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From: Presidency
To: Permanent Representatives Committee/Council

Subject: *Preparation of the Competitiveness Council on 25 November 2021*
Implementation of the Recovery Plan for Europe
Policy debate

Delegations will find attached a Presidency note on "Implementation of the Recovery Plan for Europe" with a view to the policy debate at the Competitiveness Council on 25 November 2021.

Implementation of the Recovery Plan for Europe

Presidency Discussion Paper

The Recovery and Resilience Facility (RRF) is supporting the economic recovery of the Union, accelerating Member States' green and digital transition via their Recovery and Resilience plans. The Recovery and Resilience Facility makes €723.8 billion in loans (€385.8 billion) and grants (€338 billion) available to support reforms and investments undertaken by Member States.

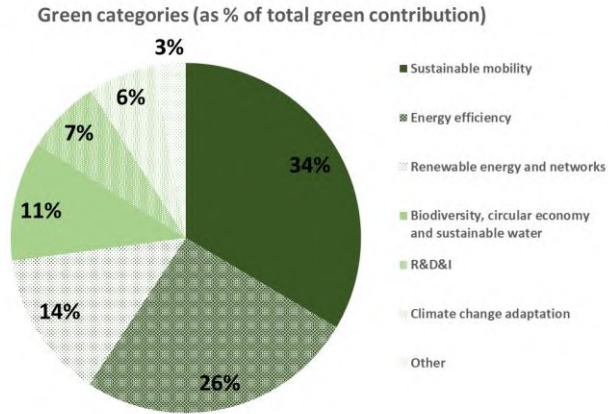
The path to recovery in Member States' economies is enhanced by the spillover effects of the plans of other Member States. The effects of the Recovery and Resilience plans on the overall growth of the EU are around one third larger¹ when explicitly accounting for the spillover effects from individual country measures.

Since July, the Council has approved the financing of 22 Recovery and Resilience Plans, amounting to a total of some EUR 446 billion of investments till 2026. The plans submitted contain reforms and investments that address a significant subset of country-specific recommendations of 2019 and 2020 and respect the Do No Significant Harm principle.

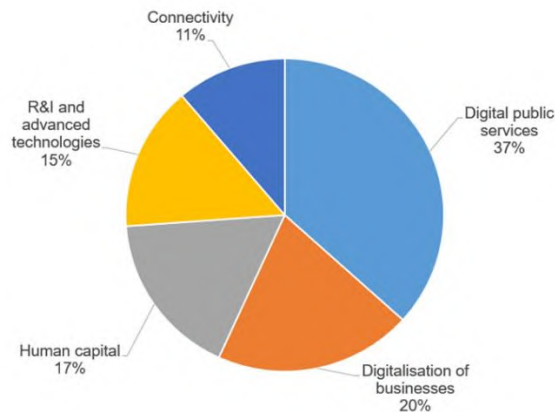
The adopted plans strongly support the green transition: 43% (EUR 192bn) of RRF funds will be devoted to key green investments² in sustainable mobility, renovation, clean power, circular economy, sustainable water and biodiversity. This is above the 37% target foreseen in the Regulation. The plans also include key reforms on permitting, tax incentives for clean vehicles and on the support to clean power.

¹ DG ECFIN (2021) Quantifying Spillovers of Next Generation EU Investment

² Including the environment contribution (EUR 14 billion for the 22 approved plans)



The digital transition is also at the heart of the 22 approved recovery and resilience plans: 26% of RRF funds will be allocated to key digital transition investments in areas like e-government, digitalisation of businesses, digital skills, cybersecurity and advanced technologies. They are as well superseding the legal 20% target. The plans also include key reforms to modernise public administrations and remove hurdles to the deployment of 5G networks.



The 22 approved plans also devote some EUR 135 billion to social investments, notably in health (approximately 26%), education (approximately 25%), skills (approximately 12%) employment and labour market institutions (approximately 12%) and social housing (approximately 12%). These investments cover more specifically measures to provide affordable quality early childhood education and care, prevent early school leaving, increase digital education, upskill and re-skill of workers in the context of the twin transition, improve the efficiency of public employment services, enhance the participation of women and vulnerable workers to the labour market, modernise health systems and deploy e-health.

The plans also support key multi-country projects and refer to Important Projects of Common European Interest (IPCEIs). The adopted plans cover **key green cross-border projects** in batteries, hydrogen and TEN-T rail corridors and **key digital cross-border projects** in micro-electronics, cloud, 5G corridors and Very High Capacity submarine cables. Several plans contain references to the IPCEIs (Hydrogen - 6–7 RRP; Microelectronics - 11 RRP; Cloud - 5 RRP).

SMEs have particularly suffered from the crisis. SME value added declined sharply, by 7.6% in 2020, whereas employment in SMEs declined by 1.7%.³ Hence, SMEs need to be at the centre of the recovery support to master the necessary transitions towards digitalisation, sustainability and resilience.

The adopted recovery and resilience plans include an unprecedented financial support also for SMEs, and a wide set of reforms to improve the business environment. These plans address country-specific recommendations on pro-competitive business regulation, legislative simplification, public procurement, judicial systems, digitalisation of businesses, e-government, well-functioning insolvency frameworks and administrative capacity. These areas are among those posing the biggest problems to European SMEs. They propose substantial reforms in the area of access to finance. Major investments in the industrial ecosystems, such as tourism and construction, will also substantially benefit SMEs as the key actors in these ecosystems.

³ SME Performance Review 2021

A determined and coordinated implementation of the recovery and resilience plans' investments and reforms will have wider positive impacts, e.g. by enhancing fiscal sustainability and creating quality-jobs. However, it will be important to follow closely the actual implementation of these plans at the EU and national levels. The national SME Envoys and the SME Envoys Network should play a pro-active role in ensuring that SMEs effectively benefit from the available funding and support.

The Competitiveness Council can play an important role in monitoring the implementation of the Recovery Plan for Europe. This is an opportunity to share knowledge and to engage jointly in a collaborative monitoring exercise in a transparent and coherent manner in this respect, which would allow the Competitiveness Council to effectively contribute to the recovery process.

Questions for discussion:

- 1. What challenges do ministers foresee for the implementation of National Recovery and Resiliency Plans and how to ensure that the implementation of National Recovery and Resilience Plans would contribute to the recovery of industrial ecosystems?*
- 2. How to use RRF and other EU funds and measures to strengthen EU value chains for green and digital transition taking into account current supply shortages in the field of semiconductors, raw materials and high energy prices?*