# ASPECTS REGARDING NATIONAL RECOVERY PLANS AT EU LEVEL FOLLOWING THE ECONOMIC AND SOCIAL IMPACT OF THE 2019 PANDEMIC

**Associate Professor Mihaela Adina APOSTOLACHE, PhD.**
Petroleum-Gas University of Ploiesti, Romania
*mihapostolache@yahoo.com*

**Abstract:**
*In order to combat the effects of the COVID-19 pandemic at the level of the EU member states, EU leaders agreed to create an extraordinary recovery fund to support the member states' economic and social efforts in their development, enabling their economies to become more sustainable and more resilient. The Recovery and Resilience Mechanism is a tool specifically designed to address the negative effects and consequences of the crisis caused by COVID-19 in the Union. Its aim is to provide significant financial support to accelerate the implementation of sustainable reforms and related public investment in the member states.*
**Keywords**: *recovery and resilience mechanism, national recovery and resilience plan, multiannual financial framework, reforms, investments*

## 1. The importance of a recovery plan for Europe. The Next Generation EU Tool

The challenges posed by the COVID-19 pandemic have determined the EU and its member states to work together to combat its effects and help Europe recover from the economic recession. Thus, EU leaders agreed on an €750 billion extraordinary recovery fund, entitled the “Next Generation EU”, for the EU to recover from the economic and social impact of the pandemic.

The recovery package is intended to prioritize investment in both the digital transition and the green transition. In addition, the European Council agreed upon a long-term EU budget for the period 2021-2027, which will stimulate economic growth and support citizens, businesses and economies in the following years. In total, the multiannual budget and the recovery fund amount to 1074.3 billion euros.

Together with the € 540 billion in existing funding for the three safety nets (for workers, businesses and member states), the overall EU recovery package amounts to € 2364.3 billion. The European Central Bank is providing an additional € 1.350 billion as part of its bond-buying program to help governments in times of crisis.

An important role is also played by the European Commission, which is authorized to lend capital market funds, on behalf of the Union, of up to € 750 billion (at 2018 prices),

to provide the EU with the means to address these challenges. All member states have ratified the decision regarding their own resources by 31 May 2021, thus allowing the Commission to borrow the money.

The EU will use the funds for the sole purpose of addressing the aftermath of the COVID-19 pandemic crisis through the Next Generation EU (NGEU) recovery effort. Reimbursement will be scheduled until December 31, 2058.

NGEU will be channeled through *seven programs* in the form of *loans* (€ 360 billion) and *grants* (€ 390 billion):

- Recovery and resilience mechanism: 672.5 billion euros;
- REACT-EU: 47.5 billion euros;
- Horizon Europe: 5 billion euros;
- InvestEU program: 5.6 billion euros;
- Rural development: 7.5 billion euros;
- Fund for a fair transition: 10 billion euros;
- rescEU: 1.9 billion euros.

The Recovery and Resilience Mechanism and REACT-EU are fully funded by the Next Generation EU. The other amounts are in addition to the programs financed under the multiannual financial framework

The legal commitments will be concluded by 31 December 2023, and the corresponding payments will be made by 31 December 2026.

The Conclusions of the Extraordinary Meeting of the European Council of 17-21 July 2020 report that: “The recovery effort (...) is significant, focused and limited in time. It is significant because the effects of the crisis are far-reaching. It is focused because it needs to target the regions and sectors most affected by the crisis. It is limited in time, as the Multiannual Financial Framework (MFF) [1] and the rules governing it remain the basic framework for the budgetary planning and execution of the Union” [2].

## 2. The Recovery and Resilience Mechanism

The central element of the Next Generation EU recovery tool is the Recovery and Resilience Mechanism (RRM), which was the subject of a Regulation [3] adopted by the European Parliament and the Council on 12 February 2021.

The mechanism must be “a tool specifically designed to address the negative effects and consequences of the crisis caused by COVID-19 in the Union”, providing an effective and meaningful financial support meant to accelerate the implementation of sustainable reforms and related public investment in the member states. It is necessary to strengthen the current framework for providing support to member states and to provide direct financial support to member states through this innovative tool [4].

The Recovery and Resilience Mechanism also aims to provide support for the green and digital transition, enabling EU economies to become more sustainable and resilient.

In order to receive support from the Recovery and Resilience Mechanism, EU countries need to set out in their national plans a coherent package of projects, reforms and investments that can be included in six policy areas:

- green transition;
- digital transformation;
- smart, sustainable and inclusive growth favorable to inclusion and employment;
- social and territorial cohesion;
- health and resilience;
- policies for the next generation, including education and competences.

The rule set by the European Regulation is that 70% of grants will be committed by the end of 2022, the deadline for accessing the 30% grant difference being 31 December 2023.

EU member states had as deadline 30 April 2021 to submit their National Recovery and Resilience Plans, which comprised the reform and investment agenda until 2026 [5]. In addition, payments for projects included in national recovery and resilience programs must be made by December 2026.

### 3. The need to develop recovery and resilience plans

To use the RRM financing instrument, each EU member state has developed its own ***National Recovery and Resilience Plan*** (NRRP), which sets out the priority areas

for investment in order to exit the crisis, revive the economy and increase the resilience capacity.

In general, NRRP is based on *six main pillars*:

1. The transition to a green economy;
2. Digital transformation;
3. Smart, sustainable and inclusive economic growth;
4. Social and territorial cohesion;
5. Institutional health and resilience;
6. Children, young people, education and competences.

The NRRP refers to a coherent package of public investments and reforms proposed based on the Country Specific Recommendations 2019-2020. These reforms and public investment projects must be implemented by 2026.

A significant component of the NRRP development process is the series of transparent public consultations facilitated by the Ministry of Investment and European projects in each member state together with the private sector, civil society, trade unions and other actors concerned by the impact of investments and reforms carried out under this financial mechanism.

In addition, there was the possibility for the general public to follow these constructive dialogues on the institutional page, the media having at its disposal a direct information mechanism and a series of meetings with the institution's representatives for a correct and transparent information of the public on this important topic for member states in the coming years.

Based on the rules established by the European Commission, related to the types of projects to be financed, the NRRP must intervene with reforms and investments in the following areas:

- Transport;
- Environment, climate change, energy, energy efficiency and green transition;
- Development of urban localities, capitalization of cultural and natural heritage and tourism;
- Agriculture and rural development;
- Health;

- Education;
- Business environment;
- Research, innovation, digitalization;
- Improving the fund built;
- Resilience in crisis situations.

The Recovery and resilience plans were *assessed* by the Commission within two months of submission, based on a set of *criteria*, including:

- coherence with the country-specific recommendations of the European Semester;
- strengthening the growth potential, job creation and economic and social resilience of the member state;
- the effective contribution to the green and digital transition (national plans should allocate at least 37% of the budget to climate and biodiversity and at least another 20% to digital measures).

The assessment of recovery and resilience plans must be approved by the Council within one month by a qualified majority, based on a proposal from the Commission. The positive evaluation of the payment claims was conditioned by the satisfactory fulfillment of the milestones and the relevant targets. The plans may be revised and adapted, as appropriate, in 2022 to take into account the final allocation of funds for 2023.

Most national governments submitted their investment and reform plans in April and May, with milestones and clear targets for accessing recovery funding. The European Commission began approving the first set of plans in mid-June to meet the two-month deadline from their submission. The Council then had 4 weeks to adopt each plan by means of an implementing decision. Once the plans have been approved, member states will receive a pre-financing of 13% of the total amount allocated to start the recovery.

**The National Recovery and Resilience Plan (NRRP)** developed by Romania [6] is a strategic document structured on two priorities: reforms and investments, bringing the perspective of modernization and profound changes for Romania, as expected by the civil society, business and the public sector.

The national coordinator of the process of elaboration and negotiation of NRRP with the European Commission is the Ministry of European Investments and Projects (MEIP). In order to have a unified approach to these processes, but also to promote a

document that truly responds to the economic and social consequences of the health crisis, MEIP has collaborated with line ministries in which investments and reforms are foreseen within the NRRP. Also, the Presidential Administration, the Government and the coordinating Deputy Prime Minister, the General Secretariat of the Government and the Department for Sustainable Development within the Government were involved in the elaboration of the NRRP.

The National Recovery and Resilience Plan (NRRP) was launched for public debate on 19 March 2021. The proposals received during the consultations were discussed with the European Commission.

The National Recovery and Resilience Plan, proposed by the Ministry of European Investments and Projects, was adopted on 7 April 2021 by the Romanian Government, in second reading, together with the Memorandum that mandated this ministry to conduct document negotiations with the European Commission [7].

The NRRP is based on the 6 main pillars agreed by the European Parliament and the EU Council, on which the sectorial budgets are allocated. The NRRP includes 30 components subsumed to the 6 pillars: The transition to a green economy; Digital transformation; Smart, sustainable and inclusive economic growth; Social and territorial cohesion; Institutional health and resilience; Children, young people, education and skills [8].

The European Commission evaluated negatively some projects from the first version of the NRRP proposed by Romania; however, the European executive did not reject the NRRP, but gave a first answer in the technical negotiations. Romania did not send the final version of the NRRP to the European Commission, given that the deadline for sending the document was 30 April. In fact, until 22 April, the only country that sent its own program was Portugal. It was agreed that, by 30 April, States would submit interim drafts to the European Commission, on the basis of which technical discussions had taken place.

The official transmission of the National Recovery and Resilience Plan in the computer system of the European Commission, in Brussels, was made on 31 May 2021. Based on this plan, Romania would access grants and loans worth of 29.2 billion euros. Of the 29.2 billion euros, approximately 14 billion euros will be available in the form of

grants, and 15 billion euros in the form of loans contracted by the European Commission at advantageous interest rates. The plan contains 240 files and is divided into almost 30 chapters.

After 1 May, the European Commission began the actual evaluation of the plans submitted by the member states. By the end of June, the European Commission will formally discuss each plan with the member states. The Commission will then propose to the EU Council a recommendation to approve or reject the individual plans of EU member states. The EU Council, made up of representatives of the member states, will then vote by qualified majority on each plan, with the process to be completed as soon as possible in September 2021, according to the timetable proposed by the European Commission.

The European Commission assessed the NRRP on the basis of transparent criteria. Thus, the investments and reforms foreseen in the NRRP must contribute to the effective approach of the country-specific recommendations and to the strengthening of the potential for economic growth, job creation and economic and social resilience. At the same time, the investments and reforms must contribute to meeting the 37% climate change target and the 20% digitalization target.

The largest allocations will be for transport (8.5 billion euros), education (3.7 billion euros) and health (2.5 billion euros), accounting for about 50% of the NRRP. The examples of mature investments include allocations of around € 600 million for digitalization and € 300 million for a fund assigned to digitalization and climate action.

In the coming years, Romania will receive almost 80 billion from the recovery fund and the Multiannual Financial Framework 2021-2027, according to the negotiations at the European Council of 17-21 July 2020. These will be distributed as follows: 29.2 billion from the NGEU Recovery and Resilience Mechanism (representing 4.52% of this tool), 28.22 billion from the cohesion funds (representing 7.52%), 19.34 billion from the common agricultural policy (representing 5.58%) and 1.94 billion from the Fair Transition Fund (representing 11.09%) [9].

The European Commission welcomed, in an official press release, the fact that Romania has submitted the National Recovery and Resilience Plan and that, through the proposed initiatives, all the emblematic sectors of EU policies (flagship areas) have been reached. In the next period, the European Commission will evaluate the projects and will

send comments and observations, in particular evaluation letters will be received on each component.

At the European Council meeting in Brussels on 24-25 June 2021 [10], EU leaders welcomed the timely entry into force of the Own Resources Decision, which allowed the European Commission to start lending in order to support an inclusive recovery, as well as the green and digital transition.

On this occasion, the importance of *the full and timely implementation of national recovery and resilience plans* was emphasized, while protecting the financial interests of the Union. The Commission and the Council were also encouraged to move forward with the approval of the plans so that member states can make full use of the potential for recovery funding [11]. Thus, the full and timely implementation of the plans ensures the protection of the financial interests of the Union.

Also within this summit, Charles Michel, President of the European Council, presented the Indicative Leaders' Agenda 2021-2022 [12]. This represents a work program for the European Council, which seeks to address the challenges faced by EU citizens, businesses and countries.

## 4. Conclusions

It is a well-known fact that the Recovery and Resilience Mechanism seeks to financially support investments and reforms with a real and lasting impact on the economy and society. The proposed measures are linked to the challenges identified in the context of the European Semester, with a focus on the green transition and digital transformation, as well as economic growth, social and economic resilience and job creation.

Under this mechanism, states have the task of developing national recovery and resilience plans, which are strategic documents that set investment priorities and reforms needed for recovery and sustainable growth, correlated to the green and digital transition envisaged by the European Commission.

These reforms and public investment projects included in the NRRP must be contracted by 31 December 2023 and implemented by 31 December 2026 in order to access the funds from which the member states can benefit from the € 672.5 billion Recovery and Resilience Mechanism.

It remains to be seen how the Commission will agree with the proposals put forward by the states in their national recovery and resilience plans, given that only 12 European countries (Austria, Belgium, Denmark, France, Germany, Greece, Italy, Latvia, Luxembourg, Portugal, Slovakia and Spain) received the green light in the use of EU recovery and resilience funds to stimulate the economies affected by the COVID-19 pandemic.

In June, the Council received a positive assessment of the plans [13] for the 12 states from the European Commission, accompanied by proposals for Council decisions on their approval. All 12 states have requested pre-financing from the funds allocated to them. The decisions taken by the Council represent the final stage before the member states can conclude grant and loan agreements with the Commission and start receiving funding for the implementation of their national plans.

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