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Parliamentary Dimension



**Interparliamentary Conference on Stability, Economic  
Coordination and Governance in the EU  
(IPC – SECG)**

**Prague, Czech Republic**

**10 – 11 October 2022**

**Session 1: Recovery and Resilience Facility -  
National Recovery and Resilience Plans (current  
state of implementation and new challenges)**

**Czech Presidency of the Council of the European Union  
Parliamentary Dimension**

## Recovery and Resilience Facility

The COVID-19 pandemic represents one of the greatest global challenges that has affected many aspects of society. As a result of the pandemic, and in particular the measures taken by individual governments against the spread of COVID-19, the GDP in the EU fell by 5.7% interannually in 2020, with an even larger fall of 6.1% in the euro area. The year 2021 marked a return to economic growth.

### Annual real GDP growth in the EU and euro area in %

	2019	2020	2021	2022*	2023*
EU	1.8	-5.7	5.3	2.7	2.3
Euro area	1.6	-6.1	5.2	2.7	2.3

\* European Commission estimate

Source: Eurostat, [EC Spring Economic Forecast](#)

Member States have already agreed to support a faster recovery, resilience and sustainability of the European economy in the crisis-stricken year 2020. In July 2020, at an extraordinary meeting of the European Council the final form of the post-pandemic economic recovery plan, the *Next Generation EU* (NGEU) was approved. Key instrument supporting the recovery plan is the temporary *Recovery and Resilience Facility* (RRF), established by [Regulation 2021/241 on the RRF](#) (the Regulation), with funding of EUR 723.8 billion (in current prices) in loans (EUR 385.8 billion) and grants (EUR 338 billion). The facility will be financed by joint borrowing by the Commission on behalf of the EU on the capital markets. The Commission is empowered to borrow up to EUR 806.9 billion (in current prices) over the period 2021–2026. The amount of the contribution for each Member State is apportioned on the basis of a calculation laid down in the Regulation.

The NGEU is intended to lead to economic resilience and recovery and to achieve the objectives of climate neutrality and digital transformation. The RRF is divided into six pillars:

- green transition;
- digital transformation;
- smart, sustainable and inclusive growth;
- social and territorial cohesion;
- health, and economic, social and institutional resilience;
- policies for the next generation.

## National Recovery and Resilience Plans

To benefit from the RRF Member States must prepare national *Recovery and Resilience Plans* (RRPs) containing a programme of reforms and investments to be implemented by the end of August 2026.<sup>1</sup> The RRP should reflect the 2019 and 2020 *Country Specific Recommendations* (CSRs) received under the *European Semester* (ES) cycle, while contributing to progress towards the EU priorities. At least 37% of spending should be earmarked for green transformation and at least 20% for digital transformation. In the end, Member States' plans allocated 40% of spending to climate targets and 26% to digital targets.

The European Semester cycle had been used as an established tool for coordinating economic and budgetary policies to prepare and approve the national RRP. For 2022, the ES cycle has been adjusted to include the implementation of these plans. Within the ES, Member States are required to report twice a year on the

<sup>1</sup> An overview of the national Recovery and Resilience Plans and their implementation can be found online at the Recovery and Resilience Scoreboard (RRF Scoreboard) website [HERE](#).

implementation of the plans, with the Commission recommending the report submissions in the National Reform Plan (in April) and the Draft Budget Plans (in September).

A Member State may submit a reasoned request for payment twice a year. Once the request is submitted, the Commission has two months to assess its eligibility. Funding is conditional on meeting the targets and milestones set out in the national plans. The funds are disbursed once the set milestones and targets are met.

## **Implementation of National Recovery and Resilience Plans**

### *Monitoring the implementation of the RRF*

The Commission regularly evaluates the implementation of the national RRFs. The Commission reports provide an overview of the state of implementation of the RRF and describe its expected contribution to the climate and digital objectives and the six key pillars.

The Commission published its first [report on the implementation of the RRF](#) one year after the facility's establishment. The second [report on the implementation of the RRF](#) was published in July 2022. Both reports evaluate the implementation of the RRF as successful. Significant progress has been made in the implementation of the RRF – the implementation is on track and supporting the green and digital transformation. The Commission notes that milestones and targets are being met on time. The largest amount of funding has so far been disbursed for actions in the areas of health, economic, social and institutional resilience and smart, sustainable and inclusive growth.

### *Implementation of the RRF: Latest state of play*

[All 27 Member States have already](#) submitted national recovery and resilience plans<sup>2</sup> and 25 plans have been approved as of 20 September 2022. 21 states have received pre-financing payments. Ten requests for first and three requests for second payments have been submitted to the Commission. Seven first payments and one second payment were made. In total, [EUR 79.41 billion in grants and EUR 33.37 billion in loans have been disbursed so far](#) (20 September 2022).

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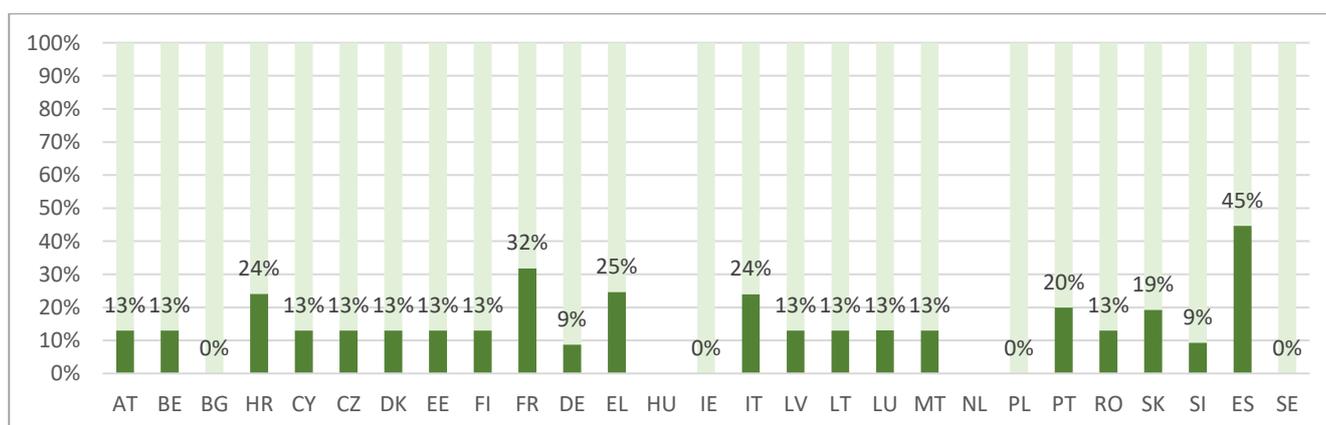
<sup>2</sup> On 8 July 2022, the Netherlands submitted its national RRF as the last Member State to do so.

## Implementation of the RRF – state of play as of 20 September 2022

	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	EL	HU	IE	IT	LV	LT	LU	MT	NL	PL	PT	RO	SK	SI	ES	SE
Plan submitted to the Commission	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Plan approved by the Commission	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X
Plan approved by the Council	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X		X	X	X	X	X	X	X
Pre-financing payment received	X	X		X	X	X	X	X	X	X	X	X			X	X	X	X	X			X	X	X	X	X	
Request for first payment submitted			X	X	X					X		X			X	X						X	X	X		X	
First payment received				X						X		X			X							X		X		X	
Request for second payment submitted				X											X												X
Second payment received																											X

Source: EC, [Recovery and Resilience Scoreboard \(RRF Scoreboard\)](#)

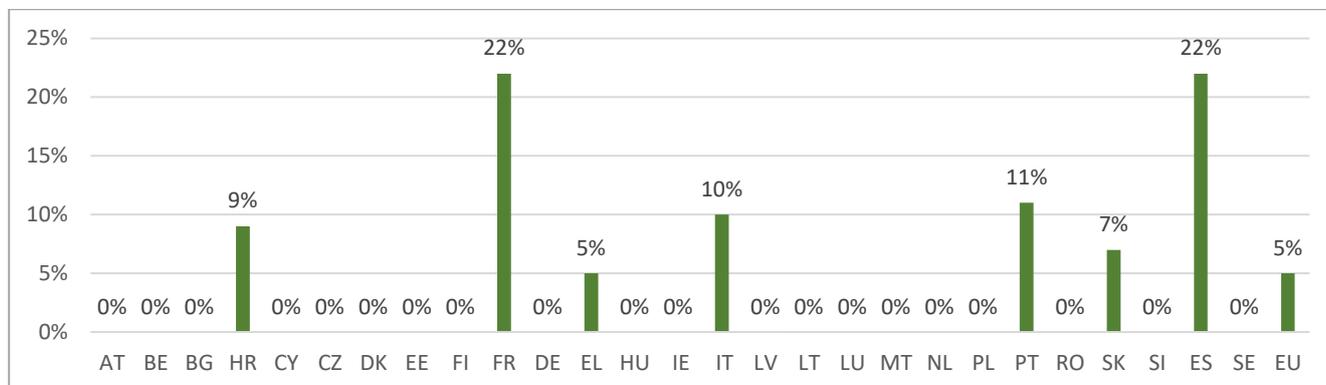
## Implementation of the RRP – disbursement of funds



Source: EC, [Recovery and Resilience Scoreboard \(RRF Scoreboard\)](#)

Member States have so far met on average [5% of the milestones and targets](#) reported by the countries to the Commission and subsequently verified and validated by the Commission.

### Implementation of the RRP – milestones and targets met, %



Source: [EC, Recovery and Resilience Scoreboard \(RRF Scoreboard\)](#)

### Current challenges and possible change of plans

**Rising inflation and especially rising energy prices** are among the main challenges today. Energy prices on global markets started to rise as early as 2021. This was mainly due to the coronavirus crisis and the surge in consumption associated with the economic recovery. Following the outbreak of the war in Ukraine, the uncertainty surrounding energy market supplies added to further rising energy prices.

Rising inflation is also negatively affecting the implementation of national recovery and resilience plans. For example, the Czech government cites rising prices as a risk to RRP implementation. It specifically states that rising prices of materials and construction work, long-term workload of construction companies, and continued inflationary pressure to an extent not anticipated during the preparation of the national RRP, can have negative impacts on the RRP implementation.

Another challenge the EU countries are facing is the **war in Ukraine itself** and its economic and humanitarian impact. The conflict just beyond the EU's borders has caused a refugee wave, with a total of [3.5 million](#) refugees registered for temporary protection in EU countries; most of them in Poland (1 222 000), Germany (670 000), the Czech Republic (392 000), Italy (145 000), Spain (128 000), Bulgaria (87 500) and Slovakia (81 000).<sup>3</sup>

The war in Ukraine is exacerbating the current negative effects on the economy and slowing GDP growth. According to the [European Commission's spring economic forecast](#), GDP growth in the EU and the euro area is expected to slow to 2.7% and 2.3% respectively, in 2022 and 2023. Uncertainty and inflation have a particularly negative effect on the recovery. The possibility of a further increase of energy prices or a complete cut-off of gas supplies from Russia must be taken into account as well. A next wave of the COVID-19 pandemic also remains a risk to economic development.

#### *Updating and amending national recovery and resilience plans under the RRF Regulation*

In accordance with Article 11 of the Regulation, the Commission updated the [maximum contribution for each Member State](#) at the end of June. From 1 January 2023, it will be possible to update the RRP in accordance with the newly set maximum financial contribution values.

At the same time, Article 21 of the RRF Regulation contains a provision according to which, if a Member State is unable to comply in part or in full with the RRP due to objective circumstances, a reasoned request may be made

<sup>3</sup> Current UNHCR data available at [Situation Ukraine Refugee Situation \(unhcr.org\)](#)

to the Commission to submit a proposal for amendments or to submit a new RRP. The Commission shall consider the justification for the request and approve or reject it.

#### *Commission's reaction to energy market developments – REPowerEU*

In its [Spring Package Communication](#), the Commission states that the ES and the RRF provide a robust framework to ensure effective policy coordination and address the current challenges, in particular the war in Ukraine, rising energy prices and the disconnection from fossil fuels from Russia. In response to geopolitical developments and the economic situation, this year's *Country Specific Recommendations* (CSRs) also provide guidance for new dedicated chapters in the RRP under the new [REPowerEU](#) initiative, which is the EU's plan to rapidly reduce dependence on Russian fossil fuels and to accelerate the green transition.

[REPowerEU](#) is the Commission's response to developments in the global energy market and its disruption due to the Russian invasion of Ukraine. It is designed to help reduce dependence on fossil fuels through reforms and investment in green transition and the creation of a more resilient energy system. The RRF is set to continue to be the main instrument and driver of investment and reform in the coming years and it targets new challenges in combination with the new REPowerEU initiative. Therefore, the Commission has prepared a [proposal amending the RRF Regulation](#) to **allow Member States to add specific chapters in their national RRP on new reforms and investments to meet the objectives of the REPowerEU plan**. The Commission also proposes to increase the funding for the RRF by EUR 20 billion in the form of grants, which it proposes to raise from the sale of allowances under the EU Emissions Trading Scheme (ETS).

#### **Topics for discussion:**

How is the implementation of the national recovery and resilience plans going and what are its first results?

What obstacles and challenges are encountered in the implementation of the plans and how can it be more effective?

How are national parliaments involved in monitoring the implementation of the national recovery and resilience plans? Are the data, information and tools provided by the Commission/governments sufficient for effective monitoring of the plans' implementation?

How can the national recovery and resilience plans reflect new challenges, e.g. in connection with the war in Ukraine? Do they need to be revised?