

Draft

Guidance on recovery and resilience plans

In the three years since the entry into force of the Regulation on the Recovery and Resilience Facility (RRF)¹, Member States have used the RRF strategically to advance their reform and investment agendas, in line with common EU priorities, and tackle both long-standing and new challenges, as part of their recovery from the COVID-19 crisis. As of the end of April 2024, EUR 232 billion had been disbursed to Member States and around 85% of the milestones and targets with an indicative date of completion by the end of March 2024 had either been assessed as satisfactorily fulfilled by the Commission or reported as completed by Member States. At this juncture and in view of the time-bound nature of the RRF, all collective efforts should be focused on the full and timely implementation of the recovery and resilience plans (RRPs) by 2026, if necessary by addressing implementation bottlenecks when they arise in a flexible manner. Where relevant, and in keeping with the tight implementation timeline of the Facility, the contents of the RRPs may still need to be adapted to cater for emerging and evolving challenges.

Following Russia's unprovoked military aggression on Ukraine, which changed the geopolitical context radically and created huge challenges for the EU's energy union, thereby aggravating the economic and social consequences of the COVID-19 crisis, most of the RRPs were re-adjusted towards the new priorities identified in the REPowerEU plan. The RRF Regulation was amended by the Regulation on REPowerEU chapters in the RRPs ('the REPowerEU Regulation')² to improve the RRF's ability to effectively address the direct and indirect aggravation of the consequences of the COVID-19 crisis caused by the unprecedented geopolitical events triggered by Russia's war of aggression against Ukraine. In particular, the amendments to the RRF Regulation intended to address the objectives of the REPowerEU plan and contribute towards energy security, the diversification of the Union's energy supply, an increase of the uptake of renewables and energy efficiency, an increase of energy storage capacities and the needed reduction of dependence on fossil fuels before 2030.

Given the financial scope of the RRF which makes available EUR 648 billion to support Member States reforms and investments³, the RRF and its REPowerEU component are now playing a key role in reinforcing the competitiveness of the EU industry, amid high inflation, labour and skills shortages, demographic change, post-COVID-19 supply chains disruptions, spikes in energy costs and input prices, and a fragmented global market. By the end of 2023, 2.8 million companies, mostly SMEs, had received RRF support⁴.

Nonetheless, further challenges remain to address the investments needs of the EU economies. It is essential to support the uptake and scaling-up of certain critical and emerging technologies in strategic sectors in the EU in order to reduce strategic dependencies, strengthen the Union's competitiveness and meet the objectives of the green and digital

¹ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, p. 17–75.

² Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans, OJ L 63, 28.2.2023, p. 1-27.

³ At 2022 prices.

⁴ Either monetary or in-kind.

transitions. The Regulation establishing the Strategic Technologies for Europe Platform (‘the STEP Regulation’)⁵ which entered into force on 1 March 2024 and also amended the RRF Regulation, aims to bolster critical and emerging strategic technologies, focusing on deep and digital technologies, clean and resource efficient technologies, and biotechnologies. It seeks to support development, manufacturing, and strengthening of value chains in these areas, as well as addressing labor and skills shortages. In this context, Member States can allocate funding from existing Union programmes, including the RRF, to support STEP objectives. At the same time, such investments in the RRFs need to be compatible with all requirements of the RRF Regulation, including on the date for their completion.

This Guidance aims to explain the process for modifying RRFs, including the allocation of RRF resources towards STEP objectives.

In addition, the ECOFIN Council Conclusions of April 2024 on the RRF mid-term evaluation pointed to the higher-than-expected administrative burden related to the implementation of the RRF, both for the Commission and Member States⁶. The Council invited the Commission and Member States to identify ways to streamline and improve the implementation of RRFs, whilst ensuring the adequate protection of the EU’s financial interests. With a focus on further accelerating implementation to ensure the completion of RRF-supported measures by August 2026, **this Guidance therefore also introduces several simplification elements regarding the implementation of the RRF**. In particular:

- it provides more clarity on the possibility to amend an RRF under Article 21 of the RRF Regulation, where a Member State identifies a better alternative to implement a measure in a way that reduces the administrative burden linked to the implementation of that measure and without lowering the ambition of the plan;
- it defines more clearly the scope for other changes that can be made to an RRF under Article 21 of the RRF Regulation;
- it explains the circumstances under which operational arrangements may not need to be revised following the amendment of an RRF, to reduce the administrative burden linked to such revisions.

In parallel, the Commission intends to simplify Member States’ reporting requirements to the extent possible under the RRF Regulation. To this end, the information requested in the context of the bi-annual reporting on the implementation of the RRFs will be reduced and, in case a Member State proposes to delete from the operational arrangements their Annex II, (this Annex lists monitoring steps: these are additional non-binding steps where national administrations have to provide additional information on the implementation of the relevant measures), the Commission will agree to such deletion⁷.

Following recommendations by the European Parliament as part of the 2022 discharge for further guidance to Member States to facilitate synergies in the use of EU funds, **this Guidance also provides greater clarity regarding the conditions under which a pro-rata**

⁵ Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), OJ L 795, 29.2.2024, p 1-27.

⁶ <https://data.consilium.europa.eu/doc/document/ST-8868-2024-INIT/en/pdf>

⁷ Given the close scrutiny of the assessment of the Commission linked to the regular payment requests (which can be made up to twice a year), the additional monitoring steps provided for in Annex II have not proven to be material in improving the Commission’s control on the implementation of the instrument. In cases where Annex II of the operational arrangements contains monitoring steps related to the reporting of the implementation of financial instruments (benefitting from a climate intervention field), these steps will be reflected in a new Clause in the operational arrangements.

combination of support from the RRF and other EU funds is possible while avoiding double funding.

As regards audit and control, the Commission will also support potential simplification opportunities to ensure synergies and complementarity with audits carried out by national and European audit authorities. It will continue to work with Member States to get further assurance that it can rely on the audits conducted by national audit bodies. It will also set out ways to enhance its cooperation with the European Court of Auditors to avoid overlapping audits where possible, in full respect of the prerogatives of both institutions, notably when these are conducted in time for the conclusion of the Commission's own assurance.

The Guidance is structured as follows: Part 1 explains the legal grounds available for modifying adopted RRP, while Part 2 covers the preparation and contents of the addenda. It also specifies the information that Member States should submit to the Commission concerning the reasons, objectives, and nature of the changes to their RRP.

This Guidance complements the Guidance for the preparation of RRP published by the Commission in January 2021⁸, which remains the main Commission guidance to Member States on the preparation and submission of their RRP. This guidance replaces that of March 2023⁹ with the exception of information related to the REPowerEU chapters, which remains relevant for those Member States intending to submit or revise REPowerEU chapters. In particular, a new section III reflects new legal grounds for amendments based on the STEP Regulation.

This Guidance also includes in Annex IV a framework for reduction and recoveries of funds under the RRF, which explains how the relevant provisions of the RRF Regulation in Article 24(8) and Article 22(5), and of the Financing and Loan Agreements are applied by the Commission.

When preparing changes to RRP, it is important to underline the following principles:

- **The first priority remains the swift implementation of the RRP. Member States should continue to undertake all possible efforts to ensure progress with reforms and investments, submit payment requests on time, and provide all relevant evidence to the Commission, allowing for a timely disbursement of funds.**
- **When proposing new or alternative measures, Member States should prioritise measures whose implementation is already under way and should ensure that measures can be completed by August 2026.**
- **When proposing new or alternative measures, Member States should also consider as a priority using the possibility offered by the STEP Regulation to provide a cash contribution to the Member State compartment under InvestEU for STEP objectives and consider projects awarded with a STEP (Sovereignty) Seal.**
- **Member States should also be mindful of the possible impact on the disbursement profile of changes to their existing RRP and minimise any backloading of reforms or investments. Overall, Member States should also assess the implementation**

⁸ SWD(2021)12final Guidance to Member States, Recovery and Resilience Plans available at: https://commission.europa.eu/system/files/2021-01/document_travail_service_part1_v2_en.pdf

⁹ Commission Notice Guidance on Recovery and Resilience Plans in the context of REPowerEU 2023/C 80/01, OJ C 80, 3.3.2023, p. 1–47.

schedule of existing measures to make sure that they will be delivered according to the agreed timeframe.

- **The changes made to the RRP under Article 21 should not reduce their overall ambition, particularly regarding measures addressing country-specific recommendations (‘CSRs’) and helping to achieve green and digital objectives.**
- **Member States are also invited to take stock and discuss with the Commission their experience in the implementation of the Facility so far, to determine whether any changes to their national implementation frameworks could help to improve the delivery of reforms and investments.**

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PART I: MODIFICATION OF RECOVERY AND RESILIENCE PLANS

I. Introduction

When modifying their RRP, Member States are encouraged to do so in relation to a consolidated version of their plan, which should reflect the changes introduced during the assessment phase and be fully consistent with the respective Council implementing decisions (CID). Member States that have not consolidated their plan are invited to do so before modifying their plan. Member States should submit modified plans in the form of an addendum to their consolidated plans. Annex II to this Guidance contains a dedicated template for such an addendum.

Any modification of the plans will require a new assessment by the Commission in line with Article 19 of the RRF Regulation. A CID approving a positive assessment of the plan upon a Commission proposal will be required, in accordance with Article 20 of the RRF Regulation. This shall be followed, where necessary, by signing amended operational arrangements. In agreement with the Member State, and with a view to minimising the administrative burden on Member States, a modification of the plan will only require a revision of the operational arrangements if a significant number of new measures are added (e.g., a REPowerEU chapter) or if further specifications in the operational arrangements need to be added or amended.

Before submitting modified RRP, Member States are invited to first engage in an informal dialogue with the Commission services. This dialogue is aimed to help Member States prepare the RRP modifications.

II. An amendment or replacement of the plan due to the plan or a part of it being no longer achievable because of objective circumstances

Under Article 21 of the RRF Regulation, Member States have the possibility to request an amendment of their plan if one or more milestones and targets in their RRP are no longer achievable due to objective circumstances. However, the amended plan will still need to address all or a significant subset of the relevant CSRs as well as all of the other assessment criteria provided by the RRF Regulation.

Objective circumstances can render a measure no longer achievable with the estimated level of cost or efficiency or **lead to the identification of a better alternative** that is more conducive to meeting the same objectives of the RRF Regulation or the assessment criteria. In such instances, the Member State will need to bring forward the objective elements underpinning the unexpected inefficiencies stemming from implementing the measure as originally planned and demonstrate that the proposed alternative is better suited to achieving the intended objectives of that measure. For instance, the Member State could put forward evidence that the alternative measure is more cost-efficient or more conducive to achieving the policy objectives of the reform or investment.

Objective circumstances can also render a measure no longer achievable with the estimated level of cost or efficiency considering the administrative burden that its implementation entails. This can lead to the identification of **a better alternative allowing to reduce the administrative burden** in implementing a given measure, while still meeting the latter's objectives and, as such, not lowering the ambition of the RRP. In such instances, the Member State will need to bring forward the objective elements that demonstrate that a specific action or process is not necessary to achieving the intended objectives of that measure. Notably, a Member State can put forward evidence that certain requirements of a milestone, target or

measure description are unnecessarily detailed or cause unjustified administrative burden, as they do not contribute to reaching the objective(s) of the measure.

When invoking Article 21 for their plan amendment, Member States are responsible to provide an adequate justification to support the proposed changes and can choose the type of evidence and information that they would like to put forward to support their rationale. The type and nature of the changes, and the objective circumstances invoked will determine the extent of information that needs to be provided. For example, Member States do not need to provide evidence for the occurrence of widely known circumstances (e.g. shortages in supply chains) but should provide specific information on the impact of those events on the relevant measures. In case of the identification of a better alternative or where certain requirements of a milestone, target or measure description are unnecessarily detailed or cause unjustified administrative burden, the information provided should be succinct. It should only focus on the explanations linked to the better alternative or why some requirements do not contribute to reaching the objective(s) of the measure.

The following scenarios can serve as examples of what types of changes could be done under Article 21 and the type of information that Member States would need to submit:¹⁰

- A Member State proposes removing a large digital investment due to supply chain shortages. The request is accompanied by a concise overview of attempts made by the authorities to procure the relevant product and, where available, evidence of the failed tender procedure.
- A Member State identifies a more cost-efficient way to build a transport hub and would like to change the relevant technical specifications in the corresponding milestone. This request is accompanied by a note explaining the type of analysis that was done to determine that the new method would be more cost-efficient while leading to the same overall results.
- A Member State would like to change the characteristics of a hydropower-plant, since it could provide a significantly better energy output, despite slightly higher costs. The Member State provides a brief analysis on how the new characteristics of the hydropower plant would improve its overall performance, as well as an updated cost estimate of the measure.
- A Member State proposes to remove the requirement to create an umbrella fund which would only be used to channel investments towards two existing funds. The Member State shows that the investment can be implemented directly by using the two existing funds without the administrative burden related to the creation of the umbrella fund.
- A Member State proposes to substitute the indicator for a given investment (e.g. number of trees planted) with another indicator (e.g. number of hectares planted with a certain density of trees) because under national law and national procedures it was not possible or excessively burdensome to provide direct evidence of the original indicator being met. By using the new indicator, the Member State would be able, with a lighter administrative burden, to show that the milestone/target was met, without altering the ambition of the investment.
- A Member State proposes to remove a specific detail mentioned in a milestone which is not relevant for the objective of the measure (for instance, because it was added at the time of negotiation as an element of context). One example (among other potential cases) could be if the Member State has referred by name to a particular administrative body,

¹⁰ These examples are purely for illustrative purposes and do in no way prejudge the Commission's assessment of the justification brought forward by the Member State.

which may no longer exist/has been merged with another structure or whose competences may have changed since the adoption of the RRP. In such a case, the Member State could modify the milestone and simply refer to the administration *overall* as being in charge of the implementation of the milestone.

- A Member State proposes to remove the obligation to attribute grants for energy efficiency investments based on a large set of detailed criteria. Given the excessive complexity of this attribution system contributing to limited demand from beneficiaries, the Member State decides to simplify the conditions for attribution of grants. The revised criteria rank the proposals only based on the level of expected energy savings, while ensuring compliance with the ‘Do No Significant Harm’ principle and State aid rules (e.g. section 2.6 of the State aid Temporary Crisis and Transition Framework (TCTF)). This simpler approach still ensures that the objective to produce significant energy efficiency gains is met.

The proposed changes should not decrease the overall ambition of the RRFs, ensure that the plans continue to fulfill all or a significant subset of the relevant CSRs and not lead to a backloading of the implementation towards the last years of the RRF. Where a Member State removes a measure from its RRF which proves to be no longer achievable within the timeline of the RRF, the Member State might want to consider to transfer the concerned project(s) to Cohesion Funds as long as they fall under the policy objectives of the operational programmes and comply with the relevant rules.

III. Amendment linked to the Strategic Technologies for Europe Platform (STEP)

The Strategic Technologies for Europe Platform (STEP) aims to support the development or manufacturing of critical technologies throughout the Union, and to safeguard and strengthen their respective value chains by leveraging existing funds and fostering synergies. The sectors covered by STEP are (i) digital technologies and deep tech innovation; (ii) clean and resource efficient technologies, including net-zero technologies; and (iii) biotechnologies, including medicinal products on the Union list of critical medicines and their components. In addition, STEP will also contribute to addressing shortages of labour and skills critical to quality jobs in support of these objectives.

The STEP Regulation⁵ has amended the RRF Regulation to allow Member States to allocate an additional amount of up to 6% of the value of their RRF exclusively to investments supporting STEP objectives via the InvestEU Member State Compartment. Concretely, Member States can include in their RRFs, as estimated costs, the amount of the contribution for the purpose of the InvestEU Member State compartment exclusively for measures supporting financing and investment operations contributing to the objectives of STEP.

The initial transfer possibility provided in Article 7(2) of the RRF Regulation to include in the RRF, as estimated costs, the contribution for the purpose of the InvestEU Member State compartment of up to 4% of the value of their RRF can continue to be used, including for measures not related to STEP objectives. Thus, the total contribution can amount to up to 10% of the RRF’s total financial allocation. The relevant measures must respect the requirements of the RRF Regulation.

As for any other measure in the RRFs, the final milestones and targets of measures implemented via InvestEU must be completed by 31 August 2026. Therefore, Member States wishing to make use of this increased transfer possibility for the purpose of the

Member State compartment under InvestEU are encouraged to start discussions with the relevant Implementing Partner and the Commission as early as possible. It is essential that the Implementing Partner agrees to implement the allocation to the specific Member State and it is highly recommended that, in the interest of timely implementation, an existing financial product implemented under the EU Compartment is selected. To ensure that InvestEU measures can be considered as implemented by 31 August 2026, the necessary contribution agreement between the Commission and the Member State and guarantee agreements between the Commission and the Implementing Partner must be negotiated and signed as soon as possible¹¹. Given the time necessary to sign such agreements and identify the investment operations to be supported, Member States should submit their amended RRP's making use of this increased transfer possibility for the purpose of the Member State compartment under InvestEU by the end of 2024. With a view of the 31 August 2026 deadline, Member States are strongly encouraged to use the increased possibility to transfer RRF funds to InvestEU Member State compartment, in particular, if they face difficulties on the timely delivery of some measures in their RRP's.

The STEP Regulation introduced a new legal basis under Article 21(1a) of the RRF Regulation, in combination with Article 7(3) of the RRF Regulation and Article 4(4) of the STEP Regulation, for amending RRP's. This allows Member States to request an amendment of their RRP's for the sole purpose of taking advantage of the possibility to transfer up to 6% of their plan's financial allocation to the Member State compartment under InvestEU. This new legal basis for amending RRP's enables Member States either **(i)** to redesign existing measures that already contribute to STEP objectives in such a way that they can be channelled via InvestEU (i.e., convert them into financial products), or **(ii)** to remove existing measures and use the freed-up resources to support new STEP measures in their RRP's via InvestEU. **In either case, all existing assessment criteria under the RRF Regulation will continue to apply to the amended RRP.**

Moreover, Article 19(3) of the STEP Regulation provides that prior to launching any calls for proposals or tendering procedures related to the STEP objectives, Member States should make available the following information on the STEP (Sovereignty) Portal:

- (a) geographical area covered by the call for proposal;
- (b) investment concerned;
- (c) type of eligible applicants;
- (d) total amount of support for the call;
- (e) start and end date of the call;
- (f) link to the website where the call will be published.

Member States are therefore expected to submit this information to their European Commission counterparts for publication in the STEP Portal.

Finally, Article 4(4) of the STEP Regulation sets out that Member States revising their RRP's shall, without prejudice to the provisions of the RRF Regulation, **consider as priority**

¹¹ Where a Member State signs a contribution agreement for the purpose of transferring funds from their RRP to the InvestEU Member State compartment, in addition to the requirements under the RRF, InvestEU rules apply to such additional guarantee. In particular, Article 13(7) of the InvestEU Regulation (Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017) sets out the deadline for the signature of the underlying operations by the end of 2028.

projects that have been awarded a STEP (Sovereignty) Seal. When submitting a request for amendments of their RRP that entails the addition of new measures, Member States should provide a brief explanation of how they considered as a priority projects having been awarded a STEP Seal (see also Annex II). The STEP Seal is a label, which is meant to increase the visibility of quality projects available for funding. Importantly, Member States are able to support projects within the scope of STEP regardless of whether they are STEP Seal holders.

Where a Member State has already included in its RRP, as estimated costs, a contribution for the purpose of the Member State compartment under InvestEU, and such RRP measures are considered to contribute to the objectives of the STEP Regulation, **Member State may also choose to top-up such existing contributions** to the Member State compartment under InvestEU for the same type of measure. This would require amendments to the existing contribution and guarantee agreements.

For further guidance on the scope of the measures contributing to STEP objectives and for additional requirements under the STEP Regulation, the separate STEP Guidance¹² is applicable and should be consulted.

List of available legal bases for amendment requests by Member States

Available scenarios	Legal basis
An addition of a REPowerEU chapter to the RRP	Article 21c
An amendment of measures in the RRP due to objective circumstances that render those measures no longer achievable	Article 21
An amendment of measures in the RRP in case of the identification of a better alternative or where certain requirements of a milestone, target or measure description are unnecessarily detailed or cause unjustified administrative burden, as they do not contribute to reaching the objective(s) of the measure.	Article 21
An amendment making use of the possibility provided for in Article 7(3) of the RRF Regulation and Article 4(4) of the STEP Regulation to include measures in the RRP which support objectives of the Strategic Technologies for Europe Platform (STEP)	Article 21(1a)
A combination of any of the above scenarios	Articles 21, 21(1a) or 21c

¹² C(2024) 3148 final

PART II: GUIDANCE ON THE DEVELOPMENT AND PRESENTATION OF ADDENDA

This section provides overall guidance on the development and presentation of an addendum to an RRP. Throughout this Part, the term ‘modification’ is used to cover all changes to the RRP, independently of the legal basis. When modifying their RRPs, Member States should provide evidence related to the assessment criteria set out by the RRF Regulation.

The extent of the new information provided should be proportionate to the changes proposed in the addendum. If the proposed changes have no impact on a given section, there is no need to fill in the related part of the template. There is no need to restructure the already adopted plan and any repetitions should be avoided.

The sections below provide an overview of the elements Member States should reflect in their modified RRPs. This Guidance addresses the questions most frequently raised by Member States and provides practical guidelines on how to structure the addendum to the RRPs. To ensure consistency in the presentation of the addendum and the RRP, the below structure follows the RRP Guidance of January 2021. Member States are encouraged to continue using the same structure for their RRPs and limit the changes to the existing sections of the RRPs

For guidance and information related to the measures under REPowerEU, Member States are invited to refer to the part II, Section 1 of the dedicated guidance published in March 2023¹³.

I. Objectives of the modifications

Comprehensive and adequately balanced response to the economic and social situation / contribution to the 6 pillars

The modified RRP should continue to represent a comprehensive and adequately balanced response to the economic and social situation and contribute appropriately to all six pillars of Article 3 of the RRF Regulation. The changes to the plan should maintain this balance, or, should they modify it, the modification should be justified by showing that this is in line with the new challenges faced. To that effect, Member States should describe how the modified RRP still represents a comprehensive and adequately balanced response to the economic and social situation of the Member State concerned. If the changes to the plan are marginal, the Member States can simply assume that the contribution to the six pillars continues to be balanced, without the need to provide detailed additional explanations.

Member States should link the new measures to the relevant pillars, by explaining the appropriate contribution. If the modified plan removes or downsizes certain measures, it should explain how the overall contribution of the plan towards the affected pillars will remain sufficient. Where relevant, this explanation should make a link between the measures removed and any new measures proposed as a replacement to the former, with reference to the affected pillars.

The explanations provided should take due account of any new developments in the Member State or in EU policies affecting the six pillars. Addenda with additional measures covering only one or two of the pillars are acceptable, in so far as this is justified by the new challenges faced by Member States.

¹³ Commission Notice Guidance on Recovery and Resilience Plans in the context of REPowerEU 2023/C 80/01, OJ C 80, 3.3.2023, p. 1–47.

Link with CSRs and the European Semester

When revising their plans, Member States must continue to effectively address all or a significant subset of the challenges identified in relevant CSRs, comprising those adopted by the Council in the 2019, 2020, 2022 and 2023 European Semester cycles, as well as in later Semester cycles up to the date of the assessment of the modified RRP¹⁴. The annual country reports take stock of the progress in the implementation of the measures included in the RRP, highlighting examples of important reforms and investments and identify key outstanding or newly emerging challenges not sufficiently covered in the RRP.

A modified RRP would need to keep the same level of ambition as in the previously adopted plan, notably as concerns reforms addressing CSRs. In particular, when preparing their addenda, Member States should ensure that the impact of proposed changes on fiscal sustainability is consistent with the most recent CSR related to fiscal and fiscal-structural matters, as approved by the Council. In addition, Member States from the euro area should ensure that the updated measures are consistent with the priorities identified in the most recent recommendation on the economic policy of the euro area as adopted by the Council.

At the same time, in the EU's new fiscal surveillance framework that is applied for the first time in 2024 for budgetary planning as of 2025, Member States can request an extension of their fiscal adjustment period provided their Medium-Term Fiscal Structural Plan includes a set of relevant reforms and investments that meet the criteria of Regulation 2024/1263, related among others to fiscal sustainability and contribution to growth. Reform and investment commitments contained in the RRP can also be taken into account for this purpose. RRP amendments concerning reform and investment commitments that justified an extension of the fiscal adjustment path might have implications on the medium-term fiscal structural plan endorsed by the Council.

The overall impact of the RRP

In line with the 2021 and 2023 RRP Guidance, Member States should explain to what extent the proposed changes are expected to alter the overall impact of their RRP. This explanation should present the expected impact of the modified RRP as a whole, taking into account the measures added or removed.

The following elements should be reflected:

- Macroeconomic and social outlook;
- An explanation of the macroeconomic and social impact of the RRP, in line with Article 18(4) of the RRF Regulation;
- Sustainability;
- Cohesion.

When modifications to the RRP are significant in substance and/or size, Member States are invited to provide updated figures about the impact of their modified RRP. In doing so, Member States can rely on the information provided in their National Reform Programmes or Medium-Term Fiscal Structural Plans and can use cross-references, if needed. The extent of the new information provided should be proportionate to the changes proposed in the addenda.

¹⁴ As part of the regular European Semester cycle, country-specific recommendations are usually proposed by the Commission towards the end of May/beginning of June, endorsed by the European Council and finally adopted by the Council in early July.

Coherence

The impact of the proposed changes on the coherence of the modified RRP should be presented by explaining the interactions between new measures and those included in the previously adopted RRP, referring both to the measures maintained and withdrawn in the modified plan. Member States are also invited to explain how the overall balance between reforms and investments is maintained. New or modified measures should not create inconsistencies and should not worsen the overall coherence of the RRP.

Consistency with the approved cohesion policy partnership agreements and programmes also has to be outlined, in line with Articles 17(3) and 18(4)(n), and recital 62 of the RRF Regulation (see also below).

Gender equality and equal opportunities for all

Member States should describe how the changes affect the contribution of their modified RRP to the objectives of gender equality and equal opportunities for all.

Member States should follow the 2021 RRP Guidance for this purpose, while also reflecting recent developments by, for instance:

- Considering how to best factor the objectives of gender equality and equal opportunities for all in the implementation and monitoring process, taking into account the experience gathered so far in the implementation of their plans;
- Providing for the involvement of equality and non-discrimination bodies in the RRP's implementation, for instance as part of relevant monitoring bodies;
- Better reflecting these objectives in the revised milestones and targets, for instance by disaggregating them by gender, age, disability, and racial or ethnic origin, where possible.

The extent of the new information provided should be proportionate to the changes proposed in the addenda.

State aid

State aid rules fully apply to the additional or revised reforms and investments. It is the responsibility of each Member State to ensure that all reforms and investments in their RRP comply with EU State aid rules and follow the applicable State aid procedures.

In this context, the Commission's Climate, Environmental Protection and Energy Aid Guidelines 2022 ('CEEAG')¹⁵ provide guidance on how the Commission will assess the compatibility of aid measure for environmental protection, including climate protection, and energy which are subject to the notification requirement under Article 108(3) TFEU. Moreover, the General Block Exemption Regulation ('GBER') declares specific categories of State aid compatible with the Treaty, provided that they fulfil clear conditions, and exempts these categories from the requirement of prior notification to and approval from the Commission. It should be noted that on 23 June 2023, the Commission revised the GBER and increased its scope as well as the notification thresholds, which should facilitate the clearance of RRF measures. By way of example, with regard to measures contributing to the REPowerEU objectives, Member States are encouraged to consider the provisions of Section 4 of the GBER concerning aid for research, development and innovation and Section 7 on aid for environmental protection.

¹⁵ SEC(2022) 70 final - SWD(2022) 19 final - SWD(2022) 20 final.

The State aid Temporary Crisis and Transition Framework (TCTF) adopted by the Commission on 9 March 2023 and revised on 20 November 2023 and 2 May 2024 to support the EU economy in the context of Russia's invasion of Ukraine and to support sectors which are key for the transition to a net-zero economy may also be relevant for the State aid assessment of RRF measures in as far as they may fall within the scope of sections 2.5, 2.6 or 2.8 TCTF which are still applicable until 31 December 2025. Also, projects that fall within the scope of the STEP Regulation or are awarded a STEP (Sovereignty) Seal need to comply with State aid rules to the extent that Member State financing is involved.

As per the 2021 RRP Guidance and template, Member States should specify in their modified RRFs for each new or revised reform and investment whether they consider that the measure requires a State aid notification, and if so, provide an indication of the timing of the pre-notification and notification. If the Member State considers that the measure does not require a notification, the Member State should include a reference to the existing State aid authorisation decision or provisions in the GBER or other block exemption regulations considered applicable to the measure, with the underlying justifications, or a description of the reasons why the measure does not qualify as State aid. When anticipating the timeline for the fulfilment of the relevant milestones and targets, the Member States need to ensure sufficient time for the Commission to clear any State aid that might be present in the relevant investment measures and that requires a State aid notification. The Commission has provided detailed State aid guidance to Member States already¹⁶ and stands ready to provide preliminary guidance to the Member States on the compliance of each investment included in their modified RRFs with the State aid regulatory framework if necessary. Member States are encouraged to share their (pre-)notification schedule together with the request for an amendment with the Commission to ensure sufficient time and to avoid any implementation difficulties due to misinterpretation of applicable State aid rules.

Based on previous experience with measures included in the RRFs and reviewed from a State aid point of view, early communication with the Commission services in the revision of RRFs is fundamental for a swift State aid assessment of the notified measures. Member States are invited to engage in discussions with the Commission services to take full advantage of the possibilities granted by the different State aid frameworks in order to design measures in line with the applicable rules.

While the State aid rules may evolve until 2026, it should be recalled that under State aid rules, the relevant moment for the assessment of a measure is when the State aid is granted, i.e. the moment when a legally enforceable right to receive the aid is conferred on the beneficiary.

II. Description of the changes

As per the 2021 RRP Guidance, this section should be structured per component. The section should be provided only for those components for which changes are made. It should not repeat the information provided in other sections but indicate which changes are made, compared to the previously adopted CID (with precise references to the relevant sections and measures). Member States can rely on the existing components for adding a few reforms and investments on the same topic (e.g. a new building renovation measure can be added to an

¹⁶ Available here: https://competition-policy.ec.europa.eu/state-aid/legislation/rrf-guiding-templates_en (updated in 2023 in order to take into account the revisions of GBER, CEEAG and TCTF).

existing component on energy renovation). Member States can also add completely new components in case of new investments and reforms with different priorities.

Description of reforms and investments

For each component where there are changes in the underlying measures, Member States should indicate which investments or reforms are ‘added’, ‘removed’ or ‘modified’, compared to the previous plans.

Use of financial instruments and budgetary guarantees

Measures in the form of financial instruments and budgetary guarantees can be an attractive solution to deliver the investments included in the RRFs for several reasons:

- Financial instruments can embed the repayment of the principal received by the beneficiaries back to the Member State, thereby limiting the creation of public debt in the long term.
- They need to allow the reuse of the flows, including the repayment of the principal where appropriate (such as for loan funds and equity schemes), for the same policy objectives including after 2026 and/or to repay the RRF loans.
- They can serve to finance many small investments within a coherent framework, such as public guarantees and favourable loans for energy efficiency in buildings and facilitate the outreach to potential beneficiaries through decentralised partner structures.
- They can help to harness additional financial resources or co-investment, in particular from private companies and private financial institutions.

Learning from the experience gained with the existing RRFs, the following type of financial instruments are the most commonly used so far:

- Guarantee instruments and preferential loans to lower the costs of borrowed capital for energy efficiency renovation schemes;
- Private Public Agreements for renewable energy sources investments;
- Loan Facilities to support SMEs in certain policy areas to improve access to finance;
- Equity investments in companies or in equity funds supporting the green transition¹⁷.

Annex I provides further information on the use of financial instruments under the RRF and the possibility to contribute to the InvestEU guarantee through a Member State compartment based on the experience gained during the preparation and implementation of the initial RRFs.

Green and digital dimensions

Member States should explain to what extent their modified RRFs will contribute to the green transition and to accelerating the clean energy transition, as well as to a future-proof digital transition and a robust Digital Single Market or address the challenges resulting from it. This can include research and innovation measures with a relevant timeline. Both transitions are to be considered as mutually reinforcing, in line with the concept of twin transitions, and will be looked at conjunctly by the Commission.

The green dimension of the RRF’s measures will continue to be assessed under both a qualitative approach (the link between those measures and the energy, climate, and environmental challenges of each Member State) and a quantitative approach (the total contribution to climate objectives of the modified RRF – including the REPowerEU chapter – as well as of the REPowerEU chapter individually must both account for at least 37% of the plan’s total allocation).

¹⁷ Particularly for SMEs.

Member States are invited to explain how their modified RRP will contribute to achieving the EU climate targets enshrined in the Climate Law and take into account the Fit-for-55 package agreed to implement those targets. The Fit-for-55 package sets out EU and national climate targets up to 2030 and other legislative actions to make climate, energy, land use, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, and to achieve climate neutrality by 2050.

The digital dimension of RRP measures will also continue to be assessed under both a qualitative approach and a quantitative approach. On 9 March 2021, the European Commission presented a ‘2030 Digital Compass: The European way for digital decade’, structured around four cardinal points: skills, secure and sustainable digital infrastructures, digital transformation of businesses, and digitalisation of public services. It defines ambitious targets at EU level for each of these points, with a 2030 horizon. This was followed by a proposal for a Decision on a 2030 Policy Programme ‘Path to the Digital Decade’, which entered into force on 9 January 2023. The Programme would establish a governance structure whereby Member States and the Commission cooperate in a structured way to reach the targets and would facilitate the implementation of multi-country projects. Member States are invited to indicate how any additional or modified measures addressing the digital transition, or challenges resulting from it, would contribute to the four cardinal points and to achieving the 2030 targets.

As regards the quantitative approach, the total contribution of the modified RRP to digital objectives must account for at least 20% of the plan’s total allocation, excluding the measures included in the REPowerEU chapter.

Climate tracking and digital tagging

The 37% climate target and 20% digital target set forth in Article 19(3) points (e) and (f) of the RRF Regulation remain mandatory in case of changes to the RRP, irrespective of the grounds leading to those changes (excluding the cost of measures included in the REPowerEU chapter with respect to digital tag; measures included in the REPowerEU chapters are not taken into account for the calculation of the digital target). It is thus important for Member States to take into consideration the RRP’s total allocation when introducing revisions to their RRP.

Member States should therefore explain, for each new or modified measure, the contribution to the climate and digital targets, following the 2021 RRP Guidance. A new assessment of the tagging to verify the continued achievement of the two targets will be necessary in case of changes to the total estimated cost of the RRP or to the estimated cost of any measures with a climate or digital tag. A tagging assessment will have to take place also in case of any changes to the initial scope, nature, or design of an existing measure.

It is important to note that both targets are calculated for the modified RRP *as a whole*, consisting of both the previously adopted RRP and the addendum, excluding the costs of measures included in the REPowerEU chapter with respect to the digital target. The climate and digital contributions will be recalculated for the modified RRP taking into account the changes brought to the measures in the RRP and the modified total estimated costs.

Based on the experience with the 27 adopted plans, for measures covering multiple areas such as in the case of horizontal measures, there is a need to apply the climate tracking and digital tagging where relevant at sub-measure (a distinct part of a measure relating to a specific intervention field) level using different intervention fields (under Annexes VI and VII to the RRF Regulation).

Furthermore, it is worth recalling that Article 19(3) points (e) and (f) of the RRF Regulation and Annexes VI and VII set out applicable coefficients for the calculation of support to the climate and digital targets. According to those provisions, the coefficients for support to the climate objectives may be increased (up to a total amount of 3% for the climate tagging), provided that they are accompanied by measures that increase their impact. Member States should sufficiently justify the use of such provisions where relevant.

Member States should describe the specific approach that they propose for the tagging of such measures. The Commission can help Member States to retrieve examples of how similar measures have been tagged in the RRFs previously adopted by the Council.

Do no significant harm (DNSH)

The DNSH Technical Guidance (2021/C 58/01, amended by C(2023) 6454 final) that sets out the guiding principles and modalities for the application of the DNSH principle in the context of the RRF continues to be fully applicable, taking into consideration its specific characteristics. For transfers from the RRF to the InvestEU Member State compartment, simplified provisions apply as per section 2.4 of the amended DNSH technical guidance. It also provides a ‘checklist’ to follow in the DNSH self-assessment to be included in the modified RRF for each measure. This section summarises the Guidance’s key elements and explains their application for new or revised measures. It also provides further clarifications based on the experience with the previously adopted RRFs.

Application of the DNSH principle in the context of RRFs revisions

Member States need to provide a DNSH self-assessment for every new or modified measure included in the modified RRF (see also Section 2.1 and Annex I to the DNSH Technical Guidance), except in the case foreseen by Article 21c(6) of the RRF Regulation. Where the modification of the measure does not alter the measure’s environmental impact, Member States may rely on their original self-assessment. Member States are also invited to provide as part of the DNSH self-assessment, whenever relevant and possible, a quantitative assessment of the environmental impact of the reform or investment. The following cross-cutting considerations should be taken into account:

- *Newly available low-impact alternatives:* The principles in Section 2.4, including Footnote 25 of the DNSH Technical Guidance remain applicable for the assessment of new or revised measures. The DNSH assessment for those measures should reflect the information on low-impact alternatives available at the moment of submission of the modified RRF.
- *Changes of environmental impacts of a modified measure:* In the case of a modification to an existing measure, Member States should aim to avoid any increase in environmental impacts of the modified measure. Where a modified measure affects environmental impacts (e.g., the magnitude, nature or spatial extent of the impact), the Member State should demonstrate that the measure still complies with the DNSH principle.

Showing in the RRFs that measures comply with DNSH

In the case of changes, two main scenarios with different impact on the DNSH assessment process could be envisaged:

- *Introduction of a new measure:* If a Member State chooses to add a new measure to its RRF, the same process as for the initial submission of the RRF should be followed. The Member State should fill in the checklist in Annex I to the DNSH Technical Guidance to support its analysis of whether and to what extent the new measure impacts environmental objectives.

- *Change of an existing measure*: Member States might wish to change the design, nature, or scope of an existing measure. Member States should submit the corresponding DNSH assessment, amending it as necessary to reflect the changes in the measure. The Member State should indicate the reference to the section of the previously adopted RRP in which the initial DNSH assessment is featured.

III. Milestones, targets, and timeline

When modifying their RRP, Member States should ensure that each new or modified measure supported under the RRF is accompanied by a corresponding set of milestones and targets. When defining new milestones and targets, or when proposing any modifications to existing ones, Member States should follow the principles outlined in the 2021 RRP Guidance, including as regards their specificity and robustness.

As Member States are encouraged to participate in cross-border or multi-country projects, in particular supporting the REPowerEU and STEP objectives, specific care should be taken to ensure a sound design of related milestones and targets. On the one hand, these should be clearly divided between the different Member States participating in such projects to avoid overlaps and delays in assessment and implementation. The successful completion of one RRP should be independent of that of another Member State. On the other hand, the milestones and targets should be designed in a well-coordinated manner, to ensure that unavoidable interdependencies between Member States are properly assessed and prudent implementation timelines are set. The Commission stands ready to assist groups of Member States involved in cross border or multi-country projects to ensure that their milestones and targets are designed adequately.

The implementation period of some national investments may span beyond 2026. In such cases, the related milestones and targets should be designed in such a way to only include actions supported by the RRF within the lifetime of the Facility, while the design of the measures should clearly identify which implementation steps will be supported by national or other EU funds after 2026.

In case a Member State proposes to amend a measure in its RRP based on Article 21 and provides adequate justification to substantiate this request (including by demonstrating the causal link between the objective circumstances and the measure no longer being achievable/the need to lower the administrative burden¹⁸), changes can be proposed to all existing milestones and targets related to the revised measure.

Milestones and targets should be designed so as to reflect the essential steps of implementation of reforms and investments. The inclusion of non-binding, excessively detailed or unnecessary requirements should be avoided in all cases. The Commission will therefore also look favourably at requests to remove such requirements from existing milestones and targets, in line with Section II of this guidance document.

Clerical errors spotted in the CID can be flagged to the Commission and the Council at any point in time during the implementation of the RRP. They will be taken into account in the Commission proposal for a new/amended CID or else in a dedicated corrigendum.

¹⁸ Consistent with the guidance in part I, section II, this refers to ‘*the identification of a better alternative or cases where certain requirements of a milestone, target or measure description are unnecessarily detailed or cause unjustified administrative burden, as they do not contribute to reaching the objective(s) of the measure*’.

IV. Financing and costs

New measures: Member States shall provide estimated total costs of the new reforms and investments put forward in an addendum.

Revised measures: For each revised measure, where the changes affect the costing estimates, the Member State shall provide updated cost estimates. If the change only relates to the scale of the measure, the revision of the estimated costs should be done on a proportional basis.

Methodology: When preparing these cost estimates, Member States should follow the specific instructions provided in the 2021 RRP Guidance. As a rule, Member States are not expected to provide revised cost estimates for measures that are neither new nor modified. Member States may provide a validation of costing estimates by an independent public body, which could contribute to strengthening the plausibility of the estimates.

V. Complementarity and implementation of the RRP

Consistency with other initiatives

As per Article 17 of the RRF Regulation, all RRP, including the addenda, shall be consistent with the relevant CSRs as well as with the information included in National Reform Programmes, National Energy and Climate Plans (NECPs) and updates thereof under Regulation (EU) 2018/1999, territorial just transition plans provided under the Just Transition Fund Regulation, Youth Guarantee implementation plans, partnership agreements and operational programmes.

- For consistency with the relevant CSRs and National Reform Programmes/Medium Term Fiscal Structural Plans, please see part II, section I of this Guidance on the European Semester.
- The addenda will also need to be consistent with the activities towards a climate-neutral economy that will have been devised in the territorial just transition plans.
- Finally, the addenda will need to be consistent with the partnership agreements and operational programmes that have been adopted under the 2021-2027 CPR since the adoption of the initial RRP. Given that all Member States have adopted their partnership agreements and almost all cohesion policy programmes, Member States should explain how new or modified RRP measures are complementary with the implementation of the programmes under the 2021-2027 CPR.

Complementarity of funding and avoidance of double funding

Member States have a primary responsibility to avoid double funding between the RRF and other EU funds, and as such have an obligation to verify the absence of double funding before submitting any payment request (based on Articles 9 and 22 of the RRF Regulation). They should specify in their modified RRP whether the modalities put in place to ensure the complementarity of funding and compliance with Article 9 of the RRF Regulation have changed.

Article 9 of the RRF Regulation clearly establishes that funding from the RRF can be combined with other EU funds “... *provided that such support does not cover the same cost*”. Due to the performance-based nature of the RRF funding, this necessitates a clear ex-ante demarcation between the activities and projects funded under the RRF and those funded under other EU funds, as also clarified in the 2021 RRP Guidance. Such an ex-ante demarcation remains the default approach under the RRF.

With the joint objective to simplify the implementation of the RRF, reduce the related administrative burden, foster complementarity between EU funds and prevent the occurrence of double funding, where it is established that an ex-ante cost delineation is not feasible or excessively burdensome, combining support from the RRF and other EU funds on a pro-rata basis is possible as a last resort and in exceptional cases, provided all the following conditions are met:

- (i) the measure description in the relevant CID indicates clearly that the RRF is financing only a part of the project in combination with other Union programmes or instruments;
- (ii) the ex-ante cost estimates provided by the Member State lay out which amount is financed by the RRF and taken into account for the costing of the RRP, while noting that other costs (if possible, with an indicative amount) could be supported by other Union programmes or instruments;
- (iii) the relevant milestones/targets concerned are drafted in a manner that only measures the RRF contribution, possibly through a budgetary execution target;
- (iv) the Member State notifies the final recipient of the amount of the RRF contribution, which the final recipient has to declare to the entity implementing the Union programme or instrument complementing RRF support;
- (v) the entity implementing any other Union programme or instrument complementing RRF support is able to verify, at project level, that the final recipients of funding under the RRF do not receive Union support for more than 100% of the total eligible cost¹⁹.

In addition to the conditions outlined above, this approach must be in line with the provisions of the other EU funding instrument concerned and comply with State aid rules including provisions on cumulation. This approach does not apply to the funds governed by the Common Provisions Regulation given that condition (v) is difficult to apply in their context.

Implementation

The implementation framework was assessed as part of the initial RRP, and the assumption is that Member States will continue to rely on the same arrangements for implementing their modified RRP. Any proposed changes to the implementation framework should however be explained.

In case the Member States have encountered difficulties in the implementation of their RRP so far (for example linked to a lack of administrative capacity, an undeveloped IT system or a not clear enough mandate for the authorities in charge), they are encouraged to pro-actively re-consider their existing arrangements to make them more efficient. Member States are also invited to discuss with the Commission the experience gathered so far to determine whether any changes to the implementation framework may help to improve the delivery of reforms and investments.

Member States should make sure to have sufficient administrative capacity to implement RRP reforms and investments and as such have the possibility to include in the costing of their respective investments or reforms limited administrative costs of a temporary nature as long as such costs are related to the implementation of that specific investment or reform.

Where the Member State has requested, or intends to request, horizontal support under the Technical Support Instrument (TSI) in relation to the RRP implementation, e.g., on communication measures, it is invited to indicate it in this section.

¹⁹ In cases where the other EU funding does not reimburse cost (Innovation Fund) but also operates on an ex-ante cost estimate basis, this check is replaced by a comparison of the two ex-ante cost estimates from RRF and other EU fund side to ensure that not more than 100% of the total ex-ante cost estimate has been allocated.

Consultation process

Member States should provide a summary of the consultation process conducted in accordance with their national legal frameworks, leading up to the submission of the modified RRP. The consultation process should be commensurate with the magnitude of the changes introduced in the RRP. Since the extent of consultations in the preparation of the initial RRP varied, given in particular the COVID-19 emergency, Member States are encouraged to generally enhance this process if they modify their RRP. They should ensure that stakeholders, including local and regional authorities, social partners, non-governmental organisations and, where relevant, stakeholders from the agricultural sector are involved in the design, implementation, and monitoring of any new or revised measures, in line with their national legal frameworks, in a timely and meaningful way.

For the implementation of relevant measures, it may be appropriate for Member States to include conditions linked to regional or local considerations in milestones or targets that entail a geographical dimension (for instance by adding specific conditions linked to the consultation of local and regional authorities). They may also include similar conditions for the consultation of social partners and, where relevant, stakeholders from the agricultural sector linked to the implementation of relevant reforms or investments.

In addition, the European Semester will be an important framework to discuss the progress of implementation of the RRP with stakeholders, in line with the practices and traditions of each Member State. The implementation of the RRP will only be successful with strong regional and local ownership, as well as support from social partners and civil society.

Controls and audit

Internal control systems in Member States are essential to ensure RRP fully comply with Article 22 of the RRF Regulation. Their robustness is a must to ensure that the financial interests of the Union are protected and that the use of EU funds complies with the applicable Union and national law, in particular regarding the prevention, detection and correction of fraud, corruption, conflicts of interests and double funding. In this context and in light of the changes resulting from the revision of an RRP, it is essential that Member States justify precisely how the control structures put in place are still appropriate and, where applicable, how they will be reinforced to assure appropriate resources and structures. The key requirements of the Member State's control systems are further developed in Annex I of the Financing and (where applicable) Loan Agreement signed between the Commission and the Member State. In particular, in case the modified RRP contains new or revised measures, the Member State should explain and demonstrate that the control structures are still adequate or, where relevant, how their capacity, including staffing and processes, will be enhanced proportionately to the increase in the size of the RRP. Should the Commission require further assurance on the compliance with the obligations outlined in Article 22 of the RRF Regulation, audit and control milestones will be included in the Commission proposal for a CID approving the assessment of the modified RRP.

When requesting to modify their plans, Member States are requested to provide an updated explanation of the control arrangements and systems, including the repository system on final recipient data.

Communication

Member States should continue implementing their communication strategy, updating it if it is necessary to include the newly added reforms and investments, in order to ensure the public awareness of the Union funding, in line with Article 34 of the RRF Regulation, Article 10 of the Financing Agreements and, where applicable, Article 19 of the Loan Agreements. When

submitting modified RRP, Member States are invited to describe the actions they have taken to implement these obligations, to facilitate the Commission's monitoring of compliance with the provisions mentioned.

Communication campaigns should focus on raising awareness of key reforms and investments as a part of a European response, notably in the context of REPowerEU; and improving the knowledge of RRP and their purpose for the general public. Member States are encouraged to focus their RRF communication activities on the following areas:

- Explain and recall the goals of its RRP and its benefits for the Member State.
- Illustrate why reforms and investments are beneficial to society, Europe's recovery, green and digital transition, and energy security with practical evidence.
- Ensuring that the high-level political endorsement of the RRP is sufficiently visible.
- Communicate on landmark projects and attribute their realisation to the RRF.
- Encourage potential beneficiaries to apply for funding within the framework of the RRP.
- Showcase overall progress with implementation of both reforms and investments, notably in the context of REPowerEU, including in regular exchanges with social partners, affected communities and the civil society at large.

The Commission is also available through the Inform EU network to help Member States in the implementation of their national communication strategies, including for their modified RRP.

Transparency on final recipients

The transparency on the use of RRF funds has been increased through the inclusion of a new transparency obligation in the REPowerEU Regulation. Member States are required to set up a publicly available and easy to use portal where they publish data on the 100 final recipients receiving the highest amount of funding for the implementation of measures under the RRF.

Final recipients should be understood as the last entity receiving funds for an RRF measure that is not a contractor or sub-contractor. This is to be distinguished from the beneficiaries, which under the direct management set-up of the Facility are the Member States. The definition of final recipients stems directly from Article 22(2)(d) of the RRF Regulation.

A final recipient can either be a natural (e.g., citizens) or a legal person (e.g., ministries, public agencies, regional or local authorities, associations, charities, or businesses). Initial or intermediary recipients of funding (e.g., ministries or agencies that are not the contracting authority but merely distribute funds further onto other entities) should not be considered as the last entity. To be considered a final recipient, the entity should have received a monetary transfer or be allocated budgetary payment credits for the purpose indicated in the RRF measure as described in the CID. This data should include the legal name of the final recipient, including the first and last names if the final recipient is a natural person, the amount of funds received as well as the associated measure(s) under the RRF for which the funding has been received. For the purpose of determining the 100 largest final recipients, all funding provided to final recipients for the implementation of RRF measures should be taken into consideration as some investments may also be financed in part through other public financing.

In order to ensure proportionality and respect of privacy, where final recipients are natural persons, any personal data should be deleted two years after the end of the financial year in which the last RRF funding has been paid to that final recipient. Similarly, by analogy, a few exceptions to the publication of data, provided for in Article 38(3) of the Financial Regulation, have been made applicable to the RRF. These concern the following cases:

- education supports paid to natural persons and any other direct support paid to natural persons most in need such as unemployed persons and refugees (Article 191(4)(b) Financial Regulation).
- very low value contracts awarded to experts selected on the basis of their professional capacity (Article 237(2) Financial Regulation) as well as very low value contracts below EUR 15 000 (the amount referred to in point 14.4 of Annex I to the Financial Regulation).
- financial support provided through financial instruments for an amount lower than EUR 500 000
- where disclosure risks threatening the rights and freedoms of the persons or entities concerned as protected by the Charter of Fundamental Rights of the European Union or harming the commercial interests of the recipients.

Given the amounts involved under the RRF, it is unlikely that the exceptions set out in the first three paragraphs would apply to the 100 largest recipients. The fourth exception is also not expected to apply widely. Given that the publication of data only concerns large-scale recipients, most of which are expected to be legal entities, any privacy concern regarding natural persons should be weighed against the need for transparency on spending of EU funds. Moreover, it should be noted that the reference to Article 38(3) of the Financial Regulation will reflect any future amendment to that provision.

In addition to this data being published on Member States portals, the Commission centralises that data together with the links to the Member States' portals on the Recovery and Resilience Scoreboard. Such data will need to be updated twice a year, and the Commission will seek to align the timing of the updates with the existing bi-annual reporting of April and October. The Commission will also publish an interactive map showing the various measures and their location in the Member States.

ANNEX I: FINANCIAL INSTRUMENTS

According to Article 17(1) of the RRF Regulation public investments may include “public schemes that aim to incentivise private investments”. Following this logic, a transfer of funds to a financial scheme, which then uses the money to incentivise investments by private entities, can be considered as an eligible RRF investment under certain conditions.

The creation of such a financial instrument is considered as the RRF investment itself. This ensures that the investment is completed by end-2026, in line with the deadline set by the RRF Regulation.

Member States can decide on the type of financial instrument, its set-up and the selection of implementing/entrusted entities and are encouraged to discuss with the Commission services the best delivery method for the intended use of financial instruments, taking into account the objectives of the measures, the existing structures, and the links with the work of partners.

In general terms, Member States have two main choices to use financial instruments, either by transferring money from the RRF to the InvestEU Member State compartment (as a budgetary guarantee) or by using other structures, for example national structures. The conditions attached to both options are described in the January 2021 RRP Guidance, and further elaborated below.

The contribution to the Member State compartment under InvestEU will require the signature of the Contribution Agreement between a Member State and the Commission. The implementation of the InvestEU guarantee is done by the Commission through selected implementing partners.

Member States are encouraged to discuss with the Commission the best way to deliver the intended reforms and investments under their RRP. The Commission can support Member States in the design, drafting, and set up of financial instruments to ensure equal treatment across the RRP and safeguard the financial interests of the Union.

In relation to national financial instruments the following phases can be distinguished:

First phase: preparation of the measure: Ensure that the financial instruments contribute to the objectives of the RRP, namely by:

- Describing the investment policy to be supported (e.g., energy efficiency, broadband, digitalisation of SMEs), which determines how the RRF funds will be used in the financial instrument and how this is in line with the scope and assessment criteria of the RRF, including describing the underlying market failure which makes it necessary to deploy public funds for private investments.
- Defining the financial instrument (and notably defining among others the risk/return policy between the RRF and other sources of funds within the financial instrument) and how it will contribute to the achievement of the objectives of the RRP.
- Providing a detailed DNSH self-assessment and the necessary safeguards to ensure that compliance with the DNSH principle will be respected during the implementation of the measure.
- Identifying the relevant State aid provisions and possible application of General Block Exemption Regulation and related criteria to be fulfilled by the financing products.

- Defining clear milestones (linked to the setup and implementation of the instrument) and targets (linked to the outputs/outcomes of the underlying projects financed by the instrument).
- Defining the type of support to be deployed (e.g., loans, guarantees, equity), the targeted beneficiaries (e.g., SMEs, larger corporates, PPPs) and investments (e.g., innovation, broadband, infrastructure) to determine the investable assets.
- Setting out the timetable for deploying the financial instrument (establishing a financial instrument can take up to two years on average), including investments in the real economy and related impact.
- Describing the monitoring system to report on targets and milestones in line with RRP.

Second phase: Implementation agreement with the entrusted entity in charge of financial instrument.

- To implement the financial instrument, an agreement with the implementing partner/entrusted entity (in case of funds, this would be the fund manager on behalf of the partners) needs to be concluded translating the obligations from the RRP. The framework agreement between the Member State and the implementing/entrusted entities should translate all the obligations under the RRF Regulation and the CID of the Member State's RRP – with particular attention to the obligations on State aid, DNSH, audit and control, climate and digital tagging as well as possible limitations on the beneficiaries.
- Relevant State aid and public procurement rules need to be respected.
- One of the first milestones in the RRP can be linked to the conclusion of the implementation agreement setting up the financial instrument or adjusting an existing instrument (in line with the investment policy agreed in the RRP) between the Member State and the entrusted entity.
- As part of that first milestone in the RRP, when submitting the first disbursement request, the Member State will provide to the Commission the rules and investment policy of the financial instrument so that its compliance with the RRP can be verified.
- Deployment of investments into the real economy by the entrusted entity or financial intermediaries (e.g., commercial banks, investment funds):
- All subsequent milestones will be linked to the deployment of investments to the real economy by the entrusted entity or financial intermediaries.
- At the completion of the financial instrument, provisions and reflows that have not been consumed for losses will return to the Member State in accordance with the terms and conditions set out in the investment policy and the exit strategy of the instrument. An obligation will cater for the fact that proceeds and reflows should be used for equivalent purposes.

ANNEX II: TEMPLATE FOR ADDENDUM TO THE RECOVERY AND RESILIENCE PLAN

TEMPLATE: ADDENDUM TO THE RECOVERY AND RESILIENCE PLAN

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4. Comparison with the investment baseline7

DISCLAIMER

This template should be used by Member States to draft the addenda to their recovery and resilience plans. Member States are invited to only provide information relevant to the changes proposed compared to their latest adopted RRP. The template cannot be read in isolation from the updated guidance on RRP in the context of REPowerEU. This document is only providing a template on how to present the information in the addendum while the guidance documents provide the necessary indications on how to fill each section. As provided for in the guidance document, Member States are encouraged to modify their plan on the basis of a consolidated version of their latest adopted plan, which should reflect the changes introduced during the past amendment(s) of the plans and be fully consistent with the CIDs. As such, the use of this template for the addendum presupposes that Member States have previously aligned their RRP with the CID.

Member States are invited to contact the Commission Services in case of any further questions.

PART 1: INTRODUCTION TO THE ADDENDUM

1. General objective

Member States should briefly describe in this section the general background underpinning the request for the amendment of their plan and, if relevant, notable changes in the main challenges that they have been facing since the submission of their latest adopted Recovery and Resilience Plans (RRPs). They should in particular briefly explain how the modified RRP continues to represent a comprehensive and adequately balanced response to the economic and social situation and to contribute appropriately to all six pillars.

2. Justification for the addendum

Member States should indicate the legal base(s) for the proposed changes to their plan, and the justification for invoking the relevant legal base(s) as required by the corresponding article(s) of the RRF Regulation¹. The legal base(s) and justification should be provided from the list below, for each additional, modified or removed measure.

In line with the RRF Regulation Member States can propose changes to a previously adopted RRP for the following purposes:

- *Articles [21a] related to the REPowerEU chapter: For the REPowerEU chapter, please refer to the dedicated template,*
- *Article [7]: a revision of the plan accompanying a new or additional transfer of 5% of resources from shared management programmes*
- *Article [21(1)]: an amendment or submission of a new plan due to the plan, including relevant milestones and targets, being no longer achievable, either partially or totally, because of objective circumstances. This includes the identification of a better alternative or cases where certain requirements of a milestone, target or measure description are unnecessarily detailed or cause unjustified administrative burden, as they do not contribute to reaching the objective(s) of the measure.*
- *Article [21(1a)]: an amendment to take advantage of the possibility provided for in Article 7(3) to include measures in the plan which support objectives of the Strategic Technologies for Europe Platform (STEP)*

In line with the STEP Regulation (Article 4), when revising their recovery and resilience plans, Member States should consider as priority projects those projects that have been awarded a Sovereignty Seal. In this section, Member States should also include a brief explanation of how they have complied with the provision. Specifically, where Member States have not included projects that have been awarded a STEP (Sovereignty) Seal, a brief justification in this regard should be provided.

PART 2: DESCRIPTION OF ADDITIONAL AND MODIFIED REFORMS AND INVESTMENTS

This section covers changes to components that are added or modified compared to the Recovery and Resilience Plan underlying the CID in force. Within those components, only the reforms and investments that are added, removed, or modified need to be addressed. All components of the latest adopted plan which are not included in this section are understood to remain unchanged.

- **Modified components:** For each modified component, please only provide information on those sub-sections of the above referred template where information is modified, removed or added compared to the plan approved by the CID. Otherwise, all other sub-sections are understood to remain unchanged. Please also insert the FENIX reference for each modified component listed in this addendum. Please indicate clearly if the component description is modified.
- **Entirely new components:** In the case of a new component, please follow the structure set out in Part 2 of the template provided by the Commission in January 2021 and taking into account the Commission Guidance on Recovery and Resilience Plans in the context of REPowerEU. For the REPowerEU chapter, please refer to the dedicated template and insert it here once completed.

Table 1:

Member States are invited to fill in the summary table below for each modified component.

Name of the modified component	
Investment/-reform CID reference	
Investment/-reform name	
Type of change compared to CID	[Added/-removed/-modified]
Legal base of the change (select at least one)	<input type="checkbox"/> Article 21(1) – amendment due to objective circumstances <input type="checkbox"/> Article 21a – REPowerEU non-repayable financial support (ETS revenue) <input type="checkbox"/> Article 21(1a) – amendment to transfer funds to the Member State compartment under InvestEU to include measures supporting STEP objectives <input type="checkbox"/> None of the above, correction of clerical error
Elements modified (only for modified measures)	<input type="checkbox"/> Component / Measure description <input type="checkbox"/> Milestones and targets <input type="checkbox"/> Estimated cost <input type="checkbox"/> Green and digital tagging (potentially relevant, because there is a substantive change to the underlying measure) <input type="checkbox"/> DNSH self-assessment

Proposed changes:

For each new reform and investment, please follow the instructions in the initial RRP template of January 2021.

For each removed reform and investment, please justify with a direct link to the legal base for the change, as well as explanations as to how the overall impact and coherence of the component will be maintained.

For each modified reform and investment, please indicate by filling Table 2 below:

- Description and justification of the change(s) to the measure, as relevant related to e.g., its nature, objective, and size, as well as the expected impact of the change(s) on the measure's scope, timeline, and key deliverables.
- Amended version of the descriptions of the component (if applicable) and of the measure compared to the ones provided in the annex to the latest adopted CID.
- The proposed change(s) to the milestones and/or targets compared to the information provided in the annex to the latest adopted CID.
- The proposed changes to the estimated cost, where relevant, in line with the instructions provided in the Commission template of January 2021 and the Commission guidance of May 2024.
- The proposed changes to the green and/or digital tagging where relevant, in line with the instructions provided in the Commission guidance of January 2021⁵.
- The proposed changes to the DNSH self-assessment in line with the instructions provided in the Commission notice of February 2023 and including, whenever relevant, a quantitative estimate of the environmental impact of measures ⁶.

Member States should also address in Table 2 below the following elements **to the extent they are affected by the changes** to the measure:

- Cross-border and multi-country projects
- State aid
- Open strategic autonomy

Table 2:

Member States are invited to use this table to structure the description of modified measures in this section according to the above-mentioned instructions. For new measures, Member States are invited to follow the format of the initial 2021 template⁷.

Name and CID reference number of the measure		
<i>Description and justification of the change</i>		
Modified elements	Current version	Amended version
<i>Component and / or measure description</i>		
<i>Milestones and targets</i>		
<i>Estimated cost</i>		
<i>Green and digital tagging</i>		
<i>DNSH self-assessment</i>		

PART 3: COMPLEMENTARITY AND IMPLEMENTATION OF THE PLAN

Member States should explain how the addendum ensures the following elements, in line with the same sections provided for in the initial template of the RRP^s:

1. **Consistency with other initiatives**
2. **Complementarity of funding**
3. **Effective implementation**
4. **Consultation process of stakeholders**
5. **Control and audit**
6. **Communication**

*Where **no changes are necessary** compared to the latest adopted plan, Member States may simply indicate that the previous indications remain unchanged.*

PART 4: OVERALL COHERENCE AND IMPACT OF THE PLAN

Member States should explain how the addendum ensures the following elements, in line with the same sections provided for in the initial template of the Recovery and Resilience Plan⁹. Where there are no significant changes compared to the initial/latest adopted plan to one or several of the below elements, Member States may simply indicate that the previous indications remain unchanged and refer to the relevant section(s) in the initial/latest adopted plan.

1. **Coherence:** Member States should demonstrate how the changes maintain or increase the coherence and links within and between components of the plan, the coherence of the overall plan, and in particular the coherence between reform and investment dimensions.
2. **Gender equality and equal opportunities for all:** Member States should describe how the changes to their plan contribute to overcoming the existing national challenges in terms of gender equality and equal opportunities for all, regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, in line with the principles 2 and 3 of the European Pillar of Social Rights and drawing on the Social Scoreboard
3. **Strengthening economic, social and institutional resilience:** In line with the same section provided for in the template for the initial submission, Member States should report on the macroeconomic, social and institutional impact of the modified plan, to the extent that the modifications to the RRP are significant compared to the previously adopted RRP (macroeconomic and social outlook and impact, methodology, sustainability, social and territorial cohesion). Member States should fill the corresponding excel template provided by the Commission.
4. **Comparison with the investment baseline:** Member States were invited to provide this information as part of the first submission of their plan. An update of such a section would only be warranted to the extent that the addendum is of a significant size, for example in case of the inclusion of a REPowerEU chapter.

ANNEX III: TEMPLATE FOR REPOWEREU CHAPTER

The template for the REPowerEU chapter remains unchanged: please refer to the Commission Notice “Guidance on Recovery and Resilience Plans in the context of REPowerEU” 2023/C 80/01.

ANNEX IV: Reductions and Recoveries under the Recovery and Resilience Facility

Reductions and Recoveries under the Recovery and Resilience Facility

1. Introduction

Regulation (EU) 2021/241 ('the RRF Regulation') contains several different provisions concerning the reduction and/or recovery of funds. In accordance with Article 24(8) of the RRF Regulation, the Commission shall reduce the financial contribution or loan in cases where, following the adoption of a suspension decision under Article 24(6) of the RRF Regulation establishing that milestones and targets set out in the Council Implementing Decision have not been satisfactorily fulfilled, the Member State has not taken the necessary measures within a period of six months from that decision. In addition, Article 22(5) of the RRF Regulation requires that the Financing Agreement and Loan Agreement provide for the right of the Commission "*to reduce proportionately the support under the Facility and recover any amount due to the Union budget or to ask for early repayment of the loan, in cases of fraud, corruption, and conflicts of interests affecting the financial interests of the Union that have not been corrected by the Member State, or a serious breach of an obligation resulting from such agreements.*"²⁰ In addition to this right, the Financing Agreement specifically provides that a reduction and, if necessary, recovery may take place in case "*the information and justification underlying a payment request is found to be incorrect*"²¹. In turn, the Loan Agreement specifically provides that in these circumstances the Commission may declare outstanding amounts immediately due and payable or cancel undrawn amounts²².

This note provides a framework for the application of these provisions²³. This framework may be amended on the basis of the experience of its application.

2. The grounds for reductions and recoveries

The legal framework of the Recovery and Resilience Facility provides for three distinct grounds under which the Commission may engage in reductions and recoveries²⁴:

- 1) In cases of fraud, corruption, and conflict of interests affecting the financial interests of the Union that have not been corrected by the Member State.

²⁰ This right is reflected in Article 19 of the Financing Agreement and Article 22 of the Loan Agreement.

²¹ Article 19(2)(a) of the Financing Agreement.

²² Article 22(2)(a) of the Loan Agreement.

²³ In accordance with Article 13 of the Financing Agreement and Article 23 of the Loan Agreement, nothing in this framework, which is based on other provisions of the Financing Agreement and Loan Agreement, "*may be construed as preventing the adoption of administrative sanctions (such as financial penalties) or other public law measures, in addition or as an alternative to the measures provided under this Agreement (see, for instance, Articles 135 to 145 of the Financial Regulation and Articles 4 and 7 of Regulation 2988/95).*" This includes the application of Article 131(3) of Regulation (EU, Euratom) 2018/1046 (the 'Financial Regulation').

²⁴ For readability the term "reductions and recoveries" is used, which is the terminology in accordance with the Financing Agreement. Unless otherwise stated, this should be considered to also apply to the declaration of outstanding amounts immediately due and payable or cancellation of undrawn amounts under the Loan Agreement.

- 2) In cases of serious breach of an obligation of the Financing Agreement or Loan Agreement²⁵. This requires a breach by the Member State of specific obligations of the Financing Agreement or Loan Agreement that adversely affects, in a material or substantial manner, the rights of the Commission or the proper implementation of Union funds²⁶. Specifically, this is limited to the obligations contained in Articles concerning: (i) the responsibility of the Member State, including to ensure that no double funding takes place²⁷; (ii) pre-financing²⁸; (iii) publication of information, visibility of Union funding and right of use²⁹; (iv) protection of the financial interests of the Union³⁰ and (v) verifications and checks by the Commission, the European Anti-Fraud Office (OLAF) the European Court of Auditors (ECA) and the European Public Prosecutor's Office (EPPO)³¹.
- 3) In cases where the information and justification underlying a payment request is found to be incorrect.

Considerations regarding these three grounds for reductions and recoveries are explained in sections 3, 4 and 5.

Furthermore, the Recovery and Resilience Facility legal framework provides a further ground under which the Commission shall engage in specifically a reduction (i.e. not a recovery) in cases when a Member State has not taken the necessary measures within a period of six months from a suspension decision for the Commission to consider the relevant milestones and/or targets as satisfactory fulfilled. Considerations regarding this ground for a reduction are explained in section 6.

3. Process to identify the need for a reduction and/or recovery

Under the terms of the Financing Agreement and Loan Agreement, a recovery and/or reduction may take place following a verification, review, check or audit undertaken by the Commission³².

- Should the Commission become aware of a ground for reduction and/or recovery during an on-going verification, review, check or audit, that issue will be considered and included in any report that stems from that process.
- Should the Commission become aware of a ground for reduction and/or recovery outside of any on-going verification, review, check or audit, the Commission will launch a review or audit to consider the grounds. The Commission may become aware of such grounds via alternative sources (for example, the European Semester, national audit bodies or stakeholders' information).

²⁵ This statement is without prejudice to the rights of the Commission in case of a mere "breach" of the Financing Agreement or Loan Agreement, including under the Loan Agreement the right of the Commission (i) to suspend undrawn instalments in such circumstances in accordance with Article 13 or (ii) to declare the outstanding principal amount of the Loan to be immediately due and payable, together with accrued interest, and/or cancel any undrawn loan instalment in case of an event of default in accordance with Article 15. Furthermore, the statement is without prejudice to the rights of the Commission in accordance with Article 13 of the Financing Agreement and Article 23 of the Loan Agreement concerning the adoption of administrative sanctions (such as financial penalties) or other public law measures, in addition or as an alternative to reduction and/or recovery.

²⁶ Article 3(15) of the Financing Agreement and Article 4(45) of the Loan Agreement.

²⁷ Article 4 of the Financing Agreement and Article 5 of the Loan Agreement.

²⁸ Article 5 of the Financing Agreement and Article 6 of the Loan Agreement.

²⁹ Article 10 of the Financing Agreement and Article 19 of the Loan Agreement.

³⁰ Article 11 of the Financing Agreement and Article 20 of the Loan Agreement.

³¹ Article 12 of the Financing Agreement and Article 21 of the Loan Agreement.

³² Articles 12(8), 19 and 20 of the Financing Agreement and Articles 21 and 22 of the Loan Agreement.

In line with Article 12(7) of the Financing Agreement and Article 21(7) of the Loan Agreement, in case of audits or reviews by the Commission³³, a provisional report shall be drawn up on the basis of the findings made during the audit or review. Upon formally notifying the report to the Member State, the Member State will have one month to provide any observations³⁴.

Within 60 calendar days of expiry of the time limit for submission of observations, the Commission will send a final report to the Member State regarding the grounds for reduction and/or recovery³⁵. On the basis of these final findings, the Commission may take the measures it considers necessary, including, where grounds are found to exist, a reduction or recovery³⁶.

4. Determining the amount to be reduced and/or recovered

Should a final finding of the Commission consider grounds for a reduction and/or recovery exist, the amount to be reduced and/or recovered needs to be determined.

Article 22(5) second paragraph of the RRF Regulation specifies: “*When deciding on the amount of the recovery and reduction, or the amount to be repaid early, the Commission shall respect the principle of proportionality and shall take into account the seriousness of the fraud, corruption and conflict of interests affecting the financial interests of the Union, or of a breach of an obligation.*”. The Financing Agreement and Loan Agreement have specified for the different grounds for reductions and recoveries how this will be calculated.

4.1. In cases of fraud, corruption, and conflict of interests affecting the financial interests of the Union that have not been corrected by the Member State

In accordance with Article 19(2)(a) of the Financing Agreement and Article 22(2)(a) of the Loan Agreement, in cases of fraud, corruption, and conflict of interests affecting the financial interests of the Union that have not been corrected by the Member State, the amount of the reduction shall correspond to the amount affected. Subject to the considerations outlined below in section 4.4, this is the amount of the contract(s) or award(s) for which fraud, corruption or conflict of interests affecting the financial interests of the Union have taken place.

4.2. In cases of serious breach of an obligation of the Financing Agreement or Loan Agreement

In accordance with Article 19(2)(b) of the Financing Agreement and Article 22(2)(b) of the Loan Agreement:

- In case of a serious breach of obligations other than of Articles 4(2) or 11(1) of the Financing Agreement, the amount to be reduced and where applicable recovered in accordance with the Financing Agreement and/or Loan Agreement is established taking into account the frequency and extent of the serious breach of obligations.
- In case of a serious breach of obligations of Article 4(2) of the Financing Agreement and/or Article 5(2) of the Loan Agreement, which concern the obligation of the Member State to ensure that no double funding takes place, the amount to be reduced and where applicable

³³ This process does not apply in cases of verifications or checks.

³⁴ Article 15 of the Financing Agreement and Article 25 of the Loan Agreement.

³⁵ Article 12(7) of the Financing Agreement and Article 21(7) of the Loan Agreement.

³⁶ Article 12(8) of the Financing Agreement and Article 21(8) of the Loan Agreement.

recovered shall correspond to the amount affected. This is the amount of the contract(s) or award(s) for which double funding has taken place.

- In case of a serious breach of obligations of Article 11(1) of the Financing Agreement and/or Article 20(1) of the Loan Agreement, which concern the obligations regarding the Member State's control system, the amount to be reduced and where applicable recovered shall be established as follows:
 - where the deficiency is so fundamental, frequent or widespread that it represents a complete failure of the system that puts at risk the proper use of all expenditure, a flat rate reduction of 100 % of the financial contribution and/or loan shall be applied;
 - where the deficiency is so frequent and widespread that it represents an extremely serious failure of the system that puts at risk the proper use of a very high proportion of the expenditure, a flat rate reduction of 25 % of the financial contribution and/or loan shall be applied;
 - where the deficiency is due to the system not fully functioning or functioning so poorly or so infrequently that it puts at risk the proper use of a high proportion of the expenditure, a flat rate reduction of 10 % of the financial contribution and/or loan shall be applied;
 - where the deficiency is due to the system which is functioning but not with the consistency, frequency, or depth required so that it puts at risk the proper use of a high proportion of the expenditure, a flat rate reduction of 5 % of the financial contribution and/or loan shall be applied.

It is noted that Article 22(5) of the RRF Regulation and Articles 19(1) of the Financing Agreement and 22(1) of the Loan Agreement provide for the right of the Commission to reduce the financial support. In case of a serious breach of obligations, the Commission will exercise this right, as long as risks for the financial interests of the Union remain. Should the Member State have remedied that serious breach by the point in time of calculating the amount to be reduced and/or recovered, and done so in a way that the rights of the Commission or the proper implementation of Union funds pursuant to the relevant provisions of the Financing Agreement and/or Loan Agreement are no longer adversely affected in a material or substantial manner and any relevant effects of that serious breach have been appropriately remedied, no reduction and/or recovery will take place. The Commission may delay any decision regarding whether to proceed with reductions and/or recoveries in such cases where audit findings have been accepted and a reasonable timeline for remedying the breach has been agreed.

4.3. In cases where the information and justification underlying a payment request is found to be incorrect

In accordance with Article 19(2)(a) of the Financing Agreement and Article 22(2)(a) of the Loan Agreement, where the information and justification underlying a payment request is found to be incorrect, the amount of the reduction shall correspond to the amount affected. This is the amount that the Member State “wrongly” received and, subject to the considerations outlined below under section 4.4, is calculated on the basis of the methodology for the determination of payment suspension under the Recovery and Resilience Facility Regulation as detailed in annex II of the Communication *“Recovery and Resilience Facility: Two years on, A unique instrument at the heart of the EU’s green and digital transformation” of 21 February 2023*³⁷. In this respect, incorrect information or

³⁷ https://commission.europa.eu/system/files/2023-02/COM_2023_99_1_EN.pdf. To ensure that the amount “wrongly” received is corrected, the unit value used as the basis of the application of this methodology are determined on the basis of the Council Implementing Decision that was in force at the time of the payment of the respective instalment.

justification underlying a payment request that does not impact the satisfactory fulfilment of the relevant milestone or target means that there is no amount affected.

4.4. Considerations regarding “the amount affected”

In accordance with the principle of proportionality, the Commission will calculate the amount affected at the point in time of the assessment of the amount to be reduced and/or recovered. Concretely, this means:

- Should a Member State have partially corrected fraud, corruption, and conflict of interests affecting the financial interests of the Union, the amount affected is the remaining amount of the contract(s) or award(s) for which fraud, corruption or conflict of interests affecting the financial interests of the Union have taken place that have not been corrected by the Member State.
- Notwithstanding the identification of incorrect information or justification underlying a payment request that would have impacted the satisfactory fulfilment of the relevant milestone or target at the time that it was assessed, should the respective milestone or target be satisfactory fulfilled at the point in time of assessing the amount to be reduced and/or recovered, there would be no amount affected.

5. Implications of the decision to recover from the Member State

On the basis of the Commission’s final findings of a verification, review, check or audit, once a need to reduce and/or recover has been established and the relevant amount determined, the Commission will inform the Member State by letter and request observations. Upon formally notifying the letter to the Member State, the Member State will have two months to provide any final observations³⁸.

Following any observations of the Member State, should the Commission still consider that a need to reduce and/or recover exists, a reduction and/or recovery will take place. The amount to be reduced and/or recovered will be recalculated in accordance with section 4, taking into consideration any observations of the Member State that may impact this amount. The reduction and/or recovery would be specified in a specific Commission decision addressed to the Member State, necessitating an inter-service consultation and College procedure.

In principle, the Commission will reduce future instalments (‘offsetting’), with the reduction applying to the payment of the next instalment. Should there be no instalments left or the Member State does not submit any further payment requests the Commission will, in accordance with Article 20(2) of the Financing Agreement, issue a debit note to recover outstanding amounts, or, in accordance with Article 22 of the Loan Agreement, declare an amount of the disbursed loan as immediately due and payable. Under Article 22(3) of the Loan Agreement, where the amount of the outstanding loan instalments is declared due and payable under Article 22 of the Loan Agreement, the Member State has also the obligation to reimburse all costs, expenses and fees payable by the Commission and pay default interest in accordance with Article 11(4) of the Loan Agreement.

6. Reductions in accordance with Article 24(8) of the RRF Regulation

In case the Member State has not taken the necessary measures within a period of six months from the suspension decision for the Commission to consider the relevant milestones and/or targets as

³⁸ Article 15 of the Financing Agreement and Article 25 of the Loan Agreement.

satisfactory fulfilled, the Commission will proceed to a reduction in accordance with Article 24(8) of the RRF Regulation. The amount to be reduced is calculated on the basis of the methodology for the determination of payment suspension under the Recovery and Resilience Facility Regulation as detailed in annex II of the Communication “*Recovery and Resilience Facility: Two years on, A unique instrument at the heart of the EU’s green and digital transformation*” of 21 February 2023”. To ensure, where relevant, alignment with the suspension decision, the unit values outlined in the suspension decision are used as the basis of the application of this methodology.