



# OPINION

European Economic and Social Committee

## **Cohesion policy in combatting inequalities – complementarities/overlaps with the RRF**

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The role of cohesion policy in combatting inequalities in the new programming period following the COVID-19 crisis. Complementarities and possible overlaps with the Recovery and Resilience Facility (RRF) and national recovery plans  
[Own-initiative opinion]

**ECO/550**

Rapporteur: **Ioannis VARDAKASTANIS**

Co-rapporteur: **Judith VORBACH**

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**EN**

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## 1. Conclusions and recommendations

- 1.1 Next Generation EU (NGEU) is not only based on solidarity between Member States but also symbolises the fact that the Member States have a shared vision for the future. Its confidence-boosting effect has already helped to reduce the likelihood of a deep crisis in some countries and its positive impact will come fully into play when actual spending starts. While the EESC highly appreciates that the EU has managed to draw up and adopt such a wide-ranging mechanism in such a short time period, the EESC also demands that every effort is made for its further improvement and to tackle possible shortcomings.
- 1.2 Overall, the EESC advocates a prosperity-focused economic and social policy where people's well-being is prioritised and no-one is left behind. In this opinion we focus on the ways in which cohesion policy and NGEU, primarily through its flagship Recovery and Resilience Facility (RRF), propose to remedy inequalities. NGEU will in fact contribute to upward convergence between Member States and may also enhance the fiscal space for social policy measures. But ultimately, the extent and the way that inequalities within countries and imbalances between regions are to be combatted through NGEU is the big challenge for the coming years.
- 1.3 There was already a huge problem of inequalities before the COVID-19 pandemic. The crisis has further highlighted and exacerbated these longstanding gaps in our societies, including the unequal distribution of income and wealth and access to healthcare and education. These inequalities vary according to gender, age, educational backgrounds and disability, as well as across regions, sectors and occupations. The pandemic has disproportionately affected women and young people. The incidence of COVID-19 infections has been highest for the most deprived people, which in turn can adversely affect their income. Poorer people are also less likely to be in a position to telework, which has proved to be a major factor in job losses.
- 1.4 The EU should take advantage of the unique opportunity represented by NGEU, to resolve deficiencies in social, economic and environmental policies and to implement a prosperity-focused approach. The EESC welcomes the fact that social goals, and particularly the goal of economic, social and territorial cohesion, are embedded in the six pillars of the RRF and that the assessment criteria for the National Recovery and Resilience Plans (NRRPs) include their social impact. Rightly, the Member States also have to explain how the NRRPs contribute to gender equality and equal opportunities for all. However, the EESC believes that the focus on fair distribution within the NRRPs and NGEU as a whole needs to be greatly enhanced and made more specific.
- 1.5 In order to make sure that NRRPs have a stronger social dimension, the EESC suggests that the Commission not only develops a methodology for reporting on social expenditure as provided for in Article 29(4) of the RRF regulation, but that it also develops a methodology assessing the social impact of the structural reforms proposed in the NRRP. In that context, it is highly debateable that the delegated act, which will provide specifications concerning the social dimension, will be made available only after the NRRPs have been drawn up and even after their approval.

- 1.6 One great challenge is ensuring coherence and synergies between cohesion policy and NGEU, particularly the RRF and React-EU. While it is important to avoid overlaps and confusion in the implementation of programmes, it is also crucial to ensure that the programmes do not contradict or undermine one another. Moreover, the potential prioritisation of RRF funding over cohesion policy due to the pressure on quick absorption may reduce attention and capacity to deal with the programming and implementation of cohesion policy funding for 2021-2027, contributing to further delays and issues of take-up of cohesion resources.
- 1.7 The EESC is concerned that, due to its different legal basis (see point 3.4), the provisions for reducing inequalities enshrined in cohesion policy are not reflected adequately in the rules governing the use of NGEU and the RRF. It is important that the extent and clarity of the social dimension within cohesion policy serve as a model for NGEU and the RRF. Furthermore, cohesion policy's strict rules on stakeholder consultation and particularly the partnership principle should be taken at very least as a blueprint for RRF procedures in order to direct investments efficiently towards measures of social inclusion and to fight inequality.
- 1.8 Given the conditionality of the disbursement of funds on the implementation of country-specific recommendations, it is all the more important that the European Semester is reformed, including minimum standards for the consultation of social partners and civil society, as outlined in the EESC's resolution on the involvement of organised civil society in the RRFs<sup>1</sup>. In the context of cohesion policy, NGEU and country-specific recommendations, the EESC strongly recommends a detailed focus on all different aspects of inequality and striving for sustainable and inclusive growth as well as a close follow-up of the way the funds have been spent.
- 1.9 Moreover, the EESC calls for the systematic integration of the European Pillar of Social Rights and the social scoreboard into NGEU and the evaluation of the NRRPs. As part of this integration, it must be ascertained that NGEU is aligned with the creation of decent jobs. Therefore, the disbursement of RRF funds to companies should be linked to certain criteria such as the application of collective agreements or providing high-quality jobs on the basis of national laws and regulations derived from national social partners' agreements. It needs to be ensured that the benefits of both the recovery and the green and digital transitions are shared by all people living in the European Union.

## 2. General comments

- 2.1 The EU has for a long time relied on its cohesion policy (CP), and particularly funds such as the Regional Development Fund and Social Fund, to reduce inequalities both between and within Member States. In 2020 the COVID-19 pandemic caused an extraordinary systematic and economic shock and exacerbated existing imbalances between Member States in a way that Cohesion Funds were unable to tackle alone. This led to the creation of a new funding initiative known as Next Generation EU (NGEU), a EUR 750 billion recovery package to be shared across the Member States.

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<sup>1</sup> [Involvement of Organised Civil Society in the National Recovery and Resilience Plans – What works and what does not? – European Economic and Social Committee, OJ C 155, 30.4.2021, p. 1.](#)

- 2.2 NGEU is not only based on solidarity between Member States but is also a significant breakthrough in the process of European integration, including for example debt mutualisation, by which we refer to the common issuing of bonds and collectively taking on debt. NGEU's confidence-boosting effect has already helped to reduce the likelihood of a deep crisis in some countries and its positive impact will come fully into play when actual spending starts. Due to its boosting effect on economic growth it will help to reduce unemployment. In the long run, NGEU is expected to considerably contribute to environmental, economic and social sustainability. The EESC considers that the NGEU represents a unique opportunity to strengthen the European social model and to build a competitive and integrated EU by contributing to a rapid, fair and sustainable economic recovery. Ultimately, it is likely that all Member States become net beneficiaries<sup>2</sup>. Finally, the EESC believes that European funds are not just numbers, objectives and deadlines, but symbolise the fact that the EU Member States have a shared vision of the future.
- 2.3 The RRF is the centrepiece of NGEU, with EUR 672.5 billion in loans and grants available to support reforms and investments undertaken by EU Member States. The aim is to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, inclusive, resilient and better prepared for the challenges and opportunities of the green and digital transitions.
- 2.3.1 It is structured around six "pillars", including economic, social and territorial cohesion; health and social resilience; and policies for the next generation, children and youth. Member States are required to foster synergies and promote close coordination between National Recovery and Resilience Plans (NRRPs) and cohesion policy programming. Moreover, NRRPs should effectively address challenges caused by increasingly divergent economic developments and different recovery paths which are not directly identified in the European Semester. Particularly relevant are the country-specific recommendations from the years 2019 and 2020.
- 2.4 As well as the RRF, NGEU also includes Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU), allocated EUR 47.5 billion. This is a new initiative aimed at extending the crisis response and crisis repair measures delivered through the Coronavirus Response Investment Initiative and the Coronavirus Response Investment Initiative Plus. However, in comparison with other measures, the budget available is quite small. It can therefore only contribute in a limited way to green, digital, sustainable, inclusive and resilient recovery of the economy. The funds from REACT-EU will be made available to the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Fund for Aid to the Most Deprived (FEAD).
- 2.5 Additionally, through cohesion programmes for the 2021-2027 programming period, a total of EUR 377.8 billion will be granted to Member States. This amount will be allocated through the following funds:
- the European Regional Development Fund (ERDF) aiming to correct development imbalances between its regions;

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<sup>2</sup> [The nonsense of Next Generation EU net balance calculations, Bruegel.](#)

- the Cohesion Fund supporting EU projects in trans-European Transport Networks, environmental infrastructure and projects in the area of energy efficiency and the use of renewable energy or sustainable urban mobility;
- the European Social Fund (ESF), and
- the newly created Just Transition Fund

### 3. Complementarities, synergies and gaps between the RRF and cohesion policy

3.1 Overall, the EESC advocates a prosperity-focused economic and social policy where people's well-being is prioritised and no-one is left behind. Among others, key policy objectives must be sustainable and inclusive growth, quality of life and reducing inequalities. The EESC calls for these objectives to be integrated into various policy areas, including tax, labour market, industrial and monetary policy. Within the European Semester, the Economic Governance Framework and the Multiannual Financial Framework, greater focus on solving the problem of rising inequality is strongly recommended. In this opinion we focus on the ways in which cohesion policy and NGEU, primarily through its flagship RRF, propose to remedy these inequalities.

3.2 The NGEU gross pay-outs are not based on very clear criteria. As such, NGEU is very likely to enable the EU's weaker economies to recover more quickly from – and to contribute to – upward real convergence, which the EESC considers very welcome. However, the extent and the way inequalities within countries and imbalances between regions are to be combatted through NGEU is less clear. In any case, overlaps between cohesion policy and NGEU mean that even adverse effects are very likely.

3.2.1 A level playing field in social and employment policies is of key importance and the NGEU provisions should require such reforms. The EESC points to its various proposals for tackling inequality within countries, for example through linking the public procurement system to certain criteria and programmes of support for vulnerable groups (e.g. Youth Guarantee). Quality of jobs and collective bargaining systems should be also promoted in this regard.

3.2.2 The support provided by NGEU funds may relieve the pressure on public budgets and enhance the fiscal space of more indebted countries in particular, which might also be used to improve social policy measures in order to soften inequalities. Moreover, the EESC recommends analysing the factors that have played a significant role in the deterioration of public finances in some Member States in the context of the COVID-19 crisis.

3.3 One great challenge is ensuring coherence and synergies between cohesion policy and NGEU, particularly the RRF and React-EU. From the NRRPs that have been submitted and made public as part of the RRF process, RRF and cohesion policy programmes appear at first glance to have a number of common goals<sup>3</sup>. However, the processes used to determine where investment goes seem to differ greatly, raising the question of whether the two can work in harmony. While it is important to avoid overlaps and confusion in the implementation of programmes, it is also crucial to ensure that the programmes do not contradict or undermine one another. The

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<sup>3</sup> [Recovery and Resilience Facility, European Commission.](#)

principles of cohesion policy, with its strict rules on stakeholder consultation, should be taken over by the RRF procedures in order to direct investments efficiently to measures for social inclusion.

- 3.4 Cohesion policy has a long tradition regarding the strategic earmarking of funds and resources for social objectives, as well as partnership and the mandatory establishment of Monitoring Committees representing a wide range of stakeholders and social partners in selecting projects. The effectiveness of these principles, while not waterproof in assuring quality investments, has nevertheless been generally proven over time by audits and ex-post evaluations. Unfortunately, these proven practices were only partly used when designing the NRRPs. The EESC calls on Member States to adopt practices such as the establishment of Monitoring Committees during the implementation phase of the NRRPs. The Monitoring Committees should include representatives of the social partners and civil society organisations.
- 3.5 If we look at the most recent Common Provisions Regulation (CPR) governing how Cohesion Funds are used, the rules that determine whether actions are eligible for funding are quite clear. For example, Article 67 states that "for the selection of operations, the managing authority shall establish and apply criteria and procedures which are non-discriminatory, transparent, ensure accessibility to persons with disabilities, gender equality". The EESC is concerned, that due to its different legal basis (see point 3.4) the provisions for reducing inequalities enshrined in cohesion policy are not reflected adequately in the rules governing the use of NGEU and the RRF. It is important that the extent and clarity of the social dimension within cohesion policy serves as a model for NGEU and the RRF.
- 3.6 Regarding partnership, Article 6 states that "For the Partnership Agreement and each programme, each Member State shall organise and implement a comprehensive partnership", which includes "relevant bodies representing civil society, such as environmental partners, non-governmental organisations, and bodies responsible for promoting social inclusion, fundamental rights, rights of persons with disabilities, gender equality and non-discrimination." The Enabling Conditions in the Annex to the regulation also strictly specify that EU funding must not contribute to the segregation of people in institutional care.
- 3.7 Like cohesion policy, economic, social and territorial cohesion are mentioned explicitly in the scope and objectives of the RRF. However, due to the fact that NGEU is based on the emergency Article 122 TFEU for unforeseeable, severe economic difficulties, the main principle there is solidarity. The RRF, on the other hand, is based on Article 175 TFEU, meaning that cohesion should be an objective reflected in the NRRPs<sup>4</sup>. A weak territorial dimension in the NRRFs can have potential implications for cohesion policy and territorial cohesion, including the reduction of internal disparities, the role of subnational levels, and the multi-level governance principle.
- 3.8 The overlap between cohesion policy and the RRF in some areas, including the green and digital transitions, raises particular concerns in terms of overlaps. In addition, the broad scope of RRF coverage of different subject areas makes it more challenging to define a clear focus and

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<sup>4</sup> [Recovery and Resilience Facility | European Commission](#).

ensure coordination with cohesion policy interventions in terms of cohesion policy's demarcation of the various sources, which is of the utmost importance for the reasons set out below. This is another reason why monitoring and participation of organised civil society is of such importance.

- 3.9 The potential prioritisation of RRF funding over cohesion policy due to the pressure on quick implementation/absorption (e.g. emergency nature, shorter lifespan, and tight timetable for NRRP) may reduce attention and capacity to deal with the programming and implementation of cohesion policy funding for 2021-2027, contributing to further delays and issues of take-up of cohesion resources.
- 3.10 Civil society and social partners have worked tirelessly to ensure strong wording in the Common Provisions Regulation (CPR), which governs the use of Cohesion Funds as well as other EU funding. The regulation for the period 2021-2027 clearly defines how resources should be used to further the social inclusion of marginalised groups and not further segregate them. It also sets out clear rules for the inclusion of civil society and social partners in the selection, governance and monitoring of EU-funded operations. This strongly contrasts with the RRF. Article 18(4)(q) merely requires that national authorities provide a summary of the consultation process. In practice, the lack of more detailed legal provisions regarding the involvement of social partners and civil society has resulted in completely inadequate public consultation on the part of the Member States and extremely poor levels of transparency, with many Member States not making their draft NRRPs publicly available at all.
  - 3.10.1 The EESC understands that the timeframe between the approval of NGEU and the deadline for the submission of NRRPs was short. It believes, however, that full and meaningful consultation of civil society and social partners should have been seized by the Member States as an opportunity to assist in more easily drafting quality NRRPs, rather than seen as a burden that many Member States chose to resist.
- 3.11 The lack of public scrutiny during the drafting period has resulted in a concern that Member States will use the RRF to circumvent rules that prevent them using Cohesion Funds for certain types of investment. This has already proven to be the case in some of the small number of draft NRRPs made available to the public, particularly regarding rules for investment in social inclusion. The rules set out in the CPR, particularly in its enabling conditions, were introduced at the demand of civil society and social partners. If there is no need to demonstrate that actions funded in parallel by the RRF will respect the strict principles upheld in the CPR in order to be approved, we have far less assurance that these principles will be respected. While it must be admitted that the CPR itself has not always managed to prevent misuse of funds, the regulation at least offers a basis on which to contest or request a halt to funding that does not meet the enabling conditions. With the RRF the ability to contest or halt the misuse of funds remains uncertain.
- 3.12 The EESC criticises the fact that the partnership principle was not respected in the designing of many NRRPs. The EESC sees the partnership principle and the involvement of organised civil society as key to effective policies and ownership. The partnership principle is part of cohesion policy's DNA. We have seen good examples of active participation by citizens, local



communities and civil society. For the implementation and a possible redesign of the NRRPs a more ambitious system of stakeholder consultation should be implemented taking the partnership principle as a blueprint. On local matters, community-led development strategies (CLLD), integrated territorial investments in cities, Urban Innovative Actions and Interreg cross-border cooperation provide many project examples across the EU, and this should also be reflected in the implementation of the NRRP.

#### 4. **Combatting inequalities through cohesion policy, Next Generation EU and the RRF**

4.1 Policymakers still face a high level of uncertainty concerning the evolution of the pandemic. Growth forecasts for the period from 2019 to 2023 have been revised downward in several countries. There will be considerable and increasing divergence in growth within the EU, which can to a large extent be explained by differing effects of the pandemic on different economic sectors. For example, countries with a large tourism sector suffered greatly, and arts and entertainment, trade, travel and accommodation, the retail sector and transport have also been hard hit<sup>5</sup>.

4.1.1 In addition the pandemic exacerbated longstanding gaps in our societies, including the unequal distribution of income and wealth, unequal access to healthcare and education and a different exposure to environmental damages and also caused social and financial exclusion. For example, in Germany the number of long-term unemployed people increased to over 1 million. Precarious workers in particular lost their jobs, as the number of unemployed precarious workers increased by 40%, most of them young people and women. In general, inequalities vary across gender, age and educational backgrounds as well as across regions, sectors and occupations. Vulnerable groups such as, for example, people with disabilities and migrants, suffer the most from the consequences of the health crisis.

4.2 In general, recessions are likely to cause more suffering from income losses for poorer people than for richer people. However, when an economic upturn comes around, poorer people are not the first to rebound, meaning the social inequalities caused, for example, by a financial crisis can be felt for decades. The increase in inequality resulting from the current crisis could be even sharper due to the adverse impact of the pandemic. We have seen that the incidence of COVID-19 infections is highest for the most deprived people, which in turn can adversely affect their income. Poorer people are also less likely to be in a position to telework, which has proved to be a major factor in job losses.

4.2.1 Moreover, sectors dominated by low-income workers (e.g. restaurants, travel, entertainment) have been particularly hard hit<sup>6</sup>. As the pandemic accelerated automation and digitalisation, including artificial intelligence, the demand for high-skilled labour increased, while low-skilled workers dropped out of the labour market<sup>7</sup>. It is also likely that long-term unemployment will have long-lasting effects such as a loss of skills and could hinder their reintegration into

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<sup>5</sup> [The great COVID-19 divergence: managing a sustainable and equitable recovery in the European Union | Bruegel.](#)

<sup>6</sup> [WP-2021-06\\_30032021.pdf.](#)

<sup>7</sup> [Stantcheva\\_covid19\\_policy.pdf.](#)

employment. Moreover, school and university closures affected the vulnerable parts of society the most.

- 4.3 Beyond the effect the pandemic had on material wellbeing, the EESC would also like to underline the disproportionate impact it had on people's safety and the enjoyment of their basic rights. It is no secret that health and care facilities became hotbeds for infections with high numbers of deaths, particularly when it came to older people and people with disabilities.
- 4.3.1 Overwhelmed hospitals in some Member States also put in place a *triage* system to determine who would or would not be allowed to receive emergency treatment. In some cases, serious discrimination arose. Age and disability were used to justify turning patients away, clearly exposing the priorities by which governments measure the worth of their different citizens. It is of paramount importance that this never happens again, and that vulnerable people are not treated as second-class citizens.
- 4.4 The EESC also points to the lack of high-quality data concerning the distribution of wealth. However, as early as 2016, the ECB concluded in its Household Finance and Consumption Survey that the distribution of household net wealth is "heavily skewed" in the euro area, in that the wealthiest 10% own 51.2% of total net wealth<sup>8</sup>. Other projections estimate an even more unequal distribution of wealth, suggesting that the richest one percent of households constitute a share of up to 32 % of total wealth. COVID-19 is very likely to deepen wealth inequality further. Overall, it seems to have induced an increase in savings. However, low-income households have cut their spending to a lesser extent than high-income earners. Because of the necessity of meeting subsistence needs, low-income households returned faster to pre-crisis levels than higher income earners<sup>9</sup>.
- 4.5 The pandemic disproportionately affected women. Women have had a higher likelihood of being laid off, furloughed or having to reduce their formal working hours for several reasons. They are more represented in some occupations that were hardest hit by lockdowns and a larger share had part-time or alternative work contracts. Firms have tended rather to protect workers on permanent work contracts. Moreover, women left their jobs or reduced their working hours due to the increase in childcare obligations caused by school closures. In addition, the pandemic widened the gender gap in unpaid home working<sup>10</sup>.
- 4.6 NGEU is meant to be one of the EU's main tools for mitigating the adverse social impact of the crisis, strengthening social resilience and enhancing employment. However, its success depends on how it is implemented. It is important that the various resources are spent effectively and in a timely manner, so that the recovery can be accomplished. Moreover, an efficient use of resources will also generate a climate of trust between Member States. All in all, it will be essential that NGEU is not simply used to continue investments already planned before the

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8 [European Central Bank. The Household Finance and Consumption Survey: results from the Second wave, No 18 / December 2016.](#)

9 [Stantcheva\\_covid19\\_policy.pdf.](#)

10 [Stantcheva\\_covid19\\_policy.pdf.](#)

pandemic, but to react very clearly to putting in place reforms to help prevent a reoccurrence of the worst impacts that COVID-19 has had on our societies.

- 4.7 The EESC welcomes the fact that social goals, and particularly the goal of economic, social and territorial cohesion, are embedded in its six pillars and that the assessment criteria for the recovery and resilience plans include their social impact, and Member States have to explain how the RRFs contribute to gender equality and equal opportunities for all. However, the EESC is concerned that the social dimension might not be adequately represented in the NRRPs or that certain measures are labelled "social" although they do not contribute to the social goals as specified in the regulation. So far, it seems unlikely that social disparities are effectively tackled by NRRPs. In order to make sure that each NRRP has a strong social dimension, the EESC suggests that the Commission not only develops a methodology for reporting on social expenditure as provided for in Article 29(4) of the RRF regulation, but that it also develops a methodology assessing the social impact of the structural reforms proposed in the NRRP. What is more, the focus on fair distribution needs to be further enhanced and made more specific.
- 4.8 The RRF should be used for reforms to help Member States recover from the impact of the pandemic. The EESC calls for investment to go first and foremost to groups which have been the most severely impacted by COVID-19, and lessons should be learned from where we saw people suffer the most during this health crisis. Particular investment should be targeted towards helping people back into quality employment, particularly women, young people, the long-term unemployed, people from ethnic minorities, people with disabilities and older people, whose share in overall society is likely to rise. Finally, the sustainability of pension systems has to be safeguarded.
- 4.8.1 It is imperative to reinforce public health services and public care, particularly in Member States where severe shortages have been revealed due to the COVID-19 crisis. It is the opinion of the EESC that the RRF is a unique opportunity for Member States to reform these types of services and also to create offers of personalised support for people in their community, including support for personal assistance and in-home support.
- 4.9 Moreover, it has to be ascertained that NGEU is aligned with the creation of decent jobs. The EESC recommends carrying out a policy approach already proven in the context of European structural funds, namely to link the disbursement of RRF funds to certain criteria. For instance, companies should only benefit from RRF resources if they apply collective agreements or provide high-quality jobs on the basis of national laws and regulations derived from national social partners' agreement, agree to reduce the number of precarious jobs (for example fixed-term, temporary employment unilaterally imposed by the employer) or have strong institutions for codetermination.
- 4.10 The delegated acts on the Recovery and Resilience Scoreboard and on the methodology for reporting social expenditure, including on children and youth, have yet to be provided. The EESC explicitly supports the European Parliament's call for the Commission "to ensure full transparency with regard to the timeline for the approval" of these acts, as well as "the swift

approval of these delegated acts before the summer recess"<sup>11</sup>. It is highly debateable that the specifications concerning the social dimensions will be provided after the NRRPs have been drawn up and even after they are approved.

- 4.11 Unfortunately, a specific condition for spending a certain amount of RRF resources for social projects is also lacking. Indeed, the share of spending directly linked to social targets is unclear and seems to be quite small. The EESC demands a clear report on the share and design of spending and projects that are deemed to meet social targets in general and social cohesion in particular. It also has to be ensured that the green and digital investments and all other NGEU expenditure are implemented respecting the target of social sustainability. Again, a clearer picture of the intended investment is demanded.
- 4.12 The reliance of RRFs on the European Semester process, country-specific recommendations and conditionalities is problematic, because in past years there have been a number of debatable recommendations, regarding, for example, health expenditure or pensions. Instead of linking the RRF to the European Semester, a clear earmarking of funds as a strict conditionality that ensures an effective absorption of EU funds would have been more appropriate. Given the conditionality of the disbursement of funds on the implementation of country-specific recommendations, it is all the more important that the European Semester is reformed, including minimum standards for the consultation of social partners and civil society, as outlined in the EESC's resolution on the involvement of organised civil society in the RRFs<sup>12</sup>. Effective involvement of national parliaments and the European Parliament is also needed.
- 4.12.1 In the context of cohesion policy, NGEU and country-specific recommendations, the EESC strongly recommends a detailed focus on all different aspects of inequality and striving for sustainable, resilient and inclusive growth as well as a close follow up of the way the funds have been spent. It needs to be ensured that the benefits of both the recovery and the green and digital transitions are shared by all Europeans, while bearing in mind implementation of the work to combat digital exclusion and energy poverty, which could be exacerbated by the transition.
- 4.12.2 The EESC welcomes the focus on the European Pillar of Social Rights and on the social scoreboard in the Semester process – and therefore also on NGEU. However, the EESC calls explicitly for their systematic integration into NGEU and the evaluation of the NRPs. The EESC particularly points to the positive signal from the Porto Summit that we should go beyond GDP as a measure of prosperity. NGEU must not only be assessed on the base of its interplay with the European Semester, but it must also be seen as a means of territorial and social cohesion and of implementing the respective programmes.
- 4.13 All in all, the EESC calls on the European Union to take advantage of the unique opportunity represented by NGEU to accelerate and foster much needed structural reforms and resolve deficiencies in social, economic and environmental policies and to implement a prosperity-

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<sup>11</sup> [Motion for a Resolution on the right of information of the Parliament regarding the ongoing assessment of the national recovery and resilience plans.](#)

<sup>12</sup> [Involvement of Organised Civil Society in the National Recovery and Resilience Plans – What works and what does not? – European Economic and Social Committee.](#)

focused approach. Given the long-term impact and deployment of the Funds, the EESC recommends building a consensus among political parties, social stakeholders, entrepreneurs, trade unions and civil society, to ensure the success of this opportunity to the greatest extent possible. The EESC believes that European funds are not just numbers, objectives and deadlines, but symbolise the fact that the European Union has a shared vision of the future.

Brussels, 23 September 2021

Christa SCHWENG  
President of the European Economic and Social Committee

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See Appendix

## APPENDIX

### Virtual Hearing in Germany on 23 June 2021 - The social impact of the COVID-19 crisis

It is above all measures at national level that have counteracted the negative social impact of the pandemic. Social security systems have worked well, especially unemployment benefits and short-time allowances. Support for the self-employed and businesses and the child bonus are also worth mentioning. These were complemented by the positive effects of EU cohesion policy measures, particularly the Coronavirus Response Investment initiatives and REACT-EU.

There is still no definitive picture of the long-term economic and social impact of the COVID-19 crisis. However, trends are emerging. Vulnerable groups include those in insecure employment, women, young people and people with disabilities. All regions are likely to be affected, with the extent of the impact depending on integration into global value chains and the sectoral and operational structure. In the first wave of the pandemic, the manufacturing sector tended to suffer, whereas in the second wave it was the services sector. While large enterprises were most affected proportionally, the scale of the negative impact was greatest for enterprises with fewer than 250 employees, especially micro-enterprises.

The German Recovery and Resilience Plan (DARP) received the green light from the European Commission on 22 April. The choice of measures was based mainly on the criteria of climate, digitalisation and country-specific recommendations. The DARP is also part of the German economic and future package, with a focus on cross-border high-tech projects. Equally important is the capacity to deliver up to 2026. It included projects in the areas of energy transition, digitalisation of the economy, public infrastructure and education, strengthening social participation and consolidating the health system. The DARP is very forward-looking and therefore also helps to translate political aspirations into reality.

There is a consensus that better involvement of social partners and civil society should take place in the framework of the DARP. The positive aspects of the partnership principle in EU cohesion policy have been highlighted, which ensures that social partners and civil society are properly involved in the planning and implementation of support. In this context, the German Trade Union Confederation (DGB) has also highlighted the importance of creating good employment in the regions particularly affected by structural change. The reason for not applying the principle is that the recovery and resilience plan is based on the logic of the EU Semester rather than cohesion policy. The government points to the novelty of the instrument, the limited time to draw up the plan and the fact that only a small part of the national measures were administered under the DARP.

There is criticism of the fact that 80% of the DARP budget is not spent on additional projects and that there is no explicit reference to the implementation of the European Pillar of Social Rights, while there is a broad scope for country-specific recommendations. This is answered by the fact that the DARP had to meet a large number of different objectives and that the link to the country-specific recommendations was strongly requested by the Commission. Last but not least, the DARP represents only 0.7% of GDP, i.e. EUR 25 billion. Overall, many social mitigation measures are already included in the national reform programme and there are also other relevant EU funds. The DARP and the national reform programme need to be seen in parallel and provide an overall picture.

Support from the Recovery and Resilience Facility (RRF) and the EU Structural Funds must be clearly distinct, and complement each other effectively. For example, in the field of energy efficiency, support under the DARP covers residential buildings while that under the ERDF covers non-residential buildings. In principle, the DARP must be consistent with the other programmes and not refinance existing measures, which would go against the prohibition of double funding. In order to reach agreement, the competent authorities are in constant dialogue. It is welcome that Member States have room for manoeuvre to tailor the interaction between the two fund structures at national level and to achieve the best possible synergies.

The EESC concludes from the country visit that the implementation of the NGEU is still in the development phase. There is currently still no robust data on the social impact of the crisis. However, further decisions need to be taken now. It is clear that there is a need for better involvement of social partners and civil society. It is important to draw a meaningful distinction between EU cohesion policy and NGEU measures. The good habits developed in cohesion policy must be continued by the NGEU or in the context of national recovery plans. Under the NRRPs, the proportion of funding with a social objective must be presented in a transparent manner. More attention needs to be paid to a fair distribution of funds.

### **Virtual Hearing in Greece on 22 July 2021 - The plans of Greece for the RRF and Cohesion Funds for the period 2021-2027**

Greece is expected to receive a considerable share of EU funding both through the Cohesion Funds and the Recovery and Resilience Facility (RRF). Regarding the Greek ΕΣΠΑ (the National Structural Reform Framework or NSRF in English) for 2021-2027, EUR 26.2 billion in total will be allocated to Greece for the next seven years, EUR 20.9 billion of this provided by the EU, the remainder being provided by the Greek State.

Greece is in a unique situation, which poses specific challenges for investment. Greece is very much in the middle of two crises: it has not yet recovered from the financial crisis that began in 2008, and is now in the midst of the economic and social crisis brought about by the COVID-19 pandemic. Recovery from the previous crisis has been slow and, even in the years leading up to the start of the COVID-19 pandemic, inequality in Greece was shown to be on the rise again. Marginalised groups, young people and persons with disabilities were among the last to bounce back from the last crisis, and again risk being the last to recover from the ongoing crisis.

The Greek ministries responsible for Cohesion Funds and the RRF claim that Greece shows clear strategic choices for the investment of EU funds, which go above and beyond requirements outlined in the EU Regulations that govern their use. Whilst the European Commission recommends that 25% of resources be spent on digitalisation, Greece will instead invest 38% of its resources in this area. Greece also clearly prioritises investment in making the country greener and combatting greenhouse emissions, and in improving the social inclusion of marginalised groups. Greece is also making the choice to double the resources recommended in the relevant EU Regulations for supporting young people's integration into the labour market. Greece's NSRF also points to the importance of the Child Guarantee for Vulnerable Children, and 8% of resources will channelled towards this.

Greek investments through the Cohesion Fund will also focus on the social inclusion of persons with disabilities. Greece's NSRF proposes investments in the integration of persons with disabilities into the labour market through vocational training, as well as support for independent living. There will be focus on long-term care reforms in light of the pandemic's impact on service provision for people requiring high levels of support. However, whether or not these reforms will be sufficient to improve the quality and strength of services, and their ability to be individualised and community-based, will need to be carefully observed when EU money starts flowing.

Points were raised regarding the current challenges Greece faces regarding digitalisation, namely the poor speed of its internet (particularly in rural areas and on the Greek islands), as well as the high cost of internet services for households compared to other EU Member States. Furthermore, the pandemic made it clear that Greece's level of digital connectivity resulted in many learners having their education severely disrupted over the past year. For learners with disabilities, the barriers were especially great, resulting in even more educational gaps compared to other learners.

The Greek authorities are fully aware of the demarcation between the RRF and Cohesion Funds. The ministries responsible for overseeing the use of these funds suggest that, while there are clearly shared objectives to be observed between both, a closer look shows that the actions planned under the RRF and cohesion policy are clearly distinct, and the approach to drawing up investment plans has eliminated the risk of overlap.

Greece's National Recovery and Resilience Plan (NRRP) is relatively clearly based on recommendations that emerged during the last European Semester cycle before was drafted and submitted. It has thus taken on board the relevant Country Specific Recommendations that the European Commission delivered to Greece. This explains the Plan's strong focus on improving access to the labour market, retraining, upskilling, the modernisation of the labour market, the link between education and the labour market, and lifelong learning.

Regarding the involvement of civil society and the social partners in the design of Greece's NRRPs, the outlook is mixed. This Plan was drafted very quickly and the views of some stakeholders were not taken sufficiently into account. There was an online consultation related to the Plan's overarching strategic priorities, but no such open consultation to scrutinise the Greek NRRP proposal as a whole. As such, while the NRRP reflects a number of the main calls by civil society organisations, some groups and social partners spot gaps when it comes to other areas. One gap that was raised during the hearing was that of insufficiently supporting SMEs, many of which face a real risk of bankruptcy in Greece because of the government's prioritisation of larger companies in its COVID-19 measures. Additionally, civil society partners asked for fairer distribution of the funds and the main focus should be on employment measures where more jobs should be created with better salaries.

There is little provision for the involvement of civil society and the social partners in the implementation of spending under the RRF. EESC participants advised that Greece needs to adopt a legislative initiative (like the partnership principle for the Cohesion Funds) at national level to observe the implementation of these funds, with the full and meaningful involvement of the aforementioned stakeholders.