of the COVID-19 pandemic in early 2020 changed the economic outlook for the years to come in the Union and in the world, calling for an urgent and coordinated response from the Union in order to cope with the enormous economic and social consequences for all Member States. The challenges linked to the demographic context have been amplified by COVID-19.

Reforms and investments to address structural weaknesses of the economies and to strengthen their resilience are therefore essential to set the economies back on a sustainable recovery path and avoid further widening of the divergences in the Union.

In this context, as a complement to the [REACT-EU](#) initiative, the Commission proposes to strengthen the current framework for support to Member States and to provide direct financial support to Member States through an innovative tool to underpin long-term reforms and investments - notably in green and digital technologies - that will have a lasting effect on the productivity and resilience of the Union's economy.

CONTENT: the proposed Regulation establishes the ‘Recovery and Resilience Facility’. The scope of the instrument covers a wide range of policy areas, including areas related to cohesion, the dual transition (green and digital), competitiveness, productivity, health and smart innovation.

Purpose

The objective of the Facility is to promote the economic, social and territorial cohesion of the Union by (i) improving the resilience and adjustment capacity of Member States, (ii) mitigating the social and economic consequences of the crisis, and (iii) supporting the green and digital transitions towards a climate-neutral Europe by 2050. It shall thus contribute to restoring the growth potential of Member States' economies in the wake of the COVID-19 crisis, encourage job creation and foster sustainable growth.

To this end, the Facility shall provide Member States with direct financial support to reach milestones and targets for reforms and investments.

Recovery and resilience plans

To benefit from the Facility, Member States shall prepare recovery and resilience plans setting out their reform and investment programmes for the next four years, i.e. until 2024. These plans shall include reforms and public investment projects to be implemented through a coherent package.

The plans shall be consistent with the challenges and priorities identified in (i) the European Semester framework, (ii) the National Reform Programmes, (iii) the National Energy and Climate Plans, (iv) the

Just Transition Plans and (v) the Partnership Agreements and Operational Programmes adopted under EU funds.

Member States shall submit their plans to the Commission by 30 April each year at the latest, but they may submit a first draft together with their draft national budget in October. The plans may form an annex to the relevant national reform programme.

The Facility shall:

- identify reforms and investments to address the challenges identified in the context of the European Semester and explain, inter alia, how they enhance the growth potential and economic and social resilience of the Member State concerned and contribute to greater cohesion;
- include measures relevant to the green and digital transitions;
- set out estimated total costs and appropriate milestones, targets and an indicative timetable for the implementation of the reforms and of the investments.

Provided that the evaluation criteria are satisfactorily met, the Commission shall adopt a decision fixing the financial contribution to be received by the Member State (grant and, where appropriate, loan), as well as the milestones and targets.

For the purposes of informing the preparation and the implementation of the recovery and resilience plans by Member States, the Council may discuss in the context of the European Semester the state of recovery, resilience and adjustment capacity in the Union on the basis of the Commission's strategic and analytical information available.

The recovery and resilience plans adopted by the Commission shall be communicated to the European Parliament and the Council. The Commission shall also report annually to both institutions on the progress made in the implementation of the plans by Member States and on expenditure under the Facility.

Budgetary implications

The financial envelope for the implementation of the facility shall be **EUR 602 905 000 000** (in current prices). The envelope shall be financed from the borrowing operations of the Union.

The bulk of the funding shall be provided in the form of grants, with possible supplements through loans. The total amount of grants available shall amount to EUR 334.950 million, while a further EUR 267.955 million shall be available in the form of loans.

As far as grants are concerned, a maximum amount per Member State shall be determined on the basis of a predefined allocation key taking into account population, GDP per capita and unemployment. Member States may also apply for a loan for the implementation of their public reforms and investments.

The maximum volume of loans for each Member State shall not exceed 4.7% of its gross national income.

Given the temporary nature of the financing scheme of the Facility in relation to Member States' economic recovery, the availability period of these resources is limited to 31 December 2024 for both the non-repayable financial support and for the loan support. As regards the non-repayable financial support, for at least 60 % of the total resources the necessary legal commitments should be entered into by 31 December 2022.