



VALDIS DOMBROVSKIS

EXECUTIVE VICE-PRESIDENT OF THE EUROPEAN COMMISSION

Rue de la Loi, 200

B-1049 Brussels

Tel. 10.2.e

10.2.e dec.europa.eu

Mr Wopke Hoekstra
Minister of Finance
Ministry of Finance
Korte Voorhout 7
NL-2511 CW s'-Gravenhage
The Netherlands

10.2.e [@minfin.nl](mailto:10.2.e@minfin.nl)

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MdM Ares(2021)

Subject: Submission of the recovery and resilience plan

Dear Minister,

After its final adoption by the co-legislators, the Recovery and Resilience Facility (RRF) Regulation has entered into force on 19 February 2021. It is the culmination of months of intensive work with the European Parliament and the Council and marks a significant achievement for Europe, its people and businesses.

The RRF is a unique opportunity for Member States to implement investments and reforms that are needed to let our economies emerge stronger and more resilient from this pandemic, to deliver on our environmental and climate commitments, to boost the digital transition and to address inequalities.

It is now our common responsibility to ensure that the RRF is implemented swiftly and successfully. I can assure you that from the Commission's side, we will do our utmost to advance this implementation as quickly as possible, so that the first disbursements to the Member States can take place rapidly.

The success of the RRF hinges on the development of ambitious recovery and resilience plans, in line with the requirements of the RRF Regulation. Some Member States have expressed the intention to

submit to the Commission the final recovery and resilience plan already in early March. Others intend to notify quickly thereafter. In the meantime, constructive and close work between your authorities and the Commission services will continue. Let me take this opportunity to commend the very good cooperation so far.

The priority is now to work intensively together on all the elements remaining to make the recovery and resilience plans ready for their official submission. For this purpose, I would like to point to a few areas that will require your full and urgent attention to enable the Commission to make a positive assessment of the plan within the two-month period set by the Regulation.

Balance of reforms and investments – country-specific recommendations

It is important that before the submission of the final plan, time is used to finalise the identification of the relevant reforms and investments and a proper balance between investment and reform initiatives. Co-legislators agreed that recovery and resilience plans must address all or a significant subset of challenges identified in the relevant country-specific recommendations adopted by the Council in the context of the European Semester. While some prioritisation of these challenges is indeed possible, in line with the principles set in the RRF Regulation, I would like to stress the importance of fulfilling this legal obligation by including ambitious reforms in your plans. Sustainable and growth-enhancing reforms are indeed essential to complement the very large investment effort in order to set our economies back on track and to ensure that the RRF has a lasting impact over time. As part of on-going exchanges, the Commission services have already indicated areas where we see the need to strengthen planned reforms and investments in the final RRP.

Twin transition and the 'do no significant harm'

The co-legislators have agreed that a minimum of 37% and 20% of expenditure on investments and reforms contained in each recovery and resilience plan needs to support climate and digital objectives, respectively. This will allow making bold steps towards implementing the European Green Deal and making progress on the digital transformation. The RRF Regulation also requires the proper green and digital tagging of reform and investment initiatives. In addition, Member States need to ensure that all investments and reforms they propose under the RRF do no significant harm to the EU's environmental objectives, within the meaning set out in the Taxonomy Regulation. Respecting the 'do no significant harm' principle is a precondition for the endorsement of the plans that is set in the RRF Regulation.¹ Let me underline that this assessment is not a technical formality but a fundamental principle of the recovery that has been enshrined in the legislation.

¹ The Commission published on 12 February 2020 its guidance on the implementation of 'do no significant harm' in the RRF context (https://ec.europa.eu/info/sites/info/files/c2021_1054_en.pdf). It outlines key principles and a two-step methodology for the assessment of 'do no significant harm' in the context of the RRF as a way to facilitate the work of Member States in the preparation of their recovery and resilience plans.

Costing information

Unlike in traditional expenditure programmes, the Commission will not check the actual expenditure in the implementation of the national plans. It will monitor the achievements of the commonly agreed objectives and disburse funds once these objectives (and the related milestones and targets) are met. This approach however requires that a detailed and thorough estimation of the costs of the reforms and investments is included in the plans submitted to the Commission.

It is therefore of utmost importance that your authorities provide as much as possible substantiated costing information on all the measures included in the recovery and resilience plans, backed up by appropriate justification. The Commission will use these explanations to assess whether such cost estimates are reasonable and plausible. The presentation of sufficient costing information is a precondition for the approval of the recovery and resilience plan and the proper determination of the overall RRF allocation of a specific Member State.

I am aware that the costing exercise under the RRF is one of the more difficult tasks at this stage. This is why I invite your authorities to nominate a national costing coordinator, who should be the main contact point for the Commission services about questions of costing in the coming weeks and months. The tasks and responsibilities of the costing coordinator should also be described in the recovery and resilience plan.

Audits and controls

The beneficiaries of the funds are the Member States. The responsibility for their proper management lies primarily with them. Yet, the European Parliament and the European Court of Auditors will scrutinise the assurances provided to the Commission on the implementation of the plans. It is a logical requirement flowing from the strong solidarity effort that the RRF represents.

The recovery and resilience plan will also need to include an explanation of the Member States' systems to prevent, detect and correct corruption, fraud and conflicts of interests and avoid double funding from the Facility and other Union programmes. Only a strong audit and control structure will allow for the efficient and responsible disbursement and use of RRF funds, in line with the expectations of EU taxpayers.

It is essential that such audit and control arrangements are based on robust processes and structures, with a clear definition of responsibilities across all actors involved. This should include the nomination of a national audit and control coordinator. To facilitate the design of such arrangements and their explanation in the plan, you will find in the annex to this letter a template highlighting the basic requirements that are expected to be present in the plan.

Milestones and targets

Finally, the payment of the RRF funds in instalments will take place based on the satisfactory fulfilment of the relevant milestones and targets agreed in the recovery and resilience plan without prejudice to the pre-financing agreed in the legislation. A proper design of milestones and targets will ensure a smooth implementation of the plan while at the same time measuring the performance of the reforms and investments put forward. Milestones and targets should capture the key steps in the implementation of a reform or investment and remain limited to a meaningful level. The amount of milestones and targets should be commensurate to the individual RRF allocations and the envisaged number of instalments.

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I encourage you to ensure that all these issues mentioned above are fully resolved and discussed with the Commission services in advance of submitting your final recovery and resilience plan. This will facilitate the timely and swift adoption of the Council Implementing Decision and accompanying Operational Arrangement with the Commission and avoid unnecessary delays in the disbursement of the pre-allocated amount.

Let me highlight once more the Commission's availability to help your authorities during this RRF process. We are fully committed to supporting you in all the steps necessary to finalise high-quality recovery and resilience plans, taking the necessary time required to do so.

Yours sincerely,

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Valdis Dombrovskis