NEXT GENERATION EU
The Recovery and Resilience Facility

27 Noviembre 2020

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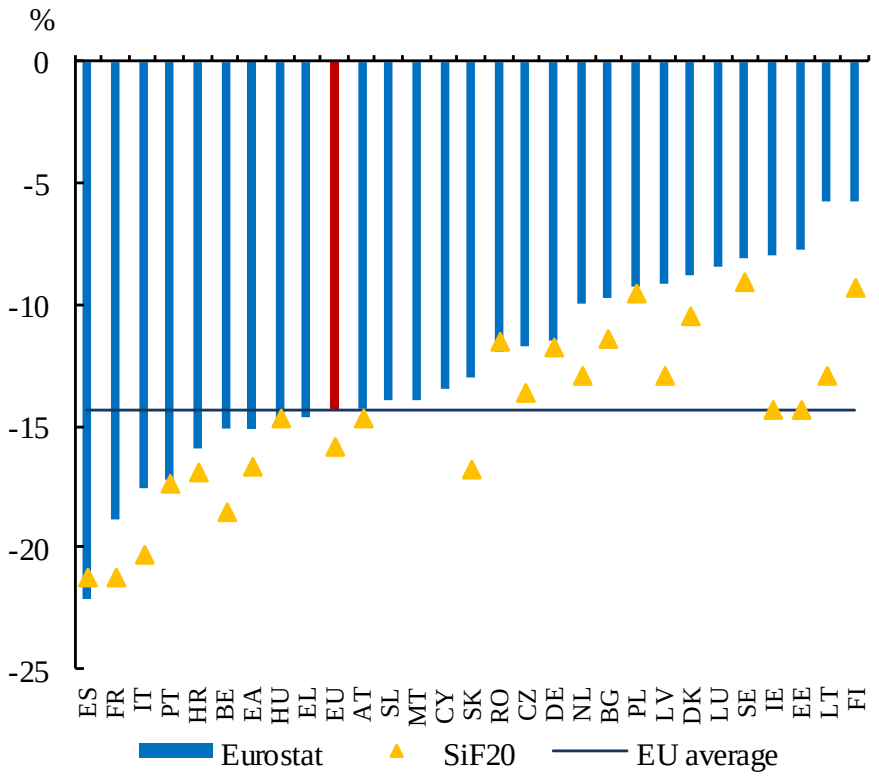
A shock of unprecedented scale in recent history

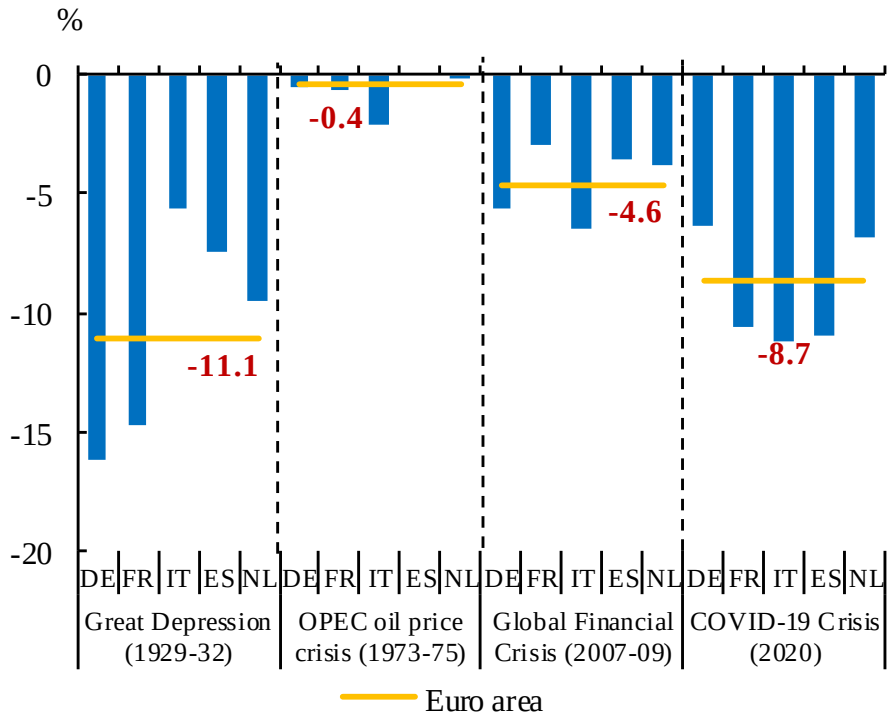
GDP declined sharply in 2020-Q2 ...

GDP growth between 2019-Q4 and 2020-Q2



… paving the way for a recession of historical proportions

GDP growth during crisis episodes, euro area



Note: Largest peak-to-trough GDP declines since 1921 (peacetime years only),
Source: Maddison Project Database, 2018, www.ggdc.net/maddison

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The EU economic response to the pandemic

State aid rules

- Liquidity to economy
- Support SMEs, jobs, etc.

Recovery Plan for Europe

- EUR 750bn Next Generation EU
- Cornerstone: the **Recovery and Resilience Facility**
- EUR 1074bn long-term EU budget

Additional safety nets

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

Budgetary flexibility

- Escape clause of the SGP

ECB measures

- EUR 1350bn new measures

Coronavirus Response Investment Initiative

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

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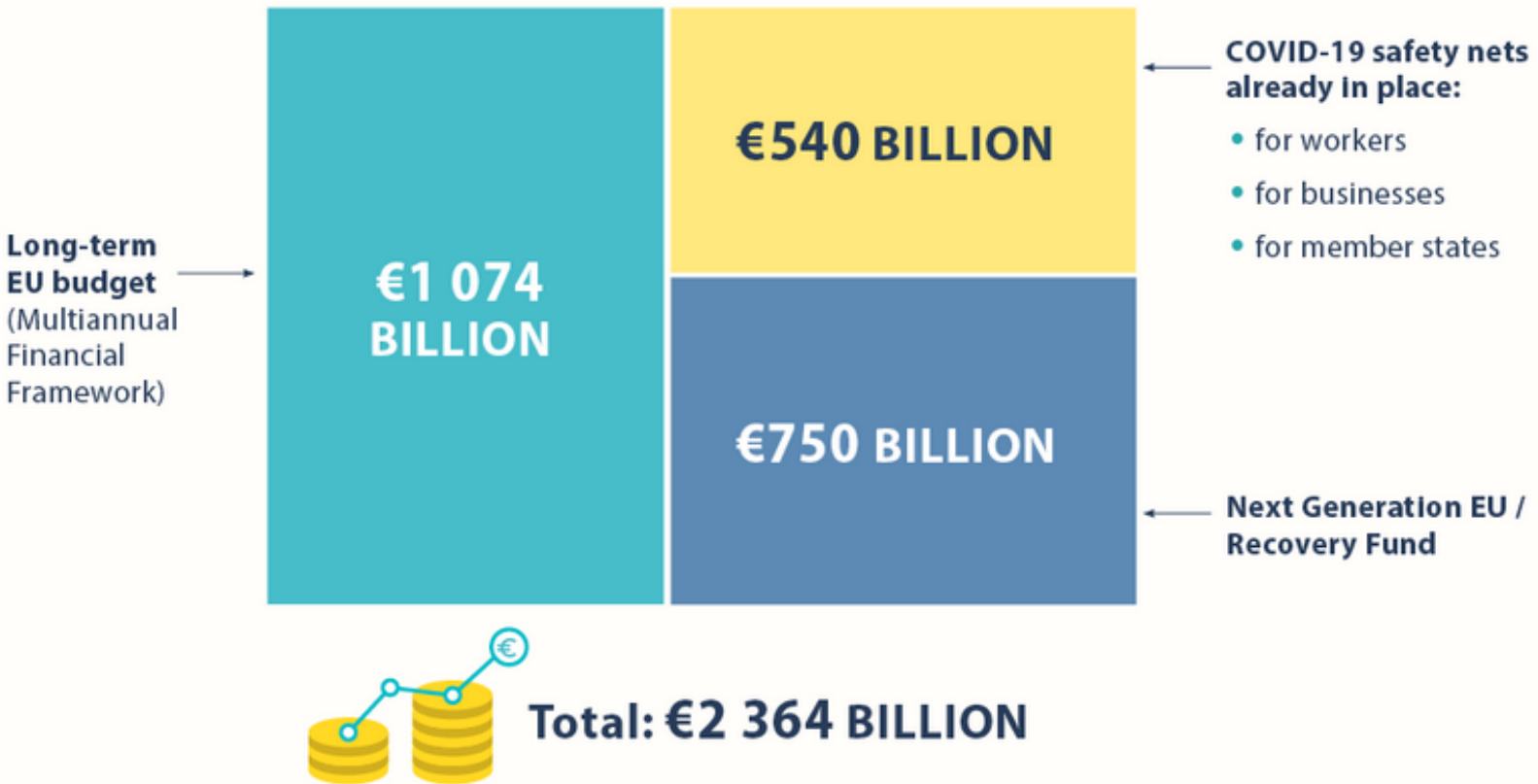
Proposal for an EU recovery plan – key features

Overall architecture



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The Recovery and Resilience Facility

- **Provides large scale financial support for public investments and reforms**, to accelerate the **recovery** and make Member States' economies **more resilient** and better prepared for the future.
- **Focuses** on reforms and investments fostering the **green and digital transitions.**
- Reduces **economic and social divergences** in the Union.
- **Complements** other EU initiatives (such as REACT EU and SURE) focusing on shorter term crisis repair actions.
- Effective implementation of Next Generation EU can deliver **2% of additional GDP by 2024** and create 2 million jobs.

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State of play – finances

General Features

- Facility can provide both **grants and loans**.
- Pays 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

- **Total: EUR 312.5bn**
- **Spain: EUR 59.2bn**
- Member States to submit recovery and resilience plans **at the latest by April 2021/22**.
- 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

- **Total*:* EUR 360.0bn**
- **Spain: EUR 84.7bn**
- 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 & investments**.
- Loans **capped** at 6.8% of Member State GNI (can increase in exceptional circumstances).

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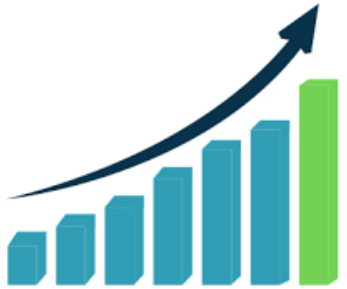
National recovery and resilience plans



- Access to the Facility based on National Plans, drawn up and submitted by Member States
- Strategic orientations for the preparation of national recovery and resilience plans is set out in the **Commission's 2021 Annual Sustainable Growth Strategy**
- **Detailed guidance** and standard **template**
- Drafts to be submitted as of 15 October 2020, **final deadline: 30 April 2021**
- **Member States are already engaging** with the Commission on the preparation of their recovery and resilience plans

Recovery and Resilience Plans

- **Investments and reforms** included in plans should

  ✓ Contribute to effectively address challenges identified in the **relevant Country-Specific Recommendations adopted by the Council** (particularly 2019 and 2020);

  ✓ Contain measures that effectively contribute to the **green and digital transitions**; and

  ✓ Contribute to strengthening the **growth potential, job creation and economic and social resilience of the Member State.**

- In addition, Member States are invited to describe how the measures supported by their national Recovery and Resilience Plan (RRP) contribute to the EU-wide ambitions underpinning **seven flagships initiatives**.

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Assessing the national plans

Commission's assessment will consider whether the plans:

- contribute to effectively addressing challenges identified in the relevant **country-specific recommendations**;

- contain measures that effectively contribute to the **green** and **digital transitions**;

- contribute to **strengthening the growth potential**, job creation and economic and social resilience of the Member State.

→ Commission's assessment will be **approved by the Council**

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Objectives I: Supporting the green transition

Member States should focus on reforms and investments that:

- **Decarbonise** the industry
- Promote a more **circular economy**
- Protect and restore **biodiversity**
- Strengthen **sustainable mobility**

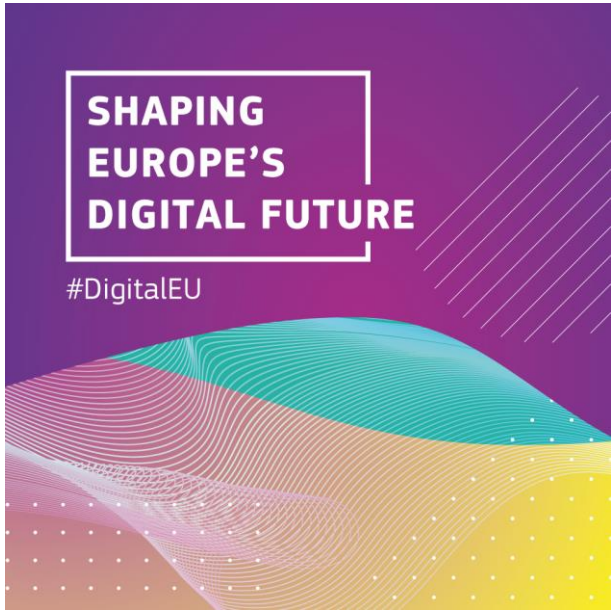
Each recovery and resilience plan has to include a minimum of **37%** of climate-related expenditure.

Do no significant harm principle governing all expenditure

Objectives II: Supporting the Digital transition

Member State should focus on reforms and investments that:

- Improve **connectivity**
- Help citizens develop **digital skills**
- Deploy **cutting edge technologies** such as artificial intelligence and high performance computing
- Improve **cyber security**



The Commission proposes that each recovery and resilience plan includes a minimum level of **20%** of expenditure related to digital, including SMEs.

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Objectives III: Strengthening social and economic resilience

The recovery and transition process needs to be **fair for all Europeans**. ember States are encouraged to:

- take measures to **ensure equal opportunities**, inclusive education, fair working conditions and adequate social protection,
- ensure the provision of **high quality health care services**.
- Improving the quality of public finances will be important to boost growth potential and support the economic transformation.

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RECOVERY AND RESILIENCE FACILITY

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

"Time is of the essence. The Commission is d
utmost to facilitate discussions [illegible]
final agreement.

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A performance based framework

- **Payments will be linked to performance**, meaning:
  - ✓**Disbursements will not be linked to costs incurred.** The **main focus of control** will be on achieving the **milestones** and **targets**.
  - ✓Therefore, **milestones** and **targets** will need to be sufficiently granular to ensure that progress can be tracked effectively and determined with certainty.
- The **Commission** will:
  - ✓**Only authorise disbursements** based on achieving **milestones** and **targets**. If they are not met, no payment will intervene up to the deadline for payments in 2026.
  - ✓Implement the Facility under direct management with Member States as beneficiaries. Once agreed, disbursements will go to **the general budget of the Member State**.

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Audit and control

- As beneficiaries, **Member States** will need to :
  - ✓ **Describe how they will** implement RRPs to **respect EU and national law**, including systems and concrete measures to prevent, detect and correct conflicts of interest, corruption and fraud, and avoid double funding, when using funds.
  - ✓ **Accompany RRPs with a management declaration** confirming effective implementation in accordance with key principles of sound financial management.
  - ✓ Complement the declaration with a **summary of the audits and controls** carried out to ensure compliance with the respect of EU rules on avoidance of conflict of interest, fraud prevention and avoidance of corruption.
  - ✓ Include (i) the **scope of audits**, in terms of amount of spending and time periods covered, and (ii) **an analysis of related weaknesses** found and corrective actions taken.

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Next Steps

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Next steps

- Submission of Draft Recovery & Resilience Plans; engagement with Member States
- Legislative work on the Recovery & Resilience Facility Regulation
- In the case of the Own Resources Decision, which would enable the Commission to borrow, ratification by all Member States in line with their constitutional requirements, is also needed once adopted by the Council.
- Time is of the essence. The Commission is doing its utmost to facilitate discussions in the name of a swift final agreement.

Timeline

Until Dec 2020

- Draft RRP
- Adoption of the legislative proposal
- Final agreement on MFF

First Semester 2020

- Submission of draft plans
- Assessment by the Commission (2 months)
- Adoption by the Council (4 weeks)
- Financing Agreement
- Prefinancing (2 months)

Every 6 months

- Payment requests

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Country Specific Recommendations for Spain

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Recomendaciones Específicas para España 2020

CSR 1: En consonancia con la cláusula general de salvaguardia, **combatir eficazmente la pandemia, sostener la economía** y respaldar la posterior recuperación de forma eficaz.
Cuando las condiciones económicas lo permitan, **aplicar políticas fiscales destinadas a lograr situaciones fiscales prudentes a medio plazo y garantizar la sostenibilidad de la deuda**, al mismo tiempo que se fomenta la inversión.
Reforzar la capacidad y resiliencia del sistema sanitario, en lo relativo a los trabajadores sanitarios y a los productos médicos y las infraestructuras esenciales.

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Recomendaciones Específicas para España 2020

CSR 2: **Respaldar el empleo mediante medidas encaminadas a preservar los puestos de trabajo,** incentivos eficaces a la contratación y el desarrollo de las cualificaciones. (...)
Reforzar la protección por desempleo, especialmente para los trabajadores atípicos.
Mejorar la cobertura y la adecuación de los regímenes de renta mínima y de apoyo a la familia, así como el acceso al aprendizaje digital.

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Recomendaciones Específicas para España 2020

CSR 3: Asegurar la aplicación efectiva de las medidas encaminadas a **proporcionar liquidez a las pequeñas y medianas empresas y a los trabajadores autónomos**, particularmente evitando retrasos en los pagos.

Anticipar los proyectos de inversión pública que se encuentran en una fase avanzada de desarrollo y **promover la inversión privada** para impulsar la recuperación económica. Centrar la inversión en la transición ecológica y digital, y particularmente en el fomento de la investigación e innovación, en la producción y utilización de fuentes de energía limpias y eficientes, la infraestructura energética, la gestión de los recursos hídricos y de los residuos y el transporte sostenible.

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Recomendaciones Específicas para España 2020

CSR 4: Mejorar la coordinación entre los distintos niveles de gobierno
y reforzar el marco de contratación pública para respaldar la recuperación de forma eficiente.

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Thank you & stay safe!

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Some useful references

- 28 May. **Proposal for a Regulation** of the European Parliament and of the Council establishing a Recovery and Resilience Facility.
- 27 July. **Questions and Answers** on the Recovery and Resilience Facility.
- 17 September. **2021 Annual Sustainable Growth Strategy** and **Guidance** to Member States, including a **draft template**, on recovery and resilience plans.
- 22 September. Draft template excel tables published.
- 21 October. **Examples of Reform & Investment** components (Digital connectivity, Public administration, Renovation wave, Clean, smart and fair urban mobility)

Available at:

https://ec.europa.eu/info/departments/recovery-and-resilience-task-force_en#Documents

https://ec.europa.eu/info/publications/example-component-reforms-and-investments_en

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