



Cost estimates in the RRP's

Designing Recovery and Resilience Plans

European Commission, 2 March 2021

Why important?

- The **financial support** will be limited by the estimated costs of the plan (C) if the plan meets the assessment criteria and
 - If $C \geq$ maximum financial contribution (MFC), Member States will receive the MFC
 - If $C <$ MFC, Member States will receive C
- **Loan requests** need to be justified by higher financial needs (i.e. costs).
- Assurance that cost are plausible and reasonable is important because **actual costs are not checked ex-post** (performance based nature of the RRF).
- Cost estimates are used for the **quantitative** green and digital targets.

Legal basis

- RRP's need to be duly reasoned and substantiated, in particular setting out...*'the estimated total costs of the reforms and investments covered by the recovery and resilience plan submitted (...) backed up by **appropriate justification** and by explanations of how it is in line with the principle of **cost efficiency** and **commensurate** to the expected national economic and social impact...'* (Article 18 (4)).
- The Commission shall assess *'whether the **justification** provided by the Member State on the amount of the estimated total costs of the recovery and resilience plan is **reasonable and plausible** and is in line with the principle of **cost efficiency** and is **commensurate** to the expected national economic and social impact'* (Art. 19(3)).
- This shall be assessed in accordance with Annex V.

Reference documents on costing

- Regulation establishing the Recovery and Resilience Facility:

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2021.057.01.0017.01.ENG&toc=OJ%3AL%3A2021%3A057%3ATOC

- Guidance to Member States on the Recovery and Resilience Plans:

https://ec.europa.eu/info/sites/info/files/document_travail_service_part1_v2_en.pdf

- Template of the Recovery and Resilience Plans:

https://ec.europa.eu/info/sites/info/files/document_travail_service_part2_v3_en.pdf

- Annex tables to the Recovery and Resilience Plans:

https://ec.europa.eu/info/files/annex-guidance-member-states-recovery-and-resilience-plans-tables-template-0_en

General principles for cost estimates

Annex V: The cost assessment will take into account...

- **Reasonable:** MS provided sufficient information and evidence that the amount of the estimated costs is appropriate.
- **Plausible:** MS provided sufficient information and evidence that the amount of the estimated costs is in line with the nature and the type of envisaged investments and reforms.
- **No double-funding:** MS provided sufficient information and evidence that the (...) costs of the recovery and resilience plan to be financed under the Facility is not covered by existing or planned Union financing.
- **Commensurate:** the total amount is commensurate to the expected social and economic impact of the envisaged measures.

In practice, often combining different objectives



Simplicity

Consistency

Accuracy

Accountability and transparency

Expected cost information in the RRP's

Practical advice

What type/level of information do we need in final plans?

- We expect very granular information **for each reform/investment**.

Art. 19 (1) The Commission may make observations or seek additional information...MS and COM may agree to extend the deadline for assessment.

- **Basic information** in table format: basically estimated amount per measure and funding from other sources if any (see [template table](#)).
- **Calculation**: how is the cost estimate obtained? We need to understand what the full amount is composed of.
- If available, validation by an **independent fiscal institution** (other types of validations can be included, but have less value if they are not considered 'independent').

What type/level of information do we need in final plans? (continued...)

- For each measure: information on the **methodology & underlying assumptions** (provide/summarise this info in the template table). This should cover:
 - **who conducted the cost estimate,**
 - Explanations on the methodology, including whether the estimate was obtained through a **top-down approach** (i.e. the estimate is based on overall estimates for similar past projects or based on the unit cost of outputs) or a **bottom-up approach** (i.e. the estimate is composed of estimates for each cost category, e.g. salaries, material, equipment etc.); whether **simplified cost options** have been used.
 - **Justifications on key assumptions for important cost drivers**, e.g. assumptions on wages, assumptions on overhead costs, assumptions on prices for important material. Submit relevant excerpts of studies/reports etc.

What type/level of information do we need in final plans? (continued...)

- Information on **budgetary implications**: This can be done via dedicated SCP/DBP tables. It can also be an important piece of justification for certain measures (e.g. a subsidy scheme with a certain budgeted envelope available).
- **Comparative** costing data ('evidence' of similar projects in the past, either at the project level or for the unit cost per output, e.g. per km of railway, sqm of buildings with improved energy performance).

Table 2. Estimated cost of the plan and green and digital impact

Sequential Number	Related Measure (Reform or investment)	Relevant time period		Estimated costs for which funding from the RRF is requested										
		From date	To date	Total requested		If available: split by year								
				Amount (mn EUR)	Repayable financial support (loans) / Non-repayable financial support (grants)	2020	2021	2022	2023	2024	2025	2026		
1														
2														
3														
4														
5														

Sequential Number	Funding from other sources (as requested by Art. 8 in the Regulation)				COFOG level 2 category <i>(or 'Not relevant' in case of a revenue measure)</i>	Methodological Information		Comparative costing data from past reforms/investments			Independent validation (encouraged)
	From other EU programmes		From National budget or other			Methodology used and description of costs	Specify source	Amount (mn EUR)	Specify source	Possible reference to past EU programs	Name of the validating entity and reference to the validation
	Amount (mn EUR)	Specify the EU programmes [Breakdown by programme if relevant (e.g. regional operational programme)]	Amount (mn EUR)	Specify source							
1											Free text
2											Free text
3											Free text
4											Free text
5											Free text

To summarise...

- Regulation puts emphasis on the information and evidence provided by the MS → We expect a **high level of granularity**.
- If the provided information is not precise enough, this may delay the process or it might lead to the rejection of the plan.
- It would be important to arrive at a **mutual understanding** on the expected type and level of information **before submitting final plans**. This is best done on the basis of the specific measures in the respective RRP and as a minimum on a sample of measures.



Economic and social impact assessment in the RRP's

Designing Recovery and Resilience Plans

Why important?

- The **economic and social impact assessment** is an integral part of the RRP
- The RRP needs to have an **A-rating** on this assessment criterion 3
- Important to clearly set out the impact of the plan, and in particular with respect to the elements relating to the **scope** in Annex V.
 - Economic growth, growth potential, job creation, crisis mitigation
 - Social cohesion and social protection, contribution to the implementation of the European Pillar of Social Rights
 - Resilience to shocks
 - Economic, social and territorial cohesion and convergence
- On the basis of **Section 4 in the Guidance** document and by using the provided template tables.

Legal basis

- RRP: **Art. 18 (4c)** *The recovery and resilience plan shall be duly reasoned and substantiated. It shall in particular set out the following elements: ... detailed explanation of how the recovery and resilience plan strengthens the **growth potential, job creation** and **economic, social and institutional resilience** of the Member State concerned, including through the promotion of policies for children and the youth, and **mitigates the economic and social impact of the COVID-19 crisis**, contributing to the implementation of the European Pillar of Social Rights, and thereby enhancing the economic, social and territorial **cohesion and convergence** within the Union*
- Assessment: Art. 19 (3c) whether the recovery and resilience plan is expected to **effectively contribute to strengthening the growth potential, job creation, and economic, social and institutional resilience** of the Member State, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and the youth, and to mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.
- This shall be assessed in accordance with **Annex V**.

Thank you



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