



Brussels, **XXX**  
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**COMMISSION DELEGATED REGULATION (EU) .../...**

**of **XXX****

**supplementing Regulation (EU) 2021/241 of the European Parliament and of the Council establishing the Recovery and Resilience Facility by defining a methodology for reporting social expenditure**

*This draft has not been adopted or endorsed by the European Commission. Any views expressed are the preliminary views of the Commission services and may not in any circumstances be regarded as stating an official position of the Commission.*

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE DELEGATED ACT

#### 1.1. General background and objective

The outbreak of the COVID-19 pandemic has had a significant impact on the economic and social situation in the European Union. The coronavirus crisis has put a halt on a six-year positive employment progress, with an employment rate of 72.4% by the third quarter of 2020, and many Europeans have seen their livelihood and employment prospects put at risk. As some sectors of the economy may not be able to fully recover from the crisis, unemployment and inactivity may rise in the longer term, which could have scarring effects for the individuals concerned and the economy as a whole, and would also imply a loss of skills. The risk of long-term scarring effects is particularly substantial for younger generations. While in other periods of recession, the impact of a difficult economic and social situation may be somewhat mitigated by staying longer in education, the COVID-19 crisis has also disrupted skills formation through school closures and the broad switch to online teaching. Additionally, the social and health care sectors have been at the forefront of the crisis and risk to continue being negatively affected in the future. While the immediate effects of the crisis have been cushioned by short-term measures put in place at national and EU level, massive investments and reforms will be needed in the medium to long-term to recover from the crisis and build a more sustainable, resilient and fairer Europe for the next generations. To live up to this challenge, the European Union adopted a European Recovery Plan in December 2020, consisting of a reinforced multiannual financial framework for the period 2021-2027 and a new recovery package called Next Generation EU. Together, these instruments will unlock EUR 1.85 trillion (in 2018 prices) to support Member States in their efforts to address the crisis, kick-start the EU economy and put it on a more sustainable and resilient path.

Regulation (EU) 2021/241 of the European Parliament and of the Council<sup>1</sup> establishing the Recovery and Resilience Facility (the ‘RRF Regulation’) was adopted in February 2021 as the largest programme under Next Generation EU. With a budget of EUR 672.5 billion, distributed in non-repayable financial support and loan support, the Recovery and Resilience Facility (‘the Facility’) will support large-scale public investments and reforms undertaken by Member States to recover from the COVID-19 crisis and promote the Union’s economic, social and territorial cohesion. A central objective of the Facility is to mitigate the social and economic impact of the crisis, in particular on women, children and youth.

In doing so, the Facility will notably support Member States in implementing measures in line with EU initiatives in the employment and social area, in particular the Recommendation on an effective active support to employment following the COVID-19 crisis (EASE)<sup>2</sup>, the Communication on Youth Employment Support<sup>3</sup> and the Recommendation on A Bridge to

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<sup>1</sup> Regulation (EU) 2021/241 of the European Parliament and of the Council establishing the Recovery and Resilience Facility (OJ L57/17, 18.02.2021)

<sup>2</sup> Commission Recommendation on an effective active support to employment following the COVID-19 crisis (C(2021) 1372 final, 04.03.2021)

<sup>3</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Youth Employment Support, a Bridge to Jobs for the Next Generation (COM(2020) 276 final, 01.07.2020)

Jobs – Reinforcing the Youth Guarantee<sup>4</sup>, the Recommendation on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience<sup>5</sup>, the Recommendation establishing the European Child Guarantee<sup>6</sup>, the Strategy for the Rights of Persons with Disabilities 2021-2030,<sup>7</sup> the European Skills Agenda for sustainable competitiveness, social fairness and resilience<sup>8</sup>, the European Education Area<sup>9</sup> and the Digital Education Action Plan<sup>10</sup>, the EU Anti-racism Action Plan 2020-2025<sup>11</sup>, the EU Roma strategic framework for equality, inclusion and participation<sup>12</sup>, the Gender Equality Strategy 2020-2025<sup>13</sup>, the LGBTIQ Equality Strategy 2020-2025,<sup>14</sup> the Communication on Building a European Health Union<sup>15</sup>, the Pharmaceutical Strategy for Europe<sup>16</sup>, and Europe’s Beating Cancer Plan<sup>17</sup>. Thereby it will also contribute to the achievement of the EU 2030 headline targets on employment, skills and poverty as welcomed by EU leaders at the Social Summit in Porto in May 2021 and the European Council in June 2021.

The Facility will support reforms and investments put forward by Member States in their recovery and resilience plans under all pillars<sup>18</sup> of the RRF Regulation. Several of these reforms and investments will contribute to the implementation of the European Pillar of Social Rights and all its principles. This notably includes investment in human capital, for instance through upskilling, reskilling and requalification of the labour force. It could also include reforms aimed at enhancing the effectiveness of integration programmes for the unemployed. The Facility will also support reforms and investments aimed at strengthening social and territorial cohesion and convergence within the Union. Lastly, the Facility will aim to ensure that the next generation of Europeans will not be permanently affected by the crisis. It will therefore also support reforms and investments aimed at enhancing access and opportunity for children and the youth related to education, employment, health, nutrition, jobs and housing. These priorities are reflected in three of the six pillars of the scope of the Facility set out in Article 3 of the RRF Regulation, namely: social and territorial cohesion;

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<sup>4</sup> Council Recommendation on A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee (2020/C 372/01, 30.10.2020)

<sup>5</sup> Council Recommendation on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience (2020/C 417/01, 2.12.2020)

<sup>6</sup> Pending adoption by the Council (COM(2021) 137 final, 24.03.2021)

<sup>7</sup> (COM(2021) 101 final, 03.03.2021)

<sup>8</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on a European Skills Agenda for sustainable competitiveness, social fairness and resilience (COM(2020) 274 final, 01.07.2020)

<sup>9</sup> Council Resolution on a strategic framework for European cooperation in education and training towards the European Education Area and beyond (2021-2030)

<sup>10</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Digital Education Action Plan 2021-2027 (COM 2020) 624 final)

<sup>11</sup> (COM(2020) 565 final, 18.9.2020)

<sup>12</sup> (COM(2020) 620 final, 7.10.2020)

<sup>13</sup> (COM(2020) 152 final, 5.3.2020)

<sup>14</sup> (COM(2020) 698 final, 12.11.2020)

<sup>15</sup> (COM(2020) 724 final, 11.11.2020)

<sup>16</sup> (COM/2020) 761 final, 25.11.2020)

<sup>17</sup> (COM(2021) 44 final, 3.2.2021)

<sup>18</sup> In line with Article 3 of the RRF Regulation, the scope of application of the Facility is structured around 6 pillars: green transition; digital transformation; smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong SMEs; social and territorial cohesion; health and economic, social and institutional resilience, with the aim of, inter alia, increasing crisis response capacity; and policies for the next generation, children and the youth, such as education and skills.

health, and economic, social and institutional resilience; and policies for the next generation, children and the youth.

In order to ensure adequate reporting on the implementation of measures that have a social dimension, Article 29(4) empowers the Commission to adopt a methodology on reporting social expenditure, including on children and the youth. The objective of the methodology for reporting on social expenditure, including on children and the youth, is to provide in a transparent and accountable manner synthetic information on the social expenditure under the Facility.

A specific reporting on social expenditure that include a focus on gender equality was also deemed essential in view of the emphasis on this matter in the RRF Regulation.

Each reform and investment included in the plans and which has a primary social dimension will be associated to one of nine social “policy areas” outlined in the Annex of this Regulation. These social policy areas are to be aggregated into four broader social categories, namely: i) employment and skills, ii) education, iii) health and long-term care and iv) social policies. Additionally, each measure of a social nature that includes a focus on children and the youth, and on gender equality will be flagged, allowing for a specific reporting on RRF expenditure focusing on children and the youth, and on gender equality.

This Delegated Regulation sets out the methodology for reporting social expenditure, including on children and the youth, and on gender equality, included in the recovery and resilience plans of the Member States.

## **2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT**

In line with the Common Understanding of 2016 between the European Parliament, the Council and the Commission, the Commission consulted Member States’ experts on this Delegated Regulation in two meetings on 28 May 2021 and 14 July 2021. Representatives of the European Parliament and the Council participated in the meeting as observers. Member States experts welcomed the proposed methodology and made a number of technical suggestions and requests for clarifications. The experts notably enquired about the process to keep Member States informed when the Commission applies the methodology set out in this Delegated Regulation to report social expenditure under the Facility.

## **3. LEGAL ELEMENTS OF THE DELEGATED ACT**

The right to adopt Delegated Acts is provided for under Article 29(4), point (b) and Article 30(2) of Regulation 2021/241.

Article 1 lays down the methodology for reporting social expenditure. This methodology is further specified in the Annex to this Delegated Regulation.

Article 2 specifies the date of entry into force of this Delegated Regulation.

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of **XXX**

**supplementing Regulation (EU) 2021/241 of the European Parliament and of the Council establishing the Recovery and Resilience Facility by defining a methodology for reporting social expenditure**

THE EUROPEAN COMMISSION,

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 establishing the Recovery and Resilience Facility<sup>19</sup>, and in particular Articles 29(4), point (b) and 33 thereof,

Whereas:

- (1) The aim of the Recovery and Resilience Facility ('the Facility') is to provide effective and significant financial support to step up the implementation of sustainable reforms and related public investments in the Member States. The Facility is a dedicated instrument designed to tackle the adverse social and economic effects and consequences of the COVID-19 crisis in the Union.
- (2) The Facility supports economic and social recovery and contributes – among others – to fighting poverty, inequalities and tackling unemployment, creation of high-quality and stable jobs, improved health care capacity, and better policies for the next generation including on education and training.
- (3) The Facility will notably support Member States in implementing measures in line with the European Pillar of Social Rights and Union initiatives in the employment, education, health and social area, in particular, the European Pillar of Social Rights Action Plan<sup>20</sup> and the Recommendation on an effective active support to employment following the COVID-19 crisis (EASE)<sup>21</sup>, the Communication on Youth Employment Support<sup>22</sup> and the Recommendation on A Bridge to Jobs – Reinforcing the Youth Guarantee<sup>23</sup>, the Recommendation on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience<sup>24</sup>, the Recommendation establishing the European Child Guarantee<sup>25</sup>, the Strategy for the Rights of Persons

<sup>19</sup> OJ L 57, 18.2.2021, p. 17.

<sup>20</sup> COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS The European Pillar of Social Rights Action Plan COM(2021)102 final

<sup>21</sup> Commission Recommendation on an effective active support to employment following the COVID-19 crisis (C(2021) 1372 final, 04.03.2021)

<sup>22</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Youth Employment Support, a Bridge to Jobs for the Next Generation (COM(2020) 276 final, 01.07.2020)

<sup>23</sup> Council Recommendation on A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee (2020/C 372/01, 30.10.2020)

<sup>24</sup> Council Recommendation on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience (2020/C 417/01, 2.12.2020)

<sup>25</sup> Pending adoption by the Council (COM(2021) 137 final, 24.3.2021)

with Disabilities 2021-2030<sup>26</sup>, the European Skills Agenda for sustainable competitiveness, social fairness and resilience<sup>27</sup>, the European Education Area<sup>28</sup> and the Digital Education Action Plan<sup>29</sup>, the EU Anti-racism Action Plan 2020-2025<sup>30</sup>, the EU Roma strategic framework for equality, inclusion and participation<sup>31</sup>, the Gender Equality Strategy 2020-2025<sup>32</sup>, the LGBTIQ Equality Strategy 2020-2025,<sup>33</sup> the Communication on Building a European Health Union<sup>34</sup>, the Pharmaceutical Strategy for Europe<sup>35</sup>, and Europe's Beating Cancer Plan<sup>36</sup>.

- (4) In this context, it is important to be able to report on the reforms and investments financed by the Facility which have a social dimension. Pursuant to Article 29(4), point (b) of Regulation (EU) 2021/241, the Commission is to define a methodology for reporting social expenditure, including on children and the youth, under the Facility.
- (5) Pursuant to Article 31(3), point (c) of Regulation (EU) 2021/241, the annual report of the Commission to the European Parliament and the Council should include information on the expenditure financed by the Facility under the six pillars referred to in its Article 3, incorporating social expenditure, including on children and the youth.
- (6) The methodology should consist of two steps: in a first step, each reform and investment included in the recovery and resilience plan of a Member State with a primary social dimension should be associated by the Commission, in consultation where necessary with that Member State, to one of nine social policy areas under the four broader social categories set out in the Annex; in a second step, each measure of a social nature that includes a focus on children and the youth, and also on gender equality as Regulation (EU) 2021/241 puts an emphasis on gender equality, should be flagged, allowing for a specific reporting on expenditure focused on children and the youth, and respectively on gender equality.
- (7) This Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union,

HAS ADOPTED THIS REGULATION:

*Article 1*  
***Definition of the methodology***

1. The methodology for reporting social expenditure, including on children and the youth, and on gender equality under the Facility shall be based on the estimated

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<sup>26</sup> (COM(2021) 101 final, 3.3.2021)

<sup>27</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on a European Skills Agenda for sustainable competitiveness, social fairness and resilience (COM(2020) 274 final, 1.07.2020)

<sup>28</sup> Council Resolution on a strategic framework for European cooperation in education and training towards the European Education Area and beyond (2021-2030)

<sup>29</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Digital Education Action Plan 2021-2027 (COM 2020) 624 final)

<sup>30</sup> (COM(2020) 565 final, 18.9.2020)

<sup>31</sup> (COM(2020) 620 final, 7.10.2020)

<sup>32</sup> (COM(2020) 152 final, 5.3.2020)

<sup>33</sup> (COM(2020) 698 final, 12.11.2020)

<sup>34</sup> (COM(2020) 724 final, 11.11.2020)

<sup>35</sup> (COM/2020) 761 final, 25.11.2020)

<sup>36</sup> (COM(2021) 44 final, 3.2.2021)

expenditure provided in the approved recovery and resilience plans and on the methodology set out in paragraphs 2, 3 and 4.

2. Reforms and investments with a primary social dimension shall be associated to one of the nine social policy areas set out in the Annex. Each social policy area shall be linked to a broader social category. A reform or investment may only be associated to one social policy area, and therefore to one social category.
3. Each measure of a social nature that includes a focus on children and the youth shall be flagged, allowing for a subsequent specific reporting on expenditure under the Facility on children and the youth.
4. Each measure of a social nature that includes a focus on gender equality shall be flagged, allowing for a specific subsequent reporting on expenditure under the Facility on gender equality.
5. The social policy areas and social categories, and the flags to identify measures of a social nature that include a focus on children and the youth, and on gender equality as referred to in paragraphs 2, 3, and 4 shall be those set out in the Annex.
6. The Commission shall use this methodology in the annual report referred to in Article 31(3) of Regulation (EU) 2014/241 to provide information on the social expenditure, including on children and the youth, and on gender equality financed by the Facility.

*Article 2*  
***Entry into force***

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Commission*  
*The President*  
**Ursula VON DER LEYEN**