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COUNCIL IMPLEMENTING DECISION

of ...

on the approval of the assessment of the recovery and resilience plan for Portugal

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility¹, and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

¹ OJ L 57, 18.2.2021, p. 17.

Whereas:

- (1) The COVID-19 outbreak has had a disruptive impact on the economy of Portugal. In 2019, the gross domestic product (GDP) per capita of Portugal was 67 % of the Union average. According to the Commission's spring 2021 forecast, the real GDP of Portugal declined by 7,6 % in 2020 and is expected to decline by 3,9 % cumulatively in 2020 and 2021. Long-standing aspects with an impact on medium-term economic performance include the large stocks of external, private and government debt, and low productivity growth. Moreover, shortfalls in investment make it more challenging to participate in and take full advantage of the opportunities brought by the green and digital transitions.

- (2) On 9 July 2019 and on 20 July 2020, the Council addressed recommendations to Portugal in the context of the European Semester. In particular, the Council recommended Portugal to take all the measures necessary to effectively address the pandemic, to improve the quality of public finances by prioritising growth-enhancing spending, to strengthen the resilience of the health system and ensure equal access to quality healthcare and long-term care. It also recommended Portugal to improve the overall level of skills of the population, with a focus on digital skills and to on increasing the number of graduates in fields related to science, technology, engineering and mathematics, as well as to support quality employment and reduce segmentation in the labour market. It also recommended Portugal to improve the effectiveness and adequacy of the social safety nets and guarantee sufficient and effective social protection and income support. It recommended Portugal to focus investment on the green and digital transition, in particular on innovation, railway transport and port infrastructure, low-carbon and energy transition, and extending energy interconnections, taking into account regional disparities. Furthermore, the Council recommended Portugal to implement measures to secure access to liquidity for firms in the context of the pandemic, to frontload public investment projects and to promote private investment to foster the economic recovery. Lastly, it recommended Portugal to carry out reforms to improve the business environment, in particular to reduce regulatory and administrative barriers derived from licensing and reducing regulatory restrictions in regulated professions and to increase the efficiency of administrative and tax courts and insolvency and recovery proceedings.

Having assessed progress in the implementation of these country-specific recommendations at the time of submission of the recovery and resilience plan ('RRP'), the Commission finds that the recommendation on taking, in line with the general escape clause of the Stability and Growth Pact, all measures necessary to effectively address the pandemic, sustain the economy and support the ensuing recovery has been fully implemented. Substantial progress has been achieved with regard to the recommendation on implementing the temporary measures aimed at securing access to liquidity for firms, in particular small and medium-sized enterprises.

- (3) On 2 June 2021, the Commission published an in-depth review under Article 5 of Regulation (EU) No 1176/2011 of the European Parliament and of the Council¹ for Portugal. The Commission's analysis led it to conclude that Portugal is experiencing macroeconomic imbalances related to large stocks of net external liabilities and private and public debt, as well as to high levels of non-performing loans against a backdrop of low productivity growth.

¹ Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25).

- (4) The Council Recommendation on the economic policy of the euro area recommended euro-area Member States to take action, including through their RRPs, to, inter alia, ensure a policy stance which supports the recovery and to further improve convergence, resilience and sustainable and inclusive growth. The Council Recommendation also recommended euro-area Member States to strengthen national institutional frameworks, to ensure macro-financial stability, to complete the economic and monetary union and to strengthen the international role of the euro.
- (5) On 22 April 2021, Portugal submitted its national RRP to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. That submission followed a consultation process, conducted in accordance with the national legal framework, involving local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. National ownership of the RRPs underpins their successful implementation and lasting impact at national level and credibility at European level. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission has assessed the relevance, effectiveness, efficiency and coherence of the RRP, in accordance with the assessment guidelines set out in Annex V to that Regulation.

- (6) The RRP should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 (the 'Facility') and of the European Union Recovery Instrument set up by Council Regulation (EU) 2020/2094¹ in order to support the recovery in the aftermath of the COVID-19 crisis. They should promote the Union's economic, social and territorial cohesion by contributing to the six pillars referred to in Article 3 of Regulation (EU) 2021/241.
- (7) The implementation of the Member States' RRP will constitute a coordinated effort involving reforms and investments across the Union. Through coordinated and simultaneous implementation and the implementation of cross-border and multi-country projects, such reforms and investments will mutually reinforce each other and generate positive spillovers across the Union. Therefore, about one third of the impact of the Facility on Member States' growth and job creation will come from spillovers from other Member States.

Balanced response contributing to the six pillars

- (8) In accordance with Article 19(3), point (a), of and Annex V, criterion 2.1, to Regulation (EU) 2021/241, the RRP represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all of the six pillars referred to in Article 3 of that Regulation, taking into account the specific challenges faced by and the financial allocation for the Member State concerned and the requested loan support.

¹ Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433 I, 22.12.2020, p. 23).

- (9) The RRP includes measures that contribute towards all of the six pillars, with a significant number of components of the RRP addressing multiple pillars. Such an approach contributes to ensuring that each pillar is comprehensively addressed in a coherent manner. Furthermore, given the specific challenges faced by Portugal, the particular focus on smart, sustainable and inclusive growth, along with the overall weighting across pillars, is considered to be adequately balanced.
- (10) The RRP envisages taking a broad range of climate-related measures, with around three quarters of all components contributing to the green transition. Such measures include increasing the energy-efficiency of buildings, decarbonising industry and adapting to climate change. The RRP addresses digital-related challenges in multiple areas, with around half of all components contributing, including the digitalisation of public services and the adoption of digital technologies to promote entrepreneurship, as well as business scale-up with a view to boosting the digital transition of the industrial base. In order to address the challenges related to the lack of digital skills, the RRP includes measures to modernise the education system as well as the vocational education and training systems, inter alia, to provide market relevant qualifications and to increase the relevance of adult learning as well as the number of graduates in science, technology, engineering, arts and mathematics ('STEAM') courses, in particular in IT.

- (11) The RRP extensively covers the third pillar of smart, sustainable and inclusive growth, with nearly all components directly contributing. Economic cohesion, productivity and competitiveness are directly covered by nearly all components of the RRP, addressing various interrelated challenges, such as the promotion of sustainable growth and adapting to climate change, the universal provision of social services, the contribution to innovation, new technologies and decarbonisation, the dematerialisation of public services, and the contribution to the financing of firms and the development of capital markets. The social and territorial cohesion dimensions are closely intertwined, in particular in the less-developed Portuguese regions. Regional and local authorities are called upon to play a central role in the provision of various community-based services, securing a broad territorial coverage, in areas such as social housing, kindergarten and early childcare and education, healthcare provision, long-term care services and social daycare centres for elderly people and persons with disabilities in line with the UN Convention on the Rights of Persons with Disabilities.

- (12) Around half of all components contribute towards health, economic, social and institutional resilience, being covered by measures such as the strengthening of the national networks for primary healthcare, continuous care and palliative care, as well as the provision of social and affordable housing and innovative integrated social services in the metropolitan areas of Lisbon and Porto. The adoption of digital technologies and interoperability solutions strengthen the institutional capacity and resilience of the public administration. Policies for the next generation are covered by a number of measures, with nearly one third of all components directly related to it, and with a direct impact on children and young people, such as increasing the capacity of childcare facilities, vocational education and training courses and tertiary education, including STEAM courses, improving youth career and income prospects, and increasing the stock of student accommodation in higher education. This is accompanied by a measure on the digitalisation of education and the distribution of personal IT equipment to students.

Addressing all or a significant subset of challenges identified in country-specific recommendations

- (13) In accordance with Article 19(3), point (b), of and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the RRP is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations addressed to Portugal, including fiscal aspects thereof and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011, or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.

- (14) The recommendations related to the immediate fiscal policy response to the pandemic can be considered to fall outside the scope of Portugal's RRP, notwithstanding the fact that Portugal has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the general escape clause of the Stability and Growth Pact. Moreover, the recommendation to achieve the medium-term budgetary objective in 2020, taking into account the allowance linked to unusual events for which a temporary deviation was granted, is no longer relevant, due to both the lapsing of the corresponding budgetary period and the activation in March 2020 of the general escape clause of the Stability and Growth Pact in the context of the COVID-19 crisis.
- (15) The RRP includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Portugal by the Council in the European Semester in 2019 and in 2020, in particular with regard to the quality and sustainability of public finances, the accessibility and resilience of social services and the health system, the labour market, education and skills, research and development (R&D) and innovation, the climate and digital transition, the business environment and the justice system.

- (16) The RRP includes an all-encompassing fiscal-structural reform that is expected to substantially improve the quality and sustainability of public finances and strengthen overall expenditure control, cost-efficiency and adequate budgeting. Such a reform includes gradual steps that are expected to lead to the full and effective implementation of the 2015 Budgetary Framework Law, making spending reviews a structural feature of Portugal's annual budgetary process and ensuring the ex-post evaluation of efficiency gains, and strengthening centralised procurement. That reform is also expected to strengthen the financial sustainability of State-owned enterprises, through the implementation of a new model for analysing and disclosing their financial situation and performance, in order to allow a more timely, transparent and comprehensive monitoring. It also provides for planning and management tools to be deployed to increase accountability, such as revamped management contracts to disseminate performance-oriented management practices. That reform is accompanied by an investment in the information systems for public financial management.

- (17) Reforms and investments are also included to strengthen the resilience of the health system and to contribute to equal access to quality healthcare and long-term care. In particular, such reforms and investments aim to strengthen the response capacity of the primary healthcare, mental health and long-term care services, combined with steps to enhance efficiency and the articulation between different elements of the National Health Service. Specific measures are targeted at strengthening the regional health system of the outermost region of Madeira and at digitalising the health systems of both Madeira and the Azores. In addition, the completion of the reform of the governance model of public hospitals addresses the root causes of persistent arrears in public hospitals. That reform is expected to combine greater autonomy for hospitals in terms of investment and hiring decisions with enhanced monitoring and stronger accountability, thereby contributing to preventing the accumulation of arrears in a sustainable manner.

- (18) The RRP addresses social challenges by providing a significant response to the need for improvement of the effectiveness and adequacy of the social safety nets, in particular through reforms and investments in social housing and social services, with a focus on the elderly, children and vulnerable groups with disabilities. Such reforms and investments include the approval of the National Housing Plan and the National Strategy to Combat Poverty, as well as a support programme for access to housing via the construction of new buildings or the renovation of existing dwellings, the creation and renovation of places in social facilities, the strengthening of home- and community-based care, the setting up of social intervention teams in the municipalities of continental Portugal, integrated programmes to support disadvantaged communities in deprived metropolitan areas, and making social security services more user-friendly through digitalisation.
- (19) The RRP includes reforms and investments that address long-lasting bottlenecks affecting the business environment. Those reforms and investments include the reduction of the restrictions weighing on various regulated professions to foster competition, the review of business licensing requirements and the implementation of the 'once only' principle in the dealings with public administration in order to reduce administrative costs, as well as the modernisation and increased efficiency of the justice system, while reaping the efficiency increase linked to the digitalisation of procedures.

- (20) The RRP includes significant investments to boost research and innovation, in particular via the development of innovation agendas in key sectors, including green agendas that aim to foster links between business and science. Investments are also expected to foster research and innovation in sustainable agriculture. The RRP also includes investments to recapitalise firms, such as the creation of a special-purpose vehicle which is to subsequently invest in viable Portuguese firms in the form of equity and quasi-equity financing.
- (21) The RRP significantly contributes to addressing the climate transition challenge. It includes investments aimed at research and innovation for decarbonising the productive sectors, as well as measures to increase the energy performance of buildings in both the private and public sectors. The RRP is expected to make urban transport more sustainable by strengthening public transport management authorities and investing in the extension of the metro networks as well as light rail and bus rapid transit systems in the Lisbon and Porto metropolitan areas and purchasing zero-emission vehicles for the public transport fleet. Measures also aim to promote renewable energy investments on the mainland and in the outermost regions of Madeira and Azores. Significant reforms and investments should protect forests to mitigate the impact of climate change. Landscape planning and management programmes are expected to design the desirable landscape of vulnerable territories in order to increase their resilience to the risks associated with climate change, in particular rural fires and biodiversity loss, and to promote sustainable growth and territorial cohesion by increasing the average size of agricultural property, changing land use and planning new economic activities.

- (22) The RRP significantly contributes to addressing the digital transition challenge in both on the mainland and in the autonomous regions of Madeira and Azores. Significant reforms and investments are planned with regard to the digitalisation of enterprises with a view to adopting digital technologies and processes. Investments and reforms in education and vocational education and training systems largely focus on the adaptation of curricula, teaching methods and resources for the provision of digital skills adapted to the particular needs of different groups, such as students, teachers, the workforce, businesses and civil servants. Other significant reforms and investments target the digitalisation of the public administration, with actions planned for the general public administration, the justice system and public financial management, with the aim of making the public administration more efficient, resilient and accessible to citizens.
- (23) By addressing the aforementioned challenges, the RRP is expected to also contribute to correcting the macroeconomic imbalances as identified in recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011 in 2019 and 2020, related to large stocks of net external liabilities and private and public debt, in a context of high non-performing loans and low productivity growth.

Contribution to growth potential, job creation and economic, social and institutional resilience

- (24) In accordance with Article 19(3), point (c), of and Annex V, criterion 2.3, to Regulation (EU) 2021/241, the RRP is expected to have a high impact (Rating A) on strengthening the growth potential, job creation and economic, social and institutional resilience of Portugal, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.
- (25) Simulations by the Commission services show that the RRP, together with the rest of measures of the European Union Recovery Instrument, has the potential to increase the GDP of Portugal by 1,5 to 2,4 % by 2026, not including the possible positive impact of structural reforms, which can be substantial. The Portuguese RRP includes an ambitious package of reforms and investments to address the country's vulnerabilities to shocks and to strengthen its economic, institutional and social resilience. Reforms designed to remove institutional bottlenecks and foster competition, together with significant investments in active labour market policies, R&D, innovation and digitalisation, target the root causes of the challenges identified and are expected to boost the country's competitiveness and productivity.

- (26) The main contributions to both growth and employment are expected to come from investments and reforms concerning innovation, education, including digital skills and vocational training, the decarbonisation of industry, the digitalisation of enterprises, the capitalisation of businesses and housing. Other main areas of intervention include healthcare, culture, transport infrastructure, forestry and water management, the quality and capacity of the public administration, including public financial management, judicial services and the digitalisation of public services.

- (27) The RRP envisages significant measures to address long-standing social challenges, which have a major impact on the territorial dimension and the rural-urban divide, thereby enhancing the economic, social and territorial cohesion and convergence within Portugal and the Union. These cover the need to strengthen the responsiveness and accessibility of healthcare and long-term care services in view of rapid demographic ageing, and provide access to affordable and social housing. Social vulnerabilities should also be addressed through provision of a wide range of social services focusing on the elderly, people with disabilities, ethnic minorities and migrants, and through integrated programmes to support disadvantaged communities in deprived metropolitan areas. It should strengthen public transport networks in urban areas, which is particularly relevant for disadvantaged commuting workers, and reinforce labour rights, especially for atypical labour contracts linked to the digital economy. These measures will help deliver on the implementation of the European Pillar of Social Rights Action Plan endorsed at the Porto Summit of 7 May 2021 and are expected to contribute to improving the levels of the indicators of the Social Scoreboard.

- (28) Important measures are targeted at children and young people, such as measures to raise the capacity of kindergartens and childcare services and favour the creation of permanent quality jobs for young people. The RRP should also foster the enrolment in tertiary education courses, especially in STEAM disciplines, and establish a network of higher education institutions offering post-graduate courses of short duration. Measures should also support the integration of digital technologies in the primary and secondary education system with the use of digital resources in classrooms, the digitalisation of educational contents, the creation of laboratories with educational technologies like programmable robots.

Do no significant harm

- (29) In accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the RRP is expected to ensure that no measure for the implementation of reforms and investments projects included in the RRP does significant harm to environmental objectives (Rating A) within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council¹ (the principle of 'do no significant harm').

¹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

- (30) The RRP ensures for each reform and investment that no significant harm is done to any of the six environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852, namely climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Portugal provided justifications in accordance with the technical guidance provided in the Commission Notice entitled 'Technical guidance on the application of "do no significant harm" under the Recovery and Resilience Facility Regulation'¹. Where needed, Portugal has proposed the implementation of mitigating measures to avoid significant harm, which should be ensured through relevant milestones.

¹ OJ C 58, 18.2.2021, p. 1.

(31) Particular attention has been paid to measures whose impact on environmental objectives warrants close scrutiny. Component 7 (Infrastructures) contains four measures that involve the construction or upgrade of road transport infrastructure (RE-C7-I2, I3, I4 and I5). To avoid significant harm to the climate change mitigation and pollution prevention and control objectives, Portugal's RRP includes as a flanking measure investment RE-C7-I0 (Expansion of the Electric Vehicle Charging Network). It should decarbonise road transport by making available 15 000 publicly accessible electric vehicle charging stations by 2025. Similarly, with regard to the water management measures (TC-C9-I1 and I2) in Component 9 (Water Management), which include the construction of a dam, a desalination plant and irrigation and water abstraction measures, Portugal should further ensure that no significant harm to the environment is done through the implementation of any result and condition from the environmental impact assessment relevant for those measures, in compliance with Union environmental law, including Directive 2000/60/EC of the European Parliament and of the Council¹. This aims in particular to avoid significant impact on the relevant water bodies that would jeopardise or delay the objective of reaching good status or potential. It also aims to ensure that protected habitats and species directly dependent on the concerned water are not negatively impacted by the measures.

¹ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1).

Contribution to the green transition, including biodiversity

- (32) In accordance with Article 19(3), point (e), of and Annex V, criterion 2.5, to Regulation (EU) 2021/241, the RRP contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 37,9 % of the RRP's total allocation, calculated in accordance with the methodology set out in Annex VI to Regulation (EU) 2021/241. In accordance with Article 17 of that Regulation, the RRP is consistent with the information included in the National Energy and Climate Plan 2030.
- (33) Reforms and investments are expected to make a significant contribution towards the decarbonisation and energy transition objectives of Portugal as set out in the National Energy and Climate Plan 2030 and the Carbon Neutrality Roadmap 2050, thereby contributing to the Union's climate target and environmental objectives. Sixteen components contain measures contributing to the climate objective, and sixteen components contain measures contributing to environmental objectives, including biodiversity. Biodiversity is expected to be enhanced in particular through improvements of the forest management, addressing extensive areas of unmanaged monocultures and high risks of fires, or the promotion of a sustainable blue economy. The implementation of these proposed measures is expected to have a lasting impact, in particular by contributing to the green transition, the enhancement of biodiversity, and environmental protection.

- (34) Energy-efficiency interventions provide for a large part of the climate contribution. Other significant climate or environmental contributions are provided by investments in sustainable urban transport or climate-change adaptation and prevention. Research and innovation processes focusing on the low-carbon economy, resilience and adaptation to climate change as well as forest and water management measures also contribute to climate and environmental objectives. Reforms aim to promote the decarbonisation of industry, develop more sustainable production processes and improve transport planning.

Contribution to the digital transition

- (35) In accordance with Article 19(3), point (f), of and Annex V, criterion 2.6, to Regulation (EU) 2021/241, the RRP contains measures that to a large extent (Rating A) are expected to effectively contribute to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 22,1 % of the RRP's total allocation, calculated in accordance with the methodology set out in Annex VII to Regulation (EU) 2021/241.

- (36) In total, fourteen components contain measures contributing to the digital objective with a broad, cross-cutting approach, with four components wholly dedicated to the digital transition. Significant reforms and investments are planned with regard to the digitalisation of enterprises and the provision of digital skills. Other significant reforms and investments are aimed at the digitalisation of the public administration, the justice system and public financial management. Other investments target the digitalisation of specific sectors such as primary and secondary education, health, culture and forest management.
- (37) Beyond contributing to the digital transition, these investments also address the challenges related to the skill levels of the population, in particular the digital literacy of the adult population and the need to adjust the skills to the changing needs of the labour market. The investments also contribute to address the challenges related to equal access to digital technologies as well as quality education and training.
- (38) The digital-related reforms and investments included in the RRP are expected to have a lasting impact, in particular on the digital transition of the country's public administration, on the justice system, on social services, on the industrial base, on skill levels of the population and on the national and regional health services.

Lasting impact

- (39) In accordance with Article 19(3), point (g), of and Annex V, criterion 2.7, to Regulation (EU) 2021/241, the RRP is expected to have a lasting impact on Portugal to a large extent (Rating A).
- (40) The RRP presents structural changes in the public administration, housing, business capitalisation and innovation, the justice system, highly regulated professions and the digitalisation of the public administration. In many cases, measures across various components of the RRP are designed to increase the level of digitalisation of relevant institutions, which is expected to have a lasting impact on the quality of services and the business environment.
- (41) In the area of investment, a lasting structural change is expected from the establishment, capitalisation and mission expansion of the National Promotional Bank, *Banco Português de Fomento*. The proposed increase in the bank capitalisation is expected to facilitate access to finance, particularly for small and medium-sized enterprises affected by the crisis, and to boost competitiveness and job creation on a long-term basis. Other key policy objectives include knowledge and technology transfers to businesses, diversification of product and services, and reaching R&D investments of 3 % of GDP by 2030. Finally, investments and policies to decarbonise industry aim to improve its energy efficiency and reduce the import content of the Portuguese economy, thus improving the country's competitiveness and growth potential while helping to meet climate goals.

- (42) The lasting impact of the RRP can also be enhanced through synergies between the RRP and other programmes financed by the cohesion policy funds, in particular by addressing in a substantive manner the deeply rooted territorial challenges and promoting a balanced development.

Monitoring and implementation

- (43) In accordance with Article 19(3), point (h), of and Annex V, criterion 2.8, to Regulation (EU) 2021/241, the arrangements proposed in the RRP are adequate (Rating A) to ensure effective monitoring and implementation of the RRP, including the envisaged timetable, milestones and targets, and the related indicators.
- (44) The administrative structure 'Estrutura de Missão Recuperar Portugal' ('task force *Recuperar Portugal*') should monitor and implement the RRP. Its responsibilities are clearly defined and enshrined in national legislation, which ensures sound coordination and reporting mechanism between this structure and other bodies responsible for the implementation of the investments and reforms under the various components. It has clearly assigned responsibilities and an adequate structure for the implementation of the RRP, the monitoring of progress and reporting. The task force should be in place until the end of the implementation of the RRP.

- (45) The milestones and targets of the Portuguese RRP constitute an appropriate system for monitoring the RRP's implementation. They are sufficiently clear and comprehensive to ensure that their completion can be traced and verified. The verification mechanisms, data collection and responsibilities described by the Portuguese authorities appear sufficiently robust to justify in an adequate manner the disbursement requests upon completion of the milestones and targets. Milestones and targets are also relevant for measures already completed which are eligible under Article 17(2) of Regulation (EU) 2021/241. The satisfactory fulfilment of these milestones and targets over time is required to justify a disbursement request.
- (46) Member States should ensure that financial support under the Facility is communicated and acknowledged in line with Article 34 of Regulation (EU) 2021/241. Technical support may be requested under the Technical Support Instrument established by Regulation (EU) 2021/240 of the European Parliament and of the Council¹ to assist Member States in the implementation of their RRP.

Costing

- (47) In accordance with Article 19(3), point (i), of and Annex V, criterion 2.9, to Regulation (EU) 2021/241, the justification provided in the RRP on the amount of the estimated total costs of the RRP is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.

¹ Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument (OJ L 57, 18.2.2021, p. 1).

- (48) Portugal has provided individual cost estimates for all investments and reforms with an associated cost included in the RRP. The cost breakdown is generally detailed and well substantiated. The estimates are for the most part based on comparisons with procurement contracts for similar services, past investments of similar nature or market consultations. The assessment of the cost estimates and supporting documents show that most of the costs are reasonable and plausible. However, the fact that sometimes the methodology used is not sufficiently well explained and the link between the justification and the cost itself is not fully clear precludes an A rating for this assessment criterion. Finally, the estimated total cost of the RRP is in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

Protection of the financial interests of the Union

- (49) In accordance with Article 19(3), point (j), of and Annex V, criterion 2.10, to Regulation (EU) 2021/241, the arrangements proposed in the RRP and the additional measures contained in this Decision are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding under that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with Union law, including for preventing, detecting and correcting corruption, fraud and conflicts of interest, and for protecting the Union budget in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council¹.

¹ Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433 I, 22.12.2020, p. 1).

- (50) The internal control system described in the RRP is based on robust processes and structures and clearly identifies actors (bodies/entities) and their roles and responsibilities for the performance of the internal control tasks. The national management will be centralised in the '*Recuperar Portugal*' task force. The implementation of the RRP will be contracted out to public agencies or bodies or intermediaries responsible at decentralised levels. The control system and other relevant arrangements, including for the collection and making available of data on final recipients, are adequate.
- (51) For the implementation, monitoring and control of the RRP, Portugal will make use of IT tools. The IT functionalities are clearly described in the RRP. Portugal has indicated that the General Inspectorate of Finance (IGF) will carry out a first audit on the management and control system for the RRP prior to the submission of the first payment request, excluding pre-financing, to the Commission.

Coherence of the RRP

- (52) In accordance with Article 19(3), point (k), of and Annex V, criterion 2.11, to Regulation (EU) 2021/241, the RRP includes to a high extent (Rating A) measures for the implementation of reforms and public investment projects that represent coherent actions.

- (53) The Portuguese RRP reveals a strategic and consistent vision throughout the RRP, displaying coherence between components and between individual measures. The reforms and investments in each component are consistent and mutually reinforcing, and synergies and complementarities exist between components. No measures proposed within a component contradict or undermine each other's effectiveness, nor have inconsistencies or contradictions between different components been identified.

Equality

- (54) The RRP contains a series of measures that are expected to contribute to addressing the challenges in the area of gender equality and equal opportunities for all. These include reforms dedicated to combating gender pay inequality and occupational segregation, as well as measures attracting young women into STEAM studies. The part of the RRP dealing with social policy responses includes a National Strategy for the Inclusion of Persons with Disabilities as well as a National Strategy to Combat Poverty.

Security self-assessment

- (55) A security self-assessment has been provided for the investments on connectivity and digital capacities, in accordance with Article 18(4), point (g), of Regulation (EU) 2021/241. The self-assessment provides for a matrix of risks and mitigating measures. A total of eighteen possible risks are identified, including vendor dependency, high risk suppliers, cybersecurity concerns and disruption of critical systems. The matrix identifies thirteen mitigating measures to be enacted to counter the possible risks, including a requirement for security clearance by the providers, the application of restrictions to suppliers considered to be high-risk, multi-vendor strategies and backup systems for critical functions.

Cross-border and multi-country projects

- (56) The RRP includes investments in cross-border and multi-country projects in the area of justice. It accelerates and develops the interoperability of criminal record information in the European Criminal Records Information System (ECRIS) and enables the publication and search of interoperable judicial decisions through the European Case Law Identifier (ECLI). It also facilitates the exchange of information between judicial entities on the basis of E-Codex and enhances cooperation within the framework of the European Car and Driving Licence Information System (EUCARIS) and of cross-border identification resources such as eIDAS. Other cross-border and multi-country initiatives concern the digitalisation of business, with the set-up of 16 digital innovation hubs, which are one-stop shops that help companies improve business/production processes, products or services using digital technologies. The hubs included in the RRP are expected to contribute to the European Digital Innovation Hubs network. Other cross-border and multi-country collaborations may also take place in the area of hydrogen. Portugal is working with other Member States on the development of a possible important project of common European interest (IPCEI) on hydrogen. The projects on hydrogen included in the RRP are expected to contribute directly or indirectly to this initiative.

Consultation process

- (57) The RRP has been subject to an ample debate, formal public consultations and thematic seminars with the presence of members of the government. In parallel to this public consultation process, the government held a series of consultations with institutional stakeholders, such as the Economic and Social Council, the Territorial Coordination Council and the National Health Council. In reaction to the written contributions received during the second public consultation, the government introduced a number of changes to the RRP, also including two new components: Component 4 (Culture) and Component 10 (Sea).
- (58) For the implementation of the RRP, Portugal set up a National Monitoring Commission, made up of representatives of social partners and key civil society figures, who can make recommendations for the implementation of the RRP. Furthermore, the implementation of the RRP will also be open to public scrutiny through the Transparency Portal. To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the RRP.

Positive assessment

- (59) Following the positive assessment of the Commission concerning the Portuguese RRP with the finding that the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of and Annex V to that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the RRP, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the RRP in the form of non-repayable financial and loan support.

Financial contribution

- (60) The estimated total cost of the RRP of Portugal is EUR 16 643 679 377. As the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241 and, furthermore, as the amount of the estimated total costs of the RRP is higher than the maximum financial contribution available for Portugal, the financial contribution allocated for Portugal's RRP should be equal to the total amount of the financial contribution available for Portugal.

- (61) In accordance with Article 11(2) of Regulation (EU) 2021/241, the calculation of the maximum financial contribution for Portugal is to be updated by 30 June 2022. As such, in accordance with Article 23(1) of that Regulation, an amount for Portugal not exceeding the maximum financial contribution referred to in Article 11(1), point (a), of that Regulation should be made available for a legal commitment by 31 December 2022. Where necessary following the update of the maximum financial contribution, the Council, on a proposal from the Commission, should amend this Decision to include the updated maximum financial contribution, calculated in accordance with Article 11(2) of that Regulation, without undue delay.
- (62) Furthermore, in order to support additional reforms and investments, Portugal has requested loan support. The loan amount requested by Portugal is less than 6,8 % of its 2019 gross national income in current prices. The amount of the estimated total costs of the RRP is higher than the combined financial contribution available for Portugal and the requested loan support.
- (63) The support to be provided is to be financed from the borrowing by the Commission on behalf of the Union on the basis of Article 5 of Council Decision (EU, Euratom) 2020/2053¹. The support should be paid in instalments once Portugal has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP.

¹ Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom (OJ L 424, 15.12.2020, p. 1).

- (64) Portugal has requested pre-financing of 13 % of the financial contribution and of 13 % of the loan. That amount should be made available to Portugal subject to the entry into force of, and in accordance with, the agreement provided for in Article 23(1) of Regulation (EU) 2021/241 (the 'financing agreement') and the loan agreement provided for in Article 15(2) of that Regulation (the 'loan agreement').
- (65) This Decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any Union programme other than the Facility or to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty,

HAS ADOPTED THIS DECISION:

Article 1

Approval of the assessment of the RRP

The assessment of the RRP of Portugal on the basis of the criteria provided for in Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the RRP, the arrangements and timetable for the monitoring and implementation of the RRP, including the relevant milestones and targets and the additional milestones and targets related to the payment of the loan, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.

Article 2
Financial contribution

1. The Union shall make available to Portugal a financial contribution in the form of non-repayable support amounting to EUR 13 907 294 284¹. An amount of EUR 9 758 504 454 shall be available to be legally committed by 31 December 2022. If the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Portugal that is equal to or more than EUR 13 907 294 284, a further amount of EUR 4 148 789 829 shall be available to be legally committed from 1 January 2023 until 31 December 2023. If the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Portugal that is less than EUR 13 907 294 284, the difference between the updated maximum financial contribution and the amount of EUR 9 758 504 454 shall be available to be legally committed in accordance with the procedure set out in Article 20(8) of Regulation (EU) 2021/241 from 1 January 2023 until 31 December 2023.

¹ This amount corresponds to the financial allocation after deduction of Portugal's proportional share of the expenses referred to in Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology set out in Article 11 of that Regulation.

2. The Union financial contribution shall be made available by the Commission to Portugal in instalments in accordance with the Annex to this Decision. An amount of EUR 1 807 948 257 shall be made available as a pre-financing payment, equal to 13 % of the financial contribution. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.
3. The pre-financing shall be released subject to the entry into force of, and in accordance with, the financing agreement. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.
4. The release of instalments in accordance with the financing agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Portugal has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP. In order to be eligible for payment, Portugal shall complete the milestones and targets no later than 31 August 2026, subject to the entry into force of the legal commitments referred to in paragraph 1.

Article 3
Loan support

1. The Union shall make available to Portugal a loan amounting to a maximum of EUR 2 699 000 000.
2. The loan support shall be made available by the Commission to Portugal in instalments in accordance with the Annex to this Decision. An amount of EUR 350 870 000 shall be made available as a pre-financing payment, equal to 13 % of the loan. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.
3. The pre-financing shall be released subject to the entry into force of, and in accordance with, the loan agreement. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.
4. The release of instalments in accordance with the loan agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Portugal has satisfactorily fulfilled the additional milestones and targets covered by the loan and identified in relation to the implementation of the RRP. In order to be eligible for payment, Portugal shall complete the additional milestones and targets covered by the loan no later than 31 August 2026.

Article 4
Addressee

This Decision is addressed to the Portuguese Republic.

Done at ...,

For the Council
The President
