



The Recovery and Resilience Facility

“SME Agenda For The New Reality” – 25 November 2020

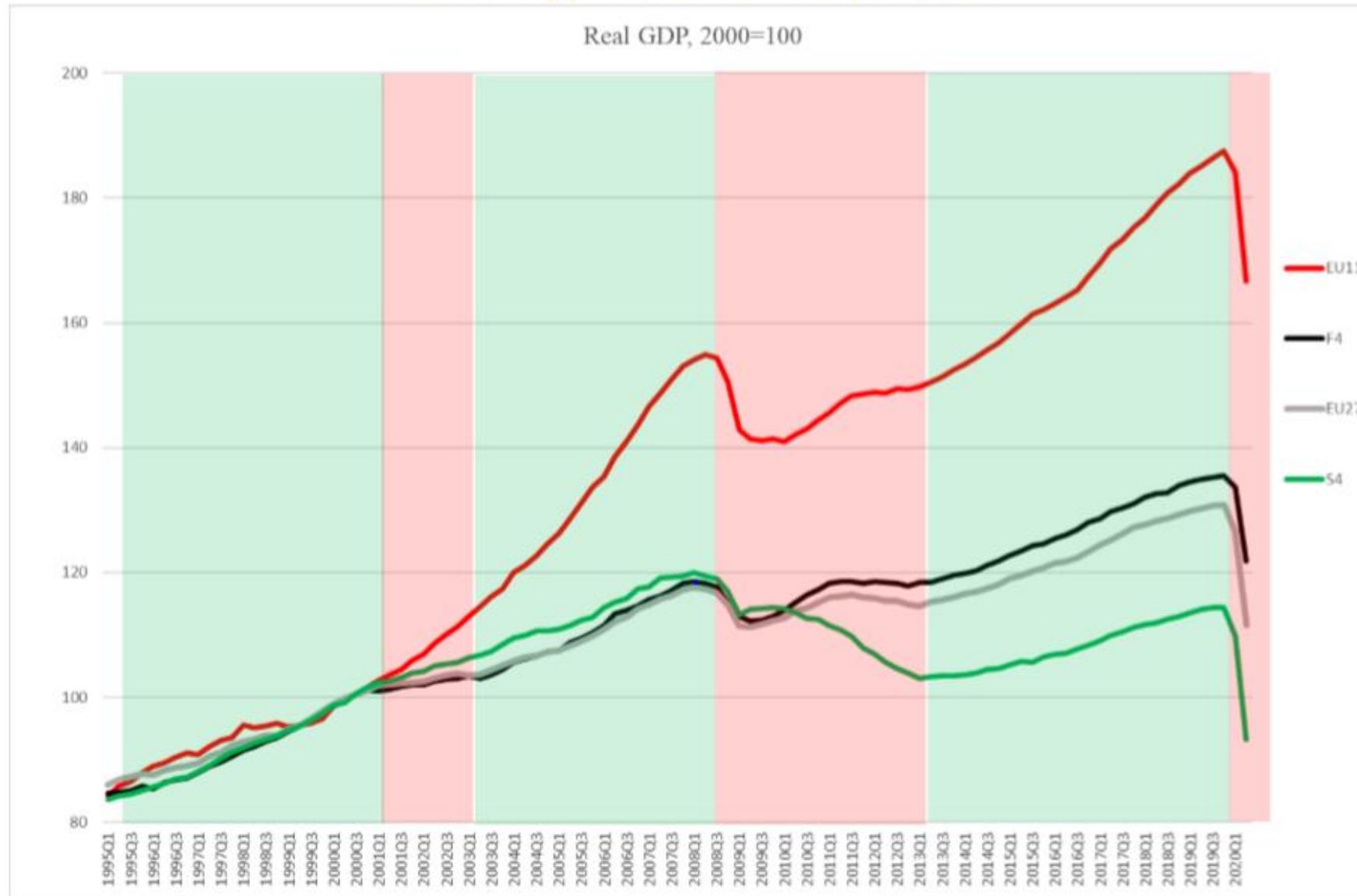
Emiel AFMAN

DG ECFIN

Directorate B Investment, Growth and Structural Reforms



Divergence in Europe



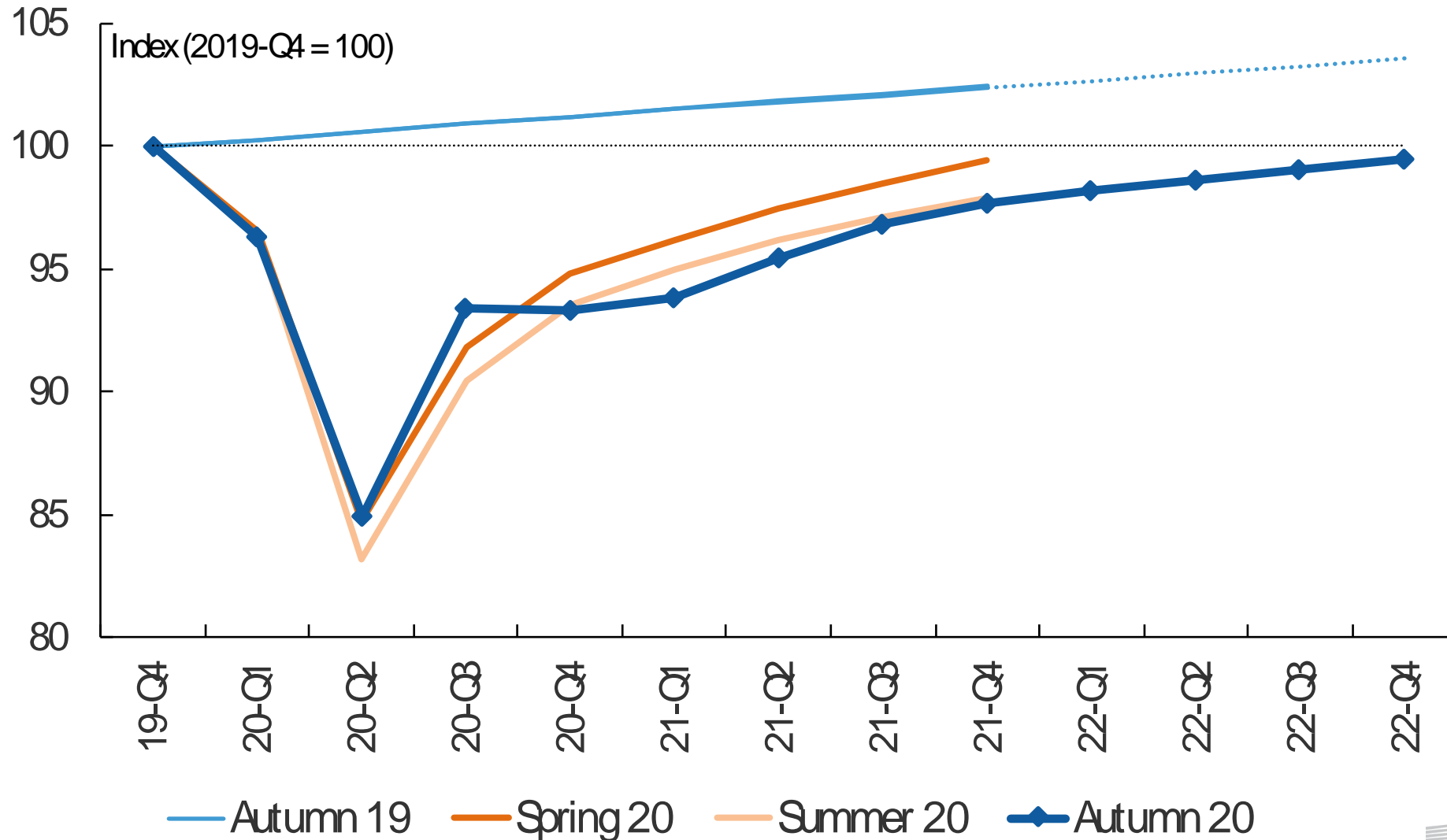
Source: Eurostat

Notes: Volume index of GDP, seasonally and calendar adjusted. Quarterly data, 2000=100. EU27 include 27 EU member states as of 2020. EU 11 include member states in CEE and Baltics. F4 include Austria, Denmark, Netherlands and Sweden. S4 include Greece, Italy, Portugal and Spain.

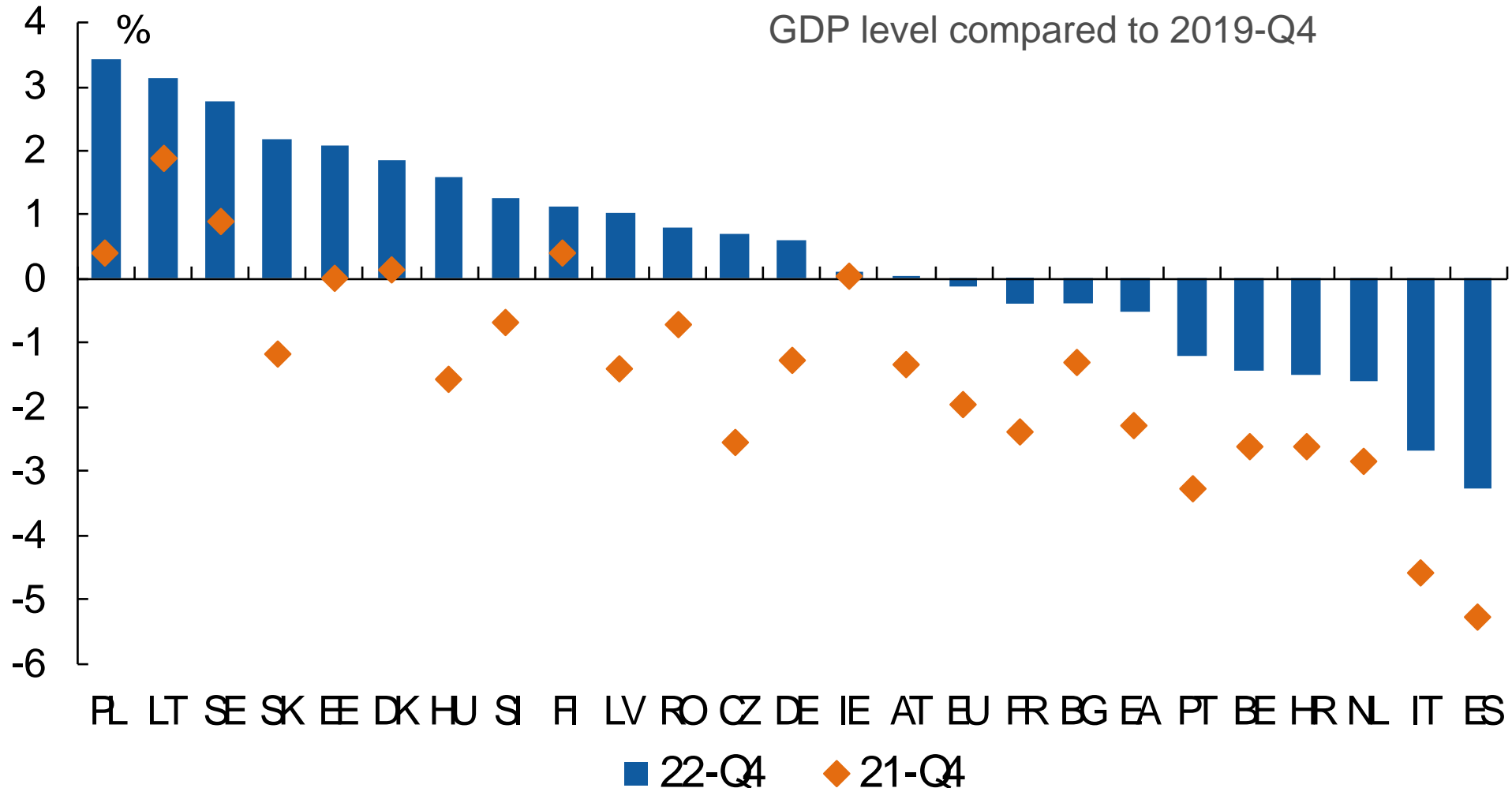
Source: István P. Székely (2020)
"Comments on "Covid-19 recession (and recovery): Sectoral nature" by Daniel Gros"



Autumn 2020 Economic Forecast: *...an interrupted recovery...*



...and a crisis with an asymmetric impact



Note: No GDP quarterly forecasts are reported for CY, EL, MT and LU.

Overview of the EU response

Recovery Plan for Europe

- €750 bn Next Generation EU – cornerstone: **Recovery and Resilience Facility**
- €1074 bn long-term EU budget

Budgetary flexibility

- escape clause of the Pact
- maximum flexibility

Coronavirus Response Investment Initiative

- unspent cohesion policy funds
- transfers between funds, regions and priorities

State aid rules

- liquidity to economy
- support SMEs, jobs, etc.

Additional safety nets

- SURE: €100 billion for workers
- EIB: €200 bn for companies
- ESM: €240 bn for sovereigns

ECB measures

- €1350 bn new measures



Recovery and Resilience Facility

The Recovery and Resilience Facility will:

- **provide large scale financial support to both public investments and reforms** to accelerate the **recovery** and to make Member States' economies **more resilient** and better prepared for the future
- **focus** on reforms and investments fostering the **green and digital transitions**
- reduce **economic and social divergences** in the Union
- **complement** other EU initiatives (such as REACT EU and SURE) focusing on shorter term crisis repair actions.

...An agenda for the new reality

Implementation (caveat – based on current legal text)

General Features

- The Facility can provide both **grants and loans**
- Payment in **instalments, upon fulfilment of milestones and targets**
- National Recovery and Resilience Plans to include reforms and investments for the subsequent years (up to mid-2026)
- Member States' reporting **on a bi-annual basis** in the context of the European Semester

Grants

- *2018 prices:* €312.5 bln
- *Cur. prices:* €337.968 bln
- Member States to submit recovery and resilience plans **at the latest by April 2021/22**
- **Maximum allocation formula** based on pre-defined allocation key
- Commitment of **up to 70% of max allocation in 2021-2022**; remaining commitment in 2023.
- **Pre-financing of up to 10%** to be available already in 2021

Loans

- *2018 prices:* €360 bln
- *Cur. prices:* €385.855 bln
- Member States can request a loan **until December 2023**, in addition to their grant
- Request must be justified by higher financial needs linked to **additional reforms and investments**
- Loans are **capped** – not to exceed 6.8% of MS GNI
- The cap can be increased in exceptional circumstances



KEY STEPS

SUBMISSION
OF DRAFT
RECOVERY AND
RESILIENCE
PLANS

AS OF
15 OCTOBER

DIALOGUE
BETWEEN THE
COMMISSION
AND THE
MEMBER STATES
ON THE PLANS

FOLLOWING THE
SUBMISSION

SUBMISSION
OF RECOVERY
AND
RESILIENCE
PLANS

FROM ENTRY
INTO FORCE OF
THE RRF

COMMISSION
ASSESSMENT
OF THE PLANS

WITHIN 2
MONTHS

COUNCIL
APPROVAL OF
THE PLANS

WITHIN 4 WEEKS

MEMBER STATES
PRESENT
REQUEST FOR
DISBURSEMENT

UPON MEETING
MILESTONES
AND TARGETS

COMMISSION
ASSESSMENT OF
THE REQUESTS

WITHIN 2
MONTHS

Recovery and Resilience Plans

- All Member States must ensure that the investments and reforms included in their plans should:
 - ✓ contribute to effectively addressing challenges identified in the **relevant country-specific recommendations**;
 - ✓ contain measures that effectively contribute to the **green and to the digital transitions**; and
 - ✓ contribute to strengthening the **growth potential, job creation and economic and social resilience of the Member State**.
- They are invited to describe how the measures supported by their national Recovery and Resilience Plan contributes to the EU-wide ambitions underpinning **seven flagships initiatives**.

Recovery and Resilience Plans

- The RRP will have to devote a minimum of **37% of funds** related to climate, to follow the commitment of the **July European Council** on the climate **mainstreaming target of 30%**;
- To ensure an ambitious digital transition, and following agreement at the **European Council of October**, each RRP will devote a minimum level of **20% of funds related to digital transition, including for SMEs**.
- A requirement for the RRP to explain how Member States will ensure that all measures underpinning reforms and investments projects included in the plan respect the “**do no significant harm**” principle within the meaning of Article 17 of the Taxonomy Regulation (Regulation (EU) No 2020/852).

7 flagship initiatives

FLAGSHIP AREAS FOR INVESTMENTS AND REFORMS

POWER UP

CLEAN TECHNOLOGIES AND RENEWABLES

RENOVATE

ENERGY EFFICIENCY OF BUILDINGS

RECHARGE AND REFUEL

SUSTAINABLE TRANSPORT AND CHARGING STATIONS

CONNECT

ROLL-OUT OF RAPID BROADBAND SERVICES

MODERNISE

DIGITALISATION OF PUBLIC ADMINISTRATION

SCALE-UP

DATA CLOUD CAPACITIES AND SUSTAINABLE PROCESSORS

RESKILL AND UPSKILL

EDUCATION AND TRAINING TO SUPPORT DIGITAL SKILLS

Governance

Commission

- **Assesses** Recovery and Resilience Plans based on the criteria in the Regulation
- **Makes a proposal for a Council Implementing Decision** within 2 months of submission of the plans, including the amount of grant and loan and the milestones and targets
- **Assesses** payment requests within 8 weeks, based on achievement of milestones & targets

Council/Member States

- **Adopts Implementing Decision on the Recovery and Resilience Plan** with qualified majority within 4 weeks of receiving the Commission proposal
- **Gives opinion** through the Economic and Financial Committee on satisfactory fulfilment of milestones & targets, to be taken into account by the Commission
- Adoption of payment decision through **examination procedure of comitology**
- **Receives** annual report by the Commission

European Parliament

- **Receives** the annual report by the Commission on:
 - **progress** made with the recovery and resilience plans by Member States and
 - **spending** under the Facility
- **Receives** the Commission's assessment of the Recovery and Resilience Plans as approved in Implementing Decisions

State of play negotiations

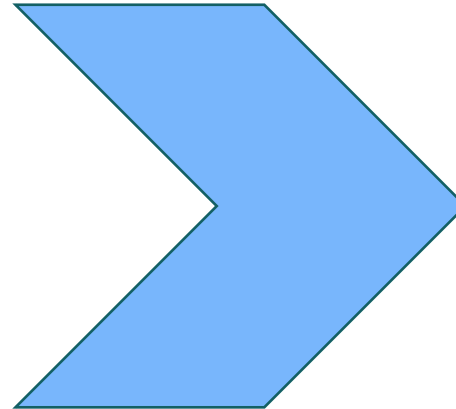
- **In May**, the Commission presented its **legislative proposal**
- The **European Councils** of 17-21 July and 1-2 October took a number of important decisions, inter alia related to the timing of the financial support and to the spending on climate and digital issues.
- The **ECOFIN** Council of Finance Ministers of 6 October, followed by the COREPER, have agreed on a negotiating mandate to the DE Council Presidency on the draft compromise text.
- **In the European Parliament**, various Committees have discussed the Regulation, leading to a report with a shared position.
- **Trilogues** between Parliament, Council and Commission currently take place.
- Aim: **agreement on the Facility** by the end of the year

SMEs benefit at different levels

Increase public investment

Deliver reforms

Leverage private investment



Digital and green transition

Improvement in business environment

Addressing investment bottlenecks

Digital skills, educational and vocational training.

Thank you

https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en