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Taking aim at the economic and climate crises – but do member states' recovery plans really hit the target?

Italy, Spain, Hungary, and Romania's National Recovery and Resilience Plans (NRRPs) may well be off-target (and Poland hasn't published one yet). By not covering in sufficient detail all aspects of the green transition in their plans, these member states could be missing out on the chance to use EU recovery funds to tackle the economic and climate crises, and thereby to create a long-lasting economic recovery.

In our latest publication, "A Chance for a Greener Future: Recommendations for the Covid Recovery Plans", the PlanUp project makes recommendations on how these countries should (re)draft their plans – and which measures they need to include if they really are to hit the targets of economic recovery and a clean, green transition.

On 10th February, the European Parliament for its part approved the €672.5 billion Recovery and Resilience Facility (RRF), the largest element of the €750 billion Next Generation EU recovery package, designed to alleviate the socio-economic impact of the COVID-19 pandemic. This approval paves the way for the RRF to come into force in the second half of February and moves member states a step closer to gaining access to this much-needed funding. To be eligible for the funding, the NRRPs have to allocate at least 37% of their budgets to climate initiatives and at least 20% to digital initiatives.

Plans need to head in the right direction and be more specific

The draft NRRPs are important. The allocation of the €672.5 billion of recovery money – intended to also accelerate a green transition – is a moment of potential strategic transformation for Europe; and the NRRPs are a cornerstone of that transformation. But in some of the draft NRRPs, there is a clear contradiction between the 'green economy' promises made and some of the projects and priority areas for investment.

In their NRRPs, some member states propose allocating resources to projects that are **clearly at odds with the European Green Deal** – the European Commission's flagship initiative to make the EU's economy sustainable. Examples include Romania's unsustainable initiative to include major investment in gas infrastructure; and the refusal by the Hungarian government to invest in wind energy. Such plans represent a clear threat to creating a healthier and greener Europe.

There is also a common denominator running through the National Recovery Plans of Italy, Spain, Hungary and Romania: namely a lack of detail. Although there is still time for these countries to make changes to their Plans (the submission date is not until 30th April 2021), they do need to press ahead with the redrafting work. We have seen this lack of detail before – and it has resulted in weak outcomes. This was the case with the National Energy and Climate Plans (NECPs). In that case, there were some improvements between the draft and final NECP documents; but regrettably, **the lack of precision that was still evident in the final versions could undermine the effectiveness of what were potentially good policies.**

Addressing the gaps and building on the NECPs

The NECPs might have kick-started the green recovery process but the NRRPs are the next step towards bringing countries closer to a robust and credible recovery and resilience economy. The recovery plans can translate that ambition into concrete, measurable and sustainable funded initiatives.

Out of the assessed countries, Italy and Spain have the most complete NRRPs. They have dedicated the largest share of their recovery budget to the green transition, in alignment with most of the European Commission's recommendations based on their NECP. That does not mean that all that glitters is gold, however. The investment areas and projects are not sufficiently detailed across any of the targeted countries, including those two. These five governments have not yet disclosed how their projects will be funded. These plans lack any budget figures; specific timeline; criteria; impact objectives such as aimed emission reductions; co-benefits like employment figures; and they do not provide any details about the governance required to attain well-chosen and run projects.

This vagueness in the projects' description holds true across sectors and makes it difficult to assess the initiatives.

Even when energy efficiency and ***building*** renovations initiatives amount to the biggest share of these countries' funds, it is unclear if Italy's and Spain's NRRPs have addressed the existing gaps between the EU targets and what these member states put forward on energy efficiency and renewable energy. This could be highly problematic and it must be addressed in the final plans.

At the time of writing, we have not been able to review the recovery plan of Poland. However, we do have some ideas for how that document should look like. For example, the Polish government should consider removing existing energy barriers and further develop energy distribution. Spain for its part should include a detailed plan for the phase-out of fossil fuels, which is still missing in its draft plan. A large part of the Romanian planned investments, under thermal rehabilitation of buildings and district heating, is dedicated to the expansion of gas distribution networks. It is paramount that **the recovery funds not be used to finance fossil fuels and infrastructure that lead to stranded assets in the future**. Such projects are not financially sound, and risk to crowd out other investments with a higher impact in reducing greenhouse gas emissions.

Agricultural emissions are another area where the Italian, Spanish, Hungarian, Polish and Romanian governments must do much better. While the countries have listed ***agriculture*** as a priority area of intervention, they have merely focused on climate adaptation measures - such as water management - and left unaddressed emissions from soil cultivation and animal rearing. To move towards a sustainable, organic and innovative agricultural model, these countries should **economically discourage intensive agricultural and livestock practices, and promote low environmental impact practices**.

The reforms of the ***transport*** sector seem to go in the right direction. For the most part, the measures consist of the upgrade of public infrastructure by creating better interconnections and supporting electrification. Yet, in order to achieve their electromobility target, governments should have gone beyond their existing policies. For instance, Hungary should pay more attention to the interventions to boost private electromobility and to remove polluting vehicles from the market in its final plan. To this end, this and other NRRPs should include measures such a tax framework to support the use and purchase of low and zero-emission transport, and projects to increase the network of bicycle lanes and sustainable shared mobility.

The plans don't provide details or funds allocated to the development of zero-emission public transport outside metropolitan areas, or to projects aimed at decarbonising other transport industries such as shipping and aviation. These key areas should be assigned the funding that they deserve to be properly implemented and to contribute to the decarbonisation and competitiveness of the countries' transport sectors.

Last but not least, most of these recovery plans have not involved citizens in the drafting process of their NRRPs. For instance, Romania did not carry out any public consultation on its recovery plan and it is unclear whether stakeholders will be consulted before the submission of the final version in April 2021. Others like the Hungarian government did conduct a consultation on their priorities. However, the document had no details on the measures or projects funded through the recovery budget, and it is also unclear whether a follow-up consultation on the actual plan will be conducted. This situation is highly problematic knowing that the NRRPs will be financed by the taxpayer and they will have far-reaching effects on EU citizens' lives. By contrast, the Italian government consulted the public ahead of the publication of their draft plan, and another consultation is envisaged before the formal adoption.

It is crucial that the Italian government stand by its promises and other countries follow its lead. **Member states must prioritise transparent, effective and inclusive public consultations - with greater coordination between all decision-making levels - before the submission of the final recovery plans.** This will ensure public ownership and support for the NRRPs, and guarantee their coherence with the regional and local needs; and therefore, contribute to the effectiveness of the measures.

The clock is ticking

The money spent through the Recovery Facility will be used in the very near future and will have long-lasting consequences for the entire economy. The European Commission must instigate member states' obligation to involve the public and guarantee the recovery fund achieves its objectives.

If we are to see a real and successful transformation and re-launch of the EU economy, the final versions of the NRRPs need to be fully fit for purpose. Member states must submit specific measures – backed by EU citizens – that ensure the Recovery Facility funds are spent in a way that is both transparent and promotes a sustainable and green recovery and transition.