

COVID-19: Council agrees its position on the Recovery and Resilience Facility

Following the political agreement reached by the ministers for economy and finance on 6 October 2020, member states' EU ambassadors today formally agreed the Council's position on the Recovery and Resilience Facility. The facility is the centrepiece of the Next Generation EU recovery instrument designed to respond to the COVID-19 crisis and the challenges posed by the green and digital transitions.

With a financial envelope of €672.5 billion, the facility will support public investments and reforms and contribute to economic, social and territorial cohesion within the EU. It will help member states address the economic and social impact of the COVID-19 pandemic whilst ensuring that their economies undertake the green and digital transitions, becoming more sustainable and resilient.

The key features of the facility were discussed by the EU leaders at their meeting on 17-21 July 2020 as part of negotiations on the multiannual financial framework and the recovery package. The Council's position builds on their political guidance.

The Recovery and Resilience Facility will have to be negotiated now between the European Parliament and the Council. The Parliament's position is yet to be voted on.



The Recovery and Resilience Facility is a powerful tool to address the unprecedented impact of the COVID-19 crisis. It is the main instrument of the €750 billion recovery package and will help Europe emerge from the crisis stronger, more climate-friendly, more digital and more united. It is important now to quickly finalise the legislative work on this instrument with the European Parliament. There is no time to lose. We should have the facility in place as soon as possible to ensure a timely support for the member states next year.

Olaf Scholz, Germany's Federal Minister of Finance and Vice-Chancellor

Financial envelopes

As regards the financial envelopes, the Council's mandate reflects the key elements included in the European Council conclusions of 17-21 July.

The Recovery and Resilience Facility will offer member states €312.5 billion in grants (in 2018 prices), of which 70% would be committed in 2021 and 2022 and 30% by the end of 2023.

The allocation key for the years 2021-2022 would take into account for each member state its population, the inverse of its per capita GDP and its relative unemployment rate over the past 5 years. In the allocation key for the year 2023, the unemployment criterion is replaced, in equal proportion, by the percentage fall in real GDP in 2020 and the aggregated percentage change in real GDP over the period 2020-2021, based on a preliminary basis on the Commission Autumn 2020 forecasts and then to be updated by 30 June 2022 with the latest statistical figures.

In addition, €360 billion of loans will be made available to member states until the end of 2023 to provide additional financing for their reforms and investments. As a rule, the maximum volume of such loans would not exceed 6.8% of the GNI of each member state.

Recovery and resilience plans

In order to receive support from the Recovery and Resilience Facility, member states must prepare national recovery and resilience plans setting out their reform and investment agendas until 2026, including targets, milestones and estimated costs.

The plans should address the challenges and priorities identified in the country-specific recommendations of the European Semester and contribute to strengthening the growth potential, job creation and economic and social resilience of member states. At least 37% of the plan's allocation should support the green transition and at least 20% digital transformation. Member states should also ensure that their measures comply with the 'do no significant harm' principle of the EU taxonomy regulation.

According to the Council's mandate, measures started from 1 February 2020 onwards would be eligible.

Member states may submit their draft plans to the Commission from 15 October and are expected to present their plans officially by 30 April at the latest.

Approval process

The Council considers that the Commission should assess member states' recovery and resilience plans or, where applicable, their updates, within two months. The member state concerned and the Commission may agree to extend this deadline by a reasonable time period if necessary.

The assessment of the recovery and resilience plans is to be approved by the Council by means of an implementing decision, which it should endeavour to adopt within four weeks of the Commission proposal.

Pre-financing

The Council's mandate provides that pre-financing for the facility would be paid to member states upon request in 2021.

It would be up to 10% of the total support provided for in their recovery and resilience plans, as approved by the Council.

Disbursements

Under the facility, the funds are released to member states upon satisfactory fulfilment of the relevant milestones and targets included in their recovery and resilience plans.

According to the Council's mandate, before the Commission adopts a decision authorizing the disbursement of the financial support, in addition to the regular consultation of the relevant committee of experts, it will ask the Economic and Financial Committee to give its opinion on the satisfactory fulfilment of milestones and targets. The opinion should be delivered within four weeks of receiving the Commission's preliminary assessment.

The Council's position also refers to the emergency brake mechanism included in the European Council conclusions of 17-21 July, if, exceptionally, one or more member states consider that there are serious deviations from the satisfactory fulfilment of the relevant milestones and targets.