

Recovery Plans and REPowerEU – the challenge of new chapter

Example: in the 30 June 2022 EC Update of maximum financial contribution, Member State X receives an upward revision of its total allocated grants. Under the current RRF Regulation, Member States are obliged to submit modified NRRPs should they wish to benefit from such increase. Member State X wants to avail itself of this additional funding and is preparing an update to its plan with new measures exclusively in health and digitalisation of public services. It aims to submit it to the EC in Q1 of 2023. However, prior to the submission, REPowerEU enters into force. Member State X must then, in addition to the envisaged health and digitalisation measures, include and budget for a dedicated chapter addressing REPowerEU objectives, even if the upward revision of total grants is the only additional RRF funding.

The inclusion of an obligatory REPowerEU chapter in proposed modifications needs to be accompanied by summary of prior consultations with local and regional authorities and other relevant stakeholders, and an outline how the input received was reflected in the REPowerEU chapter⁶. In other words, the obligatory REPowerEU chapter must go through the full consultation process of the original NRRPs.

Moreover, the new assessment criterion 2.12 for REPowerEU becomes the fifth criterion, in addition to the existing 2.2, 2.3, 2.5 and 2.6, on which any modified NRRP must score an 'A' in order to pass successfully through the EC assessment.

The combined effect of an obligatory REPowerEU chapter, and the requirements for its prior consultation and an 'A' score, further increases the compliance burden for the Member States which are already overstretched in implementing the RRF. The **Technical Support Instrument** has been the main source of technical assistance for designing and implementing the original NRRPs⁷ and the Member States may use it to request further assistance for the modification of the plans⁸. In March 2022, DG REFORM issued a dedicated call with the objective to support the Member States to REPowerEU⁹. Considering the complexity of the matter and the potential needs of the twelve Member States who chose not to participate in this first dedicated call, the necessity to programme further and more specialised technical support should be considered.

RRF existing options

REPowerEU preserves all the existing RRF modification options, adding in each case the aforementioned condition to include a dedicated REPowerEU chapter. Other changes are indicated below.

Update¹⁰

Following the publication on 30 June 2022 of the EC note 'RRF: Update of maximum financial contribution' (regarding 30% of the grants amounts and respectively the grants totals), the Member States have the opportunity to submit an updated plan. Table 1 presents the updated figures vis-à-vis the EC initial calculations and the Member States original requests.

⁶ Article 18.4(q)

⁷ TSI has been providing horizontal support for the overall preparation and /or implementation to 18 Member States, additional technical support to 4 countries and further support for thematic reforms included in the plans, https://ec.europa.eu/reform-support/what-we-do/recovery-and-resilience-plans_en (last accessed 22 July 2022)

⁸ Regulation (EU) 2021/240, article 9.2(d)

⁹ [Ukraine: Commission launches special call \(europa.eu\)](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1111) (last accessed 23 July 2022)

¹⁰ Articles 18.2, 11.1(b), 11.2, 6.1(a)

Table 1: Maximum financial contributions per EU Member State

EU Member State	A ¹¹ Initial calculation (EUR 1000)	B ¹² Amount requested (EUR billions)	C ¹³ Updated calculation (EUR 1000)	D Difference: C minus A (EUR 1000)
Austria	3 462 169	4.5	3 751 833	+289 664
Belgium	5 925 271	5.9	4 524 565	-1 400 706
Bulgaria	6 268 706	6.6	5 690 264	-578 442
Croatia	6 296 831	6.4	5 511 755	-785 076
Cyprus	1 006 170	1.0	915 998	-90 172
Czechia	7 071 676	7.1	7 675 722	+604 046
Denmark	1 551 746	1.6	1 429 523	-122 223
Estonia	969 515	1.0	863 497	-106 018
Finland	2 085 805	2.1	1 822 527	-263 278
France	39 377 074	40.9	37 458 275	-1 918 799
Germany	25 619 175	27.9	28 025 819	+2 406 644
Greece	17 773 895	17.8	17 431 259	-342 636
Hungary	7 175 838	7.2	5 812 665	-1 363 173
Ireland	989 186	1.0	914 572	-74 614
Italy	68 895 833	68.9	69 041 782	+145 949
Latvia	1 963 088	1.8	1 834 980	-128 108
Lithuania	2 224 690	2.2	2 099 684	-125 006
Luxembourg	93 526	0.1	82 692	-10 834
Malta	316 474	0.3	258 343	-58 131
Netherlands	5 962 324	5.2 ¹⁴	4 708 293	-1 254 031
Poland	23 856 987	23.9	22 526 873	-1 330 114
Portugal	13 910 387	13.9	15 544 449	+1 634 062
Romania	14 248 020	14.3	12 128 831	-2 119 189
Slovakia	6 329 994	6.6	6 007 316	-322 678
Slovenia	1 777 322	1.8	1 491 346	-285 976
Spain	69 528 050	69.5	77 234 071	+7 706 021
Sweden	3 289 248	3.3	3 182 067	-107 181

For six Member States, the updated calculation is higher than the EC initial calculation (column A) and for five of those, the updated calculation is also higher than the amount originally requested (column B).

Those five countries, Czechia, Germany, Italy, Portugal and Spain, need to submit an updated NRRP (**upwards revision**), if they wish to benefit from the increased amounts. In such cases, the updated

¹¹ Regulation (EU) 2021/241, Annex IV- column "Total"-<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0241&from=EN>

¹² Z. Darvas et al. 'European Union countries' recovery and resilience plans' (Bruegel Datasets), Table 1- column "Grants requested" (09 June 2022); [European Union countries' recovery and resilience plans \(bruegel.org\)](https://bruegel.org/european-union-countries-recovery-and-resilience-plans/) (last accessed 6 July 2022)

¹³ Commission note to the Council and European Parliament, 'RRF: Update of the maximum financial contribution' (30 June 2022); https://ec.europa.eu/info/sites/default/files/2022_06_30_update_maximum_financial_contribution_rrf_grants.pdf

¹⁴ Dutch Government, Press release (EN) on the formal submission of the Recovery and Resilience Plan (HVP) to the European Commission and Recovery and Resilience Plan of the Netherlands (NL) (8 July 2022); <https://www.rijksoverheid.nl/documenten/rapporten/2022/07/08/nederlands-herstel--en-veerkrachtplan> (last accessed 9 July 2022)

NRRPs need to include new reforms and investments, the estimated costs of which should at least correspond to the difference between the estimated costs of the original NRRP (column B) and the increased maximum financial contribution (column C)¹⁵. If the Member States do not want to avail themselves of increased grant allocations, then they do not need to submit updated NRRP under article 18.2.

Out of the above six Member States, Austria is the only one where the updated calculation is higher than the EC initial calculation (column A) but it is not higher than the amount originally requested (column B). Some countries expected upwards revision and included in their NRRPs requests already higher than the EC initial calculation. In such cases, where the updated financial contribution is higher than the initial calculations but still remains within the limit of the amount requested (column B), the Member State can benefit from the increase without having to submit an updated NRRP, insofar their plans comprise projects that would cover the whole amount requested.

The remaining 21 Member States face **downward revision** of the EC initial calculations. However, that is a “net decrease” only for twenty of them as for Latvia the updated calculation is still higher than the amount requested. The EC Guidance published on 18 May does not envisage such a case. It can be assumed that as Latvia does not need to compensate a reduction of the maximum financial contribution (column C) vis-à-vis the amount requested (column B), it does not need to submit an updated NRRP for reasons of downward revision.

All other twenty countries that wish to update their NRRPs to reflect lower updated calculations and which do not wish to compensate the decrease with national funds, can use any of the following options which each require submission of modified NRRP:

- Request RRF loan: out of the twenty countries, Cyprus, Greece, Poland and Romania had already requested loans for other purposes, and Greece and Romania have reached the “shall not exceed” limit of 6.8% of the 2019 GNI (see Table 2 below);
- Request 5% transfer from the 2021-2027 Common Provisions Regulation (article 26) to the RRF: out of the twenty countries, eight have already signed their Partnership Agreements with the EC, however the agreements with Bulgaria and the Netherlands are not yet public on the EC website¹⁶. Denmark, Finland, France, Greece, Lithuania and Sweden did not request 5% transfer in the Partnership Agreement itself¹⁷. In cases where the Partnership Agreement has already been approved, the Member State can request the 5% transfer later via request for programme amendment and where at least one of the programmes has not yet been adopted, via notification of revision (**REPowerEU amendment to CPR article 26(1)**)¹⁸;
- Move some of the RRF investments to the remaining 2014-2020 cohesion programmes envelope while respecting the N+3 rule (i.e. end date of eligible expenditure of 31 December 2023).

Any update of the maximum financial contribution, regardless of whether it is upwards or downwards and regardless of whether the Member State chooses to update its NRRP, needs to be reflected in an amended financing agreement and in a new Council implementing decision. Those legal acts need to be adopted and the corresponding funds committed before 31 December 2023 (i.e. REPowerEU proposal does not change the deadline). However, considering the deadlines of some of the above compensatory options and the time needed for assessment and approval of the plans, Member States are advised to finalise NRRPs updates soon in order to be able to submit well substantiated modifications as soon as possible after 1 January 2023.

¹⁵ EC Guidance on Recovery and Resilience Plans in the context of REPowerEU, 18 May 2022, page 13

¹⁶ [Partnership agreements on EU funds 2021-2027 | European Commission \(europa.eu\)](https://ec.europa.eu/info/system/files/com-2022-231_en.pdf) (last accessed 11 July 2022)

¹⁷ Conclusion based on the table data in section ‘Transfers’; authors acknowledge limitations related to original language

¹⁸ EC Proposal for a Regulation as regards REPowerEU chapters in recovery and resilience plans 2022/0164 (COD), Article 2, https://ec.europa.eu/info/system/files/com-2022-231_en.pdf

Revise¹⁹

As foreseen in the current RRF Regulation, Member States may request loan support either in the original NRRP or at a later stage until 31 August 2023. In the latter case, the request must be accompanied by a revised NRRP, including additional milestones and targets. Any request for loan support must be linked to additional reforms and investments as loans cannot be used to support existing measures. The maximum loan support for each Member State shall not exceed 6.8% of its 2019 GNI in current prices.

Table 2: Maximum and requested volume of loan support²⁰

EU Member State	Maximum volume (shall not exceed) (EUR billions)	Loans requested (EUR billions)
Austria	27.2	0
Belgium	32.8	0
Bulgaria	4.2	0
Croatia	3.7	0
Cyprus	1.5	0.2
Czechia	14.3	0
Denmark	21.9	0
Estonia	1.9	0
Finland	16.4	0
France	168.4	0
Germany	240.9	0
Greece	12.4	12.7
Hungary	9.7	0
Ireland	18.7	0
Italy	122.8	122.6
Latvia	2.0	0
Lithuania	3.2	0
Luxembourg	2.7	0
Malta	0.8	0
Netherlands	55.3	0 ²¹
Poland	34.8	12.1
Portugal	14.2	2.7
Romania	15.0	15.0
Slovakia	6.3	0
Slovenia	3.2	0.7
Spain	84.8	0
Sweden	33.2	0

¹⁹ Articles 14 and 15

²⁰ Z. Darvas et al. 'European Union countries' recovery and resilience plans' (Bruegel Datasets), Table 1- columns "Maximum loans" and "Loans requested" (09 June 2022); [European Union countries' recovery and resilience plans \(bruegel.org\)](https://bruegel.org) (last accessed 5 July 2022)

²¹ Dutch Government, Press release (EN) on the formal submission of the Recovery and Resilience Plan (HVP) to the European Commission and Recovery and Resilience Plan of the Netherlands (NL) (8 July 2022); via: <https://www.rijksoverheid.nl/documenten/rapporten/2022/07/08/nederlands-herstel--en-veerkrachtplan> (last accessed 9 July 2022)

So far only seven Member States have requested loans, all in their original NRRPs. Greece and Romania have exhausted the '6.8% GNI ceiling'.

The current RRF Regulation, article 14.6, provides for the opportunity 'in exceptional circumstances' and 'subject to availability of resources' to increase the loan support beyond the GNI ceiling. Requests for 'exceptional' loan support also need to be submitted with revised NRRP by 31 August 2023.

REPowerEU preserves the above option for 'exceptional loans' and the requirement that requests for such must be formally submitted to the EC by 31 August 2023. However, it amends article 14.6 to include the requirement that Member States must communicate to the EC within 30 days after REPowerEU entry into force, if they intend to request such 'exceptional loan' support. This means that within 30 days they must have sufficiently clear plans for the total loan support they need. Without having assessed first the need for 'regular loan support' within the ceiling, any indication of 'exceptional loan' above it would be questionable even if it is only for the purposes of 'communicating an intention'. Assuming that REPowerEU will enter into force by end of 2022, this puts all Member States, except for Greece and Romania which have already planned up to the ceiling, on a very tight schedule. The EC has proposed that if part of the remaining loans is not requested by the Member States entitled to them within 30 days after REPowerEU entry into force, these loans will be made available to other Member States²².

Amend/Replace²³

Where a NRRP, including milestones and targets, is no longer achievable, either partially or totally, because of objective circumstances, the Member State concerned may make a reasoned request to the EC to amend or replace the plan.

The 18 May EC **REPowerEU** Guidance, further clarifies that when submitting an amended or new NRRP on the basis of Article 21, 'the Member State should justify:

- The specific measures that are no longer achievable;
- The objective circumstances;
- The direct link between the changes proposed and the objective circumstances'²⁴.

The justification of "impossibility due to objective circumstances" is of particular importance. Price increases as such will not be accepted as objective circumstances for amending/replacing reforms as generally reforms are not cost dependent and not monetised in the NRRPs. Feasibility of investments is much more susceptible to price increases but the original NRRPs were required to include reasonable and plausible inflation assumptions. However, the Guidance acknowledges the impact of the war in Ukraine on prices and that it could not have been anticipated at the time when most Member States submitted their NRRPs. These effects can be invoked as objective circumstances, but without alleviating the requirement to evidence them as such and to substantiate the direct link between the proposed changes and the impact of those objective circumstances. The Member States are advised that any 'replacement' measures in the modified NRRPs 'should contribute, to the extent possible, to the REPowerEU objectives.'²⁵

²² Communication from the EC, COM(2022) 230, from 18.05.2022, page 17

²³ Article 21

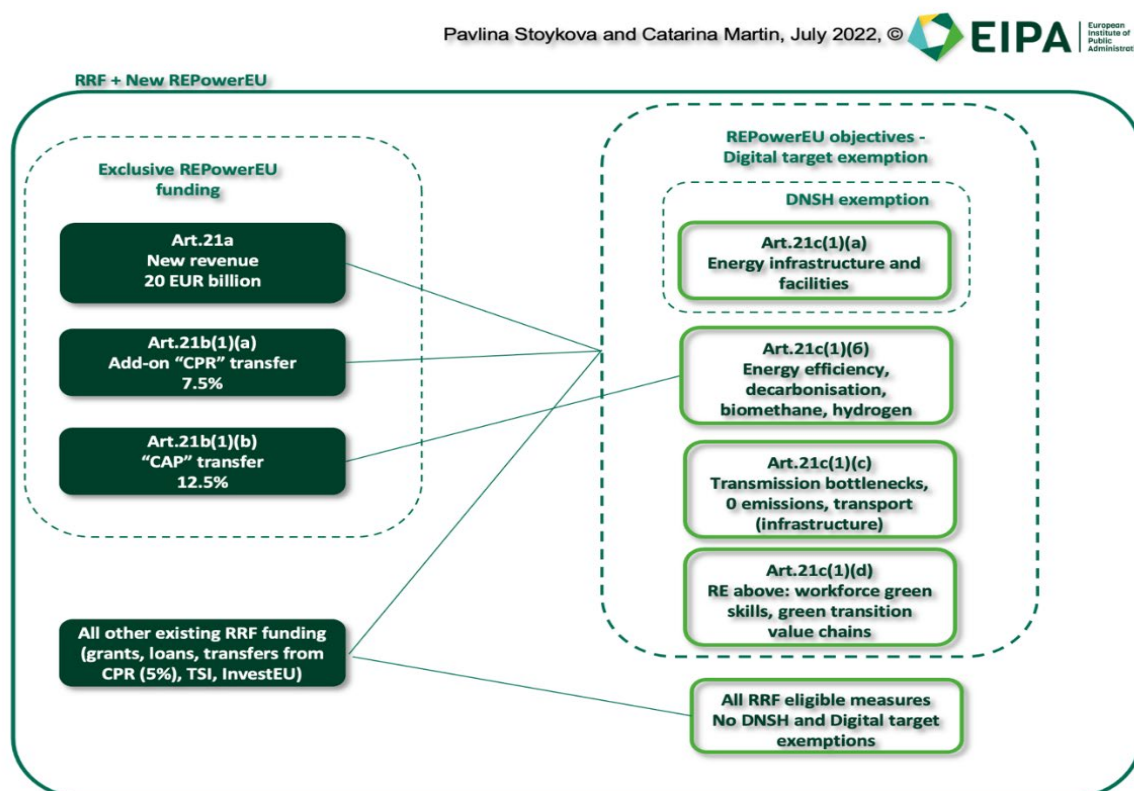
²⁴ EC Guidance on Recovery and Resilience Plans in the context of REPowerEU, 18 May 2022, page 17

²⁵ Idem.

New REPowerEU funding options

REPowerEU introduces three new RRF funding options that are exclusive for reforms and investments included in the REPowerEU chapters (see Figure 1). Benefitting from any one of them requires submission of a modified NRRP.

Figure 1



This blog does not look into the “CAP” transfer option under new article 21b(1)(b). The new CAP is to be implemented from 1 January 2023 and national CAP Strategic Plans have not been approved yet²⁶.

New revenue²⁷

This is a new category of non-repayable financial support, i.e. grants. The share of the additional 20 EUR billion ‘REPowerEU grants’ available for each Member State is to be calculated on the basis of the methodology in Annex II and Annex III of the current RRF Regulation, i.e. using the same indicators as for the EC initial calculation for 70% of the ‘RRF grant’ amount and for the updated calculation for 30% of the ‘RRF grant’ amount.

Commitment appropriations covering the new amounts are to be made available automatically as of the date of entry into force of REPowerEU. The amounts will be reflected in a Council implementing decision and the instalment schedule integrated in that for the already adopted ‘RRF grants’.

²⁶ CAP Strategic Plans, https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-strategic-plans_en (last accessed 12 July 2022)

²⁷ Article 21a

With regards to 'RRF grants' Member States have the opportunity to formally submit updated NRRPs only after 1 January 2023²⁸. However, the EC REPowerEU Guidance encourages the Member States to submit modified NRRPs reflecting the new 'REPowerEU grants' as early as possible after 30 June 2022²⁹. The latter date as such is void but Member States will be expected to submit 'REPowerEU grants' modifications as soon as possible after REPowerEU entry into force. Considering that the exact date for this is unknown, Member States are facing the prospect of either having to submit more than one round of NRRP modifications or to delay, to the extent possible, the submission of single modification consolidating all possible options they choose to use, that are available at that moment of time.

Recovery Plans and REPowerEU – the challenge of timing

Example: if REPowerEU enters into force on 1 November 2022, the Member States will have the possibility to:

- **Submit NRRP update for 30% of RRF grants only *after 1 January 2023, not before***
- **Submit NRRP update for REPowerEU grants asap (it is anticipated that they will be 'encouraged' to do so within 30 days, so *potentially by 1 December 2022*)**
- **Communicate to the EC any intention to utilise 'exceptional loans' *by 1 December 2022***
- **Submit NRRP revisions to reflect 'regular and exceptional loans' *by 31 August 2023***

The above discussion and example suggest that prior to finalising the REPowerEU package further refinement of the proposal would be helpful and streamlining of the timeline should be carefully considered also by factoring in the likely date of entry into force.

Add-on 'CPR' transfer³⁰

The current RRF and CPR Regulations already provide for the possibility of up to 5% CPR voluntary transfer which can be used for any RRF eligible measure and requires NRRP modification. The Member States may request the 5% transfer:

- In the Partnership Agreement, or
- In request for programme amendment, and
- Where the Partnership Agreement has been approved and one or more programmes have not yet been adopted, through notification of a revision of the information referred to in CPR article 11(1) points (c), (e) and (h) (**REPowerEU amendment to CPR 26(1)**³¹)

REPowerEU introduces a new option for an additional up to 7.5% CPR transfer to RRF, which is exclusive for REPowerEU reforms and investments and also requires NRRP modification. The 'add-on CPR transfer' must be requested again in the Partnership Agreement, or via programme amendment, or where applicable, through revision notification. A Member State may request such transfer only where it has already requested transfers from that specific Fund up to the ceiling of 5%³².

Member States cannot request the total 12.5% CPR transfers in one single application. These need to be two separate actions (requests), occurring at consecutive moments in time. At the same time, benefiting from any CPR transfer requires submission of NRPP modification.

The implications of the above suggest that the EC proposal for a Regulation on REPowerEU chapters and the accompanying EC Guidance should be further finetuned to clarify the possibility to integrate the two separate CPR transfer requests in the same NRPP modification submission.

²⁸ Articles 12.3 and 18.2

²⁹ EC Guidance on Recovery and Resilience Plans in the context of REPowerEU, 18 May 2022, page 6

³⁰ Article 21b(1)a

³¹ EC Proposal for a Regulation as regards REPowerEU chapters in recovery and resilience plans 2022/0164 (COD), Article 2

³² Idem.

So far, eleven Member States have signed their Partnership Agreements with the EC. Austria, Czechia, Denmark, Finland, France, Greece, Lithuania and Sweden did not request 5% CPR transfer in the Partnership Agreement itself³³. The agreements with Bulgaria, Germany and the Netherlands are not yet public on the EC website³⁴.

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³³ Conclusion based on the table data in section 'Transfers'; authors acknowledge limitations related to original language

³⁴ [Partnership agreements on EU funds 2021-2027 | European Commission \(europa.eu\)](#) (last accessed 11 July 2022)

ANNEX

This text is meant purely as a documentation tool prepared for informative purposes by EIPA. Any mistakes in it are imputable to the authors. It has no legal value whatsoever and it does not prejudice the ongoing legislative procedure. It combines the updated and consolidated version of the RRF Regulation* (available [here](#)) and the Commission proposal for its amendment (available [here](#)). RRF Regulation Annexes I, II, III, IV, VI and VII are not part of this text as the Commission proposal does not include amendments to them. The final agreed text may differ substantially from this text, depending on the outcome of the agreement between the co-legislators (the European Parliament and the Council)**

** Regulation (EU) 2021/241 of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.02.2021, p.17), corrected by Corrigendum (OJ L 410, 18.11.2021, p.197 (2021/241))*

*** Proposal for a Regulation of the European Parliament and of the Council, 2022/0164 (COD), 18.05.2022*

CHAPTER I

GENERAL PROVISIONS AND FINANCING

Article 1

Subject matter

This Regulation establishes the Recovery and Resilience Facility (the 'Facility').

It lays down the objectives of the Facility, its financing, the forms of Union funding under it and the rules for providing such funding.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) 'Union funds' means funds covered by a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Border Management and Visa Instrument (the 'Common Provisions Regulation for 2021-2027');
- (2) 'financial contribution' means non-repayable financial support under the Facility that is available for allocation or that has been allocated to a Member State;
- (3) 'European Semester' means the process set out in Article 2-a of Council Regulation (EC) No 1466/97 ⁽¹⁾;
- (4) 'milestones and targets' means measures of progress towards the achievement of a reform or an investment, with milestones being qualitative achievements and targets being quantitative achievements;
- (5) 'resilience' means the ability to face economic, social and environmental shocks or persistent structural changes in a fair, sustainable and inclusive way; and
- (6) 'do no significant harm' means not supporting or carrying out economic activities that do significant harm to any environmental objective, where relevant, within the meaning of Article 17 of Regulation (EU) 2020/852.

¹ Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (OJ L 209, 2.8.1997, p. 1).

Article 3

Scope

The scope of application of the Facility shall refer to policy areas of European relevance structured in six pillars:

- (a) green transition;
- (b) digital transformation;
- (c) smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong SMEs;
- (d) social and territorial cohesion;
- (e) health, and economic, social and institutional resilience, with the aim of, inter alia, increasing crisis preparedness and crisis response capacity; and
- (f) policies for the next generation, children and the youth, such as education and skills.

Article 4

General and specific objectives

1. In line with the six pillars referred in Article 3 of this Regulation, the coherence and synergies they generate, and in the context of the COVID-19 crisis, the general objective of the 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, by mitigating the social and economic impact of that crisis, in particular on women, by contributing to the implementation of the European Pillar of Social Rights, by supporting the green transition, by contributing to the achievement of the Union's 2030 climate targets set out in point (11) of Article 2 of Regulation (EU) 2018/1999, ~~and~~ by complying with the objective of EU climate neutrality by 2050 and of the digital transition, by increasing the resilience of the Union energy system through a decrease of dependence on fossil fuels and diversification of energy supplies at Union level ('REPowerEU objectives') thereby contributing to the upward economic and social convergence, restoring and promoting sustainable growth and the integration of the economies of the Union, fostering high quality employment creation, and contributing to the strategic autonomy of the Union alongside an open economy and generating European added value.

2. To achieve that general objective, the specific objective of the Facility shall be to provide Member States with financial support with a view to achieving the milestones and targets of reforms and investments as set out in their recovery and resilience plans. That specific objective shall be pursued in close and transparent cooperation with the Member States concerned.

Article 5

Horizontal principles

1. Support from the Facility shall not, unless in duly justified cases, substitute recurring national budgetary expenditure and shall respect the principle of additionality of Union funding as referred to in Article 9.
2. The Facility shall only support measures respecting the principle of 'do no significant harm'.

Article 6

Resources from the European Union Recovery Instrument

1. Measures referred to in Article 1 of Regulation (EU) 2020/2094 shall be implemented under the Facility:

- (a) through an amount of up to EUR 312 500 000 000 as referred to in point (ii) of Article 2(2)(a) of Regulation (EU) 2020/2094 in 2018 prices, available for non-repayable financial support, subject to Article 3(4) and (7) of Regulation (EU) 2020/2094.

As provided for in Article 3(1) of Regulation (EU) 2020/2094, those amounts shall constitute external assigned revenue for the purpose of Article 21(5) of the Financial Regulation;

- (b) through an amount of up to EUR 360 000 000 000 as referred to in point (b) of Article 2(2) of Regulation (EU) 2020/2094 in 2018 prices, available for loan support to Member States pursuant to Articles 14 and 15 of this Regulation, subject to Article 3(5) of Regulation (EU) 2020/2094.

2. The amounts referred to in point (a) of paragraph 1 may also cover expenses pertaining to preparatory, monitoring, control, audit and evaluation activities, which are required for the management of the Facility and the achievement of its objectives, in particular studies, meetings of experts, consultation of stakeholders, information and communication actions, including inclusive outreach actions, and corporate communication of the political priorities of the Union, insofar as they are related to the objectives of this Regulation, expenses linked to IT networks focusing on information processing and exchange, corporate information technology tools, and all other technical and administrative assistance expenses incurred by the Commission for the management of the Facility. Expenses may also cover the costs of other supporting activities such as quality control and monitoring of projects on the ground and the costs of peer counselling and experts for the assessment and implementation of reforms and investments.

Article 7

Resources from shared management programmes and use of resources

1. Resources allocated to Member States under shared management may, at their request, be transferred to the Facility subject to the conditions set out in the relevant provisions of the Common Provisions Regulation for 2021-2027. The Commission shall implement those resources directly in accordance with point (a) of the first subparagraph of Article 62(1) of the Financial Regulation. Those resources shall be used exclusively for the benefit of the Member State concerned.

2. Member States may propose to include in their recovery and resilience plan, as estimated costs, the payments for additional technical support in accordance with Article 7 of Regulation (EU) 2021/240 and the amount of the cash contribution for the purpose of the Member State compartment pursuant to the relevant provisions of the InvestEU Regulation. Those costs shall not exceed 4 % of the recovery and resilience plan's financial total allocation, and the relevant measures, as set out in the recovery and resilience plan, shall respect the requirements of this Regulation.

Article 8

Implementation

The Facility shall be implemented by the Commission in direct management in accordance with the relevant rules adopted pursuant to Article 322 TFEU, in particular the Financial Regulation and the Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council ⁽²⁾.

Article 9

Additionality and complementary funding

Support under the Facility shall be additional to the support provided under other Union programmes and instruments. Reforms and investment projects may receive support from other Union programmes and instruments provided that such support does not cover the same cost.

Article 10

Measures linking the Facility to sound economic governance

1. The Commission shall make a proposal to the Council to suspend all or part of the commitments or payments where the Council decides in accordance with Article 126(8) or (11) TFEU that a Member State has not taken effective action to correct its excessive deficit, unless it has determined the existence of a severe economic downturn for the Union as a whole within the meaning of Articles 3(5) and 5(2) of Council Regulation (EC) No 1467/97 ⁽³⁾.
2. The Commission may make a proposal to the Council to suspend all or part of the commitments or payments in relation to any of the following cases:
 - (a) where the Council adopts two successive recommendations in the same excessive imbalance procedure in accordance with Article 8(3) of Regulation (EU) No 1176/2011 on the grounds that a Member State has submitted an insufficient corrective action plan;
 - (b) where the Council adopts two successive decisions in the same excessive imbalance procedure in accordance with Article 10(4) of Regulation (EU) No 1176/2011 establishing non-compliance by a Member State on the grounds that it has not taken the recommended corrective action;
 - (c) where the Commission concludes that a Member State has not taken measures as referred to in Regulation (EC) No 332/2002 and as a consequence decides not to authorise the disbursement of the financial assistance granted to that Member State;
 - (d) where the Council decides that a Member State does not comply with the macroeconomic adjustment programme referred to in Article 7 of Regulation (EU) No 472/2013, or with the measures requested by a Council decision adopted in accordance with Article 136(1) TFEU.

² Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433I, 22.12.2020, p. 1).

³ Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6).

Priority shall be given to the suspension of commitments; payments shall be suspended only when immediate action is sought and in the case of significant non-compliance.

The decision to suspend payments shall apply to requests for payments submitted after the date of the decision to suspend.

3. A proposal by the Commission for a decision to suspend commitments shall be deemed adopted by the Council unless the Council decides, by means of an implementing act, to reject such a proposal by qualified majority within one month of the submission of the Commission proposal.

The suspension of commitments shall apply to the commitments from 1 January of the year following the adoption of the decision to suspend.

The Council shall adopt a decision, by means of an implementing act, on a proposal by the Commission referred to in paragraphs 1 and 2 in relation to the suspension of payments.

4. The scope and level of the suspension of commitments or payment to be imposed shall be proportionate, respect the equality of treatment between Member States and take into account the economic and social circumstances of the Member State concerned, in particular the level of unemployment, the level of poverty or social exclusion in the Member State concerned compared to the Union average and the impact of the suspension on the economy of the Member State concerned.

5. The suspension of commitments shall be subject to a maximum of 25 % of the commitments or 0,25 % of nominal GDP, whichever is lower, in any of the following cases:

- (a) in the first case of non-compliance with an excessive deficit procedure as referred to in paragraph 1;
- (b) in the first case of non-compliance relating to a corrective action plan under an excessive imbalance procedure as referred to in point (a) of paragraph 2;
- (c) in the case of non-compliance with the recommended corrective action pursuant to an excessive imbalance procedure as referred to in point (b) of paragraph 2;
- (d) in the first case of non-compliance as referred to in points © and (d) of paragraph 2.

In the case of persistent non-compliance, the suspension of commitments may exceed the maximum percentages set out in the first subparagraph.

6. The Council shall lift the suspension of commitments on a proposal from the Commission, in accordance with the procedure set out in the first subparagraph of paragraph 3 of this Article, in the following cases:

- (a) where the excessive deficit procedure is held in abeyance in accordance with Article 9 of Regulation (EC) No 1467/97 or the Council has decided in accordance with Article 126(12) TFEU to abrogate the decision on the existence of an excessive deficit;
- (b) where the Council has endorsed the corrective action plan submitted by the Member State concerned in accordance with Article 8(2) of Regulation (EU) No 1176/2011 or the excessive imbalance procedure is placed in a position of abeyance in accordance

with Article 10(5) of that Regulation or the Council has closed the excessive imbalance procedure in accordance with Article 11 of that Regulation;

- (c) where the Commission has concluded that a Member State has taken appropriate measures as referred to in Regulation (EC) No 332/2002;
- (d) where the Commission has concluded that the Member State concerned has taken appropriate measures to implement the macroeconomic adjustment programme referred to in Article 7 of Regulation (EU) No 472/2013 or the measures requested by a Council decision adopted in accordance with Article 136(1) TFEU.

After the Council has lifted the suspension of commitments, the Commission may again enter into the commitments previously suspended without prejudice to Article 3(4), (7) and (9) of Regulation (EU) 2020/2094.

A decision concerning the lifting of the suspension of payments shall be taken by the Council on a proposal by the Commission in accordance with the procedure set out in the third subparagraph of paragraph 3, where the applicable conditions set out in the first subparagraph of this paragraph are fulfilled.

7. The Commission shall keep the European Parliament informed of the implementation of this Article. In particular, when the Commission makes a proposal pursuant to paragraph 1 or 2, it shall immediately inform the European Parliament and provide details on commitments and payments which could be subject to a suspension.

The competent committee of the European Parliament may invite the Commission to discuss the application of this Article in the context of a structured dialogue in order to allow the European Parliament to express its views. The Commission shall give due consideration to the views expressed by the European Parliament.

The Commission shall transmit the proposal for suspension or the proposal to lift such a suspension, to the European Parliament and to the Council without delay after its adoption. The European Parliament may invite the Commission to explain the reasons for its proposal.

8. By 31 December 2024, the Commission shall carry out a review of the application of this Article. To that end, the Commission shall prepare a report which it shall transmit to the European Parliament and the Council, accompanied where necessary by a legislative proposal.

9. Where there are major changes in the social and economic situation in the Union, the Commission may submit a proposal to review the application of this Article, or the European Parliament or the Council, acting in accordance with Articles 225 or 241 TFEU respectively, may request the Commission to submit such a proposal.

CHAPTER II

FINANCIAL CONTRIBUTION, ALLOCATION PROCESS, LOANS AND REVIEW

Article 11

Maximum financial contribution

1. The maximum financial contribution shall be calculated for each Member State as follows:

- (a) for 70 % of the amount referred to in point (a) of Article 6(1), converted into current prices, on the basis of the population, the inverse of the GDP per capita and the relative unemployment rate of each Member State as set out in the methodology in Annex II;
- (b) for 30 % of the amount referred to in point (a) of Article 6(1), converted into current prices, on the basis of the population, the inverse of the GDP per capita and, in equal proportion, the change in real GDP in 2020 and the aggregated change in real GDP for the period 2020-2021 as set out in the methodology in Annex III. The change in real GDP for 2020 and the aggregated change in real GDP for the period 2020-2021 shall be based on the Commission Autumn 2020 forecasts.

2. The calculation of the maximum financial contribution under point (b) of paragraph 1 shall be updated by 30 June 2022 for each Member State by replacing the data from the Commission Autumn 2020 forecasts with the actual outturns in relation to the change in real GDP 2020 and the aggregated change in real GDP for the period 2020-2021.

Article 12

Allocation of financial contribution

1. Each Member State may submit a request up to its maximum financial contribution, referred to in Article 11, to implement its recovery and resilience plan.

2. Until 31 December 2022, the Commission shall make available for allocation 70 % of the amount referred to in point (a) of Article 6(1), converted into current prices.

3. From 1 January 2023 until 31 December 2023, the Commission shall make available for allocation 30 % of the amount referred to in point (a) of Article 6(1), converted into current prices.

4. The allocations under paragraphs 2 and 3 are without prejudice to Article 6(2).

Article 13

Pre-financing

1. Subject to the adoption by 31 December 2021 by the Council of the implementing decision referred to in Article 20(1), and when requested by a Member State together with the submission of its recovery and resilience plan, the Commission shall make a pre-financing payment of an amount of up to 13 % of the financial contribution and, where applicable, of up

to 13 % of the loan as set out in Article 20(2) and (3). By derogation from Article 116(1) of the Financial Regulation, the Commission shall make the corresponding payment within, to the extent possible, two months after the adoption by the Commission of the legal commitment referred to in Article 23.

2. In cases of pre-financing under paragraph 1 of this Article, the financial contributions and, where applicable, the loan to be paid as referred to in point (a) or point (h) of Article 20(5), respectively, shall be adjusted proportionally.

3. If the amount of pre-financing of the financial contribution under paragraph 1 of this Article exceeds 13 % of the maximum financial contribution calculated in accordance with Article 11(2) by 30 June 2022, the next payment authorised in accordance with Article 24(5), and if needed the following payments, shall be reduced until the excess amount is offset. If the remaining payments are insufficient, the excess amount shall be returned.

Article 14

Loans

1. Until 31 December 2023, upon request from a Member State, the Commission may grant the Member State concerned a loan for the implementation of its recovery and resilience plan.

2. A Member State may request loan support at the time of the submission of a recovery and resilience plan referred to in Article 18, or at a different moment in time until 31 August 2023. In the latter case, the request shall be accompanied by a revised recovery and resilience plan, including additional milestones and targets.

3. The request for loan support by a Member State shall set out:

(a) the reasons for the loan support, justified by the higher financial needs linked to additional reforms and investments;

(b) the additional reforms and investments in line with Article 18;

(ba) where applicable, the reforms and investments in line with Article 21c(1);

(c) the higher cost of the recovery and resilience plan concerned compared to the amount of the financial contributions allocated to the recovery and resilience plan respectively pursuant to point (a) or (b) of Article 20(4).

4. The loan support to the recovery and resilience plan of the Member State concerned shall not be higher than the difference between the total costs of the recovery and resilience plan, as revised where relevant, and the maximum financial contribution referred to in Article 11~~7~~, including, where relevant, the revenue referred to in Article 21a as well as, where relevant, resources from shared management programmes to support REPowerEU objectives referred to in Article 21b.

5. The maximum volume of the loan support for each Member State shall not exceed 6,8 % of its 2019 GNI in current prices.

6. By derogation from paragraph 5, subject to the availability of resources, in exceptional circumstances the amount of the loan support may be increased~~7~~, considering the needs of

the requesting Member State, as well as requests for loan support already submitted or planned to be submitted by other Member States, while applying the principles of equal treatment, solidarity, proportionality and transparency. To facilitate the application of these principles, Member States shall communicate to the Commission within 30 days after [the entry into force of this amending Regulation], whether they intend to request loan support.-

7. The loan shall be paid in instalments subject to the fulfilment of milestones and targets in line with Article 20(5)(h).

8. The Commission shall assess the request for loan support in accordance with Article 19. The Council shall adopt an implementing decision, on a proposal from the Commission, in accordance with Article 20(1). Where appropriate, the recovery and resilience plan shall be amended accordingly.

Article 15

Loan agreement

1. Before entering into a loan agreement with the Member State concerned, the Commission shall assess whether:

- (a) the justification for requesting the loan support 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 19(3).

2. Where the Commission considers that the request for loan support fulfils the criteria of paragraph 1, and upon adoption of the Council implementing decision referred to in Article 20(1), the Commission shall enter into a loan agreement with the Member State concerned. The loan agreement, in addition to the elements laid down in Article 220(5) of the Financial Regulation, shall contain the following elements:

- (a) the amount of the loan in euro including, where applicable, the amount of the pre-financed loan in accordance with Article 13;
- (b) the average maturity; Article 220(2) of the Financial Regulation shall not apply with regard to this maturity;
- (c) the pricing formula and the availability period of the loan;
- (d) the maximum number of instalments and there payment schedule;
- (e) the other elements needed for the implementation of the loan in relation to the reforms and the investment projects concerned in line with the decision referred to in Article 20(3).

3. In accordance with point (e) of Article 220(5) of the Financial Regulation, costs related to the borrowing of funds for the loans referred to in this Article shall be borne by the beneficiary Member States.

4. The Commission shall establish the necessary arrangements for the administration of the lending operations related to loans granted in accordance with this Article.

5. A Member State benefitting from a loan granted in accordance with this Article shall open a dedicated account for the management of the loan received. It shall also transfer the principal and the interest due on any related loan to an account indicated by the Commission in line with the arrangements put in place in accordance with paragraph 4 twenty business days before the corresponding due date.

Article 16

Review report

1. By 31 July 2022, the Commission shall present to the European Parliament and the Council a review report on the implementation of the Facility.

2. The review report shall set out the following elements:

(a) an assessment of the extent to which the implementation of the recovery and resilience plans is in line with the scope and contributes to the general objective of this Regulation in line with the six pillars referred to in Article 3, including how the recovery and resilience plans tackle the inequalities between women and men;

(b) a quantitative assessment of the contribution of the recovery and resilience plans to:

- (i) the climate target of at least 37 %,
- (ii) the digital target of at least 20 %,
- (iii) each of the six pillars referred to in Article 3;

(c) the state of the implementation of the recovery and resilience plans and observations and guidance to the Member States before the update of their recovery and resilience plans referred to in Article 18(2).

3. For the purposes of the review report referred to in paragraph 1 of this Article, the Commission shall take into account the scoreboard referred to in Article 30, the reports of the Member States referred to in Article 27 and any other relevant information on the fulfilment of the milestones and targets of the recovery and resilience plans as available from the payment, suspension and termination procedures referred to in Article 24.

4. The competent committee of the European Parliament may invite the Commission to present the main findings of the review report in the context of the recovery and resilience dialogue referred to in Article 26.

CHAPTER III

RECOVERY AND RESILIENCE PLANS

Article 17

Eligibility

1. Within the scope set out in Article 3 and in pursuit of the objectives set out in Article 4, Member States shall prepare national recovery and resilience plans. Those plans shall set out the reform and investment agenda of the Member State concerned. Recovery and resilience plans that are eligible for financing under the Facility shall comprise measures for the implementation of reforms and public investment through a comprehensive and coherent package, which may also include public schemes that aim to incentivise private investment.
2. Measures started from 1 February 2020 onwards shall be eligible provided that they comply with the requirements set out in this Regulation.
3. 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. 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 Regulation (EU) 2018/1999, in the territorial just transition plans under a Regulation of the European Parliament and of the Council establishing the Just Transition Fund (the 'Just Transition Fund Regulation'), in the Youth Guarantee implementation plans and in the partnership agreements and operational programmes under the Union funds.
4. The recovery and resilience plans shall respect the horizontal principles set out in Article 5.
5. Where a Member State is exempt from the monitoring and assessment in the context of the European Semester on the basis of Article 12 of Regulation (EU) No 472/2013, or is subject to surveillance under Regulation (EC) No 332/2002, this Regulation shall apply to the Member State concerned in relation to the challenges and priorities identified by the measures set out in those Regulations.

Article 18

Recovery and resilience plan

1. A Member State wishing to receive a financial contribution in accordance with Article 12 shall submit to the Commission a recovery and resilience plan as defined in Article 17(1).
2. After the Commission makes available for allocation the amount referred to in Article 12(3), a Member State may update and submit the recovery and resilience plan referred to in paragraph 1 of this Article to take into account the updated maximum financial contribution calculated in accordance with Article 11(2).

3. The recovery and resilience plan presented by the Member State 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 recovery and resilience plan may be submitted by Member States from 15 October of the preceding year.

4. The recovery and resilience plan shall be duly reasoned and substantiated. It shall in particular set out the following elements:

- (a) an explanation of 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 referred to in Article 3, taking into account the specific challenges of the Member State concerned;
- (b) an explanation of how the recovery and resilience plan contributes to effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations, including fiscal aspects thereof and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011 where appropriate, addressed to the Member State concerned, or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester;
- (c) a detailed explanation of how the recovery and resilience 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 the youth, and mitigates the economic and social impact of the COVID-19 crisis, contributing to the implementation of the European Pillar of Social Rights, and thereby enhancing the economic, social and territorial cohesion and convergence within the Union;
- (d) an explanation of how the recovery and resilience plan ensures that no measure for the implementation of reforms and investments included in the recovery and resilience plan does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 (the principle of 'do no significant harm');
- (e) a qualitative explanation of how the measures in the recovery and resilience plan are expected to contribute to the green transition, including biodiversity, or to addressing the challenges resulting therefrom, and whether they account for an amount that represents at least 37 % of the recovery and resilience plan's total allocation, based on the methodology for climate tracking set out in Annex VI; that methodology shall be used accordingly for measures that cannot be directly assigned to an intervention field listed in Annex VI; the coefficients for support for the climate objectives may be increased up to a total amount of 3 % of the allocation of the recovery and resilience plan for individual investments to take account of accompanying reform measures that credibly increase their impact on the climate objectives as explained in the recovery and resilience plan;
- (f) an explanation of how the measures in the recovery and resilience plan are expected to contribute to the digital transition or to the challenges resulting therefrom, and whether they account for an amount which represents at least 20 % of the recovery and resilience plan's total allocation, based on the methodology for digital tagging set out in Annex VII; that methodology shall be used accordingly for measures that cannot be directly assigned to an intervention field listed in Annex VII; the coefficients for support for the digital objectives may be increased for individual investments to take

account of accompanying reform measures that increase their impact on the digital objectives;

- (g) 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 relevant Union and national law;
- (h) an indication of whether the measures included in the recovery and resilience plan comprise cross-border or multi- country projects;
- (i) envisaged milestones, targets and an indicative timetable for the implementation of the reforms, and investments to be completed by 31 August 2026;
- (j) the envisaged investment projects and the related investment period;
- (k) the estimated total costs of the reforms and investments covered by the recovery and resilience plan submitted (also referred to as 'estimated total costs of the recovery and resilience plan') backed up by appropriate justification and by explanations of how it is in line with the principle of cost efficiency and commensurate to the expected national economic and social impact;
- (l) where relevant, information on existing or planned Union financing;
- (m) the accompanying measures that may be needed;
- (n) a justification of the coherence of the recovery and resilience plan; and an explanation of its consistency with the principles, plans and programmes referred to in Article 17;
- (o) an explanation of how the measures in the recovery and resilience plan are expected to contribute to gender equality and equal opportunities for all and the mainstreaming of those objectives, in line with principles 2 and 3 of the European Pillar of Social Rights, with the UN Sustainable Development Goal 5 and, where relevant, with the national gender equality strategy;
- (p) 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;
- (q) for the preparation and, where available, for the implementation of the recovery and resilience plan, 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, and how the input of the stakeholders is reflected in the recovery and resilience plan; in particular, the summary of the consultation process shall explain the outcome of the consultations with local and regional authorities and other relevant stakeholders on reforms and investments included in the REPowerEU chapter and outline how the input received was reflected in the REPowerEU chapter;
- (r) an explanation of the Member State's system to prevent, detect and correct corruption, fraud and conflicts of interests, when using the funds provided under the Facility, and the arrangements that aim to avoid double funding from the Facility and other Union programmes;

- (s) where appropriate, the request for loan support and the additional milestones as referred to in Article 14(2) and (3) and the elements thereof; and
- (t) any other relevant information.

5. When preparing their recovery and resilience plans, Member States may request the Commission to organise an exchange of good practices in order to allow the requesting Member States to benefit from the experience of other Member States. Member States may also request technical support under the Technical Support Instrument. Member States shall be encouraged to foster synergies with recovery and resilience plans of other Member States.

Article 19

Commission assessment

1. The Commission shall assess the recovery and resilience plan or, where applicable, the update to that plan submitted by the Member State in accordance with Article 18(1) or 18(2) within two months of the official submission, and make a proposal for a Council implementing decision in accordance with Article 20(1). When carrying out that assessment, the Commission shall act in close cooperation with the Member State concerned. The Commission may make observations or seek additional information. The Member State concerned shall provide the requested additional information and may revise the recovery and resilience plan if needed, including after the official submission of the recovery and resilience plan. The Member State concerned and the Commission may agree to extend the deadline for assessment by a reasonable period if necessary.

2. When assessing the recovery and resilience plan and in the determination of the amount to be allocated to the Member State concerned, the Commission shall take into account the analytical information on the Member State concerned available in the context of the European Semester as well as the justification and the elements provided by that Member State, as referred to in Article 18(4), as well as any other relevant information such as, in particular, the information contained in the National Reform Programme and the National Energy and Climate Plan of that Member State, in the territorial just transition plans under the Just Transition Fund Regulation, in the Youth Guarantee implementation plans and, if relevant, information from technical support received via the Technical Support Instrument.

3. The Commission shall assess the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan and, for that purpose, shall take into account the following criteria which it shall apply in accordance with Annex V:

Relevance:

- (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 referred to in Article 3, taking the specific challenges and the financial allocation of the Member State concerned into account;
- (b) whether the recovery and resilience plan is expected to contribute to effectively addressing all or a significant subset of challenges identified in the relevant country-specific recommendations, including fiscal aspects thereof and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011 where appropriate, addressed to the Member State concerned or challenges identified in other relevant

documents officially adopted by the Commission in the context of the European Semester;

- (c) whether the recovery and resilience plan is expected to effectively contribute to strengthening the growth potential, job creation, and economic, social and institutional 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 the youth, and to mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union;
- (d) whether the recovery and resilience plan is expected to ensure that no measure for the implementation of reforms and investment projects included in the recovery and resilience plan does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 (the principle of ‘do no significant harm’); the Commission shall provide technical guidance to the Member States to that effect;

(da) whether the reforms and investments referred to in Article 21c(1) effectively contribute towards the diversification of the Union’s energy supply or reduction of dependence on fossil fuels before 2030.

- (e) whether the recovery and resilience plan contains measures that effectively contribute to the green transition, including biodiversity, or to addressing the challenges resulting therefrom, and whether they account for an amount which represents at least 37 % of the recovery and resilience plan’s total allocation, based on the methodology for climate tracking set out in Annex VI; that methodology shall be used accordingly for measures that cannot be directly assigned to an intervention field listed in Annex VI; the coefficients for support for the climate objectives may be increased up to a total amount of 3 % of the allocation of the recovery and resilience 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;
- (f) whether the recovery and resilience plan contains measures that effectively contribute to the digital transition or to addressing the challenges resulting therefrom, and whether they account for an amount which represents at least 20 % of the recovery and resilience plan’s total allocation, based on the methodology for digital tagging set out in Annex VII; that methodology shall be used accordingly for measures that cannot be directly assigned to an intervention field listed in Annex VII; the coefficients for support for the digital objectives may be increased for individual investments to take account of accompanying reform measures that increase their impact on the digital objectives;

Effectiveness:

- (g) whether the recovery and resilience plan is expected to have a lasting impact on the Member State concerned;
- (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;

Efficiency:

- (i) whether the justification provided by the Member State on the amount of the estimated total costs of the recovery and resilience plan 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;
- (j) whether the arrangements proposed by the Member State concerned are expected to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under the Facility, including the arrangements that aim to avoid double funding from the Facility and other Union programmes;

Coherence:

- (k) whether the recovery and resilience plan contains measures for the implementation of reforms and public investment projects that represent coherent actions.

4. Where the Member State concerned has requested a loan as referred to in Article 14, the Commission shall assess whether the request for a loan fulfils the criteria set out in Article 15(1), and in particular whether the additional reforms and investments in respect of which that request was made, fulfil the assessment criteria of paragraph 3.

5. Where the Commission gives a negative assessment to a recovery and resilience plan, it shall communicate a duly justified assessment within the deadline set out in paragraph 1.

6. For the purpose of the assessment of the recovery and resilience plans submitted by Member States, the Commission may be assisted by experts.

Article 20

Commission proposal and Council implementing decision

1. On a proposal from the Commission, the Council shall approve by means of an implementing decision the assessment of the recovery and resilience plan submitted by the Member State in accordance with Article 18(1) or, where applicable, of its update submitted in accordance with Article 18(2).

2. In the event that the Commission gives a positive assessment to a recovery and resilience plan, the Commission proposal for a Council implementing decision shall set out the reforms and investment projects to be implemented by the Member State, including the milestones and targets, and the financial contributions calculated in accordance with Article 11.

3. Where the Member State concerned requests loan support, the Commission proposal for a Council implementing decision shall also set out the amount of the loan support as referred to in Article 14(4) and (6) and the additional reforms and investment projects to be implemented by the Member State covered by that loan, including the additional milestones and targets.

4. The financial contribution referred to in paragraph 2 shall be determined on the basis of the estimated total costs of the recovery and resilience plan proposed by the Member State concerned, as assessed under the criteria set out in Article 19(3). The amount of financial contribution shall be set as follows:

- (a) where the recovery and resilience plan complies satisfactorily with the criteria set out in Article 19(3), and the amount of the estimated total costs of the recovery and resilience plan is equal to, or higher than, the maximum financial contribution calculated for that Member State in accordance with Article 11, the financial contribution allocated to the Member State concerned shall be equal to the total amount of the maximum financial contribution calculated for that Member State in accordance with Article 11;
 - (b) where the recovery and resilience plan complies satisfactorily with the criteria set out in Article 19(3), and the amount of the estimated total costs of the recovery and resilience plan is lower than the maximum financial contribution calculated for that Member State in accordance with Article 11, the financial contribution allocated to the Member State shall be equal to the amount of the estimated total costs of the recovery and resilience plan;
 - (c) where the recovery and resilience plan does not comply satisfactorily with the criteria set out in Article 19(3), no financial contribution shall be allocated to the Member State concerned.
5. The Commission proposal referred to in paragraph 2 shall also lay down:
- (a) the financial contribution to be paid in instalments once the Member State has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan;
 - (b) the financial contribution and, where applicable, the amount of the loan support to be paid in the form of a pre- financing in accordance with Article 13 after the approval of the recovery and resilience plan;
 - (c) the description of the reforms and of the investment projects and the amount of the estimated total costs of the recovery and resilience plan;
 - (d) the time limit, which should be no later than 31 August 2026, by which the final milestones and targets for both investment projects and reforms must be completed;
 - (e) the arrangements and timetable for monitoring and implementation of the recovery and resilience plan including, where relevant, measures necessary for complying with Article 22;
 - (f) the relevant indicators relating to the fulfilment of the envisaged milestones and targets;
 - (g) the arrangements for providing full access by the Commission to the underlying relevant data; and
 - (h) where appropriate, the amount of the loan to be paid in instalments and the additional milestones and targets related to the payment of the loan.
6. The arrangements and timetable for monitoring and implementation as referred to in point (e) of paragraph 5, the relevant indicators relating to the fulfilment of the envisaged milestones and targets referred to in point (f) of paragraph 5, the arrangements for providing full access by the Commission to the underlying data referred to in point (g) of paragraph 5, and, where appropriate, the additional milestones and targets related to the payment of the

loan referred to in point (h) of paragraph 5 shall be further specified in operational arrangements to be agreed by the Member State concerned and the Commission after the adoption of the decision referred to in paragraph 1.

7. The Council shall adopt the implementing decisions referred to in paragraph 1, as a rule, within four weeks of the adoption of the Commission proposal.

8. The Council, on a proposal from the Commission, shall amend its implementing decision adopted in accordance with Article 20(1) to include the updated maximum financial contribution, calculated in accordance with Article 11(2), without undue delay.

Article 21

Amendment of the Member State's recovery and resilience plan

1. Where the recovery and resilience plan including relevant milestones and targets is no longer achievable, either partially or totally, by the Member State concerned because of objective circumstances, the Member State concerned may make a reasoned request to the Commission to make a proposal to amend or replace the Council implementing decisions referred to in Article 20(1) and (3). To that end, the Member State may propose an amended or a new recovery and resilience plan. Member States may request technical support for the preparation of such proposal under the Technical Support Instrument.

2. Where the Commission considers that the reasons put forward by the Member State concerned justify an amendment of the relevant recovery and resilience plan, the Commission shall assess the amended or new recovery and resilience plan in accordance with Article 19 and shall make a proposal for a new Council implementing decision in accordance with Article 20(1) within two months of the official submission of the request. The Member State concerned and the Commission may agree to extend that deadline by a reasonable period if necessary. The Council shall adopt the new implementing decision, as a rule, within four weeks of the adoption of the Commission proposal.

3. Where the Commission considers that the reasons put forward by the Member State concerned do not justify an amendment of the relevant recovery and resilience plan, it shall reject the request within the period referred to in paragraph 2, after having given the Member State concerned the possibility to present its observations within one month of the communication of the Commission's conclusions.

CHAPTER IIIa

REPowerEU

Article 21a

New revenue

- (1) EUR 20 000 000 000 in current prices shall be available, in line with Article 10e(4) of Directive 2003/87/EC, for implementation under this Regulation to increase the resilience of the Union energy system through a decrease of dependence on fossil fuels and diversification of energy supplies at Union level. That amount shall be made available in the form of external assigned revenue within the meaning of Article 21(5) of the Financial Regulation.
- (2) The share of the resources referred to in paragraph 1 available for each Member State shall be calculated on the basis of the indicators defined for the maximum financial contribution, as set out in the methodology in Annex II for 70% of the amount and methodology set out in Annex III for 30% of the amount.
- (3) The amount referred to in paragraph 1 shall be allocated exclusively to measures referred to in Article 21c(1).
- (4) Commitment appropriations covering the amount referred to in paragraph 1 shall be made available automatically up to the respective amounts referred to in that paragraph as of [the date of entry into force of this amending Regulation].
- (5) Each Member State may submit to the Commission a request for allocation of an amount not exceeding its share, by including in its plan the reforms and investments described in Article 21c(1) and indicating their estimated costs.
- (6) The Council implementing decision adopted pursuant to Article 20(1) following a proposal from the Commission shall lay down the amount of the revenue referred to in Article 10e (1) of Directive 2003/87/EC allocated to the Member State following the application of paragraph 2, to be paid in instalments, subject to available funding, in accordance with Article 24 of this Regulation, once the Member State has satisfactorily fulfilled the milestones and targets identified in relation to the implementation of the measures referred to in Article 21c (1).

Article 21b

Resources from shared management programmes to support REPowerEU objectives

- (1) Resources allocated to Member States under shared management may, at their request, be transferred or allocated to the Facility subject to the conditions set out in Article 26a of Regulation (EU) 2021/1060 and Article 81a of Regulation (EU) 2021/2115. Those resources shall be used exclusively for the benefit of the Member State concerned.
 - (a) Resources may be transferred under Article 26a of Regulation (EU) 2021/1060 to support measures referred to in Article 21c(1) of this Regulation, provided that the Member State has already requested transfers from a given Fund up to the ceiling of 5% in accordance with the first and second sub-paragraphs of Article 26(1).

- (b) Resources allocated under Article 81a of Regulation (EU) 2021/2115 shall support measures in Article 21c(1)(b) of this Regulation for farm investments for the benefit of farmers or groups of farmers, in particular to contribute reducing the use of synthetic fertilisers, increasing production of renewable energy and sustainable biomethane, and boosting energy efficiency.
- (2) Payments shall be made in accordance with Article 24 of this Regulation and subject to available funding.
- (3) The Commission shall implement those resources directly in accordance with Article 62(1), first subparagraph, point (a) of the Financial Regulation.

Article 21c

The REPowerEU chapter in the recovery and resilience plans

(1) The recovery and resilience plan submitted to the Commission after [the entry into force of this amending Regulation] shall contain a REPowerEU chapter. The REPowerEU chapter shall outline reforms and investments, with their corresponding milestones and targets, other than measures referred in paragraph 2 (a), aiming to contribute to the REPowerEU objectives, by:

- (a) improving energy infrastructure and facilities to meet immediate security of supply needs for oil and gas, notably to enable diversification of supply in the interest of the Union as a whole,
- (b) boosting energy efficiency in buildings, decarbonising industry, increasing production and uptake of sustainable biomethane and renewable or fossil-free hydrogen and increasing the share of renewable energy,
- (c) addressing internal and cross-border energy transmission bottlenecks and supporting zero emission transport and its infrastructure, including railways,
- (d) supporting the objectives in points (a), (b) and (c) through an accelerated requalification of the workforce towards green skills, as well as support of the value chains in key materials and technologies linked to the green transition.

(2) The REPowerEU chapter shall also contain:

- (a) Where applicable, a description of reforms and investments in the already adopted Council implementing decisions that are expected to contribute to the REPowerEU objectives;
- (b) an outline of other measures contributing to the REPowerEU objectives with a corresponding calendar, to be implemented from 1 February 2022 until 31 December 2026 without financial support under the Facility;
- (c) an explanation on how the combination of the measures referred to in paragraph 1 and points (a) and (b) of this paragraph is coherent, effective and expected to contribute to the REPowerEU objectives, including a quantification of the energy savings.

(3) The estimated costs of the reforms and investments of the REPowerEU chapter under paragraph 1 shall not be taken into account for the calculation of the plan's total allocation under Article 18(4), point (f) and Article 19(3), point (f).

(4) By way of derogation from Articles 5(2), 17(4), 18(4) point (d) and 19(3) points (d), the principle of “do no significant harm” within the meaning of Article 17 of Regulation (EU) 2020/852 shall not apply to the reforms and investments expected to contribute to the REPowerEU objectives under paragraph 1, point (a) of this Article.

(5) The provisions of this Regulation shall be applicable mutatis mutandis to the reforms and investments of the REPowerEU chapter, unless provided otherwise.

Article 21d

Monitoring implementation of REPowerEU chapters

(1) The Commission shall monitor the implementation of the measures outlined in the REPowerEU chapter and their contribution to the REPowerEU objectives.

(2) The Commission shall provide information on the progress of implementation of the REPowerEU chapter in the annual report to the European Parliament and the Council, in accordance with Article 31.'

CHAPTER IV

FINANCIAL PROVISIONS

Article 22

Protection of the financial interests of the Union

1. In implementing the Facility, the Member States, as beneficiaries or borrowers of funds under the Facility, shall take all the appropriate measures to protect the financial interests of the Union and to ensure that the use of funds in relation to measures supported by the Facility complies with the applicable Union and national law, in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interests. To this effect, the Member States shall provide an effective and efficient internal control system and the recovery of amounts wrongly paid or incorrectly used. Member States may rely on their regular national budget management systems.

2. The agreements referred to in Articles 15(2) and 23(1) shall provide for the obligations of the Member States:

- (a) to regularly check that the financing provided has been properly used in accordance with all applicable rules and that any measure for the implementation of reforms and investment projects under the recovery and resilience plan has been properly implemented in accordance with all applicable rules in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interests;

- (b) to take appropriate measures to prevent, detect and correct fraud, corruption, and conflicts of interests as defined in Article 61(2) and (3) of the Financial Regulation affecting the financial interests of the Union and to take legal actions to recover funds that have been misappropriated, including in relation to any measure for the implementation of reforms and investment projects under the recovery and resilience plan;
- (c) to accompany a request for payment by:
 - (i) a management declaration that the funds were used for its 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 conflicts of interests, fraud prevention, corruption and double funding from the Facility and other Union programmes in accordance with the principle of sound financial management; and
 - (ii) a summary of the audits carried out, including weaknesses identified and any corrective actions taken;
- (d) for the purpose of audit and control and to provide for comparable information on the use of funds in relation to measures for the implementation of reforms and investment projects under the recovery and resilience plan, to collect and ensure access to the following standardised categories of data:
 - (i) name of the final recipient of funds;
 - (ii) name of the contractor and sub-contractor, where the final recipient of funds is a contracting authority in accordance with Union or national law on public procurement;
 - (iii) first name(s), last name(s) and date of birth of beneficial owner(s) of the recipient of funds or contractor, as defined in point 6 of Article 3 of Directive (EU) 2015/849 of the European Parliament and of the Council ⁽⁴⁾;
 - (iv) a list of any measures for the implementation of reforms and investment projects under the recovery and resilience plan with the total amount of public funding of those measures and indicating the amount of funds paid under the Facility and under other Union funds;
- (e) to expressly authorise the Commission, OLAF, the Court of Auditors and, where applicable, EPPO to exert their rights as provided for in Article 129(1) of the Financial Regulation and to impose obligations on all final recipients of funds paid for the measures for the implementation of reforms and investment projects included in the recovery and resilience plan, or to all other persons or entities involved in their implementation to expressly authorise the Commission, OLAF, the Court of Auditors and, where applicable, EPPO to exert their rights as provided for in Article 129(1) of the Financial Regulation and to impose similar obligations on all final recipients of funds disbursed;

⁴ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p. 73).

(f) to keep records in accordance with Article 132 of the Financial Regulation.

3. Personal data as referred to in point (d) of paragraph 2 of this Article shall only be processed by Member States and by the Commission for the purpose, and corresponding duration, of discharge, audit and control proceedings related to the use of funds related to the implementation of the agreements referred to in Articles 15(2) and 23(1). Within the framework of the discharge procedure to the Commission, in accordance with Article 319 TFEU, the Facility shall be subject to reporting under the integrated financial and accountability reporting referred to in Article 247 of the Financial Regulation, and, in particular, separately in the Annual Management and Performance Report.

4. The Commission shall make available to the Member States an integrated and interoperable information and monitoring system including a single data-mining and risk-scoring tool to access and analyse the relevant data, with a view to a generalised application by Member States of that system including with support of the Technical Support Instrument.

5. The agreements referred to in Articles 15(2) and 23(1) shall also provide for the right of the Commission to reduce proportionately the support under the Facility and recover any amount due to the Union budget or to ask for early repayment of the loan, in cases of fraud, corruption, and conflicts of interests affecting the financial interests of the Union that have not been corrected by the Member State, or a serious breach of an obligation resulting from such agreements.

When deciding on the amount of the recovery and reduction, or the amount to be repaid early, the Commission shall respect the principle of proportionality and shall take into account the seriousness of the fraud, corruption and conflict of interests affecting the financial interests of the Union, or of a breach of an obligation. The Member State shall be given the opportunity to present its observations before the reduction is made or early repayment is requested.

Article 23

Commitment of the financial contribution

1. Once the Council has adopted an implementing decision as referred to in Article 20(1), the Commission shall conclude an agreement with the Member State concerned constituting an individual legal commitment within the meaning of the Financial Regulation. For each Member State the legal commitment shall not exceed the total of the financial contribution referred to in point (a) of Article 11(1) for 2021 and 2022, ~~and~~ the updated financial contribution referred to in Article 11(2) for 2023 and the amount calculated under Article 21a(2).

2. Budgetary commitments may be based on global commitments and, where appropriate, may be broken down into annual instalments spread over several years.

Article 24

Rules on payments, suspension and termination of agreements regarding financial contributions and loans

1. Payments of financial contributions and, where applicable, of the loan to the Member State concerned under this Article shall be made by 31 December 2026 and in accordance with the budget appropriations and subject to the available funding.

2. Upon completion of the relevant agreed milestones and targets indicated in the recovery and resilience plan as approved in accordance with Article 20, the Member State concerned shall submit to the Commission a duly justified request for payment of the financial contribution and, where relevant, of the loan. Such requests for payment may be submitted by the Member States to the Commission twice a year.

3. The Commission shall assess on a preliminary basis without undue delay, and at the latest within two months of receiving the request, whether the relevant milestones and targets set out in the Council implementing decision referred to in Article 20(1) have been satisfactorily fulfilled. The satisfactory fulfilment of milestones and targets shall presuppose that measures related to previously satisfactorily fulfilled milestones and targets have not been reversed by the Member State concerned. For the purpose of the assessment, the operational arrangements referred to in Article 20(6) shall also be taken into account. The Commission may be assisted by experts.

4. Where the Commission makes a positive preliminary assessment of the satisfactory fulfilment of the relevant milestones and targets, it shall provide its findings to the Economic and Financial Committee and ask for its opinion on the satisfactory fulfilment of the relevant milestones and targets. The Commission shall take the opinion of the Economic and Financial Committee into account for its assessment.

5. Where the Commission makes a positive assessment, it shall adopt without undue delay a decision authorising the disbursement of the financial contribution and, where applicable, of the loan in accordance with the Financial Regulation. Such decision shall be adopted in accordance with the examination procedure referred to in Article 35(2).

6. Where, as a result of the assessment referred to in paragraph 5, the Commission establishes that the milestones and targets set out in the Council implementing decision referred to in Article 20(1) have not been satisfactorily fulfilled, the payment of all or part of the financial contribution and, where applicable, of the loan shall be suspended. The Member State concerned may present its observations within one month of the communication of the Commission's assessment.

The suspension shall only be lifted where the Member State concerned has taken the necessary measures to ensure a satisfactory fulfilment of the milestones and targets set out in the Council implementing decision referred to in Article 20(1).

7. By derogation from Article 116(2) of the Financial Regulation, the payment deadline shall start running from the date of the communication of the decision authorising the disbursement to the Member State concerned pursuant to paragraph 5 of this Article, or from the date of the communication of the lifting of a suspension pursuant to the second subparagraph of paragraph 6 of this Article.

8. Where the Member State concerned has not taken the necessary measures within a period of six months from the suspension, the Commission shall reduce the amount of the financial contribution and, where applicable, of the loan proportionately after having given the Member State concerned the possibility to present its observations within two months from the communication of its conclusions.

9. Where, within 18 months of the date of the adoption of the Council implementing decision referred to in Article 20(1), no tangible progress has been made in respect of any relevant milestones and targets by the Member State concerned, the Commission shall terminate the agreements referred to in Articles 15(2) and 23(1) and shall decommit the

amount of the financial contribution without prejudice to Article 14(3) of the Financial Regulation. Any pre-financing in accordance with Article 13 shall be recovered in full. The Commission shall take a decision on the termination of agreements referred to in Articles 15(2) and 23(1) and, where applicable, of the recovery of the pre-financing after having given the Member State concerned the possibility to present its observations within a period of two months of the communication of its assessment as to whether no tangible progress has been made.

10. If exceptional circumstances arise, the adoption of the decision authorising the disbursement of the financial contribution and, where applicable, of the loan in accordance with paragraph 5 may be postponed for up to three months.

CHAPTER V

INSTITUTIONAL PROVISIONS

Article 25

Transparency

1. The Commission shall transmit the recovery and resilience plans officially submitted by the Member States, and the proposals for Council implementing decisions referred to in Article 20(1), as made public by the Commission, simultaneously and on equal terms to the European Parliament and the Council without undue delay.

2. Information transmitted by the Commission to the Council or any of its preparatory bodies in the context of this Regulation or its implementation shall simultaneously be made available to the European Parliament, subject to confidentiality arrangements if necessary. Relevant outcomes of discussions held in Council preparatory bodies shall be shared with the competent committee of the European Parliament.

3. The Member State concerned may request the Commission to redact sensitive or confidential information, the disclosure of which would jeopardise public interests of the Member State. In such a case, the Commission shall liaise with the European Parliament and the Council regarding how the redacted information can be made available to them in a confidential manner in accordance with the applicable rules.

4. The Commission shall provide the competent committee of the European Parliament with an overview of its preliminary findings concerning the satisfactory fulfilment of the relevant milestones and targets included in the recovery and resilience plans of the Member States.

5. The competent committee of the European Parliament may invite the Commission to provide information on the state of play of the assessment of the recovery and resilience plans in the context of the recovery and resilience dialogue referred to in Article 26.

Article 26

Recovery and resilience dialogue

1. In order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability, the competent committee of the European Parliament may invite the Commission every two months to discuss the following matters:

- a) the state of recovery, resilience and adjustment capacity in the Union, as well as the measures adopted under this Regulation;
- b) the recovery and resilience plans of the Member States;
- c) the assessment of the recovery and resilience plans of the Member States;
- d) the main findings of the review report referred to in Article 16(2);
- e) the status of fulfilment of the milestones and targets of the recovery and resilience plans of the Member States;
- f) payment, suspension and termination procedures, including any observation presented and remedial measures taken by the Member States to ensure a satisfactory fulfilment of the milestones and targets;
- g) any other relevant information and documentation provided by the Commission to the competent committee of the European Parliament in relation to the implementation of the Facility.

2. The European Parliament may express its views in resolutions as regards the matters referred to in paragraph 1.

3. The Commission shall take into account any elements arising from the views expressed through the recovery and resilience dialogue, including the resolutions from the European Parliament if provided.

4. The recovery and resilience scoreboard referred to in Article 30 shall serve as a basis for the recovery and resilience dialogue.

CHAPTER VI

REPORTING

Article 27

Reporting by the Member State in the context of the European Semester

The Member State concerned shall report twice a year in the context of the European Semester on the progress made in the achievement of its recovery and resilience plan, including the operational arrangements referred to in Article 20(6) and on the common indicators as referred to in Article 29(4). To that end, the reports of the Member States shall

be appropriately reflected in the National Reform Programmes, which shall be used as a tool for reporting on the progress towards completion of the recovery and resilience plans.

CHAPTER VII

COMPLEMENTARITY, MONITORING AND EVALUATION

Article 28

Coordination and complementarity

The Commission and the Member States concerned shall, in a manner 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.

Article 29

Monitoring of implementation

1. The Commission shall monitor the implementation of the Facility and measure the achievement of the objectives set out in Article 4. The monitoring of implementation shall be targeted and proportionate to the activities carried out under the Facility.
2. The performance reporting system of the Commission shall ensure that data for monitoring the implementation of the activities and results are collected efficiently, effectively and in a timely manner. To that end, proportionate reporting requirements shall be imposed on recipients of Union funding.
3. The Commission shall report ex-post on the expenditure financed by the Facility under each of the pillars referred to in Article 3. Such reporting will be based on the break-down of the estimated expenditure provided in the approved recovery and resilience plans.
4. The Commission shall be empowered to adopt, by the end of December 2021, delegated acts in accordance with Article 33 to supplement this Regulation in order to:
 - (a) set out the common indicators to be used for reporting on the progress and for the purpose of monitoring and evaluation of the Facility towards the achievement of the general and specific objectives; and

- (b) define a methodology for reporting social expenditure, including on children and the youth, under the Facility.
5. Member States shall report to the Commission on the common indicators.

Article 30

Recovery and resilience scoreboard

1. The Commission shall establish a recovery and resilience scoreboard (the 'Scoreboard'), which shall display the progress of the implementation of the recovery and resilience plans of the Member States in each of the six pillars referred to in Article 3. The Scoreboard shall constitute the performance reporting system of the Facility.
2. The Commission shall be empowered to adopt a delegated act in accordance with Article 33 to supplement this Regulation by defining the detailed elements of the Scoreboard with a view to displaying the progress of the implementation of the recovery and resilience plans as referred to in paragraph 1.
3. The Scoreboard shall also display the progress of the implementation of the recovery and resilience plans in relation to the common indicators referred to in Article 29(4).
4. The Scoreboard shall be operational by December 2021 and shall be updated by the Commission twice a year. The Scoreboard shall be made publicly available on a website or internet portal.

Article 31

Annual report

1. The Commission shall provide an annual report to the European Parliament and the Council on the implementation of the Facility.
2. The annual report shall include information on the progress made with the recovery and resilience plans of the Member States concerned under the Facility, including information on the status of the implementation of the milestones and targets, and the status of payments and suspensions thereof.
3. The annual report shall also include the following information on:
 - (a) the contribution of the Facility to the climate and digital targets;
 - (b) the performance of the Facility based on the common indicators referred to in Article 29(4);
 - (c) the expenditure financed by the Facility under the six pillars referred to in Article 3, incorporating social expenditure, including on children and the youth, as referred to in Article 29(4).

4. For the purpose of reporting on the activities referred to in paragraphs 2 and 3, the Commission may use the content of the relevant documents officially adopted by the Commission under the European Semester, as appropriate.

Article 32

Evaluation and *ex post* evaluation of the Facility

1. By 20 February 2024, the Commission shall provide the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions with an independent evaluation report on the implementation of the Facility, and by 31 December 2028 with an independent *ex post* evaluation report.

2. The evaluation report shall, in particular, assess to which extent the objectives have been achieved, the efficiency of the use of the resources and the European added value. It shall also consider the continued relevance of all objectives and actions.

3. Where appropriate, the evaluation shall be accompanied by a proposal for amendments to this Regulation.

4. The *ex post* evaluation report shall consist of a global assessment of the Facility and shall include information on its impact in the long term.

Article 33

Exercise of delegation

1. The power to adopt delegated acts shall be conferred on the Commission subject to the conditions laid down in this Article.

2. The power to adopt delegated acts referred to in Articles 29(4) and 30(2) shall be conferred on the Commission for an indeterminate period of time from 19 February 2021.

3. The delegations of power referred to in Articles 29(4) and 30(2) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect on the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6. A delegated act adopted pursuant to Articles 29(4) and 30(2) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of one month of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by one month at the initiative of the European Parliament or of the Council.

CHAPTER VIII

COMMUNICATION AND FINAL PROVISIONS

Article 34

Information, communication and publicity

1. The Commission may engage in communication activities to ensure the visibility of the Union funding for the financial support envisaged in the relevant recovery and resilience plan, including through joint communication activities with the national authorities concerned. The Commission may, as appropriate, ensure that support under the Facility is communicated and acknowledged through a funding statement.
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.
3. The Commission shall implement information and communication actions relating to the Facility, to actions taken pursuant to the Facility and to the results obtained. The Commission shall where appropriate inform the representation offices of the European Parliament of its actions and involve them in those actions. Financial resources allocated to the Facility shall also contribute to the corporate communication of the political priorities of the Union, insofar as they are related to the objectives referred to in Article 4.

Article 35

Committee procedure

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 36

Entry into force

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

ANNEX V

Assessment guidelines for the Facility

1. Scope

The purpose of these guidelines is to serve together with this Regulation as a basis for the Commission to assess - in a transparent and equitable manner - the recovery and resilience plans proposed by Member States and to determine the financial contribution in conformity with the objectives and any other relevant requirements laid down in this Regulation. These guidelines represent the basis for the application of the assessment criteria and the determination of the financial contribution as referred to, respectively, in Articles 19(3) and 20(4).

The assessment guidelines are designed to:

- (a) give further guidance on the assessment process of the proposals for recovery and resilience plans submitted by Member States;
- (b) provide further details on the assessment criteria and provide for a rating system to be established with a view to ensuring an equitable and transparent process; and
- (c) define the link between the assessment to be made by the Commission under the assessment criteria and the determination of the financial contribution to be set out in the Commission proposal for a Council decision in relation to the recovery and resilience plans.

The guidelines are a tool to facilitate assessment by the Commission of the proposals for recovery and resilience plans as submitted by Member States and to ensure that the recovery and resilience plans support reforms and public investment that are relevant and display high added value with regard to the objectives of the Facility, while ensuring equal treatment among the Member States.

2. Assessment criteria

In accordance with Article 19(3), the Commission shall assess the recovery and resilience plans under the criteria of relevance, effectiveness, efficiency and coherence. As a result of the assessment process, the Commission shall give ratings to the recovery and resilience plans submitted by the Member States under each of the assessment criteria referred to in Article 19(3), with a view to establishing the financial allocation in accordance with Article 20(4).

For the sake of simplification and efficiency, the rating system shall range from A to C, as set out in the following:

Relevance:

2.1. 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 referred to in Article 3, taking the specific challenges and the financial allocation of the Member State concerned into account.

The Commission shall take into account the following elements for the assessment under this criterion:

Scope

— the recovery and resilience plan contributes in a comprehensive and adequately balanced manner to all six pillars referred to in Article 3, considering the specific challenges of the Member State concerned and taking into account the financial contribution of the Member State concerned and the requested loan support.

Rating

A – to a large extent

B – to a moderate extent

C – to a small extent

2.2. The recovery and resilience plan is expected to contribute to effectively addressing all or a significant subset of challenges identified in the relevant country-specific recommendations including fiscal aspects thereof and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011 where appropriate, addressed to the Member State concerned or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.

The Commission shall take into account the following elements for the assessment under this criterion:

Scope

— the recovery and resilience plan is expected to contribute to effectively addressing all or a significant subset of challenges identified in the relevant country-specific recommendations, including fiscal aspects thereof and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011 where appropriate, addressed to the Member State concerned or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester, taking into account the financial contribution of the Member State concerned and the requested loan support as well as the scope and scale of country-specific challenges and the information included in the National Reform Programme;

and

— the recovery and resilience plan represents a comprehensive and adequate response to the economic and social situation of the Member State concerned;

And

— the challenges addressed by the recovery and resilience plan are considered as significant to boost the growth potential of the economy of the Member State concerned in a sustainable manner;

and

— following the completion of the proposed reforms and investments, the related challenges would be expected to have been resolved or addressed in a manner that significantly contributes to their resolution.

Rating

A – the recovery and resilience plan contributes to effectively addressing all or a significant subset of challenges identified in the country-specific recommendations, or challenges in other relevant documents officially adopted by the Commission under the European Semester, and the recovery and resilience plan represents an adequate response to the economic and social situation of the Member State concerned

B – the recovery and resilience plan contributes to partially addressing all or a significant subset of challenges identified in the country-specific recommendations, or challenges in other relevant documents officially adopted by the Commission under the European Semester and the recovery and resilience plan represents an adequate response to the economic and social situation of the Member State concerned

C – the recovery and resilience plan does not contribute to addressing any challenges identified in the country-specific recommendations, or in other relevant documents officially adopted by the Commission under the European Semester and the recovery and resilience plan does not represent an adequate response to the economic and social situation of the Member State concerned

2.3. The recovery and resilience plan is expected to effectively contribute to strengthening the growth potential, job creation, and economic, social and institutional 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 to mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.

The Commission shall take into account the following elements for the assessment under this criterion:

Scope

— the recovery and resilience plan contains measures that aim to foster economic growth and economic cohesion in an inclusive manner, in particular addressing weaknesses of the economy of the Member States, boosting the growth potential of the economy of the Member State concerned, stimulating job creation, and mitigating the adverse effects of the crisis;

and

— the recovery and resilience plan contains measures that aim to strengthen social cohesion and social protection systems, including policies for children and youth, by reducing social vulnerabilities, contributing to the implementation of the principles of the European Pillar of Social Rights and contributing to improving the levels of the indicators of its Social Scoreboard;

and

— the recovery and resilience plan aims to reduce economic vulnerabilities of the Member State to shocks;

and

— the recovery and resilience plan aims to increase the capacity of the economic and/or social structures and institutions of the Member State to adjust to and withstand shocks;

and

— the recovery and resilience plan is expected to contribute to enhancing economic, social and territorial cohesion and convergence.

Rating

A – high expected impact

B – medium expected impact

C – low expected impact

2.4. The recovery and resilience plan is expected to ensure that no measure for the implementation of reforms and investments projects included in the recovery and resilience plan does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 (the principle of ‘do no significant harm’).

The Commission shall take into account the following elements for the assessment under this criterion:

Scope

— no measure for the implementation of reforms and investments projects included in the recovery and resilience plan does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 (the principle of ‘do no significant harm’).

Rating

A – no measure does significant harm to environmental objectives (the principle of ‘do no significant harm’)

C – one or more measure does significant harm to environmental objectives (the principle of ‘do no significant harm’)

2.5. The recovery and resilience plan contains measures that effectively contribute to the green transition, including biodiversity, or to addressing the challenges resulting therefrom, and that account for an amount which represents at least 37 % of the recovery and resilience plan’s total allocation, based on the methodology for climate tracking set out in Annex VI; that methodology shall be used accordingly for measures that cannot be directly assigned to an intervention field listed in Annex VI; the coefficients for support for the climate objectives may be increased up to a total amount of 3 % of the allocation of the recovery and resilience 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.

The Commission shall take into account the following elements for the assessment under this criterion:

Scope

— the implementation of the envisaged measures is expected to effectively contribute to the green transition, including biodiversity, and, where applicable, to addressing the challenges resulting therefrom, thereby contributing to the achievement of the Union 2030 climate targets while complying with the objective of EU climate neutrality by 2050;

and

— Member States apply a methodology consisting of assigning a specific weighting to the support provided, which reflects the extent to which such support makes a contribution to climate objectives. The weightings shall be based on the dimensions and codes for the types of intervention established in Annex VI and may be increased for individual investments to take account of accompanying reform measures that credibly increase their impact on the climate objectives. The same weighting system shall apply for measures that cannot be directly assigned to an intervention field listed in Annex VI;

and

— the implementation of the envisaged measures is expected to have a lasting impact.

Rating

A – to a large extent

B – to a moderate extent.

C– to a small extent

2.6. The recovery and resilience plan contains measures that effectively contribute to the digital transition or to addressing the challenges resulting therefrom, and that account for an amount which represents at least 20 % of the recovery and resilience plan's total allocation, based on the methodology for digital tagging set out in Annex VII; that methodology shall be used accordingly for measures that cannot be directly assigned to an intervention field listed in Annex VII; the coefficients for support for the digital objectives may be increased for individual investments to take account of accompanying reform measures that increase their impact on the digital objectives.

The Commission shall take into account the following elements for the assessment under this criterion:

Scope

— the implementation of the envisaged measures is expected to significantly contribute to the digital transformation of economic or social sectors;

or

— the implementation of the envisaged measures is expected to significantly contribute to address the challenges resulting from digital transition;

and

— Member States apply a methodology consisting of assigning a specific weighting to the support provided, which reflects the extent to which such support makes a contribution to digital objectives. The weightings shall be based on the dimensions and codes for the types

of intervention established in Annex VII and may be increased for individual investments to take account of accompanying reform measures that increase their impact on the digital objectives. The same weighting system shall apply for measures that cannot be directly assigned to an intervention field listed in Annex VII;

and

— the implementation of the envisaged measures is expected to have a lasting impact.

Rating

A– to a large extent

B – to a moderate extent

C– to a small extent

Effectiveness:

2.7. The recovery and resilience plan is expected to have a lasting impact on the Member State concerned.

The Commission shall take into account the following elements for the assessment under this criterion:

Scope

— the implementation of the envisaged measures is expected to bring about a structural change in the administration or in relevant institutions;

or

— the implementation of the envisaged measures is expected to bring about a structural change in relevant policies;

and

— the implementation of the envisaged measures is expected to have a lasting impact.

Rating

A– to a large extent

B – to a moderate extent

C– to a small extent

2.8. The arrangements proposed by the Member States concerned are expected to ensure effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators.

The Commission shall take into account the following elements for the assessment under this criterion:

Scope

— a structure is tasked within the Member State with: (i) the implementation of the recovery and resilience plan; (ii) the monitoring of progress on milestones and targets; and (iii) the reporting;

and

— the proposed milestones and targets are clear and realistic and the proposed indicators for those milestones and targets are relevant, acceptable and robust;

and

— the overall arrangements proposed by the Member States in terms of organisation (including provision to ensure sufficient staff allocation) of the implementation of the reforms and investments, are credible.

Rating

A– adequate arrangements for effective implementation

B – minimum arrangements for effective implementation

C– insufficient arrangements for effective implementation

Efficiency:

2.9. The justification provided by the Member State on the amount of the estimated total costs of the recovery and resilience plan 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.

The Commission shall take into account the following elements for the assessment under this criterion:

Scope

— the Member State provided sufficient information and evidence that the amount of the estimated total costs of the recovery and resilience plan is appropriate (reasonable);

and

— the Member State provided sufficient information and evidence that the amount of the estimated total costs of the recovery and resilience plan is in line with the nature and the type of the envisaged reforms and investments (plausible);

and

— the Member State provided sufficient information and evidence that the amount of the estimated total costs of the recovery and resilience plan to be financed under the Facility is not covered by existing or planned Union financing;

and

— the amount of the estimated total costs of the recovery and resilience plan is commensurate to the expected social and economic impact of the envisaged measures included on the Member State concerned.

Rating

A– to a high extent

B – to a medium extent

C– to a low extent

2.10. The arrangements proposed by the Member State concerned are expected to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under the Facility, including the arrangements that aim to avoid double funding from the Facility and other Union programmes.

The Commission shall take into account the following elements for the assessment under this criterion:

Scope

— the internal control system described in the recovery and resilience plan is based on robust processes and structures, and identifies clear actors (bodies/entities) and their roles and responsibilities for the performance of the internal control tasks; it notably ensures appropriate segregation of relevant functions;

and

— the control system and other relevant arrangements, including for the collection and making available of data on final recipients described in the recovery and resilience plan, in particular to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under the Facility are adequate;

and

— the arrangements described in the recovery and resilience plan to avoid double funding from the Facility and other Union programmes are adequate;

and

— the actors (bodies/entities) responsible for controls have the legal empowerment and administrative capacity to exercise their foreseen roles and tasks.

Rating

A– adequate arrangements

C– insufficient arrangements

Coherence:

2.11. The recovery and resilience plan contains measures for the implementation of reforms and public investment projects that represent coherent actions.

The Commission shall take into account the following elements for the assessment under this criterion:

Scope

— the recovery and resilience plan includes measures that contribute to reinforcing the effects of one another;

or

— the recovery and resilience plan includes measures that are complementary to one another.

Rating

A– to a high extent

B – to a medium extent

C– to a low extent

2.12. The measures referred to in Article 21c (1) and (2) are expected to effectively contribute towards the Union's security of supply for the Union as a whole, notably through a diversification of energy supply or reduction of dependence on fossil fuels before 2030.'. When assessing the measures referred to in Article 21c (1) under this criterion, the Commission shall take into account the following elements:

Scope

— the implementation of the envisaged measures is expected to significantly contribute to the improvement of energy infrastructure and facilities to meet immediate security of supply needs for oil and gas, notably to enable diversification of supply in the interest of the Union as a whole,

or

— the implementation of the envisaged measures is expected to significantly contribute to boosting energy efficiency in buildings, decarbonising industry, increasing production and uptake of sustainable biomethane and renewable or fossil free hydrogen and increasing the share of renewable energy.

or

— the implementation of the envisaged measures is expected to address energy infrastructure bottlenecks, in particular by constructing cross-border links with other Member States, or supports zero-emission transport and its infrastructure, including railways,

or

— the implementation of the envisaged measures is expected to significantly contribute to supporting a requalification of the workforce towards green skills, as well as supporting value chains in key materials and technologies linked to the green transition,

and

— whether the measures and explanation, provided under Article 21c (1) are complementary to each other and significantly contribute, together with measures under Article 21c(2), points (a) and (b), to achieve the Union’s diversification of energy supply or reduction of dependence on fossil fuels before 2030.’

Rating

A – to a large extent

B – to a medium extent

C – to a small extent

3. Determination of the financial contribution

In accordance with Article 20, the Commission proposal shall determine the financial contribution taking into account the importance and coherence of the recovery and resilience plan proposed by the Member State concerned, as assessed under the criteria set out in Article 19(3). For that purpose, it shall apply the following criteria:

- (a) where the recovery and resilience plan complies satisfactorily with the criteria set out in Article 19(3), and the amount of the estimated total costs of the recovery and resilience plan is equal to, or higher than, the maximum financial contribution calculated for that Member State in accordance with Article 11, the financial contribution allocated to the Member State concerned shall be equal to the total amount of the maximum financial contribution calculated for that Member State in accordance with Article 11;
- (b) where the recovery and resilience plan complies satisfactorily with the criteria set out in Article 19(3), and the amount of the estimated total costs of the recovery and resilience plan is lower than the maximum financial contribution calculated for that Member State in accordance with Article 11, the financial contribution allocated to the Member State shall be equal to the amount of the estimated total costs of the recovery and resilience plan;
- (c) where the recovery and resilience plan does not comply satisfactorily with the criteria set out in Article 19(3), no financial contribution shall be allocated to the Member State concerned.

For the purpose of the implementation of this paragraph, the following formulae shall apply:

- for (a) above: If $C_i \geq MFC_i$ the Member State i receives MFC_i
- for (b) above: If $C_i < MFC_i$ the Member State i receives C_i

where:

- i refers to the Member State concerned
- MFC is the maximum financial contribution for the Member State concerned
- C is the amount of the estimated total costs of the recovery and resilience plan

As a result of the assessment process, and taking into account the ratings:

- (a) The recovery and resilience plan complies satisfactorily with the assessment criteria:

If the final ratings for the criteria under point 2 include scores with:

— an A for criteria 2.2, 2.3, 2.5, ~~and 2.6~~ and 2.12;

and for the other criteria:

— all As,

or

— no majority of Bs over As and no Cs.

(b) The recovery and resilience plan does not comply satisfactorily with the assessment criteria:

If the final ratings for the criteria under point 2 include scores with:

— not an A in criteria 2.2, 2.3, 2.5, ~~and 2.6~~ and 2.12;

and for the other criteria:

— a majority of Bs over As,

or

— at least one C.