



A New European Philosophy on Recovery and Resilience. The Recovery and Resilience Facility and the Impact over Member States.

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Abstract: *The EU offers different funds to member states for investments and development in infrastructure, governance, economy, and society. They are targeted towards the EU priorities and national necessities, offering the chance for member states and partner states to adapt to the new challenges. The COVID 19 pandemic tested states, societies and economies, and pinpointed towards needs which previously occupied a less important role in EU funding. Moreover, European states needed tailor made solutions for the post-crisis context, which will help them recover fast from the domino effect of the pandemic. All these were gathered in the Recovery and Resilience Facility, which, based on national plans, offer funds for a rapid recovery and investments in key sectors. The mechanism revealed an entire philosophy in approaching resilience and recovery, as, even if states followed the same rules in developing the plan, they oriented funds for different investments, reforms or activities. The present article overviews the manner in which states channeled their resilience and recovery plans, as they offer different philosophies in approaching recovery and resilience.*

Keywords: *EU policies, Green Deal, Recovery and Resilience Facility, national security, resilience*

JEL Classification:

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1. OVERVIEW OF THE RRF

The RRF was created as a mechanism for combating the effects of the pandemic crisis. It uses two key elements: Recovery and Resilience. The first concept is not a new one and poses little difficulties in a practical approach. There were numerous economic or social crises in history and the set of measures being applied now are based on past experiences. However, the concept of resilience is more complicated and complex, as there are numerous uses for the term, and every state applies it in a different manner. Even if the concept can be identified in international policies and national programmatic documents, its practical use is sometimes closer to a concept which sounds well than to a set of practical rules. Thus, if we look only at the national security or defense policies we can see there are different approaches regarding the concept.

Starting from its definition there can be identified a multilayer approach to resilience: from psychology, namely the resilience of an individual to security (Fleming & Ledogar, 2008), as resilience of a state in face of complex adverse challenges. As the purpose of the research we will regard this complex concept as a mean to generate national and community sustainability.

The RRF is a key instrument of the NextGenerationEU (European Commission Report, accessed in December, 2021), which, among other EU funding mechanisms, such as the Cohesion Policy, offers EU member states the financial support for developing strong economies and societies. Both RRF and the Cohesion Policy have as starting point the priorities set forward by the European Commission as adopted by the European Parliament. Also, it must be noted that the two policies offer funds for different purposes, as they aim at development by targeting different activities and goals.

For the RRF the six main pillars are: green transition, digital transformation, smart, sustainable and inclusive growth, social and territorial cohesion, health and economic, social and institutional resilience, policies for the next generation. The available budget is 723,8 billion EUR, divided into loans or grants. In line with the main ambitions set forward in the Green Deal and the Green Agenda, 37% from the total amount targets the green transitions and 20% the digital transformation. Thus, member states should include projects to address these goals for their national plans. Also, it is up to the national authorities to decide if they request mostly loans or grants, and the amount they will request from the EU (Regulation (EU) 2021/241, accessed on December 2021).

After the consultation process and the official green light from the Council, the state receives a pre-financing on the grants and on the loans. Even if drafting the National Plan for Recovery and Resilience (NPRR) seems to be clear, the practice has shown that states encounter difficulties and many NPRR have been sent back to the national authorities to be redrafted, in some case the final version being the result of several such rounds of redrafting (Regulation (EU) 2021/241, accessed on December 2021).

The cohesion policy contributes to strengthening in a harmonious way the territorial social and economic cohesion of the EU. The goal is to reduce imbalances, and thus offers targeted funds for infrastructure investments, human capital, institutional capacity. The policy was reformed to include 5 policy objectives, among which green and digital (EU cohesion policy, accessed on December 2021).

The two financing mechanisms are important in the context of the article as they complement each other. In this case, states can choose if they use the Cohesion fund or the RRF. Also, they have the freedom to choose how to corroborate the two funds. If the agreements on the



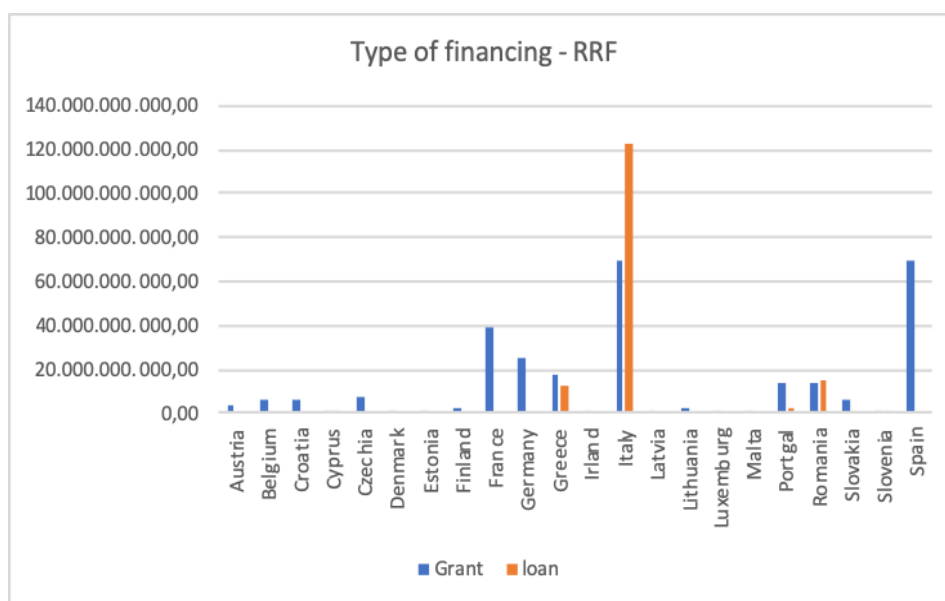
cohesion policy are not yet completed by most states, the agreements on the RRF are, most of them, signed. Thus, we can have an overview of the way states decided to use the funds which can indicate at the same time which type of projects will not be included in the cohesion policy, or will be included with a diminished amount.

2. THE STRUCTURE OF THE FUNDING

States build their national plans based on the country report and the national recommendations, and have presented different philosophies in accessing these funds. As the data presented in Chart 1 shows how countries decided on the amount they would receive from the EU in form of loan or grant. It is obvious that most of the countries opted for the grant and only a few countries requested loans. The most preminent case is of Italy, which requested 122 billion EUR in loan, with a total financing of 191,5 billion EUR (Italy's recovery and resilience plan, 2021). Italy is followed by Romania (14,09 billion EUR) and Greece (12,7 billion EUR).

On the other hand, it is obvious from Figure 1 that some states were more able to attract funds through grants. Such is the case of France, which receives 39,4 billion EUR on grants or Spain, which receives 69,5 billion EUR. This indicates two aspects. First, some countries understood better the type of project they needed to submit and managed to emulate better projects and more adequate to the priorities of the RRF. Secondly, some countries requested small funds. This should be considered in connection with the size of the country but also its ability to absorb and use other EU funds. Also, there is a big gap between the smallest NRRP – Luxemburg 93 mil EUR and Italy – 191,5 billion EUR. In fact, there are only seven NRRP that overpass 10 billion EUR and only six also requested a loan. This indicates that countries considered their needs, but also the opportunity to use other financing mechanisms for this purpose.

Figure no. 1 - Type of financing RRF



Source: own projection based on EC data

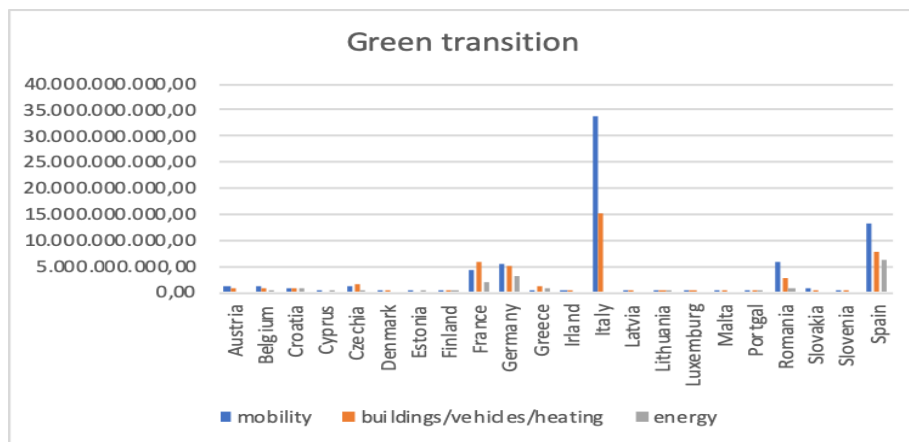
3. DISTRIBUTION OF FUNDING ON GREEN AND DIGITAL

From the total funding more than 50% are allocated to green and digital. For the purpose of this paper, we followed the main financing directions for each of the mentioned priorities, trying to identify the common grounds between the national plans. Also, as a methodology, we used the factsheets, as the whole assessment is complex and is part of a larger study under development at the moment. Even if the data is not absolute, it is enough to identify the main projects considered important by member states for this stage of the green transition or digital transformation. At the same time an exhaustive analysis is difficult to conclude as there are fields overlapping and thus touching more than one objective (Darvas et al, 2021) The weak point for this approach is that some data sets are not complete. Even as such, it is concluding for the approach of the states and for the RRF as a whole.

For the green transition, we considered three main pillars: mobility, energy efficiency of buildings, heating and green vehicles, and green energy projects. In the category of mobility, most countries considered green transportation solutions, such as railways, including the modernization of the existing one and electrification, and also the development of new ones. Green urban transportation is also included in this category, and states allocated consistent amounts in this direction (National Plans, European Commission, 2021). The energy efficiency of private and public buildings was a direction of financing considered by all National Plans, some of them offering substantial funds for this process. In some cases, this was correlated with the reconstruction of the buildings affected by earthquakes, such as the case of Croatia (National Plans – Croatia, 2021). The investments in energy are generally correlated with the hydrogen production and infrastructure (National Plans – France, 2021) or other green energy sources – solar or wind (National Plans – Spain, 2021) development of the energy infrastructure and connectivity, such as the EuroAsia Interconnector project in Cyprus (National Plans – Cyprus, 2021).

In addition to these pillars, there is also waste and water management, for which states requested funds based on their needs, and correlated them with the European targets in waste management in their countries. In this case, as in others, there are consistent differences among member states, as the request is correlated with the specific needs. As an example, Romania requested funds for waste management and water management as in these categories it is beyond the EU average level, and the previous funds were not enough to cover national needs in this case.

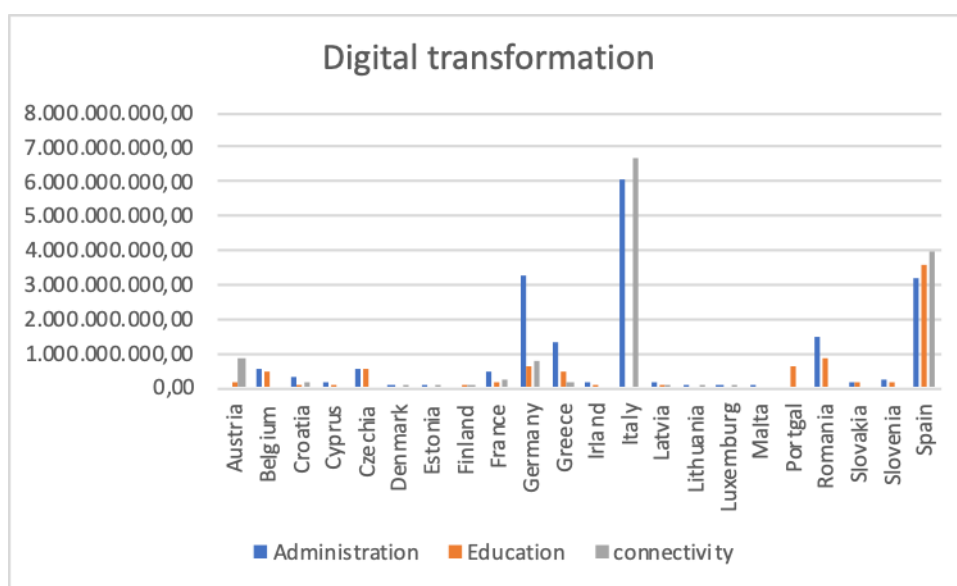
Figure no. 2 – Green Transition



Source: own projection based on EC data

The digital transition is concentrated around the digitalization of public administration, education and the connectivity. All the national plans included projects for education addressed to digitalization, funds included in Chart 3 and also funds for building skills and competences, in conjunction with the market needs and the evolution of the society. The digitalization of the administration receives considerable attention in national plans with states allocating considerable amounts for digital and interconnected databases, digital public services or cyber security. Also, the transition to new technologies is developed through these national plans with considerable amounts allocated to 5G transition, increasing the access to Internet in rural areas or towards the cyber security. Funds are also allocated to SME transition to digital.

Figure no. 3 – Digital Transition



Source: own projection based on EC data

4. CONCLUSIONS

From the presented data it is obvious that states have common grounds in constructing the NRRP by addressing similar problems of the green and digital transitions. But it is also obvious that there are considerable differences, which have different grounds. There is a minority of states which requested loans. In this case, the projects included under loans could have been financed through the Cohesion Policy, such as roads and motorways. For example, Romania included more than 420 km of road infrastructure. In this case, it is unclear why these projects were not included in the projects under the Cohesion Policy.

Another relevant aspect is the fact that most states implemented reforms in the climate and digital transition, and the targeted areas are similar, adjusted to the national needs. We can conclude that there is a philosophy in building the national plans and that they are directly connected to the green and digital priorities. It is debatable if states addressed the main problems they face, or if the reforms and funds will be sufficient for the desired target. On the other hand,

the Cohesion Policy will offer complementary funds, which will help states to reach the objectives and targets established by the state and EU.

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