

## The EU's Recovery and Resilience Facility – a State of Play



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### ABSTRACT

On June 29th, 2023, Ms Fabregas Fernandez, director at the Recovery and Resilience Task Force at the European Commission, presented the state of the Recovery and Resilience Plans of Member States<sup>1</sup>. She is in charge of the Recovery and Resilience Plans of 12 Member States and is therefore well placed to present the implementation of the 27 Member States of the European Union. This article highlights the main topics.

The **Recovery and Resilience Facility (RRF)** is a **new performance-based instrument** of the European Union, essentially providing large amounts of money – the largest ever - to Member States for investing in prioritized economic targets and introducing structural reforms.

Under the RRF, the EU will disburse **grants and loans** to Member States (MS) up to **€ 672.5 bn**. Each MS is entitled to an amount according to a formula updated in 2022. To obtain funds, a MS must present a plan of reforms and investments with a lasting impact on its socio-economic tissue, addressing the country-specific recommendations adopted by the Council and that contribute to **six “pillars”**:

1. Green Transition (at least 37%)
2. Digital Transformation (at least 20%)
3. Social and Territorial Cohesion (no minimum)
4. Smart, Sustainable and Inclusive Growth,
5. Health, Economic, Social and Institutional Resilience
6. Policies for the next generation.

Furthermore, none of the measures in the plan may harm the environment.

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<sup>1</sup> The full set of slides of her presentation can be accessed through the following link: <https://www.financialforum.be/sites/financialforum.be/files/media/2554.pdf?nocache=ab5d873adec88b4f4f1b4a3a14dd7200>. Watch the complete presentation on <https://www.youtube.com/watch?v=NVkn1jnsFTQ>.



The implementation of the RRF started in 2021. Plans are adopted for all (27) Member States, 19 of which have requested payments and € 153 bn has already been disbursed. Thus, the impetus provided by the RRF has helped the EU to regain its pre-pandemic output level already in the summer of 2021.

As for the disbursements, 4 MS have not yet submitted a payment request and have received prefinancing only and 5 other MS have adopted plans after 2021 only so that they were not entitled to any prefinancing.

With 42% of investments, the **Green Transition** is the main target towards which the European investment effort is directed. Its main beneficiaries are sustainable mobility, then come renovation and energy efficiency. There are also investments on renewables, biodiversity, circular economy and research, development and innovation. In several Member States reforms linked to the Green Transition promote clean mobility, renewables, water management and waste management, nature, conservation, and circular Economy.

At least 20% of the RRF plans needed to be in digital projects. In reality, it attained 26%. Investments are

- on fixed and 5G connectivity infrastructure
- on digitalisation of public administration
- Research and innovation
- cybersecurity

For the **social dimension**, about € 140 bn or 30% are invested, in

- education and skills
- early childhood education and care
- resilience in education
- health and long-term care
- social protection and inclusion.
- upgrade, expand and improve access to social services.
- minimum income
- social housing and infrastructure
- active labour market policies in the plans.
- more efficient public employment services

The RRF regulation was adopted in 2021. After the Russian aggression against Ukraine the European Commission presented a proposal to amend the Recovery and Resilience Facility in order to address the new challenges emerging from the war and in particular in the energy field. This led the **“Repower EU”-initiative** under which the RRF was extended with € 20 bn additional funding for specific “Repower EU” objectives:

- the Green Transition
- clean energy
- security of energy supply
- reduction of dependency on fossil fuels
- reduction of energy demand.

Time is running out though and Member States should submit their request for remaining loans before the end of August 2023. Furthermore, all the measures in the plans of each MS have to be completed by the end of August 2026 because the European Commission is entitled to make payments only by the end of 2026, not beyond that.

The European Commission has made provisions to **guarantee transparency** towards citizens about the RRF and the plans of the MS. There is an EU website **“The Recovery and Resilience Scoreboard”** tracking the progress of each member state in the implementation of the plans, including a new interactive map on projects, so all citizens can see what type of projects are being financed by the RRF. Member States also have to communicate that the origin of the funding is from the EU. Member States should also, at the request of the European Parliament and the Council, establish a public portal containing data on the 100 final recipients receiving the highest amounts of RRF funding in the relevant member state. As of now, only 13 member states have published this information but they all should.

About the RRF, more information can be found in the following sources:

- Recovery and Resilience Facility: [https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility\\_en](https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en)
- Recovery and Resilience Scoreboard: [https://ec.europa.eu/economy\\_finance/recovery-and-resilience-scoreboard/index.html](https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html)
- Annual Report on the RRF: [https://ec.europa.eu/info/sites/default/files/com\\_2022\\_75\\_1\\_en.pdf](https://ec.europa.eu/info/sites/default/files/com_2022_75_1_en.pdf)