Implementation of the Recovery and Resilience Facility

Scene Setter

In general, the social partners have repeatedly stressed their lack of involvement in the context of the preparation of the national Recovery and Resilience Plans in several Member States. They called for a stronger involvement during the implementation phase of the Recovery and Resilience Facility. Thus, the Commission has planned a number of actions for a better involvement of social partners [see section in background].

Social partners' position on RRP implementation

[redacted]*, businesseurope.eu*

***Businesseurope** called in a letter to the EU Council (21 June 2021) on Member States to ensure **a closer involvement of social partners when further designing and implementing their reform plans**. Social partners can act as important bridge-building actors, in particular through collectively agreed solutions, in order to ensure that the measures envisaged are both economically feasible and socially acceptable. In another letter to the EU Council on 13 December 2021 they see it as essential to ensure that **Member States fully implement their recovery and resilience plans**, putting sufficient emphasis on future oriented productive investment and growth-enhancing reforms linked to the country-specific recommendations under the European Semester.*

[redacted]*, ETUC*

***ETUC** stressed in their ETUC position on the assessment of the Regulation establishing the Recovery and Resilience Facility (9 January 2021) the fact that **securing the involvement of social partners in the design, implementation and monitoring of the NRRPs is one of their priorities**. In the ETUC resolution for recovery and social progress 2022 (13 October 2021) they state, that the **implementation of the RRF is crucial and bottlenecks to the quick implementation of both grants and loans have to be removed**. Also, that the implementation of the RRF should give greater impulse to social partners' involvement in the European Semester and in the implementation of NRRPs.*

[redacted]*, SGIeurope*

On 8 November 2021, [redacted]*, SGI Europe* [redacted]*, addressed the Macro-Economic Dialogue at Political Level (MEDPOL) and pointed out that "**The implementation of the National Recovery and Resilience Plans is crucial to achieving long-term growth potential in line with the transformation of our economies**. Essential services of general interest should be placed at the heart of the investments and reforms elements of the Recovery and Resilience Facility."*

[redacted]*, Smeunited*

On 28 January 2021, [redacted]*, said that "For a **successful implementation of the Recovery and Resilience Facility and the effective allocation of funding, a multi-level and multi-actor approach at European, national and regional level is essential**.*

***Social partners and SME organisations must be involved in the design and implementation of these plans**. Moreover, special focus should be given to the difference between urban and rural areas." In addition she pointed out, that SMEunited engaged with its members to support their involvement in the development of the national recovery and resilience plans through a series of webinars, exchanged ideas and gave SMEunited members the opportunity consult European Commission representatives.*

Main messages

- The key objective of Next Generation EU and the Recovery and Resilience Facility (RRF) is not only to support Member States in overcoming the current crisis, but it also provides a momentum for Europe to re-build our economies in a sustainable and forward looking way to **create long-term added value for companies and workers**.
- In the architecture of the RRF, reforms and investments **targeting SMEs** and the **modernisation of labour markets** are priority policy areas to achieve a smart, sustainable and inclusive growth.
- **Social dialogue** plays an important role in this context. A sustainable recovery and the twin transition can only succeed if we act together, in close cooperation with social partners.

The role of social partners

- This requires broad ownership across all stakeholders, in particular social partners. The 2022 Annual Sustainable Growth Survey reiterates the need for a systemic involvement of social partners in the design and implementation of reforms and investments. The Commission proposal for the 2022 Joint Employment Report identifies the promotion of collective bargaining, social dialogue and social partners' involvement, as one of the priority areas for policy action. And the Commission's recommendation for the 2022 Euro Area Recommendation calls for effective involvement of social partners in policy-making and strengthened social dialogue and collective bargaining.
- In several RRPs, there are clear references on the need to take into account the outcome of social dialogue with respect to key reforms, especially in the areas of labour market and pension reforms. The Commission will pay close attention to how the relevant milestones are being implemented.
- The Commission regularly underlines the importance of stakeholder involvement in its interactions with all Member States. The active involvement of social partners and other stakeholders through dedicated regular meetings will be important throughout all stages of the European Semester and the RRF implementation processes, to ensure broad ownership of the economic and social policy agenda.

[redacted]

[redacted]

How funds will benefit companies and workers

- The Commission has encouraged Member States to **target SMEs in their RRPs** and to use recovery funds to address priority needs of SMEs. As a part of the assessment, the Commission evaluates whether the national measures are growth-enhancing and contribute to a well-functioning single market with strong SMEs. In doing so, the RRF is designed to ensure multiple opportunities for SMEs both in the form of direct support and in the form of indirect support.
- First, SMEs will benefit from the **overall reforms and investments** that will support the green and digital transition, boost growth and enhance resilience of the EU economy such as improvements to public administrations and services. This also includes a possibility to include investment schemes to fund excellent R&I proposals by SMEs possibly selected by EU programmes but not funded, in this way limiting the administrative effort of evaluating and selecting proposals.
- Second, many Member States have included reforms and investments specifically intended to benefit only or mainly SMEs.
  - For instance the Danish plan has a measure to support the digitalisation of SMEs.
  - The Italian plan contains measures to help SMEs become more competitive, as well as to support innovation and knowledge transfer involving SMEs.
  - The Spanish plan foresees a dedicated component for SMEs with investments into entrepreneurship, to improve access to finance, and to help SMEs to digitalise, and legal reforms, including simplified procedures to set up a business, the removal of internal barriers to the market, and to improve insolvency laws.
- Moreover, **active labour market policies** are a second key aspect of almost all RRPs. Around EUR 17.4 billion are expected to be invested in employment support and the modernisation of labour market institutions. This corresponds to 4% of the total grants and loans under the RRF. These investments often accompany reforms to increase the functioning and inclusiveness of the national labour markets.

- One of the focuses of labour market investments is **support for jobseekers** and on increasing the participation of women, young people and vulnerable groups in the labour market. Many measures aimed at job creation and at activation include a dedicated approach for young people, for instance with specific hiring subsidies or career guidance.
- For example, the Slovenian plan supports the faster entry of young people into the labour market by providing financial incentives for employers to hire young people up to 25 years of age on open-ended contracts. During an 18-month subsidy period, young people are expected to acquire additional competences to exercise the profession and enhance their theoretical knowledge with work experience. During this period, the new employee and a mentor are involved in training with a focus on improving digital competences.

The process to update and review plans

- Member States are given the **possibility to update their plans**. This can be the envisaged in case a Member State can no longer implement its plan, either fully or in part, due to objective circumstances. However, this would require a rigorous case-by-case assessment by the Commission together with the relevant Member State.
- Moreover, Member States will have the possibility update their national plan to take into account the changes in the context of the revision of the grant allocation by June 2022. The revision of the grant allocation this year might lead to **upwards and downwards revisions of the grant allocation** in several Member States.
- If a Member State decides to request an amendment or an update of its plan, the Commission would have to make an assessment of the revised/updated plan in accordance with all criteria and requirements of the RRF Regulation. If the assessment is positive, the Commission would propose an amended Council Implementing Decision, which would subsequently need to be adopted by the Council.

MS progress in implementation [see also overview table in background section]

- The Commission has **officially received 26 national recovery and resilience plans**[1]. Of those 26 plans received, the Commission has positively assessed and Council of approved 22 of them.
- The Commission's assessment is still ongoing for four the remaining plans [BG, HU, PL, SE] and the discussions continue with the aim to conclude the assessments in line with criteria set out in the Recovery and Resiliency Facility Regulation as swiftly as possible.
- For the plans already approved, we have now entered full speed into the implementation phase:
  - Pre-financing has been disbursed to all 21 Member States, which have requested to receive it. The Commission has successfully disbursed EUR 56.5 billion of grants and loans for the pre-financing. This first financial impetus will help to kick-off the implementation of the national Recovery and Resilience Plans.

[1] Only Netherlands has not yet submitted its plan and the submission is expected by spring 2022.

- The discussions on the operational arrangements, which define the modalities for the monitoring and implementation of the Plans and are a pre-requisite for submitting a payment request, with six Member States [EL, ES, FR, IT, PT, SK] have been concluded. All six Member States have agreed on the disclosure of these bilateral agreements and they have been published on the Commission's website. The discussions with several other Member States are ongoing and well-advanced.
- Five Member States [EL, ES, FR, IT, PT] have already submitted their first payment request to the Commission until end of 2021. We have already concluded the assessment of the payment request for Spain positively. This lead to the disbursement of EUR 10 billion on 27 December 2021 for the satisfactory fulfilment of 52 milestones and targets and demonstrates a significant step in the implementation of Spain's recovery and resilience plan, and of its broad reform agenda. They include important measures like the Law on Climate Change and Energy Transition (enshrining climate neutrality by 2050), the reform of minimum income support, measures to support the digitalisation of SMEs and boost digital skills, and reforms reinforcing the capacity to carry out and follow up on spending reviews.
- This example shows how the Facility is already having concrete impact on the ground with the implementation of significant reforms.
- For the payment request by France, the Commission has concluded with a positive preliminary assessment on 26 January 2022. Now it is up to the Economic and Financial Committee to provide its opinion, before the disbursement for France can take place.

- In full transparency, it is possible to track live the progress of implementation of the Recovery and Resiliency Facility, via the Recovery and Resilience Scoreboard that was launched on December 15 in 2021. This scoreboard makes publicly available the progress made in the implementation of milestones and targets, including the data reported from Member States in the context of the bi-annual reporting.

Defensives

How do the national plans address the social dimension?

- Social aspects are a key component of the Recovery and Resilience Facility and feature prominently in the plans. They cover measures on education, early childhood care, labour market and up- and reskilling, social protection, social housing, health- and long term care. Several measures focus on creating incentives for employers to hire young people and facilitate the entry into labour market for youth.

- A core social issue are measures on the health- and long term care system, social protection and social inclusion. Several Member States have put forward measures to increase the institutional resilience of their health- and long term care systems. This includes reforms on the regulatory framework and legislation and investments in health infrastructure and nursing homes, which will improve the access to and quality of health care for citizens.

- Overall, we see a great number of measures addressing the social dimension, including labour market policy and education, which will increase the resilience of our society and economy and equip the next generation with skills to make them better prepared for future challenges. Beyond this, we expect that many measures, such as support for SME digitalisation will create high-quality employment.

How does the Commission assess so far the involvement of civil society, local and regional authorities?

- The RRF Regulation includes an obligation for Member States to provide a summary of the stakeholder consultations, including an explanation on how the results of the consultation were taken into account.

- It remains up to each Member State to decide how to organise its own internal procedures and the consultation process, including the involvement of social partners and other stakeholders. Member States have taken various different approaches to public consultation. For instance, while some have consulted on the overall plan, others have done so at sectoral or regional level.

- The involvement of local authorities is crucial for having a successful implementation of the plan. For instance, Member States have an obligation to ensure close cooperation with regional levels to achieve the objectives of the Facility.

- The active involvement of stakeholders will be vital throughout all the stages of the implementation process and the Commission will pay close attention to this. The submission of the national recovery plans was only the first step.

[redacted]

[redacted]

What would be the process in case an RRP needs to be changed: a revised plan that needs to go through a new assessment and back to the Council?

- If the officially submitted plan has been assessed by the Commission and the corresponding Council Implementing Decision adopted by the Council, the Member State can submit a proposal for changing the initial plan. There are two possible options for such cases:
- In accordance with the RRF Regulation (Article 21), the Member State can decide to request an amendment of its plan. The Member State would then have to demonstrate that it can no longer implement (part of) its plan due to objective circumstances, for example due to recent natural disasters of historic dimensions. This would require a rigorous case-by-case assessment by the Commission together with the relevant Member State.
- Another option is for the Member State to request a revision of their plan by requesting (additional) loan support, which must be justified by higher financial needs linked to the additional reforms and investments.
- In either case, if a Member State decides to present an amendment or a revision of its plan, the Commission would have to make an assessment of the newly proposed measures in accordance with all criteria and requirements of the RRF Regulation, and, if the assessment is positive, propose an amended Council Implementing Decision, which would subsequently need to be adopted by the Council.

What are the expected consequences of the revised allocation foreseen in Article 18 of the regulation?

- The current maximum allocation for grants is indicative, given that 30% is subject to change, in line with the conclusions by the EU Council in July 2020 and the Recovery and Resilience Facility (RRF) Regulation. This is because the RRF was adopted at a moment of very high economic uncertainty. The decision was taken therefore to determine the final maximum grant allocation on more longer-term economic data.

- The grant allocation will be re-calculated by 30 June 2022 to determine the final maximum financial contribution for each Member State.
- The recalculation will replace the data from the Commission Autumn 2020 forecasts with the observed change in real GDP 2020 and the aggregated change in real GDP for the period 2020-2021.
- There will be downwards and upwards revisions of the grant allocation. These revisions will be in line with the objective of the RRF and NGEU, meaning that the Member States most impacted by the pandemic over the last two years are also the ones that will benefit the most from the revised allocation. This is in line with the decision taken by the European Council in July 2020. In April or May, after the first release of the annual national accounts by Eurostat, a more stable picture may originate.
- Once the revision of the allocation is known, Member State may update their recovery and resilience plan to take this into account.
- The updated plans shall be assessed under the same conditions as the initial plans, in accordance with all criteria and requirements of the RRF Regulation, including that the plan addresses all or a significant subset of CSRs.
- If the assessment is positive, the Commission would propose an amended Council Implementing Decision, which would subsequently need to be adopted by the Council.

What are the options in case the allocation is lower than expected: can the MS renegotiate its plan, borrow RRF loans, borrow on its own terms?

- There are various tools at the Member States' disposal to address any potential gap in the estimated costs and the final grant allocation, namely:
- The possibility of submitting a revised plan with a loan request, at any point in time until 31 August 2023, up to the level of 6.8% of a Member State's Gross National Income.
- The possibility of submitting a revised plan that includes the transfer of funds from other EU resources under shared management (cohesion funds), in line with Article 7 of the RRF Regulation.
- The possibility to address the gaps with national funds.

[redacted]

Background

The way forward on social partners' involvement

The Commission will continue to stress the importance of social partners' involvement in its interactions with Member States as part of the Semester and the implementation of the RRPs. In addition, below are listed planned and possible further actions to strengthen social partners' involvement in the European Semester process and in the implementation of the RRF.

Actions already planned:

- On 19 October 2021, the Commission re-launched the review of EU economic governance, inviting stakeholders to engage in the debate and provide their views on how the economic governance framework has worked so far and on possible solutions to enhance its effectiveness. These stakeholders include the other European institutions, national authorities, social partners and academia. The debate will take place through various fora, including dedicated meetings, workshops and the online survey. Citizens, organisations and public authorities were invited to submit their contributions by 31 December 2021.
- The 2021 Regulation establishing the European Social Fund Plus (ESF+) indicates that Member States shall allocate an appropriate amount of their resources of the ESF+ to capacity building of the social partners and civil society organisations, including in the form of training, networking measures, and strengthening of the social dialogue.
- The 2022 Commission Work Programme indicates that in 2022 the Commission will put forward a Communication on how to strengthen social dialogue.
- During the October 2021 Tripartite Social Summit, the President announced that, as part of the 2022 Social Dialogue Initiative, the Commission will present a proposal for a Council Recommendation to support social dialogue at national level.
- The draft 2022 Euro Area Recommendation include a call to ensure effective involvement of social partners in policy making and strengthen social dialogue and collective bargaining.
- The Commission has issued guidance to Member States for their National Reform Programmes (NRPs) to be submitted in April 2022. NRPs are to include information on the involvement of the key institutional actors and other relevant stakeholders (national parliament, regional/local authorities, social partners and civil society stakeholders) in the preparation and implementation of policies and reforms. In particular, Member States should report information on stakeholder involvement in the RRP implementation, including on the role of the national parliament, regional/local authorities, social partners and civil society stakeholders as well as in the preparation and implementation of other reforms and investment included in the NRP.

[redacted]

State of play RRPs across MS

	Official submission	COM's positive assessment	Council adoption	Pre-financing paid	OA signed	Submission of payment request
Austria	30 April	21 June	13 July	28 September (EUR 450 million)		
Belgium	30 April	23 June	13 July	3 August (EUR 770 million)		
Bulgaria	15 October					
Cyprus	17 May	8 July	28 July	9 September (EUR 157 million)		
Czech Republic	1 June	19 July	8 September	28 September (EUR 915 million)		
Denmark	30 April	17 June	13 July	2 September (EUR 201 million)		
Germany	28 April	22 June	13 July	26 August (EUR 2.25 billion)		
Estonia	18 June	5 October	29 October	17 December (EUR 126 million)		
Greece	27 April	17 June	13 July	9 August (EUR 4 billion)	21 December	29 December
Spain	30 April	16 June	13 July	17 August (EUR 9 billion)	10 November	11 November (and disbursed on 27 December)
Finland	27 May	4 October	29 October	21 January (EUR 271 million)		
France	28 April	23 June	13 July	19 August (EUR 5.1 billion)	25 November	26 November (positive preliminary assessment by COM on 26 January)
Croatia	14 May	8 July	28 July	28 September (EUR 818 million)		

Hungary	11 May					
Ireland	28 May	16 July	8 September	Has not requested pre-financing		
Italy	30 April	22 June	13 July	13 August (EUR 24.9 billion)	22 December	30 December
Latvia	30 April	22 June	13 July	10 September (EUR 237 million)		
Lithuania	14 May	2 July	28 July	17 August (EUR 289 million)		
Luxembourg	30 April	18 June	13 July	3 August (EUR 12.1 million)		
Malta	13 July	16 September	5 October	17 December (EUR 41.1 million)		
Netherlands						
Poland	3 May					
Portugal	22 April	16 June	13 July	3 August (EUR 2.2 billion)	18 January	25 January
Romania	31 May	28 September	29 October	2 December (EUR 1.8 billion grants) 13 January (EUR 1.9 billion loans)		
Slovakia	29 April	21 June	13 July	13 October (EUR 823 million)	16 December	
Slovenia	30 April	1 July	28 July	17 September (EUR 231 million)		
Sweden	28 May					

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