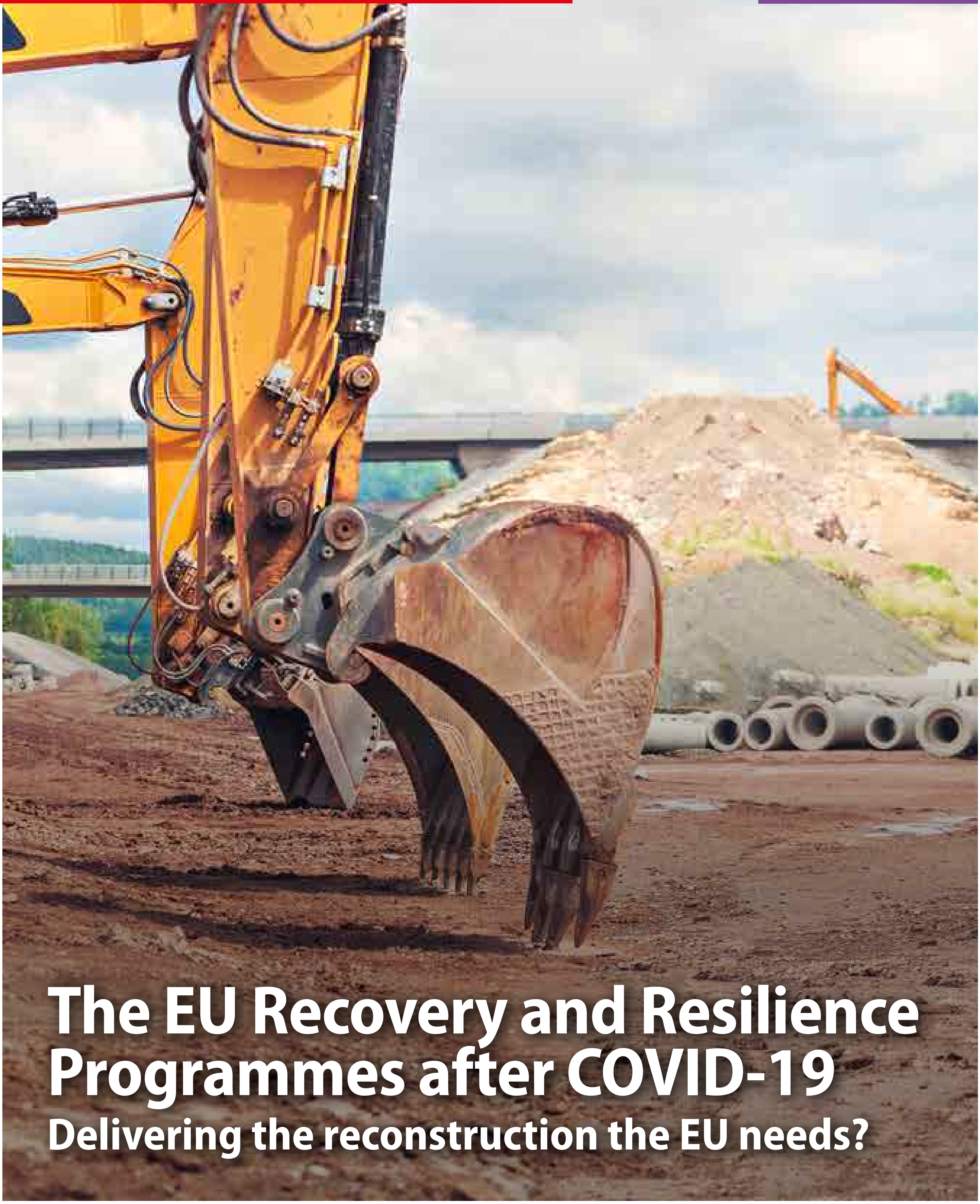
www.transform-network.net

transform! europe

eDossier

October 2022



The EU Recovery and Resilience Programmes after COVID-19

Delivering the reconstruction the EU needs?

The EU Recovery and Resilience Programmes after COVID-19

Delivering the reconstruction the EU needs?

TABLE OF CONTENTS

IMPRINT

transform! european network for alternative thinking and political dialogue
Square de Meeûs 25
1000 Brussels, Belgium

transform! europe is partially financed through a subsidy from the European Parliament.

Layout: sanja.at e.U.

Cover illustration: val_th/depositphotos.com

ISBN: 978-3-903343-34-4

Introduction and summary of some results of the studies on the National Recovery and Resilience Plans of the European Union in 2021

Roland Kulke

On 27 May 2020, the European Commission (EC) presented its proposals for financing the impact of the COVID-19 crisis. After tough negotiations, the EU Member States decided to set up a fund to allow themselves the necessary financial resources to tackle the impact of the economic consequences of the pandemic. The Next Generation EU Fund (NGEU) is a 750-billion-euro taboo-breaker that is welcomed not only by leftists. For the first time, governments decided that EU Member States would take on a relevant amount of common debt. This borrowing would be jointly secured and borne by the Member States. This is a completely different approach to how the crisis in the financial system was tackled, the start of which was marked by the collapse of Lehman Brothers on 15 September 2008. At that time, the battle cry was, "When everyone thinks of themselves, everyone is thought of". The politician who offered the strongest support to this slogan at the time was the German Minister of Finance, Wolfgang Schäuble, who went so far as to try to throw Greece out of the Eurozone, and thus de facto out of the EU, rather than waive claims in favour of German capital groups.

Is everything different this time? Is this the political learning effect hoped and called for by many? Has the EU really changed its paradigms and behaviour in a sustainable way? Despite positive developments to find – using Merkel's favourite words – "common solutions" to this issue, there are legitimate reasons to remain sceptical. Instead of institutional learning effects on the side of the EU, it is possible that instead what we are experiencing is rather a coincidental convergence of interests of different Member States, i.e., just a coincidental alliance.[1]

Be that as it may, at the moment the NGEU offers real starting points and opportunities to further develop the EU in a progressive way, e.g., through massive investments in climate-friendly production or improving internet access in rural areas.

Only time will tell how positive the consequences of the NGEU turn out to be and whether it was more than a "flash in the pan". As an organisation, *transform! europe* has been analysing and monitoring the political developments since the outbreak of the crisis. This is the second major publication dealing with the direct economic policy responses of the EU and its Member States. The first of these studies covered nine countries and was published in June 2021, entitled "Economic Anti-Crisis Measures of EU Member States after the Outbreak of COVID-19 in 2020".[2]

What was the issue at that time? On 19 March 2020, the EC adopted the "Temporary Community Framework for State Aid", and thereby de facto suspended state aid rules.[3] This gave the Member States extensive possibilities to support and restructure their economies with public money. One day later, the EC published its communication to the Council "on the activation of the general escape clause of the Stability and Growth Pact". Therefore, we asked ourselves how various EU Member States used their increased room for manoeuvre in their economic policy in response to the COVID-19 crisis. Within the progressive critique of the EU, a legitimate main argument is that the EU, with the neoliberal foundation of its economic policy, prevents the necessary socio-ecological turnaround of our economies.

1 An example of this interest-driven agreement is that the German industry imports 20,000 different preliminary products for its own car production from Spain and Italy every day. If the German government had not helped these two countries financially, it would have hurt German production, see Handelsblatt: "Chefs von Daimler, BMW und VW führten Krisentelefonat mit Merkel – Die Autoindustrie steht in der Coronakrise still. Bei einem Krisentelefonat mit der Kanzlerin wirbt die Branche um Unterstützung – für Spanien und Italien.", 2 April 2020.

2 The countries analysed in the study comprised Spain, Italy, Greece, Portugal, Czech Republic, Poland, Ireland, France and Germany.

3 Roland Kulke, Susanne Wixforth: Mehr Geld – weniger Zusammenhalt: Wettbewerb der Subventionen, 3 August 2020, transform europe; https://www.transform-network.net/de/blog/article/more-money-less-solidarity-competition-of-the-subsidies/

Once some of those essential rules were suspended, would Member States seize the opportunity and invest in social and ecological restructuring? The results of our studies could hardly be more disappointing in this respect. The governments of "Western Christian civilisation" seem to have followed Matthew 25:29: "For whoever has will be given more, and they will have an abundance. Whoever does not have, even what they have will be taken from them."

While the people applauded "frontline workers" in the evenings during the pandemic, these workers received very little extra pay, which they often had to fight for in tough strikes. Meanwhile, billions are thrown at big companies. The expression "thrown at them" is difficult to contest here, since numerous companies were granted billions of euros without having to fulfil any social conditions. For example, Lufthansa, which was completely privatised in 1997, received nine billion euros in support from the German state in 2020 to avert bankruptcy. In the same year, according to *Manager Magazin* (6 December 2020), it planned to lay off 29,000 workers.

The results of last year's studies show that governments' economically irresponsible actions are often not (only) due to EU rules. The governments of the EU Member States did not change the course of their economic policy even when they could have – or rather *should* have – according to EU rules.

The question is now what impact the NGEU fund, formally adopted on 12 February 2021, will have. The political scene in 2021 was determined by other important political decisions; the European Green Deal, adopted at the end of 2019, had to be backed up with follow-up legislation in the "Fit for 55" packages. Also important was COP26 in Glasgow in November 2021, where the EU promised to rapidly reduce its CO_2 emissions by 55% (hence the name "Fit for 55"). Not to be forgotten is the EU's Social Pillar, the strengthening and binding implementation of which has been bitterly fought over for years.

These are only a few of the relevant political framework conditions in which the political discussion on the NGEU took place. In order to learn more about the national plans, we asked authors from all corners of Europe for studies on the respective national plans related to the Recovery and Resilience Fund (RRF) produced by their governments. We made sure that the authors had a sense of the individual national discourses and power relations in their respective country and did not produce studies containing only abstract economic theory. Despite the COVID-19 pandemic and increased political workload, of the numerous authors requested, those from Austria, Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, the Netherlands, Poland and Portugal were able to deliver their studies. We would like to thank all of the authors for presenting great results in these difficult times.

What questions did we ask the authors? We wanted to know, among other things, how the potential return of austerity policies would be discussed in their home countries. Furthermore, the pandemic showed that, to our societies, the well-being of all is certainly not of central importance, as it would be in what feminist theory calls a "care society". We asked whether a care society was being discussed in the respective countries. But what about the climate policies of the states, and what about the enormous goal of further digitalisation? Much of what the left wants to implement cannot be achieved without an industrial policy that is really and truly guided by the state. So, how was the role of public enterprises discussed in the EU in 2021? Last but not least, we asked for left alternatives to the hegemonic state projects.

HERE IS AN OVERVIEW OF THE STUDIES' RESULTS.

First of all, a (not-so) shocking fact: only as a result of EU pressure were Member States required to include minimum amounts for investments in digitalisation and climate protection in their plans to be able to claim money from the NGEU. States had to allocate at least 37 percent of the money they received from the EU to climate projects and at least 20 percent to digitalisation. In total, the EU estimated the NGEU to be worth 750 billion euros (according to the monetary value of 2021; by now in 2022, we have reached over 800 billion euros)[4]

4 An important question is: why does the EU insist on at least 37% climate investments if countries will not manage to achieve this? Why did this requirement become binding at the EU level if this cannot not be enforced in the Member States in this way?

What is truly shocking is that due to pressure from the so-called "frugal states", there was a macroeconomically absurd change to the original plans: the envisaged 750 billion were no longer in total conceived as subsidies. Instead, a large part will only be granted in the form of loans. These, however, increase the national debt of those EU Member States that take advantage of them. This is absurd because it is precisely these Member States that are so poor that the subsidies are not sufficient to help their economies and yet they still increase their national debt. With rising public debt, the danger of being exposed to speculative attacks by the financial markets increases.

However, there are hopeful signs from the Netherlands. The new government seems to be adopting a less harsh austerity policy internally, which increases the possibility that the front of the frugal states could crumble. This in turn would increase the chances for reforms of the Stability and Growth Pact.

The national political framework of the RRF plans was characterised by a variety of often self-inflicted problems.

To illustrate the diversity of national political situations, three examples will suffice: Portugal suffered an 8.5% decline in GNP in 2020 due to the global pandemic. This was largely caused by external factors. In 2021 in France, on the other hand, the situation was different. Under the Macron government, the exacerbation of the domestic situation was so serious that ATTAC France felt compelled to accuse Macron himself of promoting the fascist danger in the country (see French study). In the Czech Republic, the 2021 government suffered from a massive loss of revenue. Following neoliberal models, a tax reform had been implemented in 2020 that systematically undermined the revenue base of the public sector. This self-inflicted austerity policy then determined the national debate on how to deal with the windfall from Brussels. A similar situation can be found in Austria, where the external budget is now being used for core government projects – also because of the ongoing discussion on tax reform.

How was the potential return of austerity policy/Troika perceived?
As everyone knows, "in capitalism there is no such thing as a free lunch." Therefore, it is unlikely that Brussels will suddenly become a selfless saviour. Scepticism about the EU's socio-economic governance thus remains appropriate despite the 750 billion euros put aside for NGEU. In this context, we had two main questions for our authors: firstly, if and how the public would discuss the danger that politicians could return to austerity policies like those of the 2008 financial crisis, which was neoliberally rewritten by the media as a sovereign debt crisis and then politically re-evaluated. Secondly, we wanted to hear initial assessments of what the EU's possible terms for receiving financial resources would look like.

In the last crisis after 2008, the Member States subjected to the Troika regime had to cut the pensions of their workers, attack trade union rights, extend working hours, etc., and to compensate they received money in the form of loans.[5] This structure of cooperation in the EU is called the "conditionalisation of aid". It is about the Member States having to commit to implementing neoliberal reforms single-handedly determined by the EC. Our question was: do we already know about the conditionalities in the National Recovery and Resilience Plans (NRRP) that the states sent to the EC in April 2021 in order to receive their share of the NGEU funds? What reforms have the states committed to in the RRF plans? [6]

Regarding austerity, for example, the case of France is interesting. The country is strong enough to be able to act largely independently of the dictates from Brussels. In her study, the author assumes that austerity measures will be implemented after Macron's probable re-election. However, their implementation would not be caused by the EU,

5 For further information on the austerity policies the EU has been trying to impose in recent years, see the study by Emma Clancy commissioned by Martin Schirdewan (MEP, The Left in the European Parliament): Discipline and Punish: End of the road for the EU's Stability and Growth Pact? 2021.

6 It would take us too far afield if we discussed the ethical foundations of so-called conditionalities. It might be interesting to look at conditionalities in terms of the socio-psychological development of societies. Conditionalities basically follow the thinking of archaic sacrificial rituals in which one sacrifices to the gods in order to receive something practical in return from the "higher authority" – "do ut des". Here, studies by Lawrence Kohlberg and Jean Piaget would have to be examined. At least it looks as if the EU has stopped here at the pre-conventional level of ethical development.

but by Macron's neoliberal attitude. In the Czech Republic, the government itself tightened austerity policies in 2020. The Italian study seems to answer the question about the possible return of austerity in Italy by asking: was austerity ever ended after the last crisis in Italy? It is also often forgotten in Northern Europe that Greece is still under EU surveillance regarding its national budget. The conservative Greek government is taking advantage of this situation to further attack workers' rights and privatise the economy. Denmark is one of the driving forces behind the EU's widespread austerity policies. Furthermore, the Danish government does not need pressure from Brussels to implement austerity policies against the working class.

Portugal's case is symptomatic of a wider problem, in that fear of the Troika's return can prevent smart economic policies. The shock of the Troika in Portugal led the government to accept less money from the EU than it was entitled to. 2,300 km north-east of Lisbon is Vienna. There, every critical observer understands why it is rational that the Portuguese government is reluctant to accept the EU's offer. The Austrian government is the leading force behind EU austerity policies. Since 2020, Austria has openly pleaded for a return to the rules of the EU's Maastricht Treaty as soon as possible.

In the case of conditionalities, the studies offer some exciting results.

transform! europe will take a closer look at conditionalities in 2022, also considering the question of what we already know in 2022 about how the EC intends to deal with them. Because that is the perfidious thing about the whole system of bilateral agreements between states and the EC: the EC can largely decide on its own – without any real influence from the European Parliament (EP) – what conclusions to draw from the actions of the states. It is up to the EC to decide whether to impose penalties on Member States or not.

I would like to single out France and Italy here to clarify an important theoretical finding. We are talking about "voluntary self-binding" actions by national governments through commitments to the EC. This concept is based on the idea of Stephen Gill.[7] He analysed the internationalisation of the globalised neoliberal order and came to the conclusion that state elites secure their hegemonic power through the use of international organisations such as the WTO, the IMF and also the EU vis-à-vis their own population.[8] In this context, Gill speaks of a "new constitutionalism". Neo-Marxist theorists of European integration today speak of an "authoritarian constitutionalism" to describe the recent changes in the European treaties. More recently, in his book "Globalists: The End of Empire and the Birth of Neoliberalism", Quinn Slobodian has shown how neoliberal elites after 1945 have tried to use international organisations (including the EU) which are beyond the reach of national parliaments to shield the free-market radical competitive society from two forces: firstly, from random parliamentary majorities at the national level and secondly from the organised working class with its trade unions.

The work of "New Constitutionalism" is relevant to understanding some of the findings of the studies here. In the studies, we find examples of "self-binding" to prevent potential left governments from making policy changes. If we take the work of Gill and Slobodian seriously, we understand that elite members of the financial system, such as Macron (partner [or *associé-gérant*] at Rothschild) or Draghi (former Managing Director and Vice-President of Goldman Sachs), deliberately subject their countries to an order beyond the reach of their national parliaments as heads of government, following this model. While the German government used its room for manoeuvre to fend off pointless demands from Brussels, Macron's government voluntarily wrote the pension reform and the unemployment benefit reform into the French NRRP. Thus, the EC can oblige any future non-neoliberal government of France to fulfil these goals. The same has been done by Draghi, the liberal Italian head of government who carries the hopes of many people. In the "country-specific recommendations" for Italy, the EC has called on the country to further eliminate collective agreements, thus weakening trade unions, and to cut pensions. This does not seem to be part of the NRRP. What is

7 Stephen Gill; Claire Cutler: New Constitutionalism and World Order, Cambridge, CUP, 2014.

8 Still relevant, and supporting this perspective, albeit with different terminology and from a liberal perspective, is Andrew Moravcsik: The Choice for Europe – Social Purpose and State Power from Messina to Maastricht, Ithaca NY, Cornell University Press, 1998.

explicitly stated there, however, are further privatisation plans, which will naturally lead to the weakening of trade union rights.

In the Austrian plan, there is an obligation to increase retirement age, which is nothing but an announced pension cut. In its concrete form in Austria, this case primarily targets female workers, because the span of their working lives is now to be brought in line with that of men.

It should be pointed out once again that in the distribution of public money, the states largely have to fulfil conditions, but when companies receive public money, this is not the case (see Lufthansa example above). Conditionalities thus only exist for democratically accountable governments, not for explicitly undemocratic private companies. This case is particularly clear in the study on Greece, which points out that more than 18 billion euros are given as grants to companies without any award criteria being mentioned in the Greek National NRRP.

On the question of involving civil societies in planning processes for NRRPs

What do our EU governments think about involving their national civil societies in the planning processes? In short, one can only say that they do not think much of it. There are some impressive figures on how much input was received from individual civil societies, for example in Portugal. But a comparison of the original Portuguese draft with the final NRRP sent to the EC shows that public participation was probably just a sham. In Austria, civil society complained not only that the government systematically failed to involve CSOs, but also that projects which have long since been decided upon were now simply funded through EU money.

By not listening to civil society, the Austrian state apparatus thus missed out on possible learning processes and stuck to well-trodden paths of economic development. This can be clearly seen in figures: out of 32 projects submitted, only five were not already planned beforehand. The study on Germany mentions similar "relabelling" of long-planned projects.

What about the content of climate investments? Is a green transformation of our economic systems going to happen?

The extent to which conservative elites on our continent have understood the seriousness of the situation is shown by the statement of former Austrian Chancellor and former conservative hopeful Sebastian Kurz, who, when asked about climate protection, replied: "I don't think at all that our path should be back to the Stone Age."

Denmark is an example of how numbers do not necessarily tell you anything about content. Denmark is a rich country, and therefore will only accept the NGEU grants, not the loans. 60% of the money is set to be invested in climate projects, and another large part will go to investments that are supposed to support the digitalisation of the Danish economy. But as the article on Denmark shows, the plans basically only promote the competitiveness of the country's own national export model. This is not a socio-ecological turnaround. This is rather what critics call green-washed capitalism.[9]

In Poland, the situation is more drastic: there, climate projects are only funded through the money from the loans and are thus indirectly under pressure to "pay off", whereas the digitalisation projects can be supported using the subsidies. In the Czech Republic, digitalisation is hailed, and as the study makes clear, the government would probably have gladly dispensed with the 37% minimum investment in climate projects.

The phenomenon of a lack of state planning capacities becomes relevant here. This phenomenon mainly affects the poorer states of Central Eastern Europe but also tends to affect all old, industrialised countries in the 21st century.

9 An example of this argumentation is provided by Ralf Fücks, the long-time executive director of the political (Heinrich Böll) foundation of the German Greens: "Those who want to reconcile freedom and ecology must above all focus on innovation and promote competition for the best solutions. This is not a rejection of state intervention in the market. Even a liberal environmental policy cannot do without limit values and bans. But they are not the ideal solution to the ecological question. More effective is the inclusion of ecological costs in pricing… The way to climate protection is via a successively increasing CO_2 price… The second major advantage is that it steers the own initiative of companies and consumers in a sustainable direction without imposing regulations on them", in: "Aufbruch in die ökologische Moderne", APUZ, Nov 2019.

The state administration has neither the intellectual capacity nor the manpower to undertake strategic planning.

It is worth recalling the beautiful story that the Italian motorways, which were developed as public infrastructure in the 1960s, were in some cases finished over half a year before their planned completion. Planners in the industrious flagship country of Germany, with its attempt to build an airport next to its new capital Berlin, could only dream of this.

The Greek study focuses particularly on the question of the planning capacity of the state apparatus. But it seems to be the case here that a government close to the financial oligarchs is deliberately foregoing planning in favour of the real economy. In France, a CO_2 tax is to become the main instrument in the fight against climate change. This is a clearly regressive means of redistribution towards the rich.

Will NGEU help to equalise economic structures within the EU?

Perhaps the biggest shortcoming of the NGEU is that while it raises money collectively, and also sets minimum criteria at the EU level, it then leaves implementation to the respective national governments. The structural EU problem here is that the 27 NRRPs will in part implement meaningful projects. But any visions to future-proof our economies end at the 27 national borders. So, there is no real Europeanisation, but rather many national projects – and this makes it difficult for the periphery of the EU to catch up.

Unfortunately, we cannot rely on the periphery governments to make up for this shortcoming. The Italian government is perhaps guiltiest of this failure.[10] Investment has been declining in Italy for years. While in 1996 around 18% of machinery in Italian companies was more than 20 years old, in 2019 this figure was already almost 48%.

Draghi, as a former financial manager, relies rather on neoliberal voodoo politics, one may say.[11] There is, by any means, no other way to understand how the Italian NRRP is supposed to work. It is envisaged to help private households and the state to get out of debt. Furthermore, the plan assumes that there will be no export boom. At the same time, although no increase in demand is envisaged either nationally or internationally, companies are expected to massively increase their investments. Why should they do that? Is, say, Elon Musk's Mars settlement going to create demand? Italy is more likely to face what Richard Koo called a "balance sheet recession" when he looked at the EU after 2012.[12]

Portugal's government is blessed with similar optimism and believes that by 2030, deeper integration into international value chains would allow 50% of its GNP to be generated by exports. This would be because by 2030 the Portuguese economy would reach the EU-wide average productivity.

Poland's and the Czech Republic's plans are not much more promising. The Czech study makes it clear that the government remains faithful to the only development model it seems to know: that of a dependent economy. [13] This runs so deep that, as the study on the Czech Republic shows,

10 In addition to the study in this collection, the article by Nadia Garbellini should also be recommended: Italy's Recovery Plan Shows Why Public Spending Isn't Always "Left-Wing", Jacobin, 25. Jan 2022; https://www.jacobinmag.com/2022/01/italys-recovery-plan-shows-why-public-spending-isnt-always-left-wing.

11 "Voodoo economics" is an accusation that has been levelled at neoliberal politicians since Reagan for their faith in the rationality of the market. What worries critical observers of the Italian situation is Draghi's belief in the mystical power of the market. Under Draghi's editorship, the "Group of Thirty", a neoliberal fiscal lobby group, wrote an extensive paper on how to rebuild economies after the COVID-19 pandemic. In this paper, there were repeated reminders in relation to economic recovery that "This may require a certain amount of 'creative destruction'". This was written in a report explicitly about public intervention in the economy, not about laisser faire; Group of Thirty: Reviving and Restructuring the Corporate Sector Post-Covid – Designing Public Policy Interventions, December 2020, the co-chair of the editorial group was Draghi; https://group30.org/images/uploads/publications/G30_Reviving_and_Restructuring_the_Corporate_Sector_Post-Covid.pdf

12 See also Roland Kulke, "Die große Krise der EU und ein Vorschlag worauf sich die europäische Linke als gemeinsamen Kampf konzentrieren könnte", in: Europa eine Stimme geben, ein Europäische Lesebuch, 2018, pp 108-116.

13 I would like to refer here to a study by Ilona Švihlíková, who is not only the author of the study on the Czech Republic in this collection, but whose paper "How has Czechia become an economic colony" will be published this year by my colleague Dagmar Švendová. There, the problem of the unwillingness of the leading forces of the Czech state apparatus but also of the representatives of national capital to even think of a more autonomous economic development of the Czech Republic is discussed.

even attempts to secure national food sovereignty are torpedoed.

What about the discussion of a "care society" in the individual countries?
Austria can be considered a significant example. Despite all its problems, the country can be described as prosperous. Nevertheless, according to government statements, 76,000 jobs in the health sector will remain unfilled until 2030. The government clearly does not want to change course, because only 2% of the EU money is earmarked for this sector, even after a devastating pandemic has swept around the world. Instead of a targeted strengthening of the health sector, privatisation is to be pushed ahead.[14] In the Czech plan, the health sector comprises the smallest planned investment framework of the NRRP. In Denmark, a law was even passed to end the hospital workers' strike in June 2021. Thus, we see that, so far, in the EU Member States there is no real attempt to move towards an economy that affords the care sector its rightful place.

What are the left's alternative plans?
The speed at which state executives have often pushed through the planning processes has prevented more elaborate alternative plans from the left. Syriza's plan seems to be the most elaborated. However, the studies also show that there is well-founded left knowledge in all countries. [15]

The examples summarised here are no more than a small collection of the many insights to be found in the studies. We wish our readers a lot of enjoyment, insights and knowledge and also hope they see that at the European level some things are possible, even if this is insufficient and by no means perfect.

Roland Kulke, March 2022

14 On the demands for a feminist stimulus package in Austria, see the work of the collective "Femme Fiscal".

15 Poland probably constitutes an exception because of its national characteristic that many progressive organisations see the EU as the ultimate anchor for the rule of law, so there is little criticism of individual policies such as the NGEU.

ITALY

***Matteo Gaddi** – Neoliberal Reform without economic development: The case of Italy*

The National Recovery and Resilience Plan (NRRP) received a very positive reception by the European Commission. This assessment should not be surprising,

> the NRRP is a massive investment plan that goes in the direction of contributing to the path of restructuring of European value chains that began a few decades ago, with Italy playing the role of sub-supplier of chains having their head in the manufacturing centre of the continent – namely Germany and France.

I. STRUCTURAL DECISION FOR THE PLANS

In Table 1, we can see the overall structure of NRRP with measures and funding.

The Italian government has decided to use the entire amount of resources earmarked for our country, i.e., both the 68.9 bn. Euro in grants and the 122.6 bn. Euro in loans: thus the use of all the 191.5 bn. Eurowill be subject to European rules, i.e. the "conditionalities".

This choice is difficult to understand; in fact, one should access a loan if the conditions are favourable: "favourable" meaning both the full possibility of deciding on the use of the resources obtained and the cost of financing. From this last point of view, which is the real topic of debt, it is useful to stress that the issues of Italian Treasury bonds in recent months have gone very well thus continuing a path of low debt costs that has been taking place for several years.

According to data processed by the Ministry of Finance[16], in the last 5 years only in 2018 did the average interest rate barely exceed 1% (1,07%), while in all other years it was lower.

For public bond issues in 2020, gross yields have been negative (i.e. below 0) for almost all short-term bonds; and only for BTPs (Buoni del Tesoro Poliennali, i.e. Multi-year Treasury Bonds) with 5-year maturities have they begun to exceed 1%. In 2021, things seem to be even better.

The amount of debt securities sold has always been lower than the amount requested, a sign that there is high demand, with very low interest rates, which means a low cost of financing the debt.

Table 1 The overall structure of Italian NRRP

Missions	Pnrr	React EU	Complementary Fund	Total
Digitalisation, Innovation, Culture and Competitiveness	40,73	0,8	8,54	50,07
Green revolution and Ecological transition	59,33	1,31	9,32	69,96
Infrastructures for sustainable mobility	25,13	0	6,33	31,46
Education and Research	30,88	1,93	1	33,81
Social cohesion and inclusion	19,81	7,25	2,56	29,62
Health care	15,63	1,71	2,89	20,22
Total	191,5	13	30,64	235,14

16 Department of the Treasury: Historical main interest rates http://www.dt.mef.gov.it/it/debito_pubblico/dati_statistici/principali_tassi_di_interesse/archivio_tassi_interesse/

Thus:

> why instead of financing itself directly, has the Italian government decided to use all the European resources, thus forcing itself to comply with European rules and conditions?

Moreover, we must understand whether austerity has actually been defeated. There are many doubts in this regard.

The amount of public debt reached by all countries are undoubtedly changing from the strict austerity policies of some time ago. The Economic and Financial Document (DEF)[17] by the Italian Government reports the net borrowing as a ratio of GDP in 2020, which stood at 9.5%, an increase of almost 8 percentage points compared to 2019 (1.6%), as a result of both the exceptional fall in GDP and the spending measures adopted to mitigate the impact of the pandemic. The debt-to-GDP ratio in 2020 reached 155.8%, compared to 134.6% in 2019.

Presenting the DEF, the Government raised the limit on net borrowing and the net balance to be financed for 2021 with an additional variance of €40 billion: this implies both a higher deficit equal to 11.8% of GDP and debt equal to 159.8% of GDP.

However, it is necessary to remain vigilant against attempts to return to the austerity: the DEF Document indicates a reduction in both the deficit/GDP ratio (from 11.8% in 2021 to 3.4% in 2024) and the debt/GDP ratio (from 159.8 per cent in 2021 to 152.7 per cent in 2024). It is true that the improvement in these ratios can be attributed to GDP growth, but it is not certain that this is sufficient to achieve results in terms of employment and social conditions.

Moreover, the recommendations and conditionalities imposed by the European institutions are very worrying.

In the 2019 the country-specific recommendationsfor Italy required to ensure a nominal reduction in primary public expenditure of 0.1% in 2020, corresponding to an annual structural adjustment of 0.6% of GDP based on the requirements of the Stability and Growth Pact.[18] A similar recommendation it has been expressed in the 2021. For Italy, this reduction means a cut of just under 700 million euros of public expenditure: given the austerity policies of recent years, we need to increase public spending, not reduce it.

The NRRP reports an estimate of its own macroeconomic impact as a percentage deviation from the baseline scenario of some selected variables. However, the Government's estimate does not include, among the variables considered, public consumption expenditure (essentially, salaries and the purchase of goods and services by the public administration).

Since the document constantly refers to budgetary prudence and to the increase in investment expenditure to the detriment of current public expenditure, it seems useful to explicitly calculate the change in the latter as it emerges from the Government's estimates.

Table 2 Macroeconomic impact of the NRRP

	2021	2022	2023	2024	2025	2026
Pil	0.5	1.2	1,9	2,4	3,1	3,6
Private consumption	-0.2	-0.6	-0.6	0	1	1.9
Public consumption	-0.7	-1.7	-2.8	-3.5	-4.5	-5.2
Total investment	2.8	7.6	11.6	12.5	11.8	10.4
Imports	0.2	1	1.9	2.7	3.4	4
Exports	-0.2	-0.5	-0.2	0.6	1.6	2.7

17 Ministero dell'Economia e delle Finanze, *Documento di Economia e Finanza 2021*, 15 aprile 2021.

18 European Commission, Brussels, 5.6.2019 com(2019) 512 final

As can be seen in Table 2, current public expenditure is expected to be cut substantially. Considering that the plan envisages increases in some items (school, health, judiciary, civil service, etc.) this means that the cut in the remaining items will be even greater.

Other elements that emerge from the analysis in Table 2 are the constant increase in net imports (thus the deterioration of the trade balance, as we shall also see later) and the initial reduction in demand for private consumption.

A worrying recommendation was made with regard to pension expenditure, which was considered among the highest in the European Union, thus

> European institutions have called on Italy to implement reforms that raise the retirement age and lower the amount of pensions received by workers.

There is also a reference to the collective bargaining system in the field of trade union relations: "*The initially envisaged reform of the collective bargaining framework aimed to bring wages and salaries more in line with economic conditions at the regional and firm level*", the objective, therefore, seems to be to push in the direction of overcoming the National Collective Labour Contract, in favour of decentralised bargaining (i.e., at the level of each individual company). This implies the weakening the National Contract in favour of the company or territorial one means weakening the bargaining power of workers and their organisations.

Other worrying recommendations concern privatisation and liberalisation in public services, as we shall see later.

Fortunately, for now, reforms related to the recommendations on pensions and collective bargaining are not included in the NRP, but the one on the privatisation/liberalisation of public services is. The liberalisations and privatisations carried out in Italy, especially in the energy and telecommunications sectors, have contributed to the dismantling of public industry, handing over these strategic sectors to the market. In these sectors, investments are no longer decided based on public interest, but on the basis of profitability: the example of telecommunications is striking.

For several local public services (transport, waste collection, water) there is still the possibility of in-house management through completely public companies; but the European institutions want to overcome this anomaly in favour of the market and private companies.

The other reforms contained in the NRP mainly concern the reform of public administration and justice: although there are reasons to support the need for reforms in these areas however, again, for the NRRP the main reasons for these reforms concern their functionality for the private business system.

A CARE-SOCIETY?

The NRRP includes a number of measures covering both social services and health-hospital services, as can be seen from the table below.

These are undoubtedly important interventions. For example, 602 Territorial Operations Centres (COTs) are to be set up to organise and coordinate these services in the field of home care, and 381 Community Hospitals, etc. are planned for intermediate care.

However, there are concerns.

For example, to ensure that these investments translate into good services for the population, it is necessary, as requested by the Trade Unions, first and foremost to develop an extraordinary plan for the recruitment of permanent staff, together with the stabilisation of temporary workers, after years of cuts in spending on personnel.

In addition, the nature and management of these structures and services must be public; unfortunately,

> in Italy both social and health services have seen great privatisation processes over the years, which must be overcome in favour of the role of the public sector.

Table 3 Measures about "Care Society"

Initiatives in DRRP Component		Bn DKK	Share %	CO_2e 2030 (Mt)	GDP (%, 2 yrs)	Green	Digital	Other	Business	Households	Other	Total
1	Healthcare	244	2,1			0	14	230		14	230	244
2	Agriculture and environment	1320	11,4	-0,1		1040	0	280	660	180	480	1320
3	Energy efficiency	2040	17,6	-0,1	0,03	2040	0	0	515	1210	315	2040
4	Tax reform	3905	33,7	-0,5	0,22	1628	1724	553	3899		6	3905
5	Road transport	1625	14,0	-2,1	0,02	1550	0	75	500	635	490	1625
6	Digitalisation	665	5,7		0,01	0	665	0	250	165	250	665
7	Green R&D	1800	15,5		0,03	700	440	660	1450		350	1800
Initiatives in Total		11599	100,0	-2,8	0,31	6958	2843	1798	7274	2204	2121	11599
Share						60%	25%	16%	63%	19%	18%	100%

CLIMATE AND DIGITAL POLICIES

In the Italian NRRP, these two objectives are clearly expressed in the first two missions. Mission 1, to which € 40.73 billion in resources are earmarked, envisages interventions in the digitisation of the public administration, the digitisation and innovation of the production system and tourism and culture 4.0. Mission 2, on the other hand, to which € 59.33 billion has been allocated, envisages interventions in the circular economy and sustainable agriculture, renewable energy, hydrogen, the network and sustainable mobility, energy efficiency in buildings and the protection of land and water resources. Beyond these two specific missions, the environmental and digital objectives also cut across other missions, for example some interventions in the infrastructure and health sectors. The amount of resources earmarked for these actions will therefore be significant: the NRRP has estimated that at least 27% of resources will be allocated to the digital transition and at least 40% to the ecological one.

> The question that must be asked is: will these investments be able to drive productive activity and employment in our country? To answer this question, it is necessary to understand the state of our industrial production structure in these sectors: are there industrial companies located in Italy producing systems and technologies necessary both for "clean" energy and digital transition?

It is not enough that there are companies capable of providing energy or digital *services*, but it is equally necessary that there are *industrial* companies capable of producing goods and technologies necessary for these services. If the production of these goods and technologies is not balanced between the Member States, it is clear that the imbalances within the EU area would be further exacerbated.

To try to understand the capacity of the Italian industrial system to make these products, we computed, by using the Comtrade database (for the year 2019), the total exports and imports produce relative to each transition; the difference between these, and the ratio of exports to imports.

The latter ratio is a (very) crude indicator that tells us to what extent a country is unbalanced towards exports or imports.

Since the ratio is calculated as exports/imports:

- if the ratio is equal to 1, it means that there is a balance between exports and imports;
- if the ratio is greater than 1, it is presumed that the country is a net exporter;
- if the ratio is less than 1, it is presumed that the country is a net importer.

Looking at the total amount of goods needed for the digital transition in the case of Italy the imbalance (i.e., the difference between exports and imports) in favour of imports is 12.8 billion euros, with a ratio of 0.44.

Germany, although is a net importer of 30.5 billion euros, has a less negative ratio than Italy (0.7).

From the point of view of the green energy technologies, while Germany is a net exporter of more than EUR 1.3 billion (German exports are more than 3.7 billion euros) with a ratio of 1.3, Italy is a net importer of almost half a billion, with a ratio of 0.6 (Italy imports more than 1 billion euros of goods and technologies for "clean" energy).

The Italian NRRP envisages various interventions in the renewable energy sector, but very little attention is paid to the industrial production of the necessary technologies and products.

This is very worrying because in the energy sector it is expected that in Europe the installed photovoltaic capacity will increase from 152 GW to 442 GW by 2030 and that the increase, as far as Italy is concerned, will mark the passage from the current 21 GW to over 52 GW.

A previous version of the NRRP recognised that national production of photovoltaic panels was around 200 MW per year (i.e., 0.2 GW) and proposed to increase this production to 2 GW by 2025 and 3 GW in the following years. Italy, therefore, putting together the data on imports and installed industrial capacity, risks – without intervention on its production apparatus – to use the resources of the NRRP to increase the share of imports from abroad.

The industrial production of these products and technologies, should be central to ensuring that the ecological transition creates production capacity and jobs.

The same reasoning applies to wind turbines production, from which Italy excluded itself, due to lack of proper industrial policy: among the top 15 manufacturers in the world there are eight Chinese companies (Goldwind, Envision, Mingyan, etc.), the American giant General Electric, the Danish company Vestas, two German companies (Enercon and Senvion), two German-Spanish companies (Siemens-Gamesa and Nordex-Acciona) and one Japanese-Danish company (MHI-Vestas).

The hydrogen sector is one of the most important of the NRRP's renewable energy component: production is to take place in disused industrial areas; it will be used to environmentalise hard-to-abate industrial processes and in road and rail transport etc. These projects are part of the hydrogen strategy defined by the European Commission, in which it is expected that in the next decade the installed capacity will increase from 70 MW to 40 GW (increase more than 50 times), and that by 2050 a production capacity of 500 GW of electrolysers will be in operation.

The NRRP only remarks the need to establish a hydrogen supply chain and to create a *European* champion in the production of hydrogen technologies, and the only national industrial commitment mentioned concerns the target of 1 G of electrolysers per year, but in fact there is no concrete industrial project foreseen. Therefore, there is the risk that also these products will have to be imported.

As for investments in the TLC sector there are 6.31 billion euros to build ultra-fast networks (ultra-wideband and 5G) to ensure connectivity at 1 Gbps even in the grey and black areas (i.e., those with a market failure), schools, National Health Service, the smaller islands, and to encourage the spread of 5G infrastructure.

Once again, after the dismantling of the Italian industry that produced telecommunications equipment, Italy has become dependent on foreign producers, with plants located in other countries. The main producers of telecommunications equipment and systems are the Chinese Zte or Huawei, or the multinationals Nokia, Ericsson, and Cisco. Again, therefore, without a national industrial apparatus, the resources dedicated to these investments will only increase imports.

The sustainable mobility sector is also part of this "import-logic". The NRRP earmarks 3.64 billion euros for the renewal of green bus and train fleets: to increase the number of environmentally friendly buses, the purchase of 3360 ecological buses by 2026 and 53 electric and hydrogen-powered trains is planned. For the bus sector the NRRP merely indicate as industrial objective the creation of sufficient production capacity and the technological transformation of its supply chain, but

> in Italy domestic bus production has collapsed dramatically over the years: suffice it to say that 4.357 buses were registered in Italy in 2019, but only 148 were produced in Italy.

There are at least three major responsibilities about the collapse in buses production: one on the Fiat Group, which has left Italy to produce buses only abroad (France and the Czech Republic); one on the Italian government, which has never planned bus orders for public transport; and finally on the public company – Finmeccanica – which has gradually left this sector without political intervention. Only the metalworker trade union FIOM-CGIL, in 2012, presented an industrial proposal to create a national public bus production hub by merging two plants into a single company in order to safeguard this important industrial production, the jobs and the professionalism/skills of the employees. This company, with a public majority, has been set up and is only slowly resuming production volumes.

NATIONAL INDUSTRIAL POLICIES

The general framework of industrial policy that inspires the Italian NRRP undoubtedly falls within the neo-liberal framework. Already in mission 1, one of the main objectives is that of '*improving the business environment to facilitate entrepreneurship and competitive conditions in order to favour a more efficient allocation of resources and increases in productivity*'.

Classic neo-liberal elements are included in this objective: the improvement of the business environment refers to the horizontal industrial policies which aim to avoid direct public intervention, which must be limited to ensuring the best possible environment for private entrepreneurial activity; the efficient allocation of (scarce) resources recalls the neo-classical paradigm according to which if the market is left free to operate it is able to optimise the allocation of production factors.

The public sector must limit itself to eliminating the so-called "market failures" – i.e., obstacles to the operation of free competition: "*The protection and promotion of competition (..) are essential factors in fostering economic efficiency and growth and in ensuring post-pandemic recovery"*.

The NRRP therefore identifies the need for the adoption of a competition law to be approved on annual basis, thus responding to one of the country specific recommendations of the COM.

This will pave the way to further privatisation and a reduction of public interventions: in fact, an increase in competitive procedures (i.e. tendering) is planned for the award of contracts for local public services and the introduction of neoliberal measures in the energy, water, waste management and transport sectors.

This means that one of the objectives of the NRRP is to define a regulatory framework in which the ordinary method of managing local public services will be tendering, limiting the possibility of public management.

In favour of the privatisation of infrastructures and essential services, there is also Article 177 of the Code of Tenders, which obliges the concessionary companies to outsource 80% of all the activities: the trade unions have estimated that there could be a loss of between 80 and 95% of the workforce, which in the electricity and gas distribution services would mean about 150.000 jobs.

This decision seems absurd: in view of the investments planned for the coming years, the public management of networks and services is the only guarantee of continuity and quality. However, if one considers the neoliberal approach the choice appears dramatically consistent with the objective of handing over strategic and highly profitable sectors to private companies.

Regarding the digitalisation of the public administration (6.14 bn. Euro) the NRRP assigns these measures directly to private companies since the government will define a list of certified providers to be used.

The NRRP is even more explicit when it comes to allocating public subsidies to businesses to make investments: public resources will be granted very generously and without imposing any constraints on the beneficiaries. This is particularly the case with the "Transition 4.0" project, to which EUR 13.97 bn. Euro are earmarked).[19] These are resources earmarked for tax incentives for companies that decide to invest in machinery, technologies, plants and R&D activities linked to Industry 4.0, "*to increase the productivity, competitiveness and sustainability of Italian businesses*".

Compared to the previous "Industry 4.0" Plan introduced in 2016, this intervention confirms the extension (already in place as of 2020) of the scope of potential beneficiary companies thanks to the replacement of the hyper-depreciation with the tax credit mechanism. It further extends the range of eligible intangible investments and increases the percentages of credit and the maximum amount of investments eligible for incentives: in other words, by raising all the ceilings, it increases the public resources available to individual companies.

The stated objectives envisage that at least 69,900 companies will use the Transition 4.0 tax credits, broken down as follows: 17,700 for tangible capital goods 4.0; 27,300 for intangible capital goods 4.0; 13,600 for standard intangible capital goods; 10,300 for research, development, and innovation activities; 1,000 for training activities.

This decision involves at least two types of consideration. The first: a recent survey carried out by Ucimu (the machine tool industry Association) highlighted how the machinery of Italian companies in 2019 is made up, for 47.9%, of plants over 20 years old, while in 1996 this class of machinery represented only 18%. The average age of the machinery fleet in 2019 reached 14 years and 5 months, while in 1996 it was 10 years and 1 month. It is therefore clear that Italian industrial investment has slowed down significantly in recent years.

Given that the Industry 4.0 Plan was presented in 2016, it is fair to assume that the few investments that companies have made, have been financed by public resources.

Secondly, these resources will be given to companies without imposing any social or industrial constraints on them, such as a ban on: a) redundancies, b) relocating production, c) outsourcing parts of the cycle, d) contracting out, etc. Other conditions could also have been introduced, such as the need to guarantee the full exercise of trade union rights, to negotiate the quality and volume of investments, to guarantee the democratic representation of all workers involved in the production process, and ensure health and safety conditions by means of appropriate investments and measures, etc.

None of this has been foreseen: companies will be able to receive huge public funds without being subject to any kind of social and industrial commitment.

Even the huge amount of public funding for businesses provided for by the various decrees passed to tackle the crisis was almost completely devoid of any social conditionality; even in the case of capitalisation instruments (i.e. funds set up to strengthen the capital of businesses) it was provided that this intervention would take place through the subscription, by the State, of debt securities of businesses that do not give the public the right to vote, so as not to alter their governance.

WHAT ARE ALTERNATIVE PLANS FROM THE LEFT TO THE NATIONAL GOVERNMENT PLANS?

The NRRP, as we have seen, must be rightly and strongly criticised. But at the same time, we should try to act to present alternative industrial projects to the logic that inspires it. In Italy, with some trade union structures of FIOM and CGIL, we are working towards this goal, directly involving workers and delegates to "use" their skills, knowledge and experience in the various industrial sectors.

19 Plus over EUR 5 bn. Euro from the National Complementary Fund, i.e., resources with which the Italian government has supplemented the scope of the Recovery. In total, therefore, 18.461 bn. Euro.

For example, in the NRRP an interesting investment is dedicated to "*Industrial sector policies and internationalisation*", for which 1.95 billion euros is foreseen.

This investment could tackle one of the chronic problems of the Italian industrial system, the small size of companies. The size of small and micro-enterprises, much vaunted from the point of view of flexible production, has only meant a deterioration in working conditions, as well as the difficulty of making investments, R&D etc.

These industrial weakness and social problems should lead to the objective of overcoming the small size, promoting real aggregations, with public bodies acting as an aggregating pole.

This objective is indicated in the NRRP in an insufficient way. That is why, with some local CGIL and FIOM structures, we are trying to use this opportunity to put forward industrial policy proposals.

For example,

> a public Fund would be needed expressly dedicated to the aggregation of SMEs, with a public entity that would perform an aggregating function by entering the share capital of the new company.

For example, the Italian National Development Bank (*Cassa Depositi e Prestiti*) could use the Consolidation and Growth Fund, which is dedicated to the acquisition of direct shareholdings in the capital of SMEs with the aim of encouraging aggregation processes within their respective production chains.

In this context, therefore, an industrial policy worthy of the name should identify precisely which SMEs are involved in the production of: a) the same type product; b) products that are complementary to each other or parts of products that are sequential to each other; c) products destined for the same customers.

Once these enterprises have been identified, a project must be defined for aggregation/size growth that includes the support of industrial policies for the supply chain that: strengthen the link between client enterprises and supply aggregations/clusters; set-up workers' rights and measures for stabilising and qualifying workers; allow employment growth; and developing the management of the supply chain.

This lack of attention to supply chains does not seem to capture at least two aspects.

The first relates to the inexistence of phenomena of reshoring, which would have led companies to shorten their supply chains, re-internalising or bringing back to the territory phases of the production process previously delocalised.

Reshoring, despite the rhetoric at the height of the pandemic, does not yet appear to be a widespread phenomenon, as shown by the data in the recent Bank of Italy Note: over 60% of companies with plants abroad had not reduced their international presence in the last three years, nor did they intend to reduce it in the future; 78% of companies with foreign suppliers did not intend to reduce their number; only 1.9% had done reshoring in the last three years. Reshoring, therefore, is a goal that must be concretely constructed through industrial policies aimed at rebuilding production cycles in the territory, it will not take place on the basis of market mechanisms.

The lack of materials, which is interrupting production chains and causing the suspension of many production activities, should also be addressed. For example: the microchip supply chain has shown its fragility, especially when moving from one node to another. Semiconductor manufacturers are not integrated, and the production of components is spread all over the world.

The Italian NRRP is totally inadequate (investment in the production of silicon carbide (SiC) microchips had already been planned by the companies). Again: the problem of the shortage of other raw materials, like plastic and steel, has not even been addressed. Therefore, to strengthen the industrial system, we must first of all strengthen these supply chains by localising their production in the country.

> In the Italian NRRP, not a single word is said about the automotive sector, nor concrete measures are envisaged for the central theme of batteries.

Stellantis recently announced an investment in Italy for a gigafactory but, so far, there is no a concrete project. The only thing mentioned in the NRRP is the problem of "*developing a European battery industry in which Italy should also participate along with other countries such as France and Germany…*". While the French government has decided to intervene directly to support a project for the production of batteries for electric cars and in Germany investments have already been confirmed, in Italy we are far from any concrete prospect. The 1 billion euros allocated in the NRRP to support production chains in the battery and renewable energy sectors thus runs the risk of turning into classic horizontal industrial policy interventions. Instead, these funds should be used for industrial investment, with a strong public role.

More generally, our aim is to try to build industrial projects using the instrument, provided for by Italian law, of "Development Contracts" (*Contratti di Sviluppo*).

These contracts are entered into by a public body (*Invitalia* Agency), which operates under the directives and control of the Ministry of Economic Development: the contract provides financial support to Industrial Development Programmes, i.e. programmes concerning an entrepreneurial initiative aimed at the production of goods and/or services, for the implementation of which one or more investment, research, development and innovation projects are required.

In this way, specific social and industrial objectives can be imposed on the companies involved in these contracts. The working groups we are setting up with trade union delegates cover several industrial sectors, in addition to those mentioned above: hydrogen, agricultural machinery and the agro-food chain, aerospace economy, electric motors, generators and alternators.

In doing this work we are using two classic tools of the 'Italian tradition': the workers' enquiry and the production conferences; both are centred on the direct participation of workers in the construction and running of these projects.[20]

CONCLUSIONS

The Italian Plan, which envisages a substantial amount of investment, could be a turning point compared to the austerity policies of recent years. However, it is inspired by a neoliberal logic that risks blocking the possibility of pursuing industrial policies aimed at creating good jobs. In fact, the Plan does not address the issue of the necessary reconstruction of the Italian industrial structure, which in the past, in the sectors affected by the planned investments, had achieved excellent results.

Several factors have contributed to the destruction of large sectors of the Italian industrial structure. Certainly, the decisions to privatise and dismantle public structures (IRI – Institute for Industrial Reconstruction; Ministry of State Holdings) pursued by Italian governments over the last 30 years have played a decisive role.

The decision to turn historic enterprises (such as Olivetti, which had built the first electronic computer – Elea – in 1959 and the first PC – P101 – in 1965!) into financial instruments for acquisitions by unscrupulous managers was equally important.

To this must be added the many sales of important companies to foreign groups and the withdrawal from strategic sectors, such as telecommunications and energy equipment.

Last but not least, the complete freedom left to companies, despite the fact that they have always benefited from strong public support: the Fiat case in the automobile and means of transport sector is the most striking example.

If the Recovery Plan is to be an opportunity to relaunch industrial production and create good jobs, then industrial policies and direct interventions are needed from the public sector.

Neither the government nor any party seems willing to propose this: it is up to the workers and trade union to put forward these proposals and mobilise for their support.

20 The workers' enquiry is a method of intervention that involves close cooperation between researchers and workers, eliminating any separation between them. The enquiry is conducted together, with the workers as the direct protagonists: it is not only a tool for producing knowledge, but also and above all for union or political intervention.
In this case, thanks to the knowledge and experience of the workers, it is possible to reconstruct the state of the art of these industrial sectors and collectively construct industrial policy proposals.

GREECE

***Eleftheria Angeli** – The case of Greece: "The state does not know and should not choose investments"*

In its third crisis in a row, after the financial crisis and the refugee crisis, the European Union has decided to move in a different way, so in 2021 we witness the peculiar scene of European Commission officials, traditionally the enforcers of austerity, cautioning governments not to raise taxes or cut public spending prematurely.

Through the tool of the Recovery and Resilience Fund, the EU actively supports economies and societies by overcoming the existing contradictions within it. This does not mean that the EU suddenly has turned into harmony. The proposal for the Recovery Fund met with organized and persistent resistance from specific governments like the Netherlands, while at the same time the final decision, unfortunately, leaves open doors to turn the financial support of the states into long-term surveillance and austerity policies. Euro area wide, debt is more than 100% of GDP, far above Maastricht levels. The criteria of 60% and deficit of 3% are met only by Luxembourg from the Eurozone countries! Therefore, it is of outmost importance and necessity a revision of the Stability Pact, as long as its suspension lasts until December 2022, to avoid a new debt crisis and harsh austerity in the European South. These risks primarily threaten Greece, which is heavily indebted with public debt exceeding 200% of GDP and after the pandemic faces a new skyrocket increase of it.

In Greece, the total fiscal interventions amounted to approximately € 23.9 billion, equivalent to 15.8% of Greece's 2019 GDP, out of which, net fiscal intervention reached € 14.9 billion, while the rest was guarantees through various financial instruments for stimulating liquidity. For 2021 the initial Budget forecast was € 7.5 billion; however the extension of the lock down and the measures aiming at supporting individuals and businesses raised the estimate at approximately € 11.5 billion. The consequence of the expansionary fiscal policy was recording a high primary deficit of 8.4% for 2020. According to statements of Christos Staikouras (New Democracy Party) Minister of Finance, the upward trend of public debt will continue in 2021 due to prolonged cessation of economic activity and their continuation support measures create reasonable uncertainties for the budget result. The public debt rose to the level of 205%, while based on estimates, the period of 2021 and 2022 there is a relative de-escalation, but close to levels of 200%.

Greece, still under economic surveillance even after the memoranda, recently completed the 12th assessment of the creditors. Although the covid pandemic highlighted that the fiscal measures of austerity and social pressure immensely failed, strict tones were expressed about the overdue State debt as well as outstanding pensions, which are huge issues for Greece. Sadly, after this, experienced executives of the Ministry of Labor and Social Affairs spoke of "financial management at the 2007-2009 levels" bringing back the discussions of austerity and suppressed financial capabilities. Greece, still under the creditors' surveillance, recently completed the 12th assessment of the economy, highlighted by an overdue State Debt

Resources of Grants and Loans for Greece

The financial data of the Recovery and Resilience Fund for Greece set a total budget of € 30.9 billion. The budget is divided into grants of € 18.2 billion and loans of € 12.7 billion. This is considerable sum, over 15% of the country's GDP, by 2026.

The Bank of Greece hypothesis for the calculation of the macroeconomic consequences of the Fund in the Greek economy, considers that 67% of the grants (i.e € 12.2 billion) will be used to finance public investments (p. 139 of RFF plan) and 33% (€ 6 billion) will be used to finance public consumption.

→ diese drei Zeilen nur als Box benutzen, dann löschen. Das habe ich hier eingefügt da es aus zwei Teilen besteht, die ich zusammengesetzt habe] "Greece 2.0" envisages the strengthening of the main systemic banks and consciously downgrades a key growth lever, the Development Bank… Via this development model almost 90% of small and medium enterprises are excluded from financing.

"Greece 2.0" envisages the strengthening of the main systemic banks and consciously downgrades a key growth lever, the Development Bank, which will receive only € 500 million. It is clarified that banks will finance businesses solely on the basis of banking criteria. The € 12.7 billion provided by the Recovery Fund for private business lending, will go to those who already have access to bank lending. Via this development model almost 90% of small and medium enterprises are excluded from financing, as well as start-ups that can guarantee the long-term and decent development of the country. In other words, money goes to money. We can therefore conclude that there is no prediction of alleviating social inequalities in this challenging period for the Greek economy, which counts more than 700.000 small and medium enterprises. The term of "economic Darwinism" comes up once more, with an opportunity for the current government to clear up the SME entrepreneurship and seize the existence of struggling companies.

Pillar	Budget Recovery Fund (in € million)	% of the total
1.Green Transition	6.026	38%
2.Digital Transformation	2.136	13%[21]
3.Employment, Skills, Social Cohesion	5.208	25%
4.Private Investment and transformation of the economy	4.821	24%
Total of Grants	**18.191**	
Total of Loans	**12.728**	
Total of RR Fund	**30.919**	

The government intends to direct all of these funds to private investment in the form of loans or other repayable financing. The purpose is obvious: to repay the loans from the companies to the public and therefore in turn the public to repay the borrowed funds of the Recovery Fund in the EU, without burdening the public debt. The loans will be directed to private investments that fall into five general categories: a) digital transformation, b) green transition, c) outward-looking economy, d) development of economies of scale through partnerships, acquisitions and mergers, e) innovation – research & development.

The € 18.2 billion of the subsidies are distributed in pillars and actions, without substantiating either the criteria by which the intervention was chosen, or why they are financed with the specific amount.

Horizontal actions do not specify specific policy objectives (eg specific objective of industry participation in GDP or export growth), so that their effectiveness can be assessed. There are no sectoral policies: industry, agriculture, services do not need – according to the government – special planning.

The disbursement of resources until 2026 will follow the following distribution, according to what is mentioned on page 146 of the Greek RRF Plan:

	2021	2022	2023	2024	2025	2026	2021-2026 total
RRF Funds (bn Euro)	3.97	5.31	5.31	5.31	5.31	5.31	30.50
of which							
Grants	2.35	3.15	3.15	3.15	3.15	3.15	18.08
Loans	1.61	2.16	2.16	2.16	2.16	2.16	12.42

Absence of Civil Society and public dialogue

It is of great concern that the Greek government did not discuss with anyone a plan that goes far beyond its constitutional mandate. Among the various governmental announcements, one thing is clear: the government has not drawn up a plan for the "next day".

There was zero dialogue with representatives of the productive sector, the scientific chambers or the civil society.

It did not set quantitative and measurable targets. It did not clearly describe the vision for Greece in six years – what will this country produce, in which sectors will it invest, what infrastructures will it promote? Instead of asking

21 According to the Report of the Recovery Fund, additional digital projects are included in pillars 1,3 & 4 to achieve the total target of 20%.

these questions and seeking answers, the government has compiled a list of projects that lack public strategy.

A short overview of the Recovery and Resilience Fund plan (just 50 pages) was put up for public online consultation from 25 November to 20 December 2020, a very short time allotted for such an important text. Also, there were no intermediate stages of consultation during which the bodies could have all the information needed from the Ministry on the technical issues of the Fund, to submit proposals that would be compatible with the technical limitations set by the Fund Regulations (i.e., eligibilities). The consultation and discussion were only about the amount of grants, i.e., the € 18.2 billion, while the € 12.7 billion, being the amount of loans, corresponding to 41% of the total budget of the Fund, were not set and are not planned to be put in any consultation. Finally, the structure of the text with its generalities and vagueness did not help since there was not the slightest reference to specific reforms and projects.

"The state does not know and should not choose investments"[22], are the exact words used by a leading government official in the relevant presentation of the RRF plan for Greece.

This statement summarizes the government's perception of the Recovery Fund. It is a statement in stark contrast to the current debate, inside and outside the European Union, about the return of democratic programming, the importance of public policy (from health to industrial policy), the enhanced role of public investment as a guide for the private sector, the return of the welfare state, the barriers of neoliberalism and the impasses of the old faith in the "invisible hand of the market".

The lack of public planning reveals the core of the government's Recovery Fund plan: the state withdraws and discreetly observes the action of major private initiatives. In this way, the Recovery Fund will not be a cut-off, but will help recycle an outdated and failed growth model.

Who owns the Plan?

The description of the pillars by the Commission gave absolute freedom to the national governments to propose their own mix of actions. It is obvious that the plans submitted by the governments could reflect their different political goals. Following the lack of public dialogue regarding the formation of the plan for Greece, it is interesting to note who was responsible of writing and presenting it. While in other countries like Portugal, it was deemed necessary for the procedure to be public, thus three national institutions were merged to engrave the strategy for the post-pandemic time, the Greek plan known as "Greece 2.0"[23], is based on the development plan for the Greek economy prepared in 2020 by a committee headed by so-called Nobel laureate Christopher Pissarides. The committee which drafted the national plan consists of a newly established service with a staff of only 40 people in the Ministry of Finance.[24] According to the government, this was a choice of economists who combine scientific specialization, international recognition, market knowledge and experience in economic policy planning[25].

Despite the current situation and without adequately appreciating the role of a strong, equal and quality public health system, no reference is made to the need to strengthen the Public Health Sector with staff, no plan is mentioned for the universal coverage of citizens and eliminating inequalities in health as well as reducing the financial burden on citizens. They underestimate the developmental role of public health and mainly do not consider the new needs raised by the health crisis and the challenges of the current situation[26].

The Greece 2.0 report describes solutions, as if there has not been almost a decade of austerity and financial crisis

22 Presentation of the National Recovery and Resilience Plan "Greece 2.0", government.gov.gr, 31 March 2021. https://government.gov.gr/parousiasi-tou-ethnikou-schediou-anakampsis-ke-anthektikotitas-ellada-2-0/

23 https://primeminister.gr/wp-content/uploads/2021/03/Greece-2_0-April-2021.pdf

24 This Committee of "experts" seems to be a move to impress the public. It rather looks like a collection of academics and economists from Yale, LSE, and other expensive universities to create the atmosphere of experience and "heavy" CVs. None of the included academics seem to have a clear view of the problems of the Greek economy.

25 https://www.efsyn.gr/node/227055

26 https://www.avgi.gr/koinonia/372725_les-kai-den-ypirxe-pote-i-pandimia

for Greece, leading to a loss of a huge part of the productive base and frightening unemployment and impoverishment rates recorded.

It does not seem to be addressed to an economy which is about to face an unknown, tough new challenge in the face of the Covid-19 pandemic. If it were not outrageous, it would at least be funny, the fact that this Plan, could be the product of a time machine trip to Greece (or better yet to another country) 15-20 years ago. The point is not only the choice of a reform, without a long-term horizon, but also the choice of a comprehensive policy which, as it is clear from the National Plan clearly cancels and undermines key elements of both economic and social balance in country, with strong persistence not to integrate social goals into a development strategy as if there is no social, human dimension to development.

Dangerous Reforms coming for Greece

The channelling of the resources of the Recovery and Resilience Fund, requires planning at two levels: The first is to accelerate the preparation of investments and reforms that will be implemented gradually in the coming years and the second is to fully implement some first milestones, so that Greece has the right to request before the at the end of the year the first tranche of € 3.5 billion to be the first step in the implementation of the program[27]. The first "package" of funding specifically requested reforms focusing on improving the competitiveness and promotion of investment and trade for enterprises, including their size. Having mentioned before that the loans of the country will be a responsibility of private banking, it is clear that this reform consciously leaves out a vast majority of small and medium enterprises that do not fulfil the banking criteria of lending, according to the big banks. Moreover, reforms that provide for the elasticity of the 8-hour working time, foretell a dark future for the labour force of Greece.

It is interesting that specific reforms requested by the European Commission, following the European Semester prioritizations, could be beneficial for the country.

Specifically, organizational reforms suggested for the Employment Agency Force which envisages restructuring and redefinition of the role of the local Employment Promotion Centres with the aim of promoting job creation and participation in the labour market. Additionally, Greece is asked to Initiate legislation to streamline hospital spending to drastically reduce clawbacks imposed on state hospital suppliers that have reached enormous heights (over 1 billion per year) creating distortions (or shortages) in the highly sensitive area of Health.[28] Also, codification and simplification of tax legislation, completion of the energy upgrading for homes and the Special Action Plan for tackling energy poverty in the country and finally to make a legal assignment to the Financial Control Committee (EDEL) for the establishment of management and accounting systems (by hiring external auditors, etc.) in the funds and expenditures of the Recovery Fund.

However, the government perceives these reforms as opportunities to promote more flexible labour relations by reducing wages and increasing working time, endorse privatizations in infrastructure, energy, insurance, health and education services, shrink the entrepreneurship of SMEs, with supporting only large companies to access the green transition and the circular economy and the reduction of taxes on profits and high incomes by transferring tax burdens on consumption and small and medium-sized properties, while reducing social spending. As it might sound counterintuitive for general readers, but the policy of this conservative government is to reduce the big number of SMEs in Greece, and to reduce competition in favour of a smaller number of bigger enterprises.

The National Plan for Recovery and Resilience, sets at a declarative level very ambitious goals: "To trigger a fundamental change in the economic model towards a more extroverted, competitive and green productive model, with

27 https://www.capital.gr/oikonomia/3579108/erxetai-thermo-fthinoporo-gia-to-tameio-anakampsis

28 State hospitals have contracts with the private sector regarding sanitary products etc. Very often these private companies overprice these products. Instead of trying to tackle this problem, the new legislation will make it even easier first to overprice products and secondly to make private partnerships with "strategically chosen companies", instead of enhancing the country's self-sufficiency in basic items (e.g., strengthening of sanitary production units).

a more efficient and digitized state, less bureaucratic, with a drastically reduced informal economy, a growth-friendly tax system and a quality and efficient social protection network, accessible to all (p. 5 of the RFF plan)". The text that is supposed to organize this revolutionary change, however, suffers from three fundamental weaknesses, which undermine the implementation of any design. These are the lack of specialization of horizontal actions in specific policy objectives, the inability to link "reforms" to economic results and last but not least, marginalization of public policies.

A Care-Society?

Unfortunately, already with the excuse of a big fiscal gap, social spending has been cut off "*until the clearing of the landscape with accurate budget margins and budgetary resilience*"[29], as stated by executives of the Ministry of Labor and Social Affairs of the EPP Greek government, New Democracy. This means that employees that have been in the forefront of the fight against the Covid-19 pandemic such as health sector employees, as well as the most vulnerable individuals and households, will not receive a special Christmas bonus that the government had announced that would provide.

> As Theano Fotiou, who has served as Alternate Minister of Social Solidarity of Greece (2015–2019) with the SYRIZA government, stated, "our country misses an opportunity, among other things, to shield the welfare state health, education, welfare from endogenous and external crises and to upgrade it.

The government insists on a bankrupt model of privatization of the welfare state in the field of health and education. On the contrary, in the care sector, which they consider as anti-development since the beginning, they declare zero investments"[30]. The minimum amount of money is directed to care society, € 600 million out of a total of € 30.9 billion, for welfare, 50% of which is spent on training and digitization programs. In the medium term, the period of growth 2022-2024, the expenses of welfare remain at slightly over € 3 billion, that is, where it was in 2019, before the pandemic crisis. Specifically, for the health sector, which now more than ever should be shield with bold public investments, 4,4% of the RRF money is predicted, when the European average is 10%, i.e more than double. A real innovation would have been the creation of a common network of free health and welfare services in the community and in households for children, the disabled and the elderly. This would reduce the costs of each household for care services that are quite high in our country, 39% compared to 21% in the European Union and the state would provide them free of charge with a digital public arm.

Moreover, there is no proposal from the government for a new security network beyond the Minimum Guaranteed Income[31], which has shown its limits and cannot face crises, endogenous or exogenous where wider sections of the population, mainly the middle classes, are rapidly impoverished.

Climate and Digital policies

According to the Regulation of the Recovery and Sustainability Mechanism (MAA), at least 37% of the total expenditure (and not only the transfer arm), i.e., € 11.43 billion, should be directed to investments that contribute to the green transition. However, as was the case with the text of the Strategic Directions[32], the Greek plan for Recovery and Resilience fails to provide essential information on how the loans that Greece will receive through the MAA will be spent, considering that the minimum percentage 37% of spending on green transi-

29 Avgi: Efi Achtsioglou / Growth with cuts in the welfare state and impoverishment of labour, 23. November 2021, https://www.avgi.gr/politiki/401611_anaptyxi-me-perikopes-sto-koinoniko-kratos-kai-exathliosi-tis-ergasias

30 Syriza: Fotiou – The country is missing a huge opportunity with the Recovery Fund to shield and upgrade the welfare state, 29 July 2021, https://www.syriza.gr/article/id/113077/Th.-Fwtioy:-H-chwra-chanei-mia-terastia-eykairia-me-to-Tameio-Anakampshs-na-thwrakisei-kai-na-anabathmisei-to-koinwniko-kratos---binteo.html

31 The Minimum Guaranteed Income is a welfare program given to approximately 273,000 vulnerable households. It is a necessary safety net to deal with the consequences of poverty and to avoid social exclusion. The amount for a six month period varies from 1.200 to 3.000 euros; Greek City Times: Historic constitutional move as Greece offers minimum guaranteed income to its citizens, 20 November 2019; https://greekcitytimes.com/2019/11/20/historic-constitutional-move-as-greece-offers-minimum-guaranteed-income-to-its-citizens/; O.P.E.K.A. Welfare Benefits & Social Solidatiry Agency: Minimum Guaranteed Income, Information, https://opeka.gr/elachisto-engyimeno-eisodima-kea/plirofories/

32 Strategic directions of the National Recovery and Resilience Plan, 25 Nov 2021, http://www.opengov.gr/minfin/wp-content/uploads/downloads/2020/11/Greece-RRP-EN-1.pdf

tion concerns only the part of transfers. Ultimately, it results in a breakdown of expenditure on which only € 6.26 billion out of the total € 30.9 billion claimed by the government (ie 19.5% of the total against a target of 37%) seems to be earmarked for the green transition. Moreover, although the Recovery plan seems to allocate resources to support self – production (for example of sanitary products in times of the pandemic), the same does not apply to energy communities which are completely ignored. This is a wrong choice, both with energy, as well as in socio-economic terms. The purpose of the RR Plan should aim to diffuse the benefits towards the whole of the geographical area and the social strata.[33] Therefore, an investment-based strategy for the development of energy communities throughout municipalities of the country is the best choice. Such an investment program could also be linked to tackling energy poverty.

On the digital reforms needed and highlighted as a priority of the European Commission, the Greek Ministry of Digital Governance of the EPP government has recently presented a Digital Transformation "Bible" for the years 2020-2025, outlining a holistic digital strategy. It is important to note that

> the "National Digital Strategy", which was initiated from the SYRIZA government, is now presented as a new project under the name of Digital Transformation Bible.

Other planned projects are also now presented as new, e.g., superfast broadband, intelligent agriculture, as well as the continuation of space policy.
The "Bible" outlines the guiding principles, the strategic axes and the horizontal and vertical interventions that will lead to the digital transformation of the Greek society and economy. Through collaborations with stakeholders from the public and private sector as well as with the research & academic community and the civil society, it describes the objectives but also the implementation measures of the digital transformation strategy. However, the government seems to be focused on actions limited to strengthening the supply of digital products, mainly benefiting the multinational companies in the sector, which do not tackle the problem of digital exclusion, digital inequalities, and digital rights. It does not take care in an organized way for the digital upgrade of Greek companies, especially small and medium-sized enterprises, digital modernization of the administration and strengthening of the administrative and financial decentralization.

Do we expect something to change?

The Plan is inspired by the logic of "reactive" to external stimuli, rather than the necessary formulation of an endogenous and active (proactive) development strategy.

The text manages to document its compatibility with the target set at EU level but does not deepen the planning of actions to effectively organize the transition mechanism towards a more extroverted, competitive, and green productive model. The most obvious aspect of this frailness are the weak quantitative targets set, with the most characteristic example being the absence of measurable export results. Nowhere is there talk of quantitative targets for increasing exports (e.g., as a percentage of GDP).

Pillars	RRF Budget (in €bn)	Mobilised Investment Resources (in €bn)
1. Green Transition	6.2	11.6
2. Digital Transformation	2.2	2.4
3. Employment, Skills, Social Cohesion (Health, Eduction, Social Protection)	5.2	5.3
4. Private Investment and transformation of the economy	4.9	8.8
Sum of Grants (Green tag: €7.1bn (38%), Digital tag: €4bn (25%))	18.4	28
Loans	12.7	31.8
Total Investment Resoucrces	31.2	59.8

33 BloombergNEF: Economics Alone Could Drive Greece to a Future Powered by Renewables, September 21 2020 https://about.bnef.com/blog/economics-alone-could-drive-greece-to-a-future-powered-by-renewables/

National Industrial Policies and Employment projections

Equally problematic is the analysis of sectoral policies.

Industry, the agricultural sector, ICT services do not seem to need special planning according to the government.

They will grow automatically, thanks to horizontal investments (energy, roads, 5G networks) and reforms. Nowhere are specific incentives and policies mentioned for the transformation of the actors (companies, public bodies) that make up each branch or interact with it. It is paradoxical, therefore, that at a time when in many European countries sectoral planning has returned as a key economic policy tool – especially for industry – the Greek economy is depositing a fundamental change in a mix of reforms and "Liberation", which has repeatedly proved ineffective.

> It is projected that only 180.000 jobs will be created, over a six-year horizon, while the unemployed people are already 1.150.000. It is crucial to note that during the SYRIZA government, in terms of a memorandum and without the big amounts of the Recovery Fund, 370.000 jobs were created.

Employment stimulus policies are limited and not as active as they should be. It is projected that only 180.000 jobs will be created, over a six-year horizon, while the unemployed people are already 1.150.000, before the expiration of the term of suspension of employment contracts. This makes sense when big projects like the construction of a national road is expected, however there is no long-term planning for the utilization of this workforce, after the end of these projects. At this point it is crucial to note that during the SYRIZA government, in terms of a memorandum and without the big amounts of the Recovery Fund, 370.000 jobs were created.[34]

At this point, we also need to highlight that while in the text of RRF there is a distribution of the amount of grants at the level of pillar, at the level of reforms and at the level of project category, the regional distribution is completely absent. This means that there is zero prediction on how these € 18 billion of grants will be distributed initially at the regional level. How much has been provided for each region and with what criteria was this division made (criterion per capita GDP?, unemployment criteria?). In a country like Greece, where regional disparities are high, we understand the long-term consequences and risks of widening inequalities for a fund policy, which does not take them into account.

Invisible Public Sector

Except for the digitalization process, the role of public policy is particularly limited. The program to support research and development is characterized by a lack of ambition. The public sector is part of a framework of simplification and folding, without a distinct strategic role. This perception is historically outdated and with the paradigm of Covid-19 pandemic, almost dangerous.

> Without strong public intervention, a sustainable innovation system cannot be developed, with the result that the digital transition is overly based on imported technology.

Dissemination of green growth policies presupposes the active support of energy communities and planning for the rational use of renewable energy sources.

The Greek Recovery and Resilience Plan unfortunately does not include any provision for strengthening the public sector's capacity to design, implement and evaluate the policies through which the proclaimed fundamental change will take place. It is no coincidence that the report on the management and control system takes up about one page. Here, too, the political choice is clear: the Plan is called upon to meet externally defined strategic objectives, with minimal adaptation to the current circumstances and without clear ideas about the content of the transformation to be pursued.

Alternatives from the Left

> „SYRIZA has thoroughly presented an alternative plan, opposed to "Greece2.0". The strategy proposed by SY-

34 Speech by the Minister of Labour, Efi Achtsioglou, at the presentation of the program of SYRIZA – Progressive Alliance June 10, 2019, https://ypergasias.gov.gr/omilia-tis-ypourgou-ergasias-efis-achtsioglou-stin-parousiasi-tou-programmatos-tou-syriza-proodeftiki-symmachia/

RIZA has at its core the assumption that labor is a productive force.

SYRIZA has thoroughly presented an alternative plan, opposed to “Greece2.0”, which starts from the need to transform the production model. This presupposes the active strengthening of productive sectors that form a comparative advantage for our country in the international division of labour, with emphasis on small and medium enterprises. The selection of projects and reforms in the so called “GREECE + Plan” is based mainly on five criteria, namely

1. the diffusion of economic benefit in society,
2. avoidance of any form of social exclusion,
3. increase of domestic production value,
4. balanced development of regions of the country and the
5. dynamics of transformation.

The strategy proposed by SYRIZA has at its core the assumption that labour is a productive force. Supporting wages, ensuring labour rights and reducing inequalities contribute to economic growth. Therefore, the goal is to restore and secure collective bargaining, increase the minimum wage, and utilize and upgrade skills of the country’s workforce for the creation of innovation, as well as the strengthening of small and medium entrepreneurship by reorienting it to sectors of high added value.

In the financial field, the Development Bank must act as a key lever to support high value-added sectors, such as information and communication technologies, the processing of agri-food products and their interconnection with the tourism industry, as well as, to recover productive sectors where our country has separate infrastructure and opportunities, such as shipbuilding and the chemical industry. There is an urgency to promote modern innovative investments in digital technologies but also in agricultural production and industry.

Regarding the Fair and Green Transition, SYRIZA’s proposal is based on the concept of self-production and self-consumption, that is, the production and consumption of energy by households and businesses, as well as the decentralization of production, participatory investments, and energy production management through energy communities. According to this plan, 50% of Renewable Energy Sources licenses are binding distributed to energy communities, households, small and medium enterprises, and farmers, contrary to the government plan that distributes them almost entirely to large enterprises.

Regarding the Digital Transformation, the utilization of the resources of the Recovery Fund must address the issue of digital exclusion and at the same time aim at the promotion and implementation an overall national digital strategy to achieve the digital transformation of the Public Administration and state structures and the full geographical coverage and accessibility for all, in high-speed communications and energy.

Last but not least, it is of outmost importance to ensure Social Cohesion and Sustainability. In order for the Greek economy to be able to participate in a process of recovery and orientation towards a more sustainable and equitable model of development, we need a plan to reduce inequalities and strengthen spending on health and the welfare state, education and culture. This includes a plan for a new National Health System, decent living, and the right to housing, the emblematic reform for the introduction of social wage, but also the reforms for the reduction of inequalities in education and the strengthening of the building and logistical infrastructure of all its levels and the elaboration of a national cultural policy.

CONCLUSION

In a fractionalized polity, each political faction, while regarding certain social programs as indispensable, will tend to have just enough power to block taxes on itself but not enough to impose taxes on others. Finally, electoral uncertainty may lead politicians to advocate more spending on their preferred programs when in office, since they may be in a weaker position to push such spending later, and since the additional debt incurred today will be someone else’s problem tomorrow.

PORTUGAL

***Mauricio Rezende Dias**: The Case of Portugal – Study on the National Recovery and Resilience Plan*

1. INTRODUCTION

The proposed work aims to analyse the Portuguese recovery and resilience plan considering its structural bases. We also tried to establish some criticisms of the plan, in addition to showing the points considered most relevant by the plan.

Portugal has an ambitious plan in areas such as the digital transition and changes in the production structure. With the intention to use the Portuguese Recovery and Resilience Fund (PRRF) recipes until 2026, it is very difficult to imagine the changes explained in the proposed timeframe.

The work is divided into seven parts in total. The next part aims to clarify the structural points of the plan, as well as the values and their direction. The third will focus on reflection on the issue of health in Portuguese society, a point that was hit hard during the pandemic. The fourth part will outline the main ideas and measures designed for the digital and climate transition in Portugal, which are mandatory in national plans. In the fifth part we will address aid and policies for national industries and in the sixth we will put some points that the local political left commented on the proposed plan. In the seventh and last part we will place the bibliography.

2. STRUCTURAL DECISIONS FOR THE PLAN

With a drop of 8.5% in GDP in 2020, the Portuguese economy was one of those that suffered most from the situation of COVID-19 in the European Union. Since then, the PRRF in Portugal has been considered the fundamental step in the restructuring and consolidation of the Portuguese economy, in line with the planning for this decade, a set of measures called Estratégia Portugal 2030 produced during the pandemic.

Portugal was the first country in the European Union to present its plan on October 15, 2020, and its plan was restructured until March 2021. We had two moments for the public consultation, and between 15 February 2021 until 01 March 2021 was the last period. More than 3.000 comments were made by the most diverse institutions such as NGOs, trade unions, political groups, and research centres. Since very little has changed, the impression was that the public consultation was a mere formality.

> More than 3.000 comments were made by the public to the RRF draft of the government. Since very little has changed, the impression was that the public consultation was a mere formality.

A return to austerity fortunately wasn't commented in the program. It's possible that this is since the party that governs Portugal (Socialist Party) has won the last two elections – 2015 and 2019 – with the critical speech about the party that promoted the Troika in Portugal – Social Democratic Party.

However, it is necessary to consider the next years and how the national public debt will develop, which grew a lot during the pandemic and has been a concern of the government.

A total of twenty components were contemplated, divided into three structural dimensions: resilience, climate transition and the digital transition. The two last will absorb 33% of the plan's total money and the first the other 66%.

The plan foresees an implementation period until 2026 and an amount of up to €13.9 billion in grants (84% of the total) plus €2.7 billion in loans (16% of the total), which were acquired in a smaller number than possible. Organizations such as the Portuguese Communist Party (PCC) disagree with these separations as they see them as an imposition of the European Union.

The Resilience part, which concentrates most of the investments, focuses on three priorities: the reduction of social vulnerabilities, the reinforcement of the national productive potential and the ambition to guarantee a competitive and cohesive territory in a context of adaptation to climate change and digital transitions.

The chart below lists the point mentioned above:

RESILIENCE	CLIMATE TRANSITION	DIGITAL TRANSITION
1 – National Health Service	10 – Sea	16 – 4.0 Companies
2 – Housing	11 – Decarbonization of Industry	17 – Quality of Public Finances
3 – Social Answers	12 – Sustainable Bioeconomy	18 – Economic Justice and Business Environment
4 – Culture	13 – Energy Efficiency of Buildings	19 – More Efficient Public Administration
5 – Capitalization and Business Inovation	14 – Hydrogen and Renewables	20 – Digital School
6 – Qualifications and Skills	15 – Sustainable Mobility	
7 – Infrastructures		
8 – Forests		
9 – Water Management		

There is concern about further pension reforms and cuts in workers' rights if the public debt increases and the government uses Troika like measures.

The RPP was placed in public consultation between 15 February 2021 until 01 March 2021. During this period, some points were improved and four points were considered the structural focuses of the plan:

- Ensuring financial and institutional resilience, supporting the fight against the pandemic without compromising fiscal sustainability and strengthening social protection.
- Promote skills and qualifications, support quality jobs and strengthen social protection.
- Foster public and private investment, with a particular focus on the dual digital and climate transition.
- Improve context conditions for companies and citizens. From these points mentioned, the main intentions highlighted were:
- Support 26,000 families with decent housing.
- Achieve the volume of exports equivalent to 50% of GDP by 2027 and 53% of GDP by 2030, with a focus on increasing the balance of payments.
- Create 15,000 new skilled jobs and increase spending (public and private) on R&D to at least 2% of GDP by 2025.
- Reach the level of 750 euros of the national minimum wage by the end of 2023.

One of the critical analysis was carried out by *Rede H – Rede Nacional de Estudos sobre Habitação* (National Network for Housing Studies), which contests the values of support for 26 thousand houses as outdated numbers compared to the current reality in Portugal. With the volume of exports around 38% of GDP in the first half of 2021, thinking of reaching an export volume of 50% of GDP in six years seems far from reality. The RPP itself does not concretely indicate how such a measure would be achieved.

A Transparency Portal will be created which will centralize information on European funds, integrating all systems and regimes applied in Portugal and covering, as one of the central priorities, the PRRF. The system will provide information about investments during the entire phase of their execution and until their closure in the PRRF.

The program also sought to build bridges between European priorities and points considered relevant at national level. Among the main points in common, the plan highlighted six:

- Green transition.
- Digital transition.
- Smart, sustainable, and inclusive growth, including economic cohesion, employment, productivity, competitiveness, research, development and innovation, and a well-functioning single market with strong small and medium-sized enterprises (SMEs).

- Social and territorial cohesion.
- Health and economic, social and institutional resilience, including with a view to increasing the capacity to react and prepare for crises.
- Policies for the next generation, children, and youth, including education and qualifications.

„The European funds convey more a sense of propaganda from the current government than an intention to make choices about who, what, how to improve, and what kind of assessment should be done over the years.

In all, the program contemplates 37 reforms in 83 direct investments in the country. Named in Portugal as "European bazooka", one gets the impression that the RPP's European funds will solve all the main problems of the Portuguese economy and society, which conveys more a sense of propaganda from the current government than an intention clear to make choices about who, what, how to improve, and what kind of assessment should be done over the years. Despite of such problems, interesting points appear in the reforms such as the production of green hydrogen and the substantial increase in the minimum wage.

It is not possible to say at all that there is a rejection of neoliberal reforms. The low incidence of demands from workers and trade unions indicates this issue, and the Portuguese government doesn't seem to want a conflict with EU.

3. A CARE-SOCIETY

Health policy is fundamentally contemplated in the part of the program aimed at resilience. In this regard, the following measures are highlighted in the area:

- Provide all Family Health Units and Customized Health Care Units with dental offices and equipment (emergency bag, defibrillator and vital signs monitor) for qualified emergency response (basic life support).
- Create 34 new mobile primary care units to cover low-density regions.
- Expand the National Network of Continuing Integrated Care with 5,500 new inpatient beds.
- Expand the National Palliative Care Network, with 400 less complex inpatient beds.
- Requalify or adapt 326 buildings to increase energy efficiency, comply with contingency plans and/or ensure accessibility, safety and comfort for users and professionals.
- Expand the network of equipment and social responses to childhood, elderly and people with disabilities or disabilities (28,000 places in intervention social responses).

The central points in this area are undoubtedly focused on the physical expansion of the SNS (National Health System), in addition to a significant improvement in the network that already exists. There are also important measures to encourage physical activity and school sports through SUAVA (Universal Active Life Support System). However, it is important to highlight the little reference to hiring new professionals in the health area. With a significant amount of the population not even having a family's doctor, the absence of this point is noteworthy, in addition to the health professionals' own remuneration and employment conditions not being included in the program.

4. CLIMATE AND DIGITAL POLICIES

The climate and digital transition programs included in the PRRF in Portugal contain the main measures described below:

Climate Transition:

- Contribute to the reduction of CO_2 emissions by 55% by 2030, in line with the National Plan for Energy and Climate 2021-2030 (PNEC 2030) and the Roadmap for Carbon Neutrality.
- Support the creation of a HUB with a 7-pole blue bioeconomy network.
- Strongly support the renovation of residential, public and service buildings.
- Support the acquisition of clean public transport fleets (road – 145 buses) and their respective charging / filling stations.
- Allocate 100,000 vouchers to support efficient energy solutions for families in energy poverty.

- Digital Transition:

- Train 800,000 people in digital skills with an individual training plan and access to online training.

- Promote the digital transition of companies, retraining 36 thousand workers, supporting 30 thousand SMEs.
- Acquire 600,000 computers for individual use in schools (students and teachers)
- Digitization and virtualization of public library assets (20 million images), national archives (19.5 million documents) and 59,500 records of public museum collections.
- Promote the digitization of public administration, increasing interoperability and facilitating access to public services.
- Strengthen the qualification and rejuvenation of the public administration human resources framework.

Although practically all the points mentioned were already part of projects linked to the Estratégia Portugal 2030 program, the PRRF ended up deepening the points that existed in the previous program and listing the amount of money that would be spent on the projects described.

In addition to the recovery and resilience plan, there are also plans with national funds that should support established measures such as the Action Plan for the Digital Transition (Portugal Digital), the National Plan for Energy and Climate 2030, the National Investment Plan 2030 (PNEC2030) and the National Spatial Planning Policy (PNPOT).

With an important set of measures, it is possible to obtain noticeable improvements in environmental issues and in digital requalification, but it is important to emphasize that Portugal is a country that is very backward in relation to these points. With a history of notorious problems such as lack of personnel and training in firefighting, especially in the summer, and income and regional inequalities that make it difficult for some citizens to access the digital circuit, such points do not seem to be addressed directly in the programs above mentioned.

The climate transition in particular appears to have numbers still well below the country's needs. The creation of the 7 poles of the blue bioeconomy, the acquisition of 145 buses and the distribution of 100,000 vouchers to support efficient energy solutions for a population of more than 10 million inhabitants seem to be less than expected proposals for structural change in the area. The argument gains even more strength when we look at the predicted numbers for the digital transition, with the acquisition of 600 thousand computers, the training of 800 thousand people and the digitization of more than 20 million documents.

5. NATIONAL INDUSTRY POLICIES

To analyse the proposals for national industrial policy in Portugal, it is necessary to bear in mind the significant process of deindustrialization that the country has gone through in recent decades. The weight of industry went from 18.1% of GDP in 1995 to 13.5% in 2019, a proportion well below the European Union average (16.5%).

In this perspective, the Portuguese RPP contemplates a good part of the measures of its program to try to reindustrialize the country. Among the main measures of the plan are:

- Promotion of research, development and innovation and innovative investment in companies.
- Creation and development of Banco Português de Fomento.
- Expand and consolidate the Network of Interface Institutions.
- Research and innovation agenda for the sustainability of agriculture, food and agribusiness.

> The question is whether effectively all projects will come out of the paper and become reality. There are many disputes in Portuguese society around public action in medium and long-term projects that end up not being implemented or partially implemented.

It's important to notice the quest to increase productivity with the insertion of Portugal in new global value chains, resulting from cluster formation processes. These points will be financed essentially by Banco Português de Fomento, which should receive a greater contribution to help industries and companies. There is also an attempt to reconcile educational networks with the country's industrial and business system. Productivity in Portugal is projected to be at the EU average from 2030 onwards, which seems to be an unrealistic projection, especially if we analyse Portugal's insertion in global value chains.

The search for the decarbonization of the local industry is also mentioned, with a view to creating an industrial pole hydrogen. The hydrogen will be produced by solar energy, with electrolysis is carried out from concentrate solar radiation, in a process considered to be of low cost. The perspective is to contribute to the increase of qualified employment concurrently with the idea of decarbonization the economy.

Within the existing industries, there is a project to incorporate biological bases in three industrial sectors: textile, footwear, and natural resins. The proposal is to invest around 145 million euros in the industries of these existing sectors and improve their ecological and economic profile, with the strategy of expanding their markets to other countries. Improving transport capacity in industrial areas is another intention of the plan.

It is clear that the intention is to promote some new industries, such as Hydrogen, and the enhancement of others historically important for the Portuguese economy, such as footwear and textiles. The creation of Banco Português de Fomento can also be an interesting lever in the formation of new industries and in the expansion of existing ones, as long as the bank has a really significant contribution. The question is whether effectively all projects will come out of the paper and become reality, as well as whether they will be changed over the years. There are many disputes in Portuguese society around public action in medium and long-term projects that end up not being implemented or partially implemented. The state budget itself is not very well implemented, which leads to a lot of criticism from leaders in the left field. The lack of impact assessment in the money given to industries is another point that deserves some concern.

6. WHERE ARE LEFT ALTERNATIVES?

One of the critical points of the project most commented on by the left in Portugal, in principle, was a certain skepticism in thinking of the RRP as a project that would requalify the country as a whole and structurally unlock the country's economy. Many even argue that institutional problems within the EU have not yet led to internal economic divergences and that the RRP does not solve this problem.

In some political parties, such as the Bloco de Esquerda (Left Bloc), there is concern about a return of the Troika in the not-too-distant future, as well as a general criticism of the two largest Portuguese parties (Socialist Party and Social Democratic Party) considered very susceptible to economic power. In the Portuguese Communist Party, it is feared that the PRR will increase a certain subservience to the European Union itself. The Portuguese Communist Party also criticizes the plan's lack of planning and investment in combating the main structural problems of the Portuguese economy.

In relation to workers, we had a wide criticism about the project, mainly the culture and sport sectors that criticized the lack of appreciation of their areas in the Portuguese RRP. They argued were areas heavily affected by the pandemic, but little covered in the plan's policies. There are also criticisms regarding the size of the aid for scientific and technological restructuring and the consequent training of people, especially people who do not have a college degree and even others who have not studied for years and need to be recycled.

With an economy that grew little in the first two decades of this century, it is very difficult to expect a very substantive change in this decade, even if the PRRF helps to improve infrastructure and generates some optimism in the population. Portugal has very low wages compared to the European average, income inequality well above the European average and a production structure that is still poorly diversified and based on primary products.

> It is difficult to imagine the robust change that Portugal needs in this plan, since it does not seem to solve either the internal problems of the Portuguese economy, nor the problems of inequality between European countries.

7. BIBLIOGRAPHY

(2021) https://www.pcp.pt/sobre-plano-de-recuperacao-resiliencia-opcoes-que-fazem-falta-ao-pais. [online]. [Accessed in 12 October 2021]

(2021) Instituto Nacional de Estatística. [online] Available at: http://www.ine.pt [Accessed in 05 October 2021].

(2020). Programa Estratégia Portugal 2030. [online] Available at: https://www.portugal.gov.pt/download-ficheiros/ficheiro.aspx?v=%3d%3dBQAAAB%2bLCAAAAAAABAAzNDC3NAEAkBRcpAUAAAA%3d [Accessed in 02 October 2021].

(2021). Plano de Recuperação e Resiliência. [online] Available at: https://recuperarportugal.gov.pt/wp-content/uploads/2021/09/ficheiro-PRR.pdf [Accessed in 02 October 2021].

(2021). A questão da habitação no plano de recuperação e resiliência. [online] Available at: https://www.redehabitacao.pt/docs [Accessed in 15 October 2021]

Medeiros, Eduardo. (2018). Desindustrialization and Post-Industrial Cities in Iberia Peninsula. Revista Portuguesa de Estudos Regionais, 52, 37-53.

NETHERLANDS

***Sara Murawski** & **Herman Beun** – On the (non-existing) Dutch National Recovery and Resilience Plan*
This paper was finished in Nov. 2021

How is the possible return of austerity discussed in the Netherlands?
Since the elections of 17 March 2021, the Netherlands is still waiting for a government to be formed: four (perhaps more) potential coalition partners are negotiating. As a result, many of them are somewhat reticent to take explicit positions because this could turn out problematic during the talks.

However,

> a return to full-blown austerity (something the Netherlands pushed heavily in response to the financial crisis and which it applied to itself as well) seems unlikely.

Even the VVD (right-wing liberals, PM's party) have indicated they would support "one off" investments in housing, reduction of nitrogen emissions from agriculture and climate-related measures, even if this would mean an increase of the national debt. Speculating on the causes of this change of track, we may think of it being the combined result of the adverse effects of austerity during the financial crisis which caused most governments in the EU to (successfully) take a more anticyclical approach this time, an awareness that the energy transition cannot be realised without substantive public investments, generational shifts at the political level (i.e. a new party spokesperson), and some face-saving by presenting it as a "one-off" exception to the "actual" rules that supposedly do not change.

However, the main negotiating parties have indicated that they support the return to the "normal" fiscal rules after the corona-crisis and a range of necessary incidental expenses. Much will depend on the new Minister of Finance, although the Dutch have a longstanding tradition of frugal Ministers of Finance (regardless of their political colour). The proof of the pudding will be in the eating.

Regarding the coalition negotiations, the Netherlands is the only EU member state to not have submitted a national recovery plan considering the RRF (the Dutch can appeal to a maximum of six billion Euro). The argument behind it is that it is up to the next government to draw up the reforms and plans associated with it. Hence none of the questions below on the plans can be answered at this point.

Here is what we know: on the 7th of July 2021, the Minister of Finance informed the Senate upon request about the preparations that where being made regarding the submission of the RRF plans. He stated that the plans should be "secure and ambitious" and that the outgoing government had requested an "official exploration" of the potential content of the Dutch recovery plans. The exploration argues that they should contribute to six identified pillars35 and the execution of the country specific recommendations of 2019/2020, be spend on the climate for at least 37% and digitalization for at least 20% and include measures that were implemented after February 1 as well as measures that lead to structural effects[36.] The exploration is part of the current coalition negotiations, although the outgoing government has explicitly stated that it should not be conflated with a concept-plan, since the latter is the task of a new government.

In the field of (amongst others) healthcare, the labour market, education, climate and the green transition, digital transition, pensions, the housing market and combating tax planning and money laundering, an inventory has been made regarding which investments could support a plan of reforms[37]. It is considered that the European Commission will critically assess the Dutch plan regarding the housing market and the labour market in particular. According to

35 The green transition, digital transformation, smart, sustainable and inclusive growth, social and territorial cohesion, health and economic, social and institutional resilience, policy for future generations

36 Eerste Kamer der Staten-Generaal: European Semester 2021- Report of a Written Consultation, Jul 8 2021, https://www.eerstekamer.nl/behandeling/20210708/verslag_van_een_schriftelijk/document3/f=/vlkbeqvkknzf_opgemaakt.pdf

37 Ibid.

the outgoing government, it is up to a new government to decide about the reforms.

Has there been a public debate on what to do with the money, and is there a structured cooperation with social partners?

As there is no plan submitted, we don't see any organised debate yet.

> The outgoing government opposed the establishment of the EU RRF and seems to have misconceived the broad support of it (specifically regarding the German position). In the public debate, this has not gone unnoticed.

Ex-minister of finance and former chairman of the Eurogroup Jeroen Dijsselbloem said in April 2021 that "it threatens to become a problem" that the Netherlands did not hand in any recovery plans yet because the money must be spent in 2023 ultimately. He argued that the Netherlands should submit plans soon. Simultaneously, Dutch employers' organization VNO-NCW/MKB Nederland voiced the same concerns, stating that the Netherlands could really use the RFF money to invest in the countries' structural earning power.[38] In June 2020, VNO organized a high-level debate about the importance of the EU recovery fun.[39] In April 2021, VNO stated that the Netherlands could really use the RFF money to invest in the countries' structural earning power,[40] arguing that the Dutch might learn from the recovery plans of other member states. The organisation stressed that the plans should be additional, aimed at investments and contributing to sustainability, digitalisation and research and development.

Most likely, the Dutch national budget authority ("Raad van State") will be involved in the supervision over the implementation of the plans.

To which "structural reforms" do the governments commit themselves to?

In 2020 the first recommendation in the CSR was to support the economy by increasing investments, among others, to solve shortages of healthcare professionals. This is supported by the government (although you could wonder if it invests as much as the Commission recommends, especially in healthcare professionals).

Recommendation two was to especially improve social protection for the self-employed. The government points to its efforts to introduce a mandatory occupational disability insurance and a pension system for this (large) group.

Recommendation 3 is to stimulate private investments that promote economic recovery, especially regarding green and digital transition. The government points to several subsidy and investment schemes it has for energy use reduction and green infrastructure, as well as schooling programmes aiming at improving digital skills of workers (training or retraining).

Recommendation 4 is to reform the tax system to discourage "aggressive tax planning" and money laundering. About tax planning, the government says it supports the Commission's objectives and points to new legislation (applicable as of 2021) that should address this problem. The government also supports the Commission's objectives on money laundering. It points out that money laundering can never be completely eliminated in an open economy but says Dutch law on trust firms is now the strictest in the EU. A problem however is that compliance with this law is still lacking.

38 Edward Feitsma: Nieuw cabinet – kom snel met plan voor besteding EU Herstelfonds (English: „New cabinet: quickly come up with plan for spending EU Recovery Fund"), Apr 22 2021, https://www.vno-ncw.nl/news-europa/nieuw-kabinet-kom-snel-met-plan-voor-besteding-eu-herstelfonds

39 VNO-NCW: Op weg naar een constructief EU-debat: online debat zet eerste stap (English: "Towards a constructive EU debate: online debate takes first step") Jun 17 2021, https://www.vno-ncw.nl/news-europa/op-weg-naar-een-constructief-eu-debat-online-debat-zet-eerste-stap

40 Edward Feitsma: Nieuw cabinet – kom snel met plan voor besteding EU Herstelfonds (English: „New cabinet: quickly come up with plan for spending EU Recovery Fund"), Apr 22 2021, https://www.vno-ncw.nl/news-europa/nieuw-kabinet-kom-snel-met-plan-voor-besteding-eu-herstelfonds

Therefore, it invests in extra capacity for the supervisor and a register containing the identities of the ultimate beneficiaries of companies and other legal constructs[41]

Have the Netherlands been able to reject neoliberal reform plans of the COM and enhance its economic sovereignty?

If anything in its recommendations, the European Commission is politically situated on the left of the Dutch government rather than on the right. Also, country specific recommendations tend to be formulated by Commission teams in close cooperation with national ministries, as a result of which their contents do not diverge that strongly from already existing policies "on substance", with the Commission mostly arguing for more urgency than national policymakers. However, as pointed out above, this usually means the Commission tries pulling the Netherlands a bit more to the left rather than the right. Arguably not enough, but this is how it is.

A Care-Society?

> The Corona Crisis has proven that our national "care-systems" in the widest sense are not prepared to deal with future crises.

The Parliament has agreed to increase health care salaries to some extent, but with no relation to the RRF because no RRF recovery plan has been submitted. The increase came after health care salaries had been the subject of debate several times in both the media and parliament during the covid crisis last year. Government parties were opposed at the time because they were not willing to increase taxes or government debt (but this has changed now).

Climate and Digital policies

As said there is no RRF recovery plan. However, in 2020, a €20 bn. (for 5 years) government fund ("National Growth Fund") was set up separately based on plans predating the RRF, which is to support projects contributing to long-term growth (e.g. infrastructure, energy).

Last not least – what are left alternatives

The Social Democrats (PvdA) and the Greens (GroenLinks), working closely together in parliament, tabled four resolutions during the main budgetary debate in September 2021. They aimed for a more progressive course and the reduction of inequality.

The resolutions contained proposals to

1) improve the purchasing power of households while raising the corporate profit tax
2) tackle the teacher shortage and raise teachers' salaries while fighting tax evasion
3) abolish the housing corporation levy while the money to invest in lower rents, more houses and sustainability
4) declare the climate emergency while installing a carbon tax for polluters.[42]

The Socialist Party (SP) presented a "counter budgetary plan", reviewed by the Dutch Bureau for Economic Policy Analysis (CPB).[43] Among the proposals were

1) an increase of the minimum wage with 5%
2) substantially lowering the "own risk" contribution in the standing healthcare arrangements
3) compensating indebted students dealing with the student loan system
4) investing in housing, healthcare, education, safety, and public administration
5) buying stocks from formerly privatized public utilities.

The investments should be paid by increasing the burdens on, amongst others, employers, large corporations, banks, and polluters.

41 Ministry of Economic Affairs and Climate Change: Kamerbrief kabinetsreactie op aanbevelingen 2020-2021 Europees Semester (English: "Room letter cabinet response to recommendations 2020-2021 European Semester"), Jun 5 2020 https://www.rijksoverheid.nl/documenten/kamerstukken/2020/06/05/kamerbrief-kabinetsreactie-op-aanbevelingen-2020-2021-europees-semester

42 Gijs Herderscheê: Eisenpakket GroenLinks en PvdA: koopkracht omhoog, verhuurdersheffing weg (English: "GreenLeft and PvdA demand package: purchasing power up, landlord levy gone"), Sept 22 2021, https://www.volkskrant.nl/nieuws-achtergrond/eisenpakket-groenlinks-en-pvda-koopkracht-omhoog-verhuurdersheffing-weg~bb57b812/

43 Bert Smid (Centraal Planbureau): SP counter-budget 2022, Sept 22 2021, https://www.cpb.nl/tegenbegroting-2022-van-de-sp

HUNGARY

***Zoltán Pogátsa** – The Hungarian National Recovery and Resilience Plan: The EU commission rejects outright crony capitalism*

This study aims to discuss Hungary's plan for the Recovery and Resilience Fund of the European Union. However, due to circumstances described below, Hungary does not yet have a finalized plan. We therefore discuss the reasons for the European Commission's hesitancy to endorse the Hungarian plan, as well as the philosophy of the Hungarian government in relation to important issues raised by the Recover and Resilience process.

Structural decision for the plans – money and decision power

Although Hungary is not a member of the Eurozone, and has not had dealings with the Troika, austerity is still a word that is viewed negatively in the public. This is due to a decades-long prehistory of austerity, starting in the 1980s. The latest round was experienced when the country undertook severe austerity in 2009, in the framework of an IMF loan amounting to approximately 20% of GDP, taken on by the Socialist government after having led the economy to the brink of disaster.

> The subsequent right wing Fidesz government (2010 onwards) also undertook austerity, but the very word was banned by the propaganda divisions of the party in public media, suggesting that this concept should only be associated with the previous, Socialist government.

Before the Covid crisis, both Prime Minister Viktor Orbán and his finance minister Mihály Varga voiced their commitments to fiscal conservativism. They stated that in case a crisis would hit the Hungarian economy, they would commit themselves not only to a balanced budget, but to an outright positive balance. In the actual eventuality however, when the crisis did arise, they thought better of it, and ended up delivering a sizeable countercyclical crisis management program.

Hungary is facing elections in 2022, and as it has been customary in every electoral cycle since political transition in 1989, the period prior to the election is characterized by a massive expansion of fiscal transfers, especially to the lower half of society. The return of austerity is therefore not on the political agenda.

On the ratio of loan vs. grant schemes

The Hungarian government has rejected the loan part of the Recovery Plan. In government controlled public media and in government financed private propaganda media the claim even appears that Brussels was attempting to get member states indebted. At the same time the Hungarian government has taken on massive foreign currency denominated loans from market investors. The government has also signed on to sizeable direct bilateral loans from China for the construction of the Belgrade-Budapest high speed train track, and investment of some HUF2000bn. Expert opinion has calculated that the project, a little used line crossing a Schengen outside border with heavy border controls and several days of customs, will not be profitable in any reasonable period of time.[44] Another similar loan has been accepted from Russia, for the extension of the nuclear blocks at the Paks nuclear power station.[45] This project is also highly questionable from the point of view of sustainability, environmental safety, as well as geopolitics.

On the Consultation process with the Civil Society

There was a formal consultation. How organic this was, in the sense of a genuine interest in widespread and thorough debate, can be problematised. The higher educational sector was asked to formulate „strategic development plans", but it was strongly hinted by the government what these should and should not contain.

Who "owns" the program, and have there been conflicts between the Commission and the Hungarian government in the preparatory phase?

44 Wade Shepard: Another Silk Road Fiasco? China's Belgrade To Budapest High-Speed Rail Line Is Probed By Brussels, Feb 25, 2017, https://www.forbes.com/sites/wadeshepard/2017/02/25/another-silk-road-fiasco-chinas-belgrade-to-budapest-high-speed-rail-line-is-probed-by-brussels/?sh=4cb8a1123c00

45 Eszter Zalan: Hungary's nuclear power plant expansion unnerves Austria, Jun 7 2021, https://euobserver.com/climate/152035

The national executive is clearly perceived and presented as the owner of the program. The plan is the responsibility of the Prime Minister's Office.

The Hungarian plan has been blocked by the Commission over concerns about the rule of law in Hungary[46]. A second concern was over Hungary's privatization of most of the higher education[47] sector into foundations run by Hungarian multinational corporations.

Originally, these were foreseen by the Hungarian government to become major recipients of Recovery Fund funds, used mostly for construction. However, the European Commission came out against financing such a private sector scheme.

To which "structural reforms" do the governments commit themselves to?

Hungary already has one of the weakest labour rights in the EU.[48] With the 2012 acceptance of the new Labour Code, as well as the 2018 Act on Overtime, dubbed by trade unions as the 'slave law', Hungary has the weakest labour and trade union laws in all the European Union.

Among other labour unfriendly regulations, this law drastically increased overtime that can be sanctioned by employers and triples the time in which such overtime can be registered.[49]

Has Hungary been able to reject neoliberal reform plans of the COM and enhance its economic sovereignty?

> Given the extreme neoliberal philosophy of the Hungarian government, the new directions of the European Commission can actually be seen as progressive and pro-social.

The Orbán government has taken an approach of balanced budgets, has rejected countercyclical demand management in principle (but not in practice), and PM Viktor Orbán frequently refers to the welfare state as idea whose time has passed. The government has also heavily underinvested in education, healthcare, social policy, community transport and sustainable energy. Considering these hardcore neoliberal approaches, the new direction of the European Union in handling the covid crisis (quantitative easing, demand management, investment in healthcare and long-term resilience, etc.) seem forward looking and progressive.

Are their plans of the Commission that would have made sense from a left point of view where states were not willing to accept them?

The entire philosophy of the Recovery Plan, based on anticyclical investment, as well as investment into the healthcare system and social infrastructure can be seen as highly progressive and 'left wing' in contrast to the extreme neoliberalism of the Hungarian government.

This is especially true of the healthcare and educational sectors, which have been extremely underfinanced in recent years and even decades in Hungary.

Any progress towards a care-society?

The rhetoric of „care society" does not feature in the vocabulary of the current Hungarian government. It sees care for children and the elderly as primarily a task of the family, and within the family, primarily the responsibility of the woman.

This paleoconservative view often appears in the rhetoric of the Prime Minister and is subsequently echoed by government politicians.

46 Press Release from the European Parliament: Rule of law in Hungary: MEPs conclude three-day trip to assess the situation, Oct 1 2021, https://www.europarl.europa.eu/news/en/press-room/20210930IPR13942/rule-of-law-in-hungary-meps-conclude-three-day-trip-to-assess-the-situation

47 Anita Komuves and Marton Dunai : Orban extends dominance through Hungarian university reform, Apr 27 2021, https://www.reuters.com/world/europe/orban-seen-entrenching-right-wing-dominance-through-hungarian-university-reform-2021-04-26/

48 Laszlo Andor: Socila Unrest in Hungary, Jan 28 2019, https://socialeurope.eu/social-resistance-in-hungary

49 Thorsten Benner: Sturmlauf gegen das BMW-Sklavengesetz – Internationale Konzerne nutzen Ungarn für Lohndumping, Dec 18 2018, https://www.derstandard.at/consent/tcf/2000094268758/sturmlauf-gegen-das-bmw-sklavengesetz; New York Times: What Is Hungary's 'Slave Law,' and Why Has It Provoked Opposition? Dec 22, 2018, https://www.nytimes.com/2018/12/22/world/europe/hungary-slave-law.html

The healthcare system is extremely underfinanced and under a lot of strain. The output indicators of the system are outstanding when compared to amount of financing, but terrible in absolute terms.

Although Hungary has an already very old and a rapidly ageing society, the crisis of care work is not addressed by the government, which sees this as primarily a family responsibility. This is although many elderly people live alone, families are very frequently broken, and suffer from a lack of adequate resources. This problem is moralized away by the government, which appeals to a need to increase a sense of Christian morality.

Hungary is just ahead of elections. The long-term intentions of the government with the healthcare system are not clear. However, in recent years there has been a massive underfunding of the state healthcare system, at around 4-5 percent of GDP, as opposed to the European average of around 8%, and an even higher rate of spending in the best financed states. Contrasting this with the fact that the health status of Hungarians is one of the worst in the European Union,[50] there is clearly a massive underfunding of this system. At the same time private healthcare providers are mushrooming and expanding, and many of these are owned by entrepreneurs with strong government ties.

Climate and Digital policies

The priority of the Hungarian government for solving the energy challenge is clearly the nuclear energy option[51], implemented through the expansion of the Paks nuclear power station. There is even talk of having a nuclear energy overcapacity in the future, resulting in the ability of Hungary to well nuclear electricity to countries such as Germany and Serbia. Prime Minister Viktor Orbán has recently been very vocal in criticizing the energy policies of the European Commission, claiming that resultant high energy prices are "killing the European middle class".

Is there a national financial fund to complement the National Recovery Plan?

Once it became clear that the European Commission was unwilling the primarily construction-oriented financing of the newly privatised higher educational sector, the Hungarian government announced a HUF1500 bn package financed from state coffers to finance these very same plans.

How many resources are foreseen for the green transition and the digital transition?

As we have mentioned, nuclear energy is the priority.

> Currently there is a regulation in effect in Hungary that bans the construction of wind turbines within 15 kms of residential areas, which effectively arrests construction across the country.

(Hungary is almost entirely flat and evenly inhabited.) Environmentalists have voiced the claim that the intention of this regulation is to restrict alternatives to nuclear energy.

Is there an active Hungarian industrial policy, building up new sectors?

The Hungarian government has engaged in industrial policies that have favoured private sector domestic clients of the government party. The European Commission has often been critical of these policies but has not had much affect in reversing these decisions. This proves on the one hand that member state governments can indeed have quite a bit of room to run independent industrial policies. On the other hand, however, most of these efforts in Hungary have targeted industries with dubious developmental effects. Examples include the restriction tobacco sales by the state (like the alcohol license restrictions in Scandinavian countries), which have been used to guarantee a stable livelihood of local level political clients of the governing party. Casino and media licenses have similarly been dealt out to enrich friendly oligarchs. Bank and energy sector restructurings has resulted in unsustainable operations, as evidenced by Széchenyi Bank, created by personalities

50 OECD: State of Health in the EU – Hungary, Country Health Profile 2019, https://www.euro.who.int/__data/assets/pdf_file/0007/419461/Country-Health-Profile-2019-Hungary.pdf

51 Radio Free Europe: Putin, Orban Push For Controversial Hungarian Nuclear-Plant Expansion, Sept 18 2018, https://www.rferl.org/a/putin-orban-push--controversial-hungarian-nuclear-plant-expansion/29496843.html, Jennief Rankin: Split over surge in energy prices overshadows EU climate strategy – Viktor Orbán claims bloc's approach is 'utopian fantasy' that will increase prices and 'destroy the middle class', Oct 21 2021, https://www.theguardian.com/world/2021/oct/21/split-over-surge-in-energy-prices-overshadows-eu-climate-strategy

close to the government, registered in the Cayman Island. The bank has had to be closed by the macroprudential arm of the Hungarian National Bank, as it did not meet operating standards. In the energy sector, the country's no. 1 oligarch, Orbán's childhood friend, Lőrinc Mészáros bought the Mátra power station from the state, operated it at a loss, and then sold it back to the state, with a massive loss for taxpayers.

A domestic construction sector has been created, but it is exclusively dependent on domestic public tenders, and is not competitive at an international level. They are also often only the first-tier winners of public tenders, with internationally recognized players (Strabag, Swietelsky, etc.) carrying out the bulk of the construction.

All in all,

> despite the fairly independent industrial policy, Hungary has so far failed to produce internationally competitive industrial firms and has not moved up the global value chain. The country still relies heavily on multinational firms, primarily German, and primarily in the car industry.

The phases of the global production chains that Hungary performs are still predominantly manufacturing and assembly. Despite its aggressive rhetoric of 'German economic imperialism', the Fidesz government has provided more direct government subsidies and tax breaks to these multinational firms than previous governments, which themselves had also been generous. Thus Hungary, a recipient of EU cohesion and structural funds transfers from net contributor member states, deals out much government support to the multinational plants of these very same countries.

Hungary has been rather luck in terms of the structure of its car industry. According to the sustainability plans of primarily Volkswagen, Czechia and Slovakia are likely to produce fossil-based cars, while the firm's German plants will shift to electric production. Hungary, on the other hand, has attracted top tier producers (Audi, Mercedes, BMW), which are directly competing with market leaders in electric car production. Consequently, Hungarian plants are already directly involved in electric car production. However, we must stress that the part of the value chain carried out in Hungary is almost exclusively manufacturing and production.

Research and development, as well as other higher value-added phases of the production chain take place in Germany and other high-end economies.

As far as battery production is concerned, Hungary has become a major player in this area in recent years, primarily as a consequence of Japanese (GS Yuasa, Toray/Zoltek, Mektech/Enmech), Chinese (Semcorp, Shenzhen Kedali) and South Korean (SK Battery, Samsung, Soolus Doosan, Sangsin, Iljin, Dongwha, Inzi, Shinheung) investors. Hungary is currently in tenth place globally in terms of electric battery exports.

Last not least – what are left alternatives?

The by now completely united opposition to Fidesz is made up of many small parties, most of which can be said to be social liberal or green. There are also a few culturally right-wing parties, but their economic policies are also mostly left wing.

Thus, the opposition consensus can be called social democratic – social liberal. This includes renationalizing the educational system, increasing funding and pay for educators, increasing spending on the healthcare system, as well as on social policy. They would strongly prefer renewable energy and would most likely halt the Russian extension of the nuclear power blocks.

The opposition would also immediately enter Hungary into the European Union's common prosecutorial cooperation, which would be guarantee for restoring the rule of law in the country.

It is also likely that the opposition would also take advantage of the loan component of the Recovery Fund, although from a strictly economic point of view it is questionable if this is necessary. With Hungary already expected to reach a 7.5-8% GDP growth rate, the economy is already strongly overheated.

A recent development, however, acts against all the above. In the opposition primary elections for candidate for PM, neoliberal conservative politician Péter Márki-Zay has been elected as the opposition joint candidate to face Viktor Orbán next year. Márki-Zay has a very strong neoliberal, even libertarian backing. This strange contradiction can be explained by the lack of credibility of the Hungarian left, who have found themselves a clean new face that happens to be completely contradictory to their socio-economic philosophy. It is unclear how they foresee a right prime minister governing a predominantly left-wing coalition.

RECOMMENDED LITERATURE

Fabry, Adam. 2019. *The Political Economy of Hungary: From State Capitalism to Authoritarian Neoliberalism*. 1st ed. 2019 edition. Palgrave Pivot.

Magyar, Balint. 2016. *Post-Communist Mafia State: The Case of Hungary*. Budapest: Central European University Press with Noran Libro.

Scheiring, Gábor. 2020. *The Retreat of Liberal Democracy: Authoritarian Capitalism and the Accumulative State in Hungary*. 1st ed. 2020 edition. S.l.: Palgrave Macmillan.

CZECHIA

***Ilona Švihlíková** – The Czech Recovery and Resilience plan: A case for a dependent economy*

INTRODUCTION

The debates and the final form about the Recovery and Resilience plan in the Czech Republic were influenced by the COVID pandemic and its course. It must be mentioned already in the introduction section that in 2020 many deep changes in the tax system were approved. These changes weakened profoundly the income part of the public finances and created a space for about 200 billion CZK of structural deficit.

The aim of this study is not to in depth the tax changes, nevertheless this context is highly important to understand the presentation and negotiations of the RRF plan both in the government and with social partners. Many subjects understood that the income side of the state budget is cut and the more intensively tried to include "their projects" into the RRF plan to find substitute financing.

> „The negotiations of the RRF plan showed many features that are present in the Czech Republic, such as strong influence of lobbyist groups, inability to present strategic objectives, and the absence of coherent economic strategies."

The negotiations and preparation phase of the RRF plan showed many long-term negative features that are unfortunately present in the Czech Republic, such as strong influence of lobbyist groups on all levels, inability to present strategic objectives, absence of coherent economic strategy (the more important in era of decline of globalization), fights between the coalition partners etc.

The final form of the Czech RRF was viewed rather critically by economists, however it must be said that this topic, especially regarding the coming election to the Lower House of the Parliament, is not perceived as important.

I. STRUCTURAL DECISION FOR THE PLANS

At the beginning of this chapter, it shall be mentioned that the Czech Republic is not a member of the eurozone. The topics concerning austerity are present in the public debate, but more in the context of serious tax changes in the year 2020 and partly also regarding the upcoming elections at the beginning of October 2021. Experts are criticizing the RRF plan because of the lack of reforms, or insufficient connection between the domestic strategic documents and the RRF plan[52].

At the beginning of the discussion about the RRF plan, the stance of the movement ANO (major partner in the government) towards using loans was very negative. However, as the negotiations proceeded it was obvious that there were too many stakeholders keen on using the funds. Thus, the loans were accepted. The final agreement (material from the 8th September 2021) consists of 179 billion CZK of grants, the total being 190,6 billion CZK. Thus, loans53 account for about 12 billion CZK.

As indicated in the introduction, the elaboration of RRF plan went through many phases. To summarize the process, the main mode was to collect requests and wishes from individual ministries and somehow "put them into the right categories." The process was also marked by tensions in the coalition, as the movement ANO did not want to accept suggestions and projects coming from the junior partner, the Czech social democratic partner. There were many disputes especially regarding the social affairs. The

52 Detailed information can be found on a specific website devoted to the Czech RRF: https://www.planobnovycr.cz/o-planu

53 There were disputes among the ministries as to which components would be financed from by loans and which by grants. Ministers preferred to have their priorities financed by grants. They were worried that if their priorities in the RRF plan would be financed via loans they would be simply cut in case of a new government. An example are components connected with the changes in the labour market. Part of them should be financed via loans, which reflects complicated relationship between the prime minister Babiš and the social-democratic labour minister Jana Maláčová.

public debate was held among the social partners, representatives from the regions etc.

The main complaint coming from all the sides was that there is no strategic direction and the linkage between the RRF plan and another EU programmes (like the Just transition fund) is missing.

There were some disputes between the initial government proposals and the EC representatives. The most visible dispute was concerning the component "loss carry back" (change in the tax system) being included as a component promoting competitiveness. Loss carry back enables companies, which have a net operating loss, to apply this loss prior to the given year´s return. They can practically apply their losses in a forward manner. The EC rejected this proposal. However, it shows one important trend. Namely, the movement ANO was trying to shift some of its changes in the tax system, or projects into the RRF plan. Some of these projects would be normally financed via the state budget.

There will be a new body, the Managing committee that will be responsible for the implementation of the Czech RRF plan. The main role by formation of the Czech plan had the Ministry of industry and trade. In the newly established Managing committee, there will be the so-called owners of the components, which means there will be representatives of the corresponding committees. E.g., by components regarding the labour market, the owner of the component is the Ministry for labour and social affairs and its representatives.

In the Czech plan, each component is presently separately, which means that the references to the foreseen reforms are rather scattered.

> The reforms stated by components are not neoliberal by their nature.

The reforms regard mostly digitalization of the state, support for green economy etc. Reforms on the labour market comprise better services for mothers with small children (work-life balance), or more efficient reskilling programmes.

There was not a lot of discussion about neoliberal reforms, as they are not obvious from the Czech RRF plan, but more about the sovereignty. Critics including the author of this chapter point out to the fact that the RRF plan is a de facto external state budget for projects that would have been normally financed by the state budget. Relying on an external budget can be very risky, especially if there are priorities set, which are not viewed as Czech priorities. This concerns especially the "green" components aiming at green transition. Many industrialists view these as threat for the Czech industry and for its future altogether.

From the left point of view, worth mentioning is the component regarding the changes on the labour market. The component 3.3 Modernisation of employment services and development of the labour market. Although the problems of the Czech labour market were mentioned in the Country specific recommendations, it was very difficult to push this component through. This component includes strengthening of lifelong learning, reskilling programmes, care institutions for small children and reform of social care. The social-democratic minister was, at the end, successful in expanding the funds for this component, however, some parts of this components are meant to be financed via loans (see footnote 2). The reforms could improve the reskilling programmes, especially their long-term evaluation together with the collaboration with universities. From the left point of view this component reflects social-democratic priorities.

II. A CARE SOCIETY

The topic of care in the broad sense is not a major one in the Czech society. More, the debates occur around specific parts of care, e.g., the wages of nurses, access towards health-care (dentists) etc.

The components (6.1 and 6.2) include better education for doctors, support for complex rehabilitation centres and the origin of new special centres, for cardiovascular and transplantation medicine. The next component deals with the National plan for support and strengthening of oncology and oncological care.

Doctors, nurses, and social care workers were also given special bonuses regarding their effort during the Covid pandemic. The sphere of social care gained more importance. A part of the above-mentioned component 3.3 is devoted to the modernisation of infrastructure of social care. This component includes incentives for community care and home care, but also access of private care providers. It is acknowledged that the social care system is fragmented. This component also includes construction of new care facilities.

> In the Czech RRF plan one of the pillars is called "Citizens´ health and resilience." This component amounts to 12,4 billion CZK and is one of the smallest pillars.

The topic resonating in public debate was mostly connected with the resilience and immense efforts of the workers and volunteers in the health care sector. The Czech Republic had many COVID infections and only thanks to the health care sector, there were not more deaths. Thus, it was a rather disappointment, when the pillar of health care was allocated only 12,4 billion CZK, whereas the physical infrastructure (with green transition) amounted to 85,2 billion CZK in the Czech RRF plan.

III. CLIMATE AND DIGITAL POLICIES

Before analysing the separate components regarding the climate and digital policies, it is useful to mention the context of the political debate. The pandemic has clearly shown that there were problems with digitalisation. The state did not have sufficient data about certain categories of workers (e.g., people working on special contracts) and thus had problems to target support to these groups. Further, it was obvious that many state bureaus and agencies did not have enough staff and digital means to handle requests for help, or to manage efficiently state support programmes such as job protections schemes. Thus, the workers at the employment office were so overwhelmed, they had to work weekends nonstop to be able to handle the inflow of support requests. The same went for the understaffed hygiene offices who did not manage to track down infected people and their contacts.

The political scene agrees with the need to support digitalisation of the Czech administration. The disputes regard more the issues how to proceed, but it is per se not a controversial matter. The same cannot be said about the climate policies. Here we can see a clear divide not only in the political sphere, but also in the Czech society. One part calls for more radical policies and measures and claims that the projects suggested in the Czech RRF plan are more oriented towards improving "normal" physical infrastructure, are insufficiently ambitious and even represent an external budget for the Ministry of transport. On the other hand, we find critical voices expressing concern for the future of Czech industry and the jobs connected with it. These, especially industrial groups, view the green transition with great suspicion and worries.

The government, especially the Ministry for industry and trade was striving to fulfil the given percentage of the components dedicated to digitalization and green transition. Digital transformation amount to 27,9 billion CZK. The biggest pillar by far is the physical infrastructure and green transition with the allocation of 85,2 billion CZK. Mostly, the financing shall come from the grant part of the RRF.

In the digitalisation pillar there are six components. These components regard: digital services for citizens and companies, digital systems pro public administration, digital high-capacity net, digital transformation of companies and digitalisation of construction management.

The efforts concerning digitalisation reflect that the Czech Republic in valued "under average" in the DESI index and especially concerning e-government.

In the first component we also find the digitalisation of health care, further elements consist of entrepreneur's portal, portal for the citizens, new digital services for highly important state bureaus, such as the Czech administration of the social security etc. The third component is connected with the European initiative "connect". It includes the development of 5G up to the level of individual cities, Broadband competence office establishment etc. Another component targets the modernisation of enterprises and innovative start-ups; however, the allocation is rather small, around 5 billion CZK.

Careful look into the digital pillars reveals one of the main problems of the Czech RRF plan. There are too many components, the plan is very fragmented. Thus, it is difficult to expect a real progress from the pillars and the whole plan will be also very difficult to manage.

The pillar Physical infrastructure and green transition disposes of the most money, thus it is not surprising that this pillar is divided into 9 components. However, the green agenda can be found also in other components, e.g., development of the labour market. The same goes for digitalisation, parts of other components also show their linkage to this topic.

The pillar Physical infrastructure and green transition consists of following components:

- Sustainable transport
- Decrease in energy consumption in the public sector
- Transition to cleaner energy resources
- Development of clean mobility
- Renovation of buildings and air protection
- Nature protection and adaptation to the climate change
- Circular economy, recycling, and industrial water
- Revitalisation of regions with old construction burden
- Support of diversity and fight against the draught

There are numerous concrete measures hidden in these components. The component of "Sustainable transport" is mostly concentrated on railways and modernisation of railway network. It amounts to 24 billion CZK, which underlines the importance of this pillar as such. The second component mostly deals with decrease in energetic demands of public buildings. The third component is mostly concentrated on building new photovoltaic capacities, the funding of this component amount to 6,6 billion CZK. Development of clean mobility means the support of public transport in Prague and building charging point for "alternative cars." This component relates to the EU initiative "Recharge and refuel."

The fifth component deals with the topic of community energetic projects of renewable resources and their support, including the engagement of households. The grassroot projects should start with small local heating plants.

The sixth component is a part of the policy of Ministry of environment and relates to the fight against draught. It comprises anti-flood protection, planting new forests resilient to the climate change (there are many initiatives already being implemented), retention of water in the woods etc. The component regarding the circular economy relates to new waste legislation, creating of circular infrastructure in the cities and in companies. One point is also dedicated to repeated usage of water in the industrial companies. The eight component targets specifically revitalisation of industrial brownfields, which can be often found in the cities´ centres. The last component includes a set of minor measures (the fragmentation here is very visible), e.g., care for protected environments and species, management of precipitation water, new legislation for managing draughts and lack of water.

The changes foreseen in these projects are bound to be real, however most of them would have been probably realised even without the RRF plan. Measures against draught, planting new trees etc have been going on for several years already.

The issue of dividing resources for "buying" climate and digital goods has not been brought up, at least not during the discussion about the Czech RRF plan.

The controversies between the two goals, digitalisation and green transition have not been discussed in depth, because, the green transition itself is viewed by many groups as a threat for the national economy.

IV. **NATIONAL INDUSTRIAL POLICIES**

Before analysing the main topic of this chapter – national industrial policies – political context is necessary. The Czech Republic may be well known for its ability to write down strategies of different kind.

The introductory part of RRF plan refers to 19 different strategies! There are dozens of others, which were a never will be realized. Sometimes they are contradictory, but in most cases the strategies are presented and then forgotten.

The pandemic has unfortunately shown that the decision makers tend to return to the only model they know – the model of dependent economy, which has two main competitive advantages: is cheap (regarding labour), allows for constant violation of the Labour Code and is next to Germany. The tendency for this model to persist is enormous. One example could be the wage convergence that has been connected with the government of movement ANO and the social democrats. However, after the pandemic the Ministry of finances, controlled by movement ANO, counts with deep decrease in the compensation of employees, thus practically eliminating six years of wage convergence! Moreover, the same ministry forecasts decrease in real wages and at the same time increases in productivity, which means inevitably strengthening profits of corporations.

Furthermore, the elections are also framing the debate about national industrial policies. In a nutshell, it could be said, that many parties (including the strongest movement

ANO) claim "we will not give our cars to Brussels", or "we will fight for our industry" (which is rather sad as the industry is to a great extent in the hands of transnational companies, mostly German).

However, there are plans for building a factory for batteries, so-called Gigafactory[54]. One of the possible partners is, not surprisingly, the German company VW. Nevertheless, a comprehensive economic strategy reflecting after-pandemic development, regarding the long supply chains and their disruptions, does not exist, and what is more, it does not seem to be missed.

The sad truth may be that after 30 years being in a position of dependent economy, the decision-makers accept and sometimes even welcome that crucial decision are made somewhere else.

The neoliberal heritage that was establishes after 1989 is still present, thus interventions in industrial structure are viewed with suspicion at best, but mostly with direct resistance. The talk about "natural changes" is ridiculous, as changes of this kind never occur spontaneously. It is possible that there will be interventions, however it is doubtful that it will result in a truly national strategy that will be implemented. The author has sufficient experience to be highly sceptical about this.

In this context, it is worth mentioning efforts of some MP´s striving for more food self-sufficiency. Their legislative proposals were refused and the resistance towards this topic showed how powerful are the interests of foreign retailers (they are practically no Czech supermarkets).

The issues of industry restructuring belong to the most important ones. In the Czech Republic, this issue is nonetheless not taken comprehensively. Most efforts are concentrated on short-term operative problems. Rather, the maximum is planning for individual factories (of course owned by foreign capital), or solving individual problems.

The Czech RRF plan is a rather technocratic document. For the dominant political actor, movement ANO, does not mean anything more than extra money that partly substitutes the income cuts that can serve their interests. There is practically no discussion about the positive role of the state (because of the strong penetration of neoliberal thoughts) or about the public companies.

Public companies are rather viewed as a problem in itself, and right-wing oriented political parties suggest their privatisation (Czech post, Czech railways).

V. **LEFT ALTERNATIVES**

There are not many left initiatives to mention. Some green activists claimed that the Czech RRF is shallow and insufficient, however these activists very often neglect the impact of green policies on citizens, on their wages and way of life. It is doubtful it we may call them "left alternatives." The ruling social democrats fought to be heard in the coalition, as the initial forms of Czech RRF almost completely ignored their demands. After many coalition negotiations they were able to insert parts concerning the labour market and support of social care facilities.

BIBLIOGRAPHY:

Národní plán obnovy: Plán pro oživení a odolnost České republiky. Září 2021. https://www.planobnovycr.cz/o-planu (retrieved 27 September 2021)

Klimeš, David: Chtěli jsme modernizovat, ale dopadlo to jako vždycky. Aktuálně. 18.5.2021. https://nazory.aktualne.cz/komentare/narodni-plan-marnosti-chteli-jsme-modernizovat-ale-dopadlo-t/r~03f011c4b73211eb9f15ac1f6b220ee8/ (retrieved 27 September 2021)

Švihlíková, Ilona: Národní plan obnovy aneb 180 mld. Kč, které vlastně nikoho nezajímají? !Argument. 9 October 2020. http://casopisargument.cz/?p=31985 (retrieved 27 September 2021)

54 https://www.ceskenoviny.cz/zpravy/havlicek-chceme-v-cr-aspon-jednu-tovarnu-na-baterie-pro-auta/2068653

POLAND

***Michał Menes** – The National Recovery and Resilience Plan of Poland – overshadowed by the question of "rule of law"*

STRUCTURAL DECISION

The National Recovery and Resilience Plan as an instrument to rescue the Polish economy after the coronavirus crisis was designed and initially prepared for the European Commission (EC) at a very slow pace. It should be noted that the right-wing Polish government was one of the last to submit information on the ratification of the NRRP to the European Commission – on 31 May 2021.

The shape of the NRRP has undergone some modifications as a result of the intervention of the upper house of the Polish parliament in which the democratic opposition (including the left) plays a dominant role. Ultimately, however, the NRRP is a product based primarily on government assumptions and follows a repetitive pattern indicated by the EC.

It should be noted that the actions of the Polish authorities to date in the scope of violations of the rule of law, discrimination against the LGBT+ community and the continued restriction of access to information for the free media have produced a difficult relationship between the Polish authorities and the EC, that is why the NRRP itself has been adjusted to the EC's expectations as much as possible so as not to create new areas for disputes within the EU and to provide the right-wing government with relatively quick access to European funds.

Additionally, a problem for the acceptance of the NRRP has become a verdict of the Constitutional Tribunal, which questioned the compatibility of some EU treaties with the Polish Constitution. It undermined the principle of linking the European funds with the rule of law as incompatible with the Polish Constitution.

In its present form,

> the NRRP does not create new alternatives for Poland's development.

The programme is modelled on fixed patterns of fund distribution known from the 2014-2020 programme perspective.

The NRRP assumes the share of instruments in the form of loans and grants in the following proportions:

Under the Recovery and Resilience Facility, Poland will have about EUR 58.1 billion at its disposal, including:
- EUR 23.9 billion in grants,
- EUR 34.2 billion in loans.

The time frame provided for the use of these funds expires in 2026.

The National Recovery and Resilience Plan is based on a centrally managed distribution of funds. Following this conception, the Polish government at the central level will decide on the allocation of the funding.

In the NRRP, a rather clever trick was made by including the NRRP funds into the already existing Operational Programmes for EU aid spending for 2014-2020.

Unfortunately, no supervisory or control bodies from social partner organisations have been established. In their opinions, all representative employee organisations (trade unions) emphasise several key problems with the NRRP.

Firstly, the extremely general nature of the document presented for public consultations.

Secondly, the lack of a transparent system for monitoring the disbursement of funds – the lack of a committee to monitor and control expenditure, which would include the social partners (trade unions and employers).

Table 1. Intervention mechanism within the NRRP, taking into account the amount of support in a given area and the type of support – loan/grant

Support area	Description	Main form of support	Total amount per area
Green energy and reducing energy intensity	Investments in heat (cooling) sources in district heating systems. Replacing heat sources and improving energy efficiency in residential buildings. Replacing heat sources and improving energy efficiency in schools. Support for increasing energy efficiency of local activity facilities. Social investment in hydrogen technology, hydrogen generation, storage and transportation, development of transmission grids, smart electricity infrastructure. Renewable Energy Sources (RES) installations by energy communities. Support for the construction of sewage treatment plants in rural areas.	Loans – EUR 8.617 billion Grants – EUR 5.696 billion	EUR 14.313 billion
Green, smart mobility	Support for low-carbon economy through zero and low-carbon public transport (buses). Increase transport accessibility, safety, and digital solutions. Increasing the competitiveness of the railroad sector through investment in railroad lines, passenger rolling stock, intermodal transport Increasing transport safety Digitisation of transport	Loans – EUR 0.700 billion Grants – EUR 6.818 billion	EUR 7.518 billion

Support area	Description	Main form of support	Total amount per area
Digital transformation	Ensuring universal high-speed Internet access – development of network infrastructure Development of e-services and their consolidation, creation of conditions for development of applications of breakthrough digital technologies in the public sector, economy and society, and improvement of communication between public institutions, citizens and businesses. E-public services, IT solutions to improve the functioning of the administration. Bringing the equipment of schools in terms of portable multimedia devices to an even level (E-competences) Increasing cybersecurity, securing data processing infrastructure, and digitizing the infrastructure of security services. Cyber Security – CyberPL, data processing and digital services delivery infrastructure	Loans – EUR 2.100 billion Grants – EUR 2.797 billion	EUR 4.897 billion
Resilience and competitiveness of the economy	Development of the national innovation system: reinforcing coordination, stimulating innovation potential and cooperation between businesses and research organisations, including the scope of green technologies. Increasing the potential of cultural institutions to cooperate with the scientific sector and businesses. Investments to establish a model centre for supporting creative industries (building modernisations, equipment, training). Increased use of satellite data for the needs of the economy and the State. Development of a national system of monitoring services, products, analytical tools, accompanying infrastructure services using satellite data.	Loans – EUR 0.245 billion Grants – EUR 4.455 billion	EUR 4.700 billion

Support area	Description	Main form of support	Total amount per area
Effectiveness, accessibility and quality of the healthcare system	Development and modernisation of an infrastructure of highly specialised care centres and other medical entities. Acceleration of digital transformation processes in healthcare through further development of digital healthcare services. Development of the human resources within the healthcare system and increasing the potential of medical universities and healthcare entities participating in the education of medical personnel. Creating the right conditions for increasing the workforce in the healthcare system. Investments related to the modernisation and retrofitting of teaching facilities in connection with increased medical school enrolment. Development of scientific research and the pharmaceutical sector in response to increasing the resilience of the healthcare system. Development of research facilities in the medical and health sciences. Investments in the establishment of specialised research and analysis centres for medical sciences.	Loans – EUR 0.450 billion Grants – EUR 4.092 billion	EUR 4.542 billion

Source: National Recovery and Resilience Plan of 31.05.2021

Third, failure to maintain the system of distribution of funds at the level of individual voivodeships (violation of the EU principle of subsidiarity)[55]

Fourthly, a negative response to the increased pressure for flexible forms of employment without maintaining employment guarantees. Meaning

> The Polish RRF plans means a further liberalisation of labour law, employment conditions and a reduction in the role of trade unions.

Fifthly, the problem of the need to link projects financed under the National Recovery and Resilience Plan with the creation of new jobs, especially in the sectors and regions most strongly related to mining and energy production. These areas were negatively affected by the COVID-19 pandemic but are also the targets of the most significant transformations resulting from the EU's climate commitments[56].

It is noteworthy that even the highly pro-government NSZZ Solidarność trade union shares the position of the other representative Polish trade unions in its issued opinion.

55 Violation of the EU principle of subsidiarity – all possible matters should be resolved closest to the citizen, not in governmental structures but where possible at local level. This should include the distribution of funds. See Eeva Pavy, The principle of subsidiarity, European Parliament Thematic remarks on the European Union, European Parliament, April 2021.

56 Position of the OPZZ Presidium of 16 March 2021 on the National Recovery and Resilience Plan, Position of the Trade Union Forum on the National Recovery and Resilience Plan of 30 April 2021, Decision of the KK Presidium no. 41/21 on the opinion regarding the draft National Recovery and Resilience Plan.

After an analysis of the way of conducting the debate regarding the implementation of the NRRP, one should pay attention to the exceptional and low rate of participation of Social Partners in the process of consulting the draft document. In its official report on the ongoing consultations, the government states: Public consultations lasted from 26 February to 2 April 2021. Public entities, local governments, entrepreneurs, opinion leaders as well as the representatives of the academia and the civil society were invited to participate. Various activities and communication tools were used, in which the largest proportion – 39% – of the comments regarding the programme were submitted by government agencies as the future bodies responsible for the distribution of funds[57].

The consultation process and the centralised disbursement system have resulted in negligible knowledge of the NRRP among the public. In the public debate, these funds are identified with the European Commission and are part of the political strategy pursued by the right-wing government, which is used to play out issues related to the current government's violations of the Community Treaties that form the basis of the EU. Paradoxically, the right-wing populist government, which is introducing social reforms that are important for selected social groups, is not discussing the neoliberal form of the reforms proposed by the EC, such as making the labour market more flexible, including remote working, limiting the role of trade unions, supporting the banking sector through a system of loans, written into the NRRP

The most anti-EU Polish government since joining the European structures in 2004 seems to have overlooked the danger of playing with nationalist populists who want Poland to leave the EU. The issue of the adoption of the Polish NRRP by the European Commission (EC) is considered by the Polish authorities to be a fundamental matter that may affect Poland's further membership in the EU.

It should be emphasised that

> for the political opposition circles, including the left, the membership in the European Community is the last safety valve against nationalistic and authoritarian actions of the ruling camp. Therefore, the debate regarding the ideological shape of reforms related to the NRRP is considered to be of secondary importance.

HEALTHCARE AFTER THE CORONAVIRUS CRISIS.

The healthcare system in Poland is based on two pillars: public hospitals – specialised healthcare and the so-called Primary Healthcare – family doctors, of which 60% is provided by non-public entities. This system in its current form is extremely inefficient, the average age of a nurse in Poland is 55. There is a shortage of doctors, nurses and paramedics, but also a shortage of auxiliary staff such as healthcare assistants and ward attendants. The problem is not only the lack of staff but also the system of training the human resources, which is an extreme bottleneck in the entire education system. The existing academic centres in Poland are not able to educate as many students as are willing to undertake studies or training in the medical professions[58].

> The fall of 2021 brought a wave of strikes in healthcare, with all healthcare professions forming a National Strike Committee.

The main demands of the protesters are wage increases, reducing the need for self-employment and increased control of working hours. It should be noted that medical professionals in Poland work over 300 hours per month, which is a potential threat not only to themselves but also to their patients.

Talks with the protesters regarding the shape of the salary system and the education system are still underway within the framework of the established social conflict resolution structures. The social side (trade unions) and the employer

57 National Recovery and Resilience Plan. Report on the Public Consultations, Ministry of Funds and Regional Policy 2021.

58 Report: Health care system in Poland – current state and desirable directions of changes, Supreme Audit Office, 2019 https://www.nik.gov.pl/plik/id,20223,vp,22913.pdf

– the state – are engaged in a dialogue on the introduction of structural changes in healthcare[59].

In conclusion, regardless of the epidemiological situation, healthcare and social service workers should be treated as a particularly important resource of the state, the European Community, and not a marginalised auxiliary element, only filling the supporting role for economic processes.

CLIMATE AND DIGITAL POLICY

> The largest amount of funds in the NRRP is provided for climate policy. However, most funds are intended as loans rather than real grants.

The largest amount of funds in the NRRP is provided for issues related to the climate policy, with nearly EUR 14.313 billion. However, the vast majority of funds are intended as loans rather than real grants to this sector (Loans – EUR 8.617 billion, Grants – EUR 5.696 billion). The experience so far with the disbursement of European funds in Poland shows that there is much less interest in the system of loans than in the real funding from grants.

The National Recovery and Resilience Plan was prepared taking into account the conclusions of the public consultations, as well as the conclusions of the regional consultations and the recommendation of the European Commission C(2019) 4421 of 18 June 2019. National energy and climate plan for 2021-2030 was based on national development strategies approved at the government level (e.g., Sustainable transport development strategy until 2030, National Environmental Policy 2030, Strategy for Sustainable Rural Development, Agriculture and Fisheries until 2030) and taking into account the draft Energy Policy of Poland until 2040.

The document sets the following climate and energy goals for 2030:

- -7% reduction in GHG emissions in non-ETS sectors compared to 2005 levels,
- 21-23% share of RES in total final energy consumption (the 23% target will be achievable if Poland is granted additional EU funds, including those earmarked for just transition), considering:
  - 14% share of RES in transportation,
  - annual increase in the share of RES in heating and cooling by 1.1 percentage points on average per year.
- a 23% increase in energy efficiency compared to PRIMES2007 projections,
- reducing the share of coal in electricity generation to 56-60%[60].

Apart from the established central distribution system by which the Polish government intends to distribute funds under the NRRP. The government has not allocated its resources to complement the NRRP.

The combination of climate policy and digitalisation issues within the EC Recommendation seems unfortunate due to the different scopes of influence of these two areas.

In the NRRP proposed by the Polish government, however, these issues have been separated into distinct areas of support, see *Table 1*

In the area of climate policy, however, specific qualitative changes are not to be expected. The programmes already being implemented at the central level will be supported by funds from the NRRP. However, there is no analysis pertaining to the spending of funds related to the implementation of this area of NRRP in international markets. In the current situation, the only certain area of intervention with NRRP funds seems to be the issue related to lignite mining in the Turów mine near the Polish-Czech-German border and the further functioning of this mine.

The Turów mine produces nearly 7% of coal for Poland's energy demand and employs nearly 5,000 individuals, while

59 Alicja Gadomska, Healthcare workers' protest. What do the medics expect? We explain, Wyborcza.pl, 10 September 2021 https://biqdata.wyborcza.pl/biqdata/7,159116,27546704,protest-pracownikow-sluzby-zdrowia-czego-oczekuja-medycy-wyjasniamy.html

60 National Energy and Climate Plan 2021-2030, 10 October 2019 https://www.gov.pl/web/aktywa-panstwowe/krajowy-plan-na-rzecz-energii-i-klimatu-na-lata-2021-2030-przekazany-do-ke

posing an extreme threat to groundwater levels in the Czech Republic (Liberec district), according to the ruling of the Court of Justice of the European Union (CJEU). The issue has been the subject of debate between the Czech Republic and Poland for nearly three years, but a lack of agreement has resulted in a ruling by the CJEU ordering to close the mine and requiring the Polish government to pay a fine of EUR 0.5 million for each day of delay in implementing the decision. [61]

> This situation shows that a realistic approach to the climate policy, which would abandon fossil fuels and, on the other, would guarantee employment and living wages for people leaving the mining sector, still remains an empty promise of several successive Polish governments.

This situation shows that a realistic and systemic approach to the climate policy, which on the one hand would consider the abandonment of fossil fuels and, on the other, would guarantee employment and living wages for people leaving the mining sector, still remains an empty promise of several successive Polish governments.

Regarding the digitisation component, a total of nearly EUR 4.897 billion, of which the majority – EUR 2.797 billion – is earmarked for grants, while the remaining amount – EUR 2.100 billion – is intended for loans.

Under the digitisation component, the focus was placed on reducing the technology gap in rural areas and small towns

by installing Internet networks. In addition, the following were assumed:

1. digitally empowering local government,
2. supporting schools and the entire education sector with digital instruments and computer hardware,
3. increasing cyber security,
4. development of e-competences among the citizens.

Most of the proposed measures are reflected in the already implemented programs within the financial perspective of 2014–2020 and, similarly as in the climate component, no significant changes in this area should be expected under the NRRP. The government does not in any way link the components of digitisation and climate issues considering them as different priorities at the operational level.

NATIONAL INDUSTRIAL POLICY

The COVID-19 pandemic did not prompt the Polish authorities to change or to formulate a broader plan in terms of a new industrial policy. Creation of new economic sectors is not planned. The analyses presented during the preparation stage of the NRRP showed that the trends of EU funding for projects will be maintained and be based on:

1. Moving away from fossil fuels – decarbonisation
2. Supporting public transport in urban agglomerations, in the transformation of the transportation fleet (buses) to an electric one.
3. Improving road infrastructure to improve the quality of life for residents and to counteract noise.
4. Changes in spatial planning to improve public transport infrastructure, e.g., railroads, in order to make this form of travel more attractive for passengers.

In terms of climate policy, there is a visible regression from the previous pro-environmental activities, for example, from 2022 the Polish government is planning changes in the subsidies for photovoltaics for both private homeowners and housing communities. As a result of the proposed changes, the use of this energy source will become entirely unprofitable for consumers[62]. It should be noted that this issue is related to a broader problem – firstly, the lack of effective green methods of energy storage.

Secondly, adaptation of the transmission grids to collect energy. Both aspects should be an important part of EU funding, and EC policy should more vigorously pursue the

61 Court of Justice of the European Union PRESS RELEASE no. 89/21
Luxembourg, 21 May 2021 Order of the Vice-President of the Court in Case C-121/21 R
Czech Republic / Poland

62 Krzysztof Janoś, Fotowoltaika po staremu na ostatniej prostej. Ceny w górę, terminów brak, 29 September 2021 https://www.money.pl/gospodarka/fotowoltaika

accelerated communitisation of energy grids as a consolidating element for EU countries[63].

The structure of the NRRP was determined by the time frame available – in the case of Poland, the consultations took about 4 months – there is a distinct lack of broader references to support for the automotive, pharmaceutical, or agricultural/food sectors in the plan.

> The Polish government focused on supporting investments dedicated to state-owned companies operating in energy, mining, transport – particularly railroad transport, etc.

This is highly visible in the provisions of the plan and the method of distribution of the funds – from the central level directly to state-owned companies in the aforementioned sectors.

The NRRP also contains important provisions for the support of the public sector, including public administration and the education and healthcare sectors, which are controlled by the state or local governments. Significant support under the NRRP is concentrated where the predominant grant mechanism has been applied, while loans are complementary to the supported areas.

ALTERNATIVES TO THE NATIONAL RECOVERY AND RESILIENCE PLAN.

The political situation in Poland during the last 7 years of right-wing rule has become highly complicated. The NRRP has become a bargaining chip in the extremely dangerous game that the Polish government has started with the European Commission. Even though pro-EU sentiments are still dominant in the Polish society, the government majority presents views sceptical of the EU, despite some diplomatic efforts to mask this scepticism. Permanent disputes with the EC and violations of the rule of law in Poland have already led to an open discussion among some far-right nationalist circles about Poland's exit from the EU. Currently, the NRRP has not received the EC's approval despite the fact that by September 2021, most Member States have received such approval and eight of them have already been provided with the funds[64]. At this stage of proceeding the Polish NRRP, it is difficult to debate any changes to it.

The problem is whether the government majority will, in the event of the NRRP being rejected, lead the country to the so-called "Polexit" – in an intentional or unintentional and uncontrolled lead to Polexit. This could happen in an even simpler manner compared to Brexit. Firstly, the majority of the Sejm may vote for Poland's exit from the EC, secondly the Constitutional Tribunal staffed by the current governing majority in a controversial verdict of 7 October 2021 indicated the Polish Constitution's incompatibility with EU law, which de facto results in legal Polexit.[65] These measures do not require being preceded by a government consultation or referendum, as was the case in the UK.

> Paradoxically the entire democratic opposition, including the left, supports the NRRP in its present form,

assuming some future possibilities of revising this document, in line with the EU administration's practice to date, which has already been applied in other programmes.

In conclusion, in the current political situation, the debate regarding the shape of the NRRP has been overshadowed by the discussion about Poland's possible future in the European Community in general.

BIBLIOGRAPHY

Position of the OPZZ Presidium of 16 March 2021 on the National Recovery and Resilience Plan,

Position of the Trade Union Forum on the National Recovery and Resilience Plan of 30 April 2021,

63 More on EU energy policy, https://www.europarl.europa.eu/factsheets/pl/sheet/45/wewnetrzny-rynek-energii

64 Maria Pankowska, Te kraje już dostały pieniądze z Funduszu Odbudowy UE. Polska wciąż czeka. Jak długo jeszcze?, OKO.press, 20 August 2021, https://oko.press/te-kraje-juz-dostaly-pieniadze-z-funduszu-odbudowy-ue-polska-wciaz-czeka-jak-dlugo-jeszcze/

65 The Constitutional Tribunal, Assessment of the conformity to the Polish Constitution of selected provisions of the Treaty on European Union, Warsaw, 7 October 2021, see also https://www.gazetaprawna.pl/wiadomosci/kraj/artykuly/8250241,utrudnic-polexit-wysyp-pomyslow-na-gwarancje-czlonkostwa-polski-w-unii-europejskiej.html

Decision of the KK Presidium no. 41/21 on the opinion regarding the draft National Recovery and Resilience Plan.
National Recovery and Resilience Plan. Report on the Public Consultations, Ministry of Funds and Regional Policy 2021.
Court of Justice of the European Union PRESS RELEASE no. 89/21
Luxembourg, 21 May 2021 Order of the Vice-President of the Court in Case C-121/21 R
Czech Republic / Poland
Eeva Pavy, The principle of subsidiarity, European Parliament Thematic remarks on the European Union European Parliament, April 2021
The Constitutional Tribunal, Assessment of the conformity to the Polish Constitution of selected provisions of the Treaty on European Union, Warsaw, 7 October 2021

INTERNET SOURCES

Maria Pankowska, Te kraje już dostały pieniądze z Funduszu Odbudowy UE. Polska wciąż czeka. Jak długo jeszcze?, OKO.press, 20 August 2021 (https://oko.press/te-kraje-juz-dostaly-pieniadze-z-funduszu-odbudowy-ue-polska-wciaz-czeka-jak-dlugo-jeszcze/)
Krzysztof Janoś, Fotowoltaika po staremu na ostatniej prostej. Ceny w górę, terminów brak, (29 September 2021 https://www.money.pl/gospodarka/fotowoltaika)
National Energy and Climate Plan 2021-2030, 10 October 2019 (https://www.gov.pl/web/aktywa-panstwowe/krajowy-plan-na-rzecz-energii-i-klimatu-na-lata-2021-2030-przekazany-do-ke)
Report: Health care system in Poland – current state and desirable directions of changes, Supreme Audit Office, 2019 (https://www.nik.gov.pl/plik/id,20223,vp,22913.pdf)
Alicja Gadomska, Healthcare workers' protest. What do the medics expect? We explain, Wyborcza.pl, 10 September 2021 (https://biqdata.wyborcza.pl/biqdata/7,159116,27546704,protest-pracownikow-sluzby-zdrowia-czego-oczekuja-medycy-wyjasniamy.html)

FRANCE

***Pauline Debanes** – The French Case: Elections first, austerity after*

The Presidential election of March 2022 is now at the centre of the national political arena. Because the debate increasingly revolves around far-right themes such as immigration and Islam, national industrial policy is struggling to get attention. The recent burst of energy prices makes the awakening of a new social movement more than likely. Yellow vests committees have called for action on social media. Given the tension between the police and social movements, labour unrest would likely be severely repressed.[66]

The government, running for Macron's re-election, is balancing the increase of spending expenditures for businesses still affected by the pandemic by introducing measures unfavourable to workers.

> The unemployment reform that will make job seekers more precarious, included in the Resilience plan funded by the EU,[67] was enacted on October 1st.

The pension reform is still on the table (RPP1 2019).[68]

The debate over the sustainability of public finance has been lively in the last few months. The right-wing laid out loudly the need to get the public debt and the public deficit under control. However, after having warned at the end of the summer that the "whatever it costs" period was soon to be over, the government decided to postponed austerity to after the 2022 presidential elections. In particular, a 30 bn€ investment plan was announced in July 2021 and detailed in October 2021. This timeline led opposition members of the right (Les Républicains) to denounce how President Macron was paying for its re-election.

The macroeconomic context is getting better in 2021. Economic growth in 2021 is forecasted to be around 6%69 compared to 2020. Structural deficit stands at 5.5% in 2021, cyclical at 3%.[70] The GDP growth level combined with labour shortages in some industries are used as an argument by the ministry of Finance to end large-scale urgency measures.
In 2022, austerity will kick in: the volume of public spending will decrease by -3.5%.[71]
The level of GDP growth forecasted for 2021 and 2022, not reach by France in decades, is highly deceptive because it only reflects the amplitude of the crisis in 2020. Economists warn that first, the GDP level and growth should be compared to potential GDP, not the 2019 level. Secondly, the economy could have a hard landing from the end of urgency measures with cascading bankruptcies.

STRUCTURAL DECISION FOR THE PLANS – MONEY AND DECISION POWER

Negotiation and evaluation over the Recovery and resilience plan

The French recovery plan "France Relance" of 100 bn€ was announced in September 2020. This plan was divided into three pillars, getting each one-third of the plan: ecology, competitiveness, and social and territorial cohesion. It was expected since this announcement that a large part of this plan will be eligible for EU funding. The EU Ecofin council approved the funding of 40 bn€. The government picked the suitable measures of its 100 bn€ plan to be funded by the EU COM. Hence, the "Resilience plan" was already included in the "France Relance" plan. To this extent, the government owns the EU recovery plan as going in the same direction as their economic and social programme.

66 Some intellectuals denounce the fascist theat in France enabled by Macron's politics. https://france.attac.org/nos-publications/lignes-d-attac/article/emmanuel-macron-s-installe-deliberement-sur-le-terrain-de-la-fascisation Accessed 10/15/2021.

67 PNNR, Partie 1 – Objectifs principaux et cohérence du plan (p12) and Composante 8 – Sauvegarde de l'emploi, Jeunes, Handicap, Formation professionnelle (p495).

68 PNNR, Partie 1 – Objectifs principaux et cohérence du plan (see p12, p35, and p797).

69 INSEE, note de conjoncture, septembre 2021

70 https://www.lopinion.fr/edition/economie/patrick-artus-natixis-en-2023-il-faudra-beaucoup-reduire-deficit-254548

71 INSEE, note de conjoncture, septembre 2021

By inserting the unemployment reform and the pension reform within the EU plan, the government is putting pressure on its own agenda.

In particular, the power of France in the EU COM is often emphasised. For instance, the French Treasury stressed in the media the decisive role of France and Germany in the adoption of the NextGenerationEU plan.[72] On the contrary to a vision that the plan would come from Brussels, the government has built a narrative of the EU recovery plan being secured by France's involvement.

The committee in charge of the monitoring of "France Relance" held its third meeting last July. Chaired by Benoît Coeuré,[73] the committee announced that 40% of the plan was already spent and will reach 70% by the end of 2021 (out of the 100 bn€). Moreover, it was announced that the first objective of the plan, returning to the pre-crisis level of growth, will be met in early 2022. The committee has published no report or more detailed evaluation except for the press release whose work remains opaque. For the EU funded part of the plan (40 bn€ out of 100 bn€), 50.6% is dedicated to climate policies and 25.1% to digital policies (more than the guidelines of respectively 37% and 20%).

According to the industrial minister, one-third of industrial corporations have had a project funded from the recovery plan. The impact on relocalisation is hard to measure yet. Still, there are well-advertised cases, such as the relocalisation of paracetamol production in 2023 in Isère by the group Segens. The amount of state support for the reopening of this plant, closed in 2008 by the Rhodia group, was not communicated.[74]

The overall recovery and urgency measures have allowed businesses to decrease their debt and engage with investment spending (+42% compared to 2019). The success of the ' 'government's action shall be put in perspective.

While non-financial corporations have reached a record profit margin (35% mid-2021), the government is asking workers to make extra efforts. It is the spirit underneath the unemployment reform.

Several government members are also emphasising that it is unacceptable that there are almost 300,000 open positions in France.[75] For instance, the government announced a tax break on tips as a solution to overcome labour shortages in the Food and Accommodation sector. More urgency measures have been announced recently. The government has injected 3 bn€ for medium-sized enterprises in the transition fund for firms impacted by the vaccination pass.[76]

The government has committed to:

- Improving the efficiency of public finance (CSR1-2019 and CSR1-2020). It involves more control over public spending and the design of a new framework, including more systematic policy evaluation. Moreover, the pension reform is at the core of the government commitment, «social dialogue will be resumed as soon as the improvement of the health and economic situation allows it.» (RESF 2022, p35). To this date, it is likely that the discussions will not resume before the presidential elections.
- Ensuring better integration into the labour market and promoting the acquisition of skills (CSR2-2019 et CSR2-2020). The unemployment benefit reform, enacted on October 1st, fits into this commitment. Already invalidated last June because of the uncertain economic situation, a new appeal has been filed with the State Council by the labour unions. Given the recent publications by the French Treasury on growth forecast, it is likely that the State Coun-

72 RESF 2022, Encadré 3, p22.

73 In addition to its chairman, the committee includes three members of the National Assembly, three members of the Senate, two members of the Court of Audit, three representatives of the State, eight representatives of employers' and trade unions' organisations, one representative of the Association of French Mayors, one representative of the Assembly of French Departments and one representative of Regions of France, and three qualified personalities appointed by the Minister for the Economy, the Minister for Ecological Transition and the Minister for Labour.

74 https://www.leparisien.fr/economie/la-france-va-relocaliser-la-production-de-paracetamol-en-2023-30-06-2021-SQRUIG2B-4JCFTGS75TASBIYMSA.php

75 According to the statistical service of the Labour ministry, there are 264 800 open positions at the end of the second quarter 2021 (+22 % qoq). https://dares.travail-emploi.gouv.fr/donnees/les-emplois-vacants Accessed 10/15/2021.

76 https://www.gouvernement.fr/3-mds-eu-pour-soutenir-les-entreprises-de-taille-intermediaire-et-les-grandes

cil will approve the reform despite evidence that 1.15M unemployed persons will be negatively affected (400,000 persons will lose 40% of their unemployment allowance[77]). The reform should result in savings of 23 bn€. In parallel, the government launched a 9 bn€ plan to promote youth employment through subsidies for hiring enterprises. Launched in June 2020, the mechanism is extended until June 2022.

TOWARDS A NEW INVESTMENT PLAN

On July 12th, President Macron announced a new investment plan to come called "France 2030". Within the same political sequence, Finance Minister Bruno Le Maire declared the end of large-scope support to firms on August 15th. Emergency funding is replaced by tailor-made support, especially for businesses in the food and accommodation sector.

Around 30 bn€ over five years, this new plan is supposed to be more targeted than the recovery plan announced in 2020. The plan intends to build up national champions in hydrogen vehicles or the cloud, but no significant local actors exist. The priority sectors are hydrogen, numeric, biotech, IA, agri-food. The perimeter of the "France 2030" remains blurry, even for the executives.

> Beyond the enormous ambition of President Macron to finance "disruptive technologies", the administration seems to lack the ideas and capabilities to build an investment plan.

The President has rejected the first draft of the "France 2030" plans in September. On October 12th, President Macron announced that 1 bn€ will be invested in nuclear energy, in part to develop small modular reactors, a technology not yet mastered by any French enterprise.

The government tries to minimise the size of new expenditures by omitting, for instance, the "France 2030" plan from the new finance law (the finance law will be amended later on) The public finance council declared that it was not possible to properly evaluate the public deficit previsions based on the documents provided by the French Treasury.[78] Indeed, the 2022 finance law does not include the 30 bn€ of "France 2030" nor the "income for youth" policy that should cost several billion.

A CARE-SOCIETY?

The social and political contexts at public hospitals remain tense with exhausted caregivers. The health system, already ailing before the pandemic, is now on its last legs out of the fourth epidemiologic wave.

Hospital trade unions have joined the call for a national strike on October 5th.

The government's promises fall short of providing the necessary wage increase and investment boost to restore patient-oriented functioning at public hospitals. The Segur plan from the previous recovery plan did not reverse the trend of closing hospitals beds (5700 beds were closed in 2020). The 2022 finance law forecast 12.5 bn€ for hospitals following up on previous commitments and 2 bn€ invested in public hospitals. The level of investment in hospitals is not enough to meet the needs of providing a decent work environment for caregivers combined with adequate care for patients. Given the structural increase of health spending, the hospital labour union ask for a 5% increase in health spending to meet the needs of hospitals. Each year, only 30% or 40% of identified deficiencies in the health system are met by the budget; savings are supposed to make up for the rest.[79]

77 An example given by the unemployment office considers the case of a seasonal hotel employee who works for five or six months during the year, paid 2,000 euros gross per month. His unemployment benefit during the off-season amounts to 1,136 euros gross per month. With the new calculation of the RLS, this amount falls to 881 euros. That is a 22% drop. https://www.mediapart.fr/journal/economie/300921/reforme-de-l-assurance-chomage-ceux-qui-vont-y-perdre Accessed 10/15/2021.

78 https://www.lemonde.fr/economie/article/2021/09/22/le-haut-conseil-des-finances-publiques-critique-un-projet-de-budget-2022-incomplet_6095588_3234.html

79 The gap is between the evolution of needs as measured by the administration and the objectives of health spending decided by the government. https://www.soc-etudes.cgt.fr/info-branches/analyses/ondam-arme-de-destruction-de-lassurance-maladie/

A survey from the council of nursing order shows that 40% of nurses want to change careers.

At the national level, it is estimated that overall, in hospitals (public, private and non-lucrative), 10% of positions are open.[80] At the Paris hospitals (AP-HP), there are 820 vacant nurse positions in October 2021, and 18% of the 20,000 beds are closed due to the lack of staff.[81] Staff shortages will likely intensify in the coming years. It follows that when the government announced that it would make it mandatory for caregivers to be vaccinated, a part of the staff got irritated.

According to the inter-hospital collective,[82] the RIST law enacted in April 2021, which promotes the decentralisation of decisions to the service level, still enshrines the power of managers over caregivers. Moreover, public hospitals worry about this law that aims at putting a mandatory ceiling on interim 'doctors' salaries (-40% of their current average wage), which could accentuate the shortage of doctors incentivised to work in the private health sector.[83]

CLIMATE AND DIGITAL POLICIES

The government has calculated that the digital share of the EU funded plan amounts to 25% of the plan or 10.3 bn€. More than half of this amount goes for the pillar of social and territorial cohesion. No reflections over the possible contradictions between digital policies and climate objectives are identified by the government.

The climate law enacted in July 2021 was inspired by the "citizen convention", and constitutive of the ecological pillar of the recovery plan. The citizens' climate convention was Macron's halfway reply to the Yellow Vest movement' demand of a citizens' initiative referendum. 150 persons were randomly selected in October 2019 to present their proposition to decrease national carbon emissions by 40% compared to 1990 by 2030 while ensuring social justice. 149 propositions were made in June 2020. The Climate law has only very partially taken over those propositions, which had largely disappointed the members of the convention.[84] Ecological NGOs denounced the gap between the recommendations of the citizen convention and the existing law, which was systematically cut down.[85] This law focuses on relatively small collective actions such as one vegetarian meal a week at school. Still, it fails to build a coercive framework for high-emission sectors.

> The impact evaluation estimated that the law will help reduce carbon emissions by 12M tonnes compared to the 112M tonnes needed to meet France's commitments (40% decrease of carbon emissions by 2030 compared to 1990).

On the industrial side, similarly to the previous recovery plan, the core of the government's climate policy is to keep investing in nuclear energy while developing electric and hydrogen industrial sectors. A report commissioned by the executive and signed by French orthodox economists (O. Blanchard and J. Tirole) draws the direction of this government:

> the main instrument to achieve carbon neutrality is a carbon tax. Despite the risks of Yellow vests' resurgence, experts solicited by the government only envisioned market mechanisms to address climate urgency.

The government are adding a digital component to all their legislative proposals. A generous effort is made for local governments which have difficulties embarking on digitalisation. With the recovery plan, 88M € are dedicated to local projects.

80 https://www.ra-sante.com/lyon-penurie-soignants-hopital-en-situation-urgence-absolue.html?fbclid=IwAR0zwy8X9YzhFqWNX-v8vttvjykrQAc0va7FXGuz43pzp_eX2bzP9558LRYs

81 https://www.lemonde.fr/planete/article/2021/10/12/a-l-hopital-un-climat-morose-malgre-la-sortie-de-la-crise-sanitaire_6097991_3244.html

82 https://www.collectif-inter-hopitaux.org/comm-press

83 https://solutions.lesechos.fr/juridique/c/apres-lobligation-vaccinale-lart-33-de-la-loi-rist-bouscule-les-hopitaux-28404/

84 They attributed a note of 3.3 over 10 (unsatisfactory) for the assessment of the government's consideration of their proposals. https://www.lemonde.fr/planete/article/2021/02/28/la-convention-citoyenne-pour-le-climat-se-separe-sur-une-note-severe-au-gouvernement_6071502_3244.html Accesses 15/10/2021.

85 https://www.greenpeace.fr/il-faut-sauver-la-loi-climat/

NATIONAL INDUSTRIAL POLICIES

The current government is advertising the impact of the national recovery plan “France Relance” on the industry widely. However, evaluations are more cautious as layoffs are in full swing in key industrial sectors such as aeronautics and automotive. The vision of National Industrial Policies put forward by President Macron so far is focusing on new technologies. Beyond announcements, it results that this government instils no real vision of industrial planning.[86] The French Tech policies have attracted much attention from the administration as it is Macron’s favourite showcase. However, the larger bulk of expenses went to the national champions of the golden age (railway, automotive, aeronautics) in the national recovery plan. Besides, except for urgency measures filling industrial businesses’ balance sheets, 20 bn€ were dedicated to production tax breaks (out of the 30bn € for the competitiveness).

President Macron is organising once again a big announcement before the end of his mandate: a new 30 bn€ investment plan “France 2030” oriented towards developing technology-based industries. Now customary, Macron detailed the plan for almost two hours alone, surrounded by spectators at the launching event on October 12th. Here again, above ground measures and wishful thinking are announced. The French public investment bank director explained how the goal is to create the “French Elon Musk”.[87]

This kind of large launching event echoes the role taken by consulting firms in the last four years.

Last not least – what are left alternatives

Six months before the presidential elections, the left appears more divided than ever. Eleven candidates have declared their candidacy so far, much to the chagrin of voters. Despite some initiatives to build a common left platform led by left intellectuals, political parties are maintaining their own respective candidates for now. The two parties that are in a good position are the Ecological party and the France insoumise.

The beginning of September has been busy on the political sphere with the primary in the Ecological party. Yannick Jadot, a liberal ecologist, became the official candidate. In his programme, he announced a 50 bn€ investment plan per year during the 5-year mandate. Half of the plan will go to reconstruction and half to improve the quality of public services.

For the left, Jean-Luc Mélenchon opposed the weaknesses of the recovery plan and the lack of conditions for businesses under public support. Regarding national industrial policies, the France insoumise proposes to develop ecological planning with a green rule enshrined institution that will make mandatory to respect a “do-no-harm” principle for the environment. Published last June 2021, the booklet details the party’s program, building upon the parliamentary work of France insoumise MPs since the last elections.[88] The ecological planning will get out of nuclear power, finance renewable energies, energy renovation, zero waste. Moreover, France Insoumise commits to ending pesticide usage, fighting common goods privatisation again, and ensuring food sovereignty.

McKinsey was in charge of organising the national vaccination rollout. Similarly, the consultancy firm Roland Berger was contracted by the finance minister to identify industrial branches vulnerabilities and build the recovery plan.[89]

BIBLIOGRAPHY

Blanchar, O et Tirole J, 2021. Les grands défis économiques, Commission international mandatée par le Président de la République Française.

Ministère de l’Economie et des Finances, 2021. PLF2022 – Pour une croissance durable. 127p. https://www.economie.gouv.fr/files/2021-09/DP_PLF_2022.pdf Accessed 10/4/2021.

86 High Commissioner for Planning, François Bayrou, appointed in September 2020 has not taken any action or given public statement ever since. The last publication dates from May 2021.

87 Le grand témoin, Figaro Économie, samedi 2 octobre 2021 919 mots, p. 26

88 https://reporterre.net/Presidentielle-la-France-insoumise-presente-son-programme-ecologique

89 https://www.consultor.fr/devenir-consultant/actualite-du-conseil/5975-dans-le-conseil-le-secteur-public-ne-connait-pas-la-crise.html

GERMANY

Michael Schwan *– Stronger than ever? The EU's Recovery and Resilience Facility and the German economy*

When the Covid-19 pandemic hit Europe in the spring of 2020 the economic, social, and sanitary impact shook up the political systems across the board. In addition to numerous domestic emergency measures and relief packages, the European Council agreed to counteract the unfolding adverse effects on the supranational level. Embedded into the Union's wider Multiannual Financial Framework (MFF) for the 2021-2027 period, the NextGenerationEU (NGEU) recovery package seeks to provide additional financial support to EU member states. Operating from 2021-2023, NGEU not only bolsters existing programs. More importantly, it sets up the Recovery and Resilience Facility (RRF), a new fiscal institution worth €750 billion in 2017 prices, through which member states can access grants and loans to support domestic recovery projects. Despite its similarity to the quasi-constitutional EFSF/ESM structure that was put in place following the Global Financial Crisis, the RRF presents a milestone in European economic integration. For the first time an EU institution – in this case the Commission on behalf of the Council – will borrow directly on the market using multiple instruments, including NGEU green bonds and EU-bills (COM 2021b, 2021e). While the distribution of the funds among EU members depends on both unemployment levels and GDP contraction, getting access to financial resources requires applicants to submit specific National Recovery and Resilience Plans (NRRP). Every national plan must outline spending priorities for projects that have to been in line with the EU's broader agenda of combating climate change and fostering digital transition.

> The question remains, however, which social and political forces benefit most and who loses out?

Can NRRP's form the basis of substantial reforms that not only green the economy, but make societies more inclusive and growth more sustainable? Or will NGEU be more about greenwashing profit-driven logics of the dominant power bloc? Focusing on Germany, the EU's political and economic powerhouse, this study seeks to shed light on the aforementioned issues. The next part briefly sketches the situation of the German political economy during to the pandemic. The main part then summarizes key points of the country's NRRP and reflects them against the general course of the German growth model. The final part concludes.

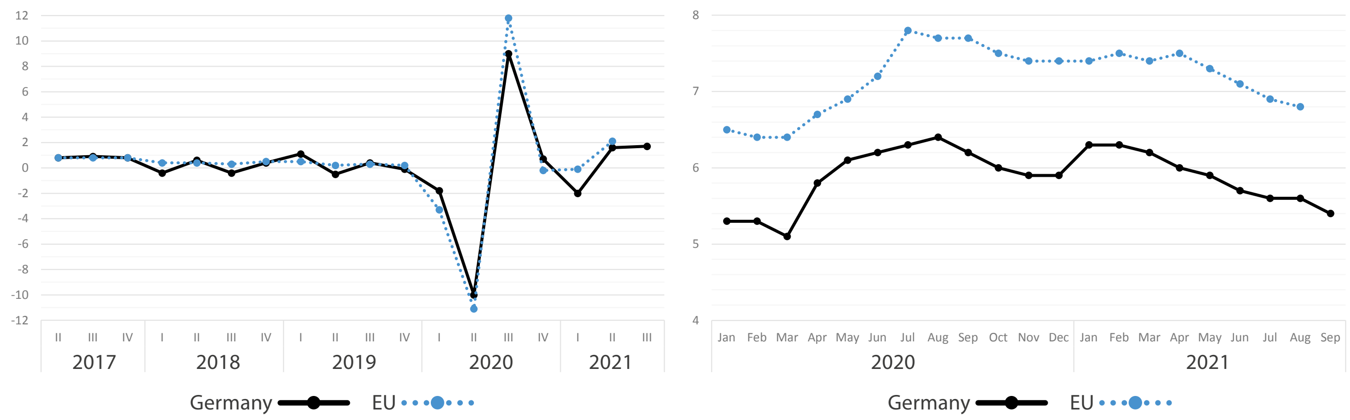
THE GERMAN POLITICAL ECONOMY DURING THE PANDEMIC

When the first cases of Covid-19 were reported in Germany in late January 2020 there had already been discussions whether the country was entering a phase of relative economic stagnation or even a slight decline. Despite the continuing dominance of its strong export sector, several pundits, interest groups and trade unions had been calling for increasing investment in public infrastructure and higher wages in both services and health care (see exemplarily: DGB 2019). Through several rounds of emergency and relief measures, the Merkel government implemented numerous policies to support consumption, prevent unemployment and provide liquidity to ailing companies. Many of these packages were geared towards favouring large corporations in tourism, transportation and hospitality while the Kurzarbeitergeld job retention scheme prevented a sharp drop in industrial employment.

Especially in the first couple of months, small businesses, self-employed, university students, nurses or sales clerks slipped through the cracks. Still, with the help of its immense fiscal firepower as well as swift and relatively coordinated economic policymaking, Germany was able to mitigate the worst effects and minimize the immediate fallout (Schwan 2020).

Figure 1 illustrates the development of two key economic indicators, GDP growth and unemployment. Regarding the former it shows Germany's stable, but – compared to previous periods – underperforming growth rates. Concerning the latter, the automatic stabilizers of the German labour market result in less pronounced spikes in unemployment as well as a smoother, quicker recovery.

Figure 1: Quarterly GDP growth (left) and monthly unemployment rate (right) in %, Germany and EU.



Source: Destatis (2021) and Eurostat (2021); retrieved via Statista.

GERMANY AND THE EU'S RECOVERY AND RESILIENCE FACILITY

After the German government had sent the draft of its plan to Brussels in December 2020, lengthy consultation process began (BMF 2021). Eventually, the final document, the *Deutscher Aufbau- und Resilienzplan* (DARP) received a positive assessment from the European Commission in June 2021 and the first tranche of €2.25 billion in pre-financing, equalling 9% of the country's total €25.6 billion allocation, was disbursed a month later (COM 2021c).

As Germany did not request any loans, all allotted funds are non-repayable grants and mainly support already existing programs instead of initiating new projects – a fact that has drawn criticism from oppositional political forces such as the Greens (tagesschau.de 2021). Moreover, instead of implementing neoliberal structural reforms in the fields of labour markets, competition policy or the pension system,

Germany stays in its own lane and chooses simply not to follow the Commission (DLF 2021; Handelsblatt 2021). While this is certainly good news from a progressive perspective it nonetheless makes once again clear that Berlin is the *primus inter pares* among EU member states.

Especially as a country that was preaching strict adherence to the conditionalities of privatization and liberalization during the Euro crisis. But maybe this is also just a sign that times have changed a little with the centrist social-democrat Scholz guarding the coffers instead of former finance minister and CDU watchdog of German ordo-liberalism, Wolfgang Schäuble. Trade unions and environmental groups partly sang the same tune, criticising both insufficient investments through substituting measures from the national *Zukunftsprogramm* of 2020 with EU money, and a lack of consultation on improving job training, decarbonisation, biodiversity or collective bargaining coverage (DGB 2021; DNR 2021).

At the core of the DARP are the two main goals of greening and digitalising the economy. In fact, Germany intends to spend its grants almost exclusively in these two areas.

With 42% of its total allocation dedicated to support climate objectives and another 52% to support digital transition, Berlin easily meets the mandatory EU requirements of a minimum of 37% for the former and at least 20% for the latter.

The remaining funds are dedicated to the more general goal of increasing the country's economic and social resilience (EU 2021). Table 1 details some of the key components of the DARP.

Table 1: The three pillars of Germany's NRRP, key measures.

I: Green transition	II: Digital transition	III: Economic and social resilience
Hydrogen leap: green hydrogen at all stages of the value chain. **(€1.5 billion)**	*Microelectronics and communication:* cross-border European initiative to promote e.g. low-power processors. **(€1.5 billion)**	*Childcare programme:* creating 90,000 additional childcare places. **(€500 million)**
Support for electric cars: financial support for shifting to more than 800,000 decarbonised vehicles. **(€2.5 billion)**	*Cloud infrastructure:* cross-border European initiative for the industrial deployment of smart cloud solutions. **(€750 million)**	*Support to apprentices:* sponsoring companies that keep apprentices. **(€725 million)**
Energy efficiency in residential buildings: large-scale renovation program. **(€2.5 billion)**	*Digitisation of public services:* making more than 215 public services digitally available by 2022. **(€3 billion)**	*Modernise hospitals:* improving digital infrastructure, emergency capacities, robotics and IT security. **(€3 billion)**

Source: own illustration based on EU (2021).

The first pillar shows some of the measures geared towards making the economic more environmentally friendly with the main goal of reducing CO_2 emissions in line with the Paris Agreement. Among those measures, the development of green hydrogen facilities is a central feature of German industrial policy. To some extent this mirrors the national hydrogen strategy (*Nationale Wasserstoffstrategie*) that the Federal Ministry for Economic Affairs and Energy initiated in 2020 (BMWi 2020). For several reasons, hydrogen is an important component of a potential green transition. It can be used to store energy; it can serve as an alternative to the combustion engine in transportation and it can fuel industrial production plants like steel mills. Therefore, many of the largest German corporations such as E.ON, RWE, Evonik or ThyssenKrupp have agreed on a mutual plan to expand hydrogen research and make Essen and European hydrogen metropolis (Stölzel 2021). Furthermore, Germany partners with France to initiate what is called an *Important Project of Common European Interest* (IPCEI) as one of the joint projects established by the Commission's DG GROW that is also responsible for industry and entrepreneurship (DARP 2021: 15). The second measure of pillar one is the support for electric cars. Again, this has been a long-envisaged goal for both government officials, industry representatives, and substantial parts of the Green party. When some of the potential economic relief measures were discussed early in the pandemic, it quickly became clear that another car scrappage scheme was politically not implementable. Instead, the government opted to hand out generous subsidies to those who decided to turn their old car running on diesel or gasoline into a new electric or hybrid vehicle (SZ 2020). So again, European RRF grant are mainly used to pay for already existing programmes. The third and final substantial measure of pillar one is a large-scale renovation programme for residential buildings. Although this has been another well-established policy tool that is usually made available through numerous favourable credit lines offered by the *KfW*, Germany's national promotional bank, it seems that in addition to RRF money does not serve as a mere substitute, but that the entire programme itself is expanded (SZ 2021).

The DARP's second pillar focuses on digital transition. This encompasses four separate initiatives. First, in cooperation with France and other EU members, Germany provides an additional push to another existing IPCEI with a focus on microelectronics.

> The goal is to support research and establish facilities to produce powerful, yet energy-efficient microprocessors needed for AI applications such as autonomous driving.

Tackling all links of the value chain, this initiative aims at making Europe more independent from other parts of the world (BMWi 2021). The second initiative is geared towards a common European cloud infrastructure. Faring under the headline of data safety and independence, this is another project that ultimately seeks to realize a greater national and European degree of economic autonomy with less vulnerable production networks and supply chains. Together, all these measures fit well with the rejuvenated concept of "European Champions", which had led to a clash between Peter Altmaier, Germany's minister of economic affairs, and Competition Commissioner Vestager already prior to the pandemic

(Heide 2019). Third, DARP's digital pillar also lays out the plan to modernize public administration by making numerous services digitally available as well as enhancing the connection between municipal and federal government agencies (DARP 2021: 11). The need for a fundamental digital makeover of the notorious German bureaucracy became especially blatant during the pandemic when for example Covid test results were transmitted via fax machines from one agency to the next. Lastly, another €1.5 billion are to be spent for IT infrastructure in the educational system. While providing teachers with computers or other devices and creating new digital learning platforms make up the biggest chunk, another €100 million flows to the *Bundeswehr* for modernizing the army's facilities (DARP 2021: 16).

Following the structure proposed by the Commission, the third and final pillar of Germany's National Recovery and Resilience Plan strives to foster social cohesion. What started with the *Zukunftsprogramm Krankenhäuser* and led to the *Krankenhauszukunftsgesetz* (KHZG) – a federal act of 2020 to modernize hospitals and improve their digital infrastructure – is now carried over to the DARP. While €3 billion – the bulk of the RRF funds in that pillar – flow into IT security and new software solutions in the healthcare sector, frontline workers such as nurses receive a meagre total of €100 million as one-time bonus payments that are capped at €1,000 per person and are at the discretion of local hospital management (BMG 2020). Another €725 million are dedicated to the *Bundesprogramm "Ausbildungsplätze sichern"*, an apprenticeship retention scheme like the *Kurzarbeitergeld*. Run by the Federal Employment Agency, small and medium-sized enterprises can apply for funding to keep their apprentices on the payroll during the pandemic. Additional support is given if a company decides to offer apprentices after the successful completion of their training a permanent job (BA 2021). Finally, a final key measure of DARP's third pillar is the expansion of childcare (DARP 2021: 16). The goal is to use an extra €500 million for the expansion of accessible day care capacities for 90,000 children at the age of 3 or younger (BMFSFJ 2020). However, this is another plan that was already agreed upon prior to the RRF and dates to an entitlement for parents that became effective already in 2013 but to which the childcare system so far has yet to live up to.

CONCLUSION

Assessing the eventual impact of Germany's DARP is far from being a straight-forward task. On the one hand it provides the government with additional funds that does not have to be repaid.

> Avoiding any form of strict conditionality, Berlin has thus been able to get practicably free money with no real strings attached.

On the other hand, like the EU-wide process of negotiating the design of the RRF (Vanhercke & Verdun 2021), social actors like trade unions or environmentalist groups, were largely side-lined and left out of the consultation procedure.

Furthermore, most the support flowing from Brussels is channelled to already existing programmes and initiatives, which – despite containing progressive components – sometimes even predate the pandemic. Instead of using the RRF as an additional resource, the German government substitutes one source of financing with another. Interestingly, the political left has largely remained silent about the entire process.

It seems that in general, NextGenEU, the Recovery and Resilience Facility and the DARP play a negligible role both in the media and in public discourse.

This is in stark contrast to a country like Italy, where NRRP discussions led the country to the brink of a government crisis. To some extent this is plausible given the state of the Italian economy, the brutality with which the country has been hit by the pandemic and the German financial firepower, especially compared to many Southern and Eastern EU member states.

Regarding the contemporary export-led growth model of German capitalism, the DARP is mixed news.

For one, some of its components aim at partially rebalancing the economy through an increase in public investments and measures that could – in the end – stimulate private domestic consumption. Yet, the focus on the automotive industry and the emphasis on large corporations tends to benefit a further outward orientation through facilitating exports in the long run. As a final point,

> European research activities and production clusters, for example in the areas of microelectronics, cloud computing or electrolysis facilities, strive for a combination of industrial modernization with economic autonomy that is largely led by German and French capital.

As a consequence of the pandemic, onshoring via the regionalization of supply chains and production networks could be considered a lesson learned the hard way. The direction of this emergent neo-statism, however, is far from clear. Whether this takes the form of a more socially inclusive and environmentally sustainable development or not, to large parts depends on the effective, vociferous, and critical engagement of progressive forces – or the lack thereof.

BIBLIOGRAPHY

Bundesagentur für Arbeit (BA) [Federal Employment Agency]. *Bundesprogramm „Ausbildungsplätze sichern“*. Berlin 2021. https://t1p.de/057o

Bundesministerium für Familie, Senioren, Frauen und Jugend (BMFSFJ) [Federal Ministry for Family Affairs, Senior Citizens, Women and Youth]. *Mehr Geld für die Kindertagesbetreuung*. Berlin, 17 June 2020. https://t1p.de/voqq

Bundesministerium der Finanzen (BMF) [Federal Ministry of Finance]. *Deutscher Aufbau- und Resilienzplan (DARP)*. Berlin, 27 April 2021. https://t1p.de/wlua

Bundesministerium für Gesundheit (BMG) [Federal Ministry of Health]. *Krankenhauszukunftsgesetz für die Digitalisierung von Krankenhäusern*. Berlin, 2020 https://t1p.de/xofm

Bundesministerium für Wirtschaft und Energie (BMWi) [Federal Ministry for Economic Affairs and Energy]. *Die Nationale Wasserstoffstrategie*. Berlin 2020. https://t1p.de/opfe

Bundesministerium für Wirtschaft und Energie (BMWi) [Federal Ministry for Economic Affairs and Energy]. *IPCEI Mikroelektronik: Zwei europäische Großprojekte für eine Schlüsseltechnologie der Zukunft*. Berlin, 1 September 2021. https://t1p.de/xse1o

Deutscher Gewerkschaftsbund (DGB) [German Trade Union Confederation]. „BDI und DGB verlangen ambitionierte Investitionsoffensive der öffentlichen Hand“, *Gemeinsame Pressemitteilung des Bundesverbands der Deutschen Industrie (BDI) und des Deutschen Gewerkschaftsbundes (DGB)*. PM 070. Berlin, 18 November 2019.

Deutscher Gewerkschaftsbund (DGB) [German Trade Union Confederation]. *Stellungnahme des Deutschen Gewerkschaftsbunds zum Entwurf des Deutschen Aufbau- und Resilienzplans (DARP)*. Berlin, 15 February 2021. https://t1p.de/34ehx

Deutschlandfunk (DLF). *Nationale Pläne für den EU-Aufbaufonds. Gemeinsame Rettung, gemeinsame Schulden*. Berlin, 28 April 2021. https://t1p.de/jfna

Deutscher Naturring (DNR). *Verbändekritik am Deutschen Aufbau- und Resilienzplan*. Berlin, 19 February 2021. https://t1p.de/gbcd

European Commission (COM). *Analysis of the recovery and resilience plan of Germany*, SDW(2021) 163 final/2. Brussels, 2021a. https://t1p.de/ogn2

European Commission (COM). *NextGenerationEU diversified funding strategy*. Brussels, 2021b. https://t1p.de/t0c2

European Commission (COM). *NextGenerationEU: European Commission disburses €2.25 billion in pre-financing to Germany*, press release, 21 August. Brussels 2021c. https://t1p.de/4vd3

European Commission (COM). *NextGenerationEU: European Commission endorses Germany's recovery and resilience plan*, press release, 22 June. Brussels, 2021d. https://t1p.de/ncvml

European Commission (COM). *Recovery plan for Europe*. Brussels, 2021e. https://t1p.de/r9jz

European Union (EU). *Germany's recovery and resilience plan*. Brussels, 2021. https://t1p.de/7098

Frankfurter Allgemeine Zeitung (FAZ). *Bunde legt drauf. Förderung für Gebäudesanierung solle fast verdoppelt warden*, 22 September 2021. https://t1p.de/7cmvm

Handelsblatt. *Wiederaufbauplan genehmigt. 24,6 Milliarden fließen aus Brüssel – Warum das EU-Geld Deutschland dennoch nicht voranbringt*, 22. June 2021. https://t1p.de/mbwr

Heide, Dana. "Vielfalt oder EU-Champions? Schlagabtausch zwischen Altmaier und Vestager", *Handelsblatt,* 14 March 2019. https://t1p.de/4b92

Schwan, Michael. 'Germany: Money as a Substitute for a Plan. The fragile Recovery of the German Economy: short-term Prospects, long-term Challenges', in: transform!Europe (ed), *Economic Anti-Crisis Measures of EU Member States after the Outbreak of Covid-19 in 2020*, Brussels, 2020, pp. 109-121.

Stölzel, Thomas. 'Grüner Wasserstoff. Kann Essen zur Elektrolyse-Hochburg werden?', *WirtschaftsWoche*, 2021. https://t1p.de/ktyz

Süddeutsche Zeitung (SZ). *Pläne des Autogipfels. Abwrackprämie für Brummis – Zuschüsse für E-Auto-Käufe,* 17 November 2020. https://t1p.de/8iqy

Tagesschau.de. *Corona-Wiederaufbaufonds. Deutschland rechnet mit 25 EU-Milliarden,* 27 April 2021. https://t1p.de/l43q

Vanhercke, Bart and Amy Verdun. The Recovery and Resilience Facility: Have social actors been sidelined? *AK Europa Policy Brief* 08/2021, Austrian Federal Chamber of Labour, Vienna 2021.

AUSTRIA

Anna Pixer *– The RRF Plan of the Austrian government: supporting the rich inside Austria and the EU*

INTRODUCTION

Austria's economy has been affected massively by the COVID-19 crisis. The GDP (as one but not the only measure to reflect the crisis' impact) shrank by 6,7 % compared to 2019 levels, which is fairly more compared to many other European countries as well as the EU27 average from -5,9 % (Statistics Austria, Eurostat, 2021). Within the NextGenerationEU program, Austria has been confirmed to be given € 3,5 billion in grants under the Recovery and Resilience Facility as part of the process to stimulate the economy. Interestingly, Austria handed in projects worth €4,5 billion, arguing that the final amount received will depend on the economic development during 2021 and could exceed the primary budget of € 3,5 billion.

The following is a critical review of the Recovery and Resilience Facility plan for Austria (following: ARRFP) and its development as well as potential in overcoming the COVID-19 crisis. Furthermore, an overview shall be given over how Austria's politicians, institutions and economists tend to deal with economic crises, in how far they opt for spending on fiscal policy or alternatives on Austrian and European level.

> Austria is known as member of the "Frugal Four", which are fiscally conservative countries including The Netherlands, Denmark, and Sweden.

Not only but also because of this role, the review on how Austria approaches to overcome a crisis in a joint and solidary way, is of special interest.

The final form of the ARRFP has come across very positive feedback and quick approval from the European Commission, stating that it follows the guidelines for digital and green transitions on a large scale. However, substantial criticism was raised on national level, due to the limited and exclusive negotiation processes and the very large number of projects that were already part of Austria's budgeting plan for the following years, leading to the RRF money financing some already existing projects instead of investing into new ones and missing the chance to use the money to push green transition even further with new ideas and investments.

Overall, the main volume of the budget will be going to infrastructure projects, followed by companies and corporations, and families/private households. Three quarters of the means will either go to 'sustainable' or 'digital' recovery investments, of which the vast majority already existed prior the RRF. Three projects, including broadband expansion, ecological/digital investments in companies and the construction of a railway tunnel, account for almost half of the plan's total budget. They reveal the preference to finance national projects with the RRF as well as Austria's confidence in corporation to contribute to digital and ecological change if investments are high enough.

1. STRUCTURAL DECISIONS FOR THE PLAN

In the first chapter the structure and decision process behind the plan shall be discussed. Before diving deeper into the plan and its process, itself, it is important to briefly declare Austria's role within the European Union member states. Being one of the "Frugal Four" (*Sparsame Vier*), Austria has shown profound resistance in contributing its share in several fiscal decisions on an EU-level. The position of Austria has reflected a more nationalistic than European thinking in many situations, with a lack of focus or a lack of trust in a "Common Europe". Also, within the negotiations for the EU Recovery Fund, Austria had an important role, together with the rest of the "Frugal Four" – the Netherlands, Sweden, and Denmark. Representing Austria's tendency to act in favour of austerity policies on a European level, this group of countries focused on negotiating to keep debt low and to tighten the monetary and legal framework of the RRF. More precisely, they criticized the size of the fund, the ratio between grants and loans, the allocation key, and the missing deadline of the use of the funding. Indeed, the "Frugal Four" managed to reduce the amount of the fund foreseen for subsidies, equivalently increasing the amount foreseen for loans.

Austria's former chancellor Sebastian Kurz contradicted the idea that some very strongly affected countries proportionally gain more from the fund, which is in line with Austria's persistent position in favour of the EU net contributors. Revealingly, Mr. Kurz repeatedly uses the phrase of wanting to prevent a "debt union" (*Schuldenunion*) during European fiscal negotiations. In addition, as of May 2021, Austria declared to use the grant scheme only and abandoned the possibility to take out loans under the RRF.

Considering the process of the development of the ARRFP, the government has not included many partners, organizations, or other stakeholders for the planning. Indeed, quite the opposite was the case. The ARRFP was mostly planned and structured by the government itself, and communicated by the Minister of European affairs, Karoline Edtstadler.

> Social partners, such as trade unions, or environmental organizations and experts were not included to participate actively and from the very beginning. Solely an e-mail address, where stakeholders could submit their propositions for the ARRFP to, was provided.

If and how e-mails found entrance in the project brainstorming and further process has not been publicly talked about. Concerns of the exclusivity of the process have been raised particularly by the labour union. As the crisis brought an upward surge in numbers of long-term unemployment, measurements to actively support re-employment should have played a bigger role in the ARRFP. Also, the different county governments were not included.

Taking the exclusivity of the process into account, the Austrian government consisting of the conservative people's party and the green party are identified as the program owners. At the time of the approaching deadline to submit the ARRFP to the European Union, the debate around it intensified, mostly due to Austria's significant role within the negotiation process as well as the lack of inclusion of other stakeholders. Observers were sceptical about the short-term process preparation and execution until submission, which, unsurprisingly limited the ARRFP to measures already proposed in former government plans. Since the approval of the plan, the ARRFP has not been present in the current political debates.

As of today, there is no specifically designed Committee or person responsible for the implementation of the ARRFP. Taking a deeper look into the exact projects within the plan, this might not be surprising, since large parts of the plan's content have been on the political agenda for a long time and therefore most likely have already been assigned to different authorities. The plan consists of four big components with four subcomponents each:

Within the four components, 59 specific projects are being presented in the ARRFP. 32 of these concern actual investments, 27 are labelled as reforms. Reforms include e.g., the current tax reform, changes in the pension systems or in other legal frameworks. As a result, reforms are not combined with costs, and the whole funding money of € 4,5 billion is budgeted for the 32 different investment projects. The names, volume, and relative share of the ARRFP of each project within each of the four components can be found in table 3 in the Appendix (in German); the fiscal volume of each component can be found in table 1. The largest part, Digital Recovery, accounts for roughly 41% of the € 4.5 billion, followed by Sustainably Recovery, accounting 34% of the budget. Just Recovery, including reforms and investments in health and cultural sectors, represents the smallest investment volume.

Going more into detail, only five of the 32 investment projects are new ideas.

Fifteen of them have already been implemented partially or even been resolved, 12 of them are part of the current government program and therefore will and would have been implemented most likely even without the NextGenerationEU program. As already mentioned, only five have been put down for the first time. Therefore, most of the projects are already allocated to an authority or ministry, rendering new implementing committees unnecessary. Furthermore,

> the high number of projects already existing before the ARRFP came into being, shows the extent to which opportunities for new, innovative, and socially, climate friendly initiatives are wasted.

Table 1: Structure of the ARFFP. Source: Austrian Recovery and Resilience Fund 2020-2026

Sustainable Recovery	Digital Recovery	Knowledge-based Recovery	Just Recovery
€ 1508 Mio. (33,5%)	€ 1828 Mio. (40,6%)	€ 868,4 Mio. (19,3%)	€ 296 Mio. (6,6%)
Renovation Wave	Broadband expansion	Research	Health
Eco-friendly Mobility	Digitalization of schools	Re-skilling And Up-skilling	Resilient municipalities
Biodiversity and Circular Economy	Digitalization of public administration	Education	Arts and Culture
Transformation to climate-neutrality	Digital and ecological transformation of enterprises	Strategic innovation	Resilience through reforms

This, however, does not leave the rest of the investments unnecessary or less relevant. Some of those not having been targeted precisely yet, might have been pushed further on the political agenda due to the ARRFP. Still, Austria uses the money flows from the RRF as compensation for nationally allocated financial flows to projects that are already planned or well under way.

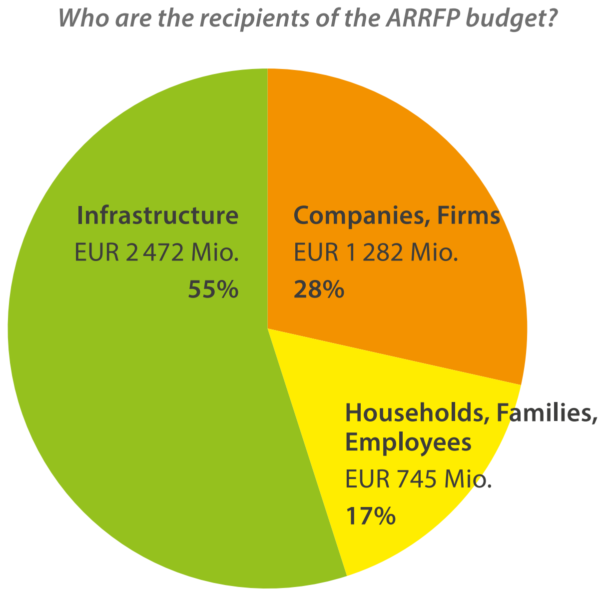
Table 2: Usage of money of the RRF for Austria for different categories. Source: Austrian Recovery and Resilience Fund 2020-2026, own calculations

Category of Policy/Project	Amount of money endowed (€ millions)
Broadband Expansion	891,3
Investment Bonus	573
New Railway Lines (electrified)	542,6
Research	462
Climate Protection	400
Digitalization	331,7
Families, Students, Children, Seniors, Health	308,6
Green Mobility	306
Further Education, Re-Education, Unemployment Services	277
Energy	208,9
Industry and SMEs	132
Culture	66,5
Total	**4500**

Table 2 shows the proposed usage of the RRF money for different, partially summed up categories according to the main end goal (the specific projects by component can be found in table 3 in the Appendix). The largest amount, around € 900 million, will be spent for broadband expansion, which has been planned for within the current government program since 2019. The second largest sum will be going to an investment fund for companies, which already has been initiated mid 2020 during the COVID-19 pandemic. The 'Electrified Railway Lines', which will be supported by € 543 million, cover only one big project: A tunnel in south-western Austria, which is an investment of great importance for public transportation in Austria, however, has been under construction for years (*Koralmtunnel*). With total costs of € 1,4 billion, the RRF will contribute to this project with a third of its costs.

In the NRR plan pension reforms are foreseen, specially concerning women and workers Investigating the specific projects further, it does not seem that structural reforms play a mentionable role. There are, however, two 'reforms' considering pension systems: Firstly, the elevation of retirement age; secondly, a splitting system where parents can divide future pensions between each other in a way where the parent responsible for childcare and household work can profit from the other parent's pension fund (*Pensionsplitting*). The elevation of retirement age concerns women firstly: Currently, to be entitled to the full benefits, men retire at the age of 65, women at the age of 60. The reform, starting 1.1.2024, will increase the retirement age for women by 6 months a year until 2033, where the threshold for women will reach 65 as well. More importantly, the reform includes the abolition of the so-called *Hacklerregelung/abschlagsfreie Pension,* which allowed people, who contributed to public pension insurance for at least 45 years, to retire before the age of 65 without a deduction of pension. Consequently, this policy enabled people who, e.g., started working at the officially permitted age of 15 could retire at the age of 60 instead of 65, receiving the same amount of pension benefits as if they had retired at the age of 65. To compensate the affected employees, who effectively lost the right to retire earlier without losing pension benefits, the government resolved the *Frühstarterbonus*, replacing the *Hacklerregelung* already from 2022. It adds one Euro and a maximum of 60 Euros for each month an individual worked before his/her 20th Birthday – as an attempt to compensate people who started working in their teenage years. The debate around the reform was significant during its resolution in 2020, especially because it involves serious financial losses for the affected working population. The president of the Austrian federation of trade unions, Wolfgang Katzian, stated the new policy to 'punish people who have accomplished or almost accomplished working for 45 years'. Diving deeper into the recipient structure of the RRF budget, it is possible to roughly assign each investment to either 'companies and firms'; 'families, households, and employees'; or 'infrastructure'. The classification is based on the ARRFP itself (each project is given a target group within the plan), as well as an assessment on where the money goes to according to the different investment projects' descriptions. The classification can be looked up in table 3 in the Appendix. Reforms are not covered in the recipient structure since they do not take up any of the budget.

Figure 1: Recipient structure of the ARRFP investment budget.



Source: Austrian Recovery and Resiliance Fund 2020-2026

As visualized in Graph 1, most of the budget will go to infrastructure projects. This includes mostly investments in the transportation as well as digitalization sector (especially broadband expansion and electrified railway lines (*Koralmtunnel*), as discussed in table 2). Means within the health and cultural sector are also included in this category. Around 28% will reach companies and firms, with the largest amount assigned to 'ecological investments in companies' (€500 Mio., 11% of the total budget). Digitalization of small and medium-sized enterprises as well as industrial transformation towards climate neutrality (the latter accounting for 2% of the total budget) are other examples for projects reaching companies and firms. However,

> only 17% of the investment fund will reach private households, families, and employees, with a total number of 6 investments, including 'replacement of oil and gas heating systems in private apartments', 'expansion of early childhood education' or 're- and upskilling'.

However, the classification of 'infrastructure' projects might be problematic in terms of evaluation of final benefits, since well-functioning infrastructure, including digitalization, and expansion of public transportation, benefits large parts of the society on long-term. Yet,

> the allocation of the budget shows favour towards companies rather than private households, which is consistent with Austrian politics in the recent months and years on a national level.

For instance, Austria spent more than € 18 billion for company subsidies during the COVID-19 crisis in 2020 alone, which is, measured by percentage of GDP, the highest amount in all the European Union and weighs four times as much as the total volume of the ARRFP (Source: AMECO Database). While expenses for households and families did not increase in the same ratio, the handling of the national economic crisis as well as the structure of the ARRFP illustrate Austria's budgetary tendencies. Moreover, most of the investments in the ARRFP had already been on the political agenda or the government program, and the plan does not initiate real structural changes.

Also, the appendix of the ARRFP offers citations of the Country Specific Recommendations (CSR) matching each project's goal, using them as justification for each investment and reform project. The ARRFP does, as a result, not reject any reform plans of the European Commission (via the CSR), and, oppositely, is based in favour of them.

Furthermore, besides the subject matter of the ARRFP, its final overall economic impact is indeed as well uncertain. The Institute of Advanced Studies, one of Austria's biggest economic research institutes, predicted the ARRFP being responsible for an increase of national GDP by 0,9 percent until 2025 due to its shallow budgetary volume. However, a comparatively small economic impact does not render the funding unnecessary. Still, it reveals less overall importance within the recovery from the COVID-19 crisis than for other European countries.

2. **A CARE-SOCIETY**

The topic of the Care-sector has become quite big and often discussed in the last few years in Austria. That is due to two major points: Firstly, the nursing-/care-sector is predicted to lack a significant amount of personnel in the upcoming years.

> A study by the ministry of work, social, and health affairs forecasts a lack of around 76.000 caregivers until 2030.

Secondly, the care-sector is characterised by harsh working conditions, due to low wages, high physical and mental burden and shifts of 12 hours and more. The latter is, however, mostly perceived as a problem by people affected and left-wing parties/organizations, and not an urging debate within the government itself.

> After the hard waves of the Corona-Crisis, people working in the care-sector were promised to be given € 500 each, which seems – compared to the large amount of subsidies for other sectors – a vanishingly low budget for the most system relevant sector in a health crisis.

There have not been any real debates to enter a path toward a 'care-society' in Austria. The care-sector is indeed mentioned in the ARRFP; however, it plays a minor role. The so called 'Reform to develop the provision for the care-taking sector' is part of the plan to make communities more resilient, together with a measure to make communities 'climate fit'. Both measures are endowed with € 104,2 million, accounting for only about 2 % of the total worth of the ARRFP.

There is definitely a shift towards privatisation of parts of the health and care-sector in Austria.

Private health insurances gain more popularity, and there have been some new public-private-partnerships in the health 'business'. In two of Austria's counties, Burgenland and Upper Austria, for example, informal caregivers can seek employment (and payment) by the county government for their care services to family members. Especially in regard with the lack of care personnel, systems like these are expected to rise in popularity in the following years. However, a problematic aspect is the related shift of caregiving-responsibility from public to the private sphere.

Another aspect related to the care-economy in Austria is a system for at-home-nursing: The '24-hours-care' (*24-Stunden-Betreuung*), under which caregivers live with affected people in their homes and take care of them any time of the day was legalized 2006. The system comes repeatedly under critique for poor work circumstances, quasi-self-employment, and low payment, closing the circle of the indeed public awareness of poor working conditions in the health sector and its non-existence on the current political agenda. As mentioned above, the real problems for caregivers, such as work circumstances, working hours and payment, are not primarily discussed – neither in relation to the ARRFP nor in general. It is well known that there are problems, however, real, and specific plans to shorten working hours, paying higher wages and reform the health sector seem not to be part of the primary government's goals for the near future.

3. **CLIMATE AND DIGITAL POLICIES**

Climate and Digital policies account for 74% or € 3,3 billion of the ARRFP investment volume. They include 13 investment projects and five reforms. Even if this is primarily good news, all but one of these investments and reforms had already been planned for before the ARRFP. As a result, Austria fixes large parts of its own state budget with funds from the RRF. This form of 'external financing' might not make the actual means and projects less relevant, however, critics say that this represents a missed chance to enhance further green investments and projects to create a fast transformation into a sustainable future.

The first component in the plan, 'Sustainable Recovery' accounts for € 1,5 billion and therefore for a third of the budgeted means. The component 'Digital Recovery' is calculated for roughly € 1,8 billion of the means, with the largest project being the broadband expansion. It accounts for half of the means for the Digital Recovery and had too already been on Austria's agenda or several years. The € 891 million represent 20% of the whole plan's budget. Another € 573 million are assigned to ecological and digital investments in companies, taking up 13% of the total fiscal volume. Approximately the same amount will finance parts of the *Koralmtunnel*. This leads to three previously scheduled projects accounting for 45% or almost half of the ARRFP's total budget.

As a result, it does not seem that real changes are foreseen. Firstly only one of the investments within digitalization and climate policy is totally new to the political agenda. Secondly, the large parts of the budget going to 'green' investments reveal Austria's fierce trust in the free market regulating ecological and digital issues.

The ARRFP quotes and relies on multiplier effects from companies as one of the solutions within sustainable transition.[90] The latter trusts the 'injection' of new government spendings/investments to lead to a higher final national income and economic growth through the increase in demand – and multiply the effect it had on the company/invested institution itself.

The plan does not include specific information about how many resources will be spent on international markets for climate protection or digital goods. Especially measures like 'digitalization of small and medium-sized enterprises' or 'digital investments' constitute uncertainty: Where companies benefitting from these means plan to buy goods and services to 'digitalize their business processes' is not being mentioned. As a result, especially digital investments are likely to create benefits for international markets and companies as well, diminishing parts of the desired national effects of the ARRFP.

There is, indeed, a national (financial funding) plan to complement the ARRFP. The current 'Integrated National Energy and Climate Plan' (*Integrierter Nationaler Energie- und Klimaplan*) sets a path for Austrian's climate strategy until 2030. It is divided into five components: Decarbonization, Energy Efficiency, Security of Energy Supply, Domestic Energy Market, and Research and Innovation. To reach the plan's goals, being a total reduction of 14 million tons of CO_2 emissions per year until 2030, an investment volume of € 166 up to 173 billion would be necessary. Compared to the ARRFP, the budgetary scale, therefore, is strikingly large. However, the plan has not been implemented fully yet, and currently represents a guideline more than a precise action plan.

Moreover, the first draft of the ARRFP included the goal to reduce CO_2 emissions by 20 million tons annually by 2026. This seems, compared to the vast budgetary amount necessary for a reduction of 14 million tons by 2030 according to the National Energy and Climate Plan, more than unrealistic.

The final version of the ARRFP deleted the paragraph with specific CO_2 reduction goals, leaving the path towards lower CO_2 emissions questionable.

Moreover, the first draft included investments for the production of electric cars, which as well has been withdrawn in the final draft. This is problematic, since CO_2 emissions from traffic are vastly growing in Austria and are one of – if not the – biggest concerns for a climate neutral future: By 2020, they had grown by 75 % compared to 1990 levels, whilst other sectors achieved considerable reductions. In other words, it is impossible and in no way credible for Austria to talk about green and sustainable transition without including serious, specific plans and target values within the individual automobile/transportation sector.

90 Quote: " Unternehmen wird daher mittels Investitionszuschuss ein Anreiz gegeben, in ökologische Maßnahmen zu investieren. Diese Investitionsprämie wird Vorzieheffekte von Unternehmensinvestitionen auslösen und Multiplikatoreneffekte in Gang setzen." (Appendix ARRF, p. 267)

At this point, it is very important to mention that Austria is going through a tax reform now, with the first changes having happened since the beginning of 2020 (lower income taxes as compensation for cold progression), continuing 2022 with lower corporate taxes and an 'eco-social tax reform'. The latter will introduce a lump sum CO_2-tax starting in 2022, with prices per tonne adapting year after year depending on the effects on demand, starting with an (admittedly low) price of € 30 per tonne CO_2, and a redistribution system of the revenues for households. Additionally, income tax rates will be lowered: The first tax bracket has been lowered from 25 to 20% (starting from € 11.000 per year), the second and third one will be lowered from 35 to 30 and 42 to 40% (starting from € 18.000 and € 31.000 per year), respectively. Since the median gross income (€ 2.100/month) and therefore at least 50% of the employed population is not affected by changes within the third tax bracket, a small amount of (high-income) households benefits significantly more in absolute terms. Also, a series of tax credits (e.g., 'family bonus' (*Familienbonus*)) will be increased and the public health insurance contribution will be lowered for gross monthly income up to € 2.500. Additionally, the corporate tax rate will be lowered by 25 to 23% within the upcoming year and will most likely be reduced to even 21% after 2023 according to the governing party's programme. The goal of the government with this reform was to 'reduce the tax burden of small and medium income households', while pricing CO_2. However, a closer look reveals the opposite:

> The lowest income groups do not benefit from tax credits (e.g., the family bonus)

, since they do not earn enough to deduct the credits from their (non-existing) income tax, disclosing that lump (social) benefits would have been better for lower income deciles. Since low-income households earn less in absolute terms, middle- and high-income deciles gain more through the reduction of the tax brackets. By way of example: An analysis by the *Momentum Institut* based on real corporate tax data shows that the planned reform will benefit only a few major corporations:

Three quarters of the 'lost' tax revenue (€ 7,7 million per year) will go to 2% (3000) of all companies/corporations in Austria.

Overall, this means that lower- and middle-income households gain less in absolute real income compared to high-income ones, while large amounts of lost corporate tax revenues benefit only a handful corporations. The CO_2-tax is admittedly low, and its revenue will be recycled in form of a climate bonus for *every* household. The latter is indeed a good and necessary method to protect low-income households, however, by redistributing the tax revenue even to middle- and high-income deciles (which emit more CO_2 due to higher consumption of CO_2-intenisve goods), the effects on demand and CO_2-emissions are questionable. Additionally, this tax reform is listed in the ARRFP under 'reforms' for sustainable recovery, even though it had been discussed and on the political agenda in disregard of the NextGenerationEU fund. It is also worth mentioning, that the main current governing party (the central-right people's party, forming a coalition with the green party) does not tackle climate change realistically in their program. The eco-social tax reform has been vastly influenced by the green minister of the Ministry for Climate Affairs and covers the bare minimum of climate action. Only recently, the (now former) chancellor Sebastian Kurz (people's party) revealingly stated, that climate policy 'should not bring Austria back to stone age', illustrating the crucial central-rights party's attitude toward climate policies.

4. NATIONAL INDUSTRY POLICIES

As mentioned in the previous chapters, the ARRFP shows a higher priority towards funding firms and companies, than households and families. This is in line with Austria's behaviour during the COVID-19 crisis, where subsidies for companies took up huge parts of the budget compared to financial aids for private households.

However,

> there do not seem to be plans for an active industrial policy.

As for now, Austria's political industry strategy is more to set incentives for firms, e.g., with the investment bonus that accounts for a large part of the ARRFP, shifting the responsibility rather to the optimization of the free market than to the state, by attempting to making companies more competitive and relying on 'green' investments to lead to growth, change, and employment.

> The creation of new jobs by the government itself is not a priority on the political agenda.

Rather it is discussed to lower unemployment money/introduce a degressive benefit system, to increase pressure for unemployed people. This has led to a fierce debate mid-2021, and critics towards the government and labour minister Martin Kocher to blame unemployed before forming a strategy to create new jobs and improving certain job conditions.

Within more traditional sectors, there is mostly one company to mention: 'Voestalpine', a steel-producing industrial company. There are indeed plans to make the company CO_2-neutral and more climate friendly, by investing several hundred million euros into hydrogen and other 'green' transformations.

The public sector does not play a major role within industrial policies. As mentioned, the responsibility is more shifted towards private companies.

> The public sector as well as publicly owned companies are hardly included specifically in the projects/investments in the ARRFP.

Solely the Austrian Railway Lines (*ÖBB*) are of importance for the foreseen investments in infrastructure, such as the *Koralmtunnel*.

5. WHERE ARE LEFT ALTERNATIVES?

Since most of the ARRFP has been planned by the government without including organizations, other parties, or stakeholders, 'left alternatives' or even opinions (alternative or not) to the planned projects did not really have a chance to be heard or included. Therefore, it is difficult to name left alternatives to the actual plan. It can be assumed that left alternatives to the plan's content in general, however, root deeper than the simple change of the investment and reform projects in the ARRFP. One of the biggest problems from a left point of view is Austria's current tax system and structure.

> Austria has one of the lowest tax rates on capital and wealth within the EU and OECD countries, whilst tax rates on labour are proportionally high.

Three percent of national income generated through taxes and other charges are generated by taxes on wealth and capital, whereas around 20 percent come from wage tax – even though one percent of Austria's population owns 40% of the country's wealth and many European countries levy considerably higher wealth-related taxes. Corporate taxes account for only 6% of national tax income as well (pre crisis level 2019), but still will be lowered from a tax rate of 25 to 23% in 2022. This reform comes up against huge disapproval from the left, since capital taxes are already critically low compared to other countries and there is strong scientific proof that lowering corporate taxes does not boost economic growth[91].

Still, Austria interestingly is – despite its favour for austerity policy within the EU – a social welfare state, indicating a high level of redistribution and social welfare through social aids, unemployment insurance, and a needs-based minimum benefit system. The Gini Coefficient, a measure for income inequality in a country, in Austria is 0,28 and lower than the EU-average. More interesting for the debate of the social state vs. privatization/left priorities and neoliberal tendencies seems the fact that the Gini Coefficient pre-redistribution lies at 0,5, indicating that public social policies lower income inequalities significantly in Austria. This shows that firstly, income inequality in Austria pre-redistribution is considerably high and problems of inequality root deeply, and secondly, redistribution itself is of great importance for many households. However, there is an ongoing trend and debates about privatization – in the health, education, social but also pension system, as well as a lack of debate about the general tax structure described above. Austria's stance for budgetary discipline on European level, neoliberal tendencies within current governmental decisions and the current (conservative) government's critical view on the social state, combined with the in fact quite

91 A recent paper investigating 441 estimates from 42 studies shows that there's no evidence that corporate tax cuts boost growth: https://wiiw.ac.at/do-corporate-tax-cuts-boost-economic-growth-dlp-5821.pdf

large public social aid system within the country seem to create a very interesting and problematic area of tension, which appears to be growing in recent years.

'Left alternatives' aside the ARRFP therefore root for a deeper change in the tax, wealth, and income system, optimizing distributional effects and primarily breaking the circle of benefiting wealthy and high-income households, corporations, and companies through the lack of a truly progressive tax system. Also, the ongoing tendencies towards privatization, shifts from public to private responsibility in different sectors, and Austria's fierce and questionable trust in companies and the free market to play a big role in solving digital and environmental challenges, are crucial. However, those 'left alternatives'/opinions did not make their way through the structure of the ARRFP.

BIBLIOGRAPHY:

Budgetdienst, *Umverteilungswirkung des österreichischen Steuer- und Transfersystems*, Wien: Anfragebeantwortung des Budgetdienst, 2019. https://www.parlament.gv.at/ZUSD/BUDGET/2019/BD_-_Anfragebeantwortung_zur_Umverteilungswirkung_des_oesterreichischen_Steuer-_und_Transfersystems.pdf

Bundesministerium für Finanzen, *Austria's plan for the EU-Recovery Fund*, Wien, 2021. https://www.bmf.gv.at/en/press/press-releases/2021/May-2021-1/Austria-s-plan-for-the-EU-Recovery-Fund.html

Bundesministerium für Finanzen, *Österreichischer Aufbau- und Resilienzplan 2020-2026*, Wien, 2021. https://www.oesterreich.gv.at/nachrichten/allgemein/EU-Aufbauplan.html

Council of the European Union, *Analysis of the recovery and resilience plan for Austria,* Brussels, 2021. https://www.parlament.gv.at/PAKT/EU/XXVII/EU/06/60/EU_66087/imfname_11076497.pdf

Elisabeth Rappold, Brigitte Juraszovich, *Pflegepersonal-Bedarfsprognose für Österreich*, Wien: Bundesministerium für Soziales, Gesundheit, Pflege und Konsumentenschutz, 2021 https://broschuerenservice.sozialministerium.at/Home/Download?publicationId=722

Eurostat Database, 2021. https://ec.europa.eu/eurostat/databrowser/view/tec00115/default/table?lang=en

Klaus Baumgartner, Michael Ertl, Julia Hofmann, Georg Hubmann, Joshua Mingers, Markus Marterbauer, Miriam Rehm, Christoph Prenner, Matthias Schnetzer, Eva Six, Marie-Theres Svoboda, *Vermögensverteilung in Österreich*, Wien: Arbeiterkammer, 2021. https://www.arbeiterkammer.at/interessenvertretung/wirtschaft/verteilungsgerechtigkeit/Vermoegensverteilung.pdf

Michael Anderl, Andreas Bartel, Konstantin Geiger, Bernd Gugele, Michael Gössl, Simone Haider, Holger Heinfellner, Christian Heller, Traute Köther, Thomas Krutzler, Verena Kuschel, Christoph Lampert, Henrik Neier, Katja Pazdernik, Daniela Perl, Stephan Poupa, Andrea Prutsch, Maria Purzner, Elisabeth Rigler, Wolfgang Schieder, Carmen Schmid, Günther Schmidt, Barbara Schodl, Alexander Storch, Gudrun Stranner, Bettina Schwarzl, Elisabeth Schwaiger, Johanna Vogel, Peter Weiss, Herbert Wiesenberger, Manuela Wieser und Andreas Zechmeister, *Klimaschutzbericht 2021*, Wien: Umweltbundesamt, 2021. https://www.umweltbundesamt.at/fileadmin/site/publikationen/rep0776.pdf

Österreichisches Parlament, 2021: https://www.parlament.gv.at/PAKT/PR/JAHR_2021/PK0785/

Österreichischer Gewerkschaftsbund, 2020. https://www.oegb.at/themen/pensionen/hacklerregelung

Quirin Dammerer, Anna Hehenberger, Alexander Huber, Mattias Muckenhuber, Oliver Picek, Joel Tölgyes, *EU–Wiederaufbauplan: Wenig wirklich Neues*, Wien: Momentum Institut, 2021. https://www.momentum-institut.at/system/files/2021-04/moment_studie_02.21_20210415.pdf

Sozialministerium, 2021. https://www.sozialministerium.at/Services/Leichter-Lesen/Soziales/Pensionsarten/Alterspension.html

Statistics Austria Database, 2021. https://www.statistik.at/web_de/statistiken/wirtschaft/volkswirtschaftliche_gesamtrechnungen/bruttoinlandsprodukt_und_hauptaggregate/jahresdaten/index.html

Stefan Kaineder, *Presseaussendung: Klimaneutrale Stahlproduktion – Klimaschutzministerin Gewessler und Klimalandesrat Kaineder bei voestalpine Vorstandsvorsitzendem Eibensteiner,* Wien: Die Grünen – die grüne Alternative, 2021. https://www.stefan-kaineder.at/klimaneutrale-stahlproduktion/

Thomas Henökl, *Unmasking the Rifts in the European Union: New Coalitions at the EU's Historic Summit from July 17-21 2020*, Barcelona: Europe Now Journal, 2020. https://www.europenowjournal.org/2020/07/22/unmasking-the-rifts-in-the-european-union-new-coalitions-at-the-eus-historic-summit-from-july-17-20-2020/

APPENDIX

Austrian Recovery and Resilience Facility Plan

Table 3: Structure of the ARRFP, translated via https://www.parlament.gv.at/PAKT/EU/XXVII/EU/06/60/EU_66087/imfname_11076497.pdf

	Projects and recipient categories: *1) Companies, firms (U)* *2) Households, families, employees (A)* *3) Infrastructure (I)*		*Reform*	*Investments*	*Investments (Mio. EUR)*	*Share of total Budget (%)*	*Totally new, unknown until prior the ARRFP*
Component I: Sustainable Recovery							
1-A Renovation wave	Prohobition of oil heating systems		x			0%	No
	Promoting the exchange of oil and gas heating systems	A		x	158,9	4%	No
	Combating energy poverty	A		x	50	1%	No
1-B Eco-friendly mobility	Mobility master plan		x			0%	No
	1,2,3 Ticket		x			0%	No
	Promoting zero-emission buses, infrastructure	I		x	256	6%	No
	Promotion of zero-emission vehicles and infrastructure	U		x	50	1%	No
	Construction of new railway lines and electrification of regional railways	I		x	542,6	12%	No
1-C Biodiversity and circular economy	Legal framework to increase collection rates for plastic beverage packaging and the supply of reusable containers in the food retail sector		x			0%	No
	Biodiversity Fund	I		x	50	1%	No
	Investments in empty take-back systems and measures to increase re-usage rates for beverage containers	U		x	110	2%	No
	Installation and retrofitting of sorting facilities	U		x	60	1%	Yes
	Support for the repair of electrical and electronic equipment (*Reparaturbonus*)	A		x	130	3%	No
1-D Transformation towards climate neutrality	Renewables Expansion Law		x			0%	No
	Transforming industry into climate neutrality	U		x	100	2%	No

	Projects and recipient categories: *1) Companies, firms (U)* *2) Households, families, employees (A)* *3) Infrastructure (I)*		*Reform*	*Investments*	*Investments (Mio. EUR)*	*Share of total Budget (%)*	*Totally new, unknown until prior the ARRFP*
Component II: Digital Recovery	**sum K I**				**1507,5**	**33,5%**	
2-A Broadband expansion	Creation of the Internet Infrastructure Austria 2030 Platform (PIA 2030)		x			0%	No
	Gigabit enabled access networks and symmetric Gigabit connectivity in areas with particular socio-economic priorities	I		x	891,3	20%	No
2-B Digitalisation of education	Fair and equal access to basic digital skills for all lower secondary students		x			0%	No
	Provision of digital terminal equipment for students	I		x	171,7	4%	No
2-C Digitalisation of the public administration	Legal framework for the amendment of the company service portal law (*Unternehmensserviceportalgesetzes*)		x			0%	No
	Digitalisation Fund Public Administration	I		x	160	4%	No
2-D Digitalisation and ecological transformation of businesses	Digitalisation of SMEs	U		x	32	1%	No
	Digital investments in enterprises	U		x	69	2%	No
	Green investments in enterprises	U		x	504	11%	No
Component III: Knowledge-based Recovery	**sum K II**				**1828**	**40,6%**	
3-A Research	Research, Technology, and Innovation Strategy 2030		x			0%	No
	Quantum Austria – Promotion of Quantum Sciences	U		x	107	2%	No
	Austrian Institute of Precision Medicine	I		x	75	2%	No
	(Digital) Research Infrastructures	I		x	30	1%	Yes
3-B Re-skilling and up-skilling	education bonus		x			0%	No
	Funding for reskilling and upskilling	A		x	277	6%	No

	Projects and recipient categories: *1) Companies, firms (U)* *2) Households, families, employees (A)* *3) Infrastructure (I)*		*Reform*	*Investments*	*Investments (Mio. EUR)*	*Share of total Budget (%)*	*Totally new, unknown until prior the ARRFP*
3-C Education	Improving access to education		x			0%	No
	Remedial education package	A		x	101	2%	No
	Development of elementary education	A		x	28,4	1%	No
3-D Strategic innovation	IPCEI Microelectronics and connectivity	U		x	125	3%	No
	IPCEI Hydrogen	U		x	125	3%	No
Component IV: Just Recovery	**sum K III**				**868,4**	**19,3%**	
4-A Health	Making primary care more attractive		x			0%	No
	'Support for primary health care centre projects	I		x	100	2%	No
	Development of the electronic mother-child passport platform including the interfaces to the early aid networks	I		x	10	0%	Yes
	National roll-out of "early aid" for socially disadvantaged pregnant women, their young children and families	I		x	15	0%	No
4-B Resilient municipalities	Soil Strategy		x			0%	No
	Reform to further develop care provision		x			0%	No
	Climate-fit town centres	I		x	50	1%	Yes
	Investment for the implementation of community nursing	I		x	54,2	1%	No
4-C Arts and Culture	Development of a building culture programme		x			0%	No
	Development of a national strategy for digitalisation of cultural heritage		x			0%	No
	Rehabilitation of the Vienna Volkskundemuseum and the Prater Ateliers	I		x	30	1%	No
	Digitalisation wave for cultural heritage	I		x	11,5	0%	No
	Investment fund for climate-friendly cultural enterprises	I		x	25	1%	Yes

	Projects and recipient categories: *1) Companies, firms (U)* *2) Households, families, employees (A)* *3) Infrastructure (I)*		*Reform*	*Investments*	*Investments (Mio. EUR)*	*Share of total Budget (%)*	*Totally new, unknown until prior the ARRFP*
4-D Resilience through reforms	Spending Review with focus on Green and Digital Change		x			0%	Yes
	Elevation of retirement age		x			0%	No
	Splitting of pensions (*Pensionssplitting)*		x			0%	No
	Legal framework for climate action governance		x			0%	No
	Eco-Social Tax Reform		x			0%	No
	Green Finance (Agenda)		x			0%	No
	National education strategy (*Finanzbildungsstrategie*)		x			0%	No
	Start-up finance (*Gründerpaket*)		x			0%	No
	Equity Finance		x			0%	Yes
	Labour market: One-Stop-Shop for those capable of work and expansion of activating help		x			0%	No
	Liberalisation of the legal framework as mandated by trade law		x			0%	No
sum K IV					**295,7**	**6,6%**	

DENMARK

Karen Helveg Petersen *– Denmark's Recovery and Resilience Plan – accelerating green growth and exports*

A. STRUCTURAL DECISIONS FOR THE PLANS – MONEY AND DECISION POWER

STRUCTURAL DECISIONS

In the **preface to the DRRP**, the Minister of Finance is quoted as saying, 'Denmark's Recovery and Resilience Plan will secure a large part of the financing for these green deals and will thus first and foremost support massive investments that will accelerate the green transition. The investments will both stimulate the growth of a greener economy and support jobs and companies. At the same time, the plan contributes to realising Denmark's ambitious climate targets on reducing greenhouse gas emissions by 70 per cent in 2030.'

The Danish Government plans to spend the grant money, and only the grant money of RRF, on climate, digitalisation, health, and supporting measures. The government published its plan, 'Denmark's Recovery and Resilience Plan – accelerating the green transition' (DRRP) in April 2021.

Ever since it took office in 2019, the Social Democratic minority government has developed its climate policy with three supporting parties – the Social-Liberal Party (*Det Radikale Venstre*), the Socialist People's Party and the Red-Green Alliance.

The overall goal is 70% reduction of CO_2e emissions by 2030 as compared with 1990 and zero net emissions (climate neutrality) by 2050.

When the Climate Law came into effect in July 2020 it was calculated that greenhouse gases (GHG) should be reduced by 20 million metric tonnes (Mt) by 2030 to reach the target. At the time of formulating the Danish Recovery and Resilience Plan (DRRP)[92], it was estimated that the initiatives already launched would amount to 8.2 Mt, thus needing an additional 11.8 Mt in reductions.[93]

The European Green Deal from end 2019 and associated policies have inspired the DRRP. The corona crisis unleashed some DKK 160 billion[94] (€ 21.5 billion) in employee compensation and relief packages for businesses from the public coffers. It was debated if these funds should also be targeted at the green transition, but this was by and large rejected.

The government launched, in November 2019, 13 climate partnerships with the main branches of Danish business, complemented subsequently by one on defence and one on digitalisation in March 2021.

THE DRRP

The DRRP has the following components, shown in terms of budgeted costs, reduction of CO_2e emissions and impact on GDP. It is in full compliance with the Country Specific Recommendations (CSR) of 2020 although it does not exhaust them. Denmark's Convergence Programme from April 2021, issued concomitantly with the DRRP, includes the funds from the RRF in the overall programme. The table furthermore shows the split of the total between, on the one hand, the green transition, digitalisation and other and, on the other hand, between business, household and other.

92 DRRP connotes both the plan and the document.

93 MCEU (2021b).

94 Henceforth Danish kroners will be translated to euro. 1 € = DKK 7.45.

Table 1. Components in the Danish Recovery and Resilience Plan (million euro or as indicated)

Column	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Components	**Million euro**	**Share %**	**CO_2e 2030**	**GDP % 2022**	**Green**	**Digital**	**Other**	**Bus.**	**Hhl**	**Other**
1 Healthcare	32.8	2.1				1.9	30.9		1.9	30.9
2 Agric. & env.	177.2	11.4	-0.1		140		37.6	88.6	24.2	64.4
3 Energy efficiency	273.8	17.6	-0.1	0.03	274			69.1	162.4	42.3
4 Tax reform	524.2	33.7	-0.5	0.22	219	231.4	74.2	523.4		0.8
5 Road transport	218.1	14.0	-2.1	0.02	208		10.1	67.1	85.2	65.8
6 Digitalisation	89.3	5.7		0.01		89.3		33.6	22.1	33.6
7 Green R&D	241.6	15.5		0.03	94	59.1	88.6	194.6		47.0
Total	**1556.9**	**13.4**	**-2.8**	**0.31**	**934**	**381.6**	**241.3**	**976.4**	**295.8**	**284.7**
Share					**60%**	**25%**	**16%**	**63%**	**19%**	**18%**

Source: DRRP, p. 14 & 17 for columns 1-7. Columns 8-10 are own calculations. The GDP column shows expected GDP impact in 2022. It is lower in other years.

The total DRRP amounts to about €1.56 billion or DKK 11.6 billion, of which 13% has been paid out.

THE COMPONENTS (COLUMNS 1-2)

1 Strengthening the resilience of the healthcare system

Although the Danish health care system is highly digitalised, the health platforms have caused problems. Contact with citizens under the corona crisis with respect to tests and vaccinations plus ‘corona passports’ functioned well except for people without digital access or skills. This component aims at ensuring safe medical consultations for the elderly and vulnerable during a pandemic. Also, stocks of critical medical products will be enhanced. Other subcomponents are studies on the long-term effects of covid-19 vaccines. Finally, a programme aims at ensuring emergency management and monitoring of critical medical products.

2 Green transition of agriculture and environment

Under this heading is mentioned support for organic farming, plant-based organic projects, organic transition of public kitchens, the creation of an Organic Innovation Centre, research and development of climate technologies in agriculture (brown bio-refining, also through pyrolysis), assisting in the effort to take carbon-rich soils out of cultivation, and rehabilitation of industrial sites and contaminated land. Reduction of nitrogen emissions will be a positive side effect.

The overall allocation for carbon-rich soil is € 88.6 million over four years. This is also to be seen in the context of the recently adopted agricultural climate bill, which in turn refers to the new Common Agricultural Policy (CAP).

3 Energy efficiency, green heating and CCS

In line with the energy efficiency goals of the European Green Deal, major investments are foreseen for replacement of oil and gas burners in buildings by heat pumps and district heating. Other measures take aim at energy efficiency in industry, energy renovations in public buildings, energy efficiency in households, and identification of storage sites with carbon capture and storage (CCS) potential.

4 Green tax reform (phase 1)

The first phase of the tax reform is already under implementation (2020-2022). In the second phase (from 2023) a cross-sectoral CO_2e tax will be imposed. The activities are in support of the first phase and will consist of the creation of an investment window to increase the depreciation basis for fixed assets to support green technology, of allowing accelerated depreciation, and of imposing a tax on fossil fuel used as industrial process energy. An expert group to prepare proposals for a CO_2e-tax has been set up. This is the largest component in terms of monetary endowment, € 524.2 million

5 Sustainable Road Transport

Includes support to scrapping of diesel vehicles and lowering the vehicle registration tax on low and zero-emission vehicles.

It is the aim to have 1 million zero and low-emission vehicles by 2030, with a direct target of 775,000. Also, lower taxes on electricity for green vehicles is offered. Over and above incentives to choose green cars, there will be analysis, tests and campaigns for greener transport, and an amount for green transportation and infrastructure.

6 Digitalisation

Denmark is among the leaders, if not the leader, in digitalisation but there still is a need for a new strategy, which is being developed by a broad coalition of partners. It will propose several reforms in the public service and pave the way for a 'data-driven society'. A subcomponent offers support to small and medium-sized enterprises (SMEs) in their digital transition or is assisting innovators to export digital solutions (e.g., Germany is an obvious destination, not least local authorities). In addition, broadband will be rolled out in remote areas of Denmark, the goal being to cover the country with respect to fast internet.

7 Green research and development (R&D)

The initiatives comprise research in green solutions and monetary incentives to boost companies' research. In particular, the subcomponents will build public-private partnerships within the areas of 1) CCS and use of CO_2, 2) green fuels, 3) climate-friendly agriculture, and 4) developing a circular economy.

Emission reductions and GDP impact (columns 3-4)

Total emission reductions will amount to 2.8 Mt. The single largest GHG reduction, 2.1 Mt, by 2030, will come from the road transport component.

The impact on GDP will be, in 2022, 0.31%. Most of this stems from the tax reform, 0.22%. But the reason that this works so favourably on GDP may be because of the assumptions put into Danish economic models, which tend to look at tax reductions as engines of growth.

Green initiatives vs. digitalisation (columns 5-7)

The share of green initiatives in the overall plan is 60%. Digitalisation is also part of three of the other components than no. 6, altogether amounting to 25% of the total.

Counting only the costs of the green initiatives in column 5, a flat calculation of costs per tonne CO_2 reduction – or using a zero-discount rate – gives a result of € 333, considerably above the carbon shadow price (benefit) of € 201 recommended by the Danish Climate Council. The benefits would nearly € 564 million as compared with the nearly € 934 million in costs. Or the net cost for the green measures is € 370 million.

Beneficiaries and additional funding (columns 8-10)

The 'who is benefitting' is an important question related to 'neoliberal reforms' and often overlooked.

The DRRP indicates target groups but does not tally the amounts as is attempted below. Below the programmes will be classified according to business/farmers/the well-off (B), households/social/SMEs (H), and other (O), most of it research, new technologies development or public-sector management. The amounts are found in table 1, therefore the percentage distribution is shown below. Also the question of RFF and additional funding will be addressed.

1 Healthcare

H: 6%, O: 94% million. All of the total of € 32.8 million is covered by RRF.

2 Agriculture:

B (farmers): 50%, H: 14%, O: 36% (part of O will definitely lay the groundwork for private sector developments, such as climate technologies in agriculture for € 26.8 million). All of the € 177.2 million is financed by the RRF except part of the € 37.6 million for rehabilitation of contaminated land, which will be co-funded by government and private sources (no amount given).

3 Energy efficiency

B: 25%, H: 59%, O: 16%. Total: € 273.8 billion in RRF funding. But in addition, funding will come from other sources for replacing oil and gas burners (€131.7 million), energy efficiency in industry (€ 322.1 million) and energy savings for households (€ 217.9 million), for a total of € 671,7 billion.

4 Tax reform

B: 99.8%: O: 0.2%, total € 524.2 million. The B sector benefits not only from the investment window but also from the accelerated depreciation net of an increase in emission taxes on industry estimated at € 55 million. The 0.2% is for the expert group developing further the green tax reform. The investment window will be slightly larger than the funds from DRRP (€402.7 million), a total of € 433.6 million. The difference is due to exclusion of investments that are not green.

5 Road transport

B: 31%, H: 39%, O: 30%, total amount € 218.1 million. Two thirds of the subsidy going to green cars totalling € 100.7 million is assumed to go to B and one third to H whereas the scrapping of diesel vehicles (€16.1 million) is under H. Bicycle transport subsidy schemes of € 71.1 is split between O and H. The subsidy scheme in favour of green ferries (€26.8 million) is counted as an O benefit. The rest (€3.4 million) is for testing of road pricing, *inter alia*) and thus O.

Government finances participate to the tune of an estimated € 550.3 million in lost revenue over the period 2021-2025 from registration taxes on conventional fuel-driven vehicles that will be replaced by low or zero emission cars. Of this, €147.7 million falls in 2021-2022 for which around €100 million is included in the DRRP. Over and above this, € 107.4 million is sustained on electricity subsidies on the charging of green vehicles, a total of tax losses of € 657.7 million.

6 Digitalisation

B: 38%, H: 25% million, O: 38%. Total € 89.3 million. The benefits of the digital strategy, once panned out, will go about half to B and O respectively whereas H will benefit from broadband access and SME digital transition. 100% funding by RRF. Additional support may be granted to implement the digital strategy once adopted.

7 Green R&D

B: 81%, O: 19%. Total €241.6 million. Most of this component supports private industry but public-private partnerships are also foreseen, therefore the € 94 million for research in green solutions through Innovation Fund Denmark is split (arbitrarily, admittedly) in half between B and O – also some would go to SMEs, but impossible to estimate. The rest, € 147.7 million, is for incentives (tax deductions) to conduct R&D in companies. The support from the Innovation Fund will be co-funded by the participating partners with about the same amount. Also, additional funds are expected, such as from EU (Horizon Europe). These additional funds are not costed.

It is obvious that here is a heavy bias towards business interests and their participation in the green transition. Businesses will get 63% of the total, households etc. 19% and other 18%.

Austerity and Stability and Growth Pact (SGP)

There has been no real discussion about austerity for Denmark, which is not under the Troika.

The DRRP is discussed in terms of additional funds to contribute to the country's climate targets and the DRRP funds are registered as revenue in the overall government budget.

Fiscal rules were suspended under corona by using the 'general escape clause' in May 2020 when the government projected a deficit of 7.2% of GDP against a surplus of 3.7% in 2019. The deficit turned out to be only 1.1% of GDP in 2020.[95] In May 2020 the projected deficit for 2021 was 2.3% of GDP. In June 2021 the Economic Council estimated that the deficit could be up to 3% in 2021. The 2022 Budget Bill lays out a budget that does not foresee a structural deficit of more than 0.2% of GDP, reflecting a conscious effort to revert to the stringent norms for deficits. Denmark has adopted a separate Budget Law laying out the details of the SGP for Denmark, which is more severe than strictly necessary. With its low debt/GDP ratio (below 60%), it could maintain a structural deficit of 0.75-1%. However, the Budget Law allows only a minus of 0.5%.

Denmark has in September 2021 allied itself with seven other countries to demand that EU countries return to the fiscal rules of the SGP by 2023 although admitting of possible improvements to SGP.[96]

Partners and public debate

The Danish Trade Union Confederation, FH (*Fagbevægelsens Hovedorganisation*), participated in the negotiations and consultations on the DRRP. When the RRF was launched, FH sent 21 proposals to the government, largely stemming from its two reports from May 2020 (FH 2020a and FH 2020b) focussing on climate. Some of the proposals from 2020b are directly reflected in the final DRRP, energy efficiency measures in social/low-income housing, in public buildings, replacement of oil burners, promotion of heat pumps, and district heating scale-up.

The Confederation of Danish Industry (DI) presented a climate plan in June 2020.[97] It supports high EU ambitions in the climate field and stresses a broad CO_2 tax, which would follow EU's carbon price, development of Power-to-X (PtX) and CCS on a large scale, and also expresses the need for a green public procurement policy (80% green) and an energy efficiency strategy. Its mark on the DRRP may be felt indirectly in the degree to which businesses benefit from programmes.

There has been no specific public debate about DRRP. The media have mentioned and to some extent analysed the RRF but only in macro terms such as the overall position of EU countries, or whether the measures would 'save' the economies, notably those in Southern Europe, or whether RRF was a back door to a 'fiscal union'.

Involvement of the social partners besides FH, its member trade unions and employers' and industrial federations has been scant.

The EU prescribed for the formulation of the national RRPs that civil society organisations should be consulted before launching the programme to give them a chance of being heard,[98] but the Prime Minister in October 2020 announced the plan in Parliament involving the expected RRF funds before anybody had a chance to be heard. The organisation New Europe (*Nyt Europa*), an NGO working for a sustainable and democratic EU and specially to further the political awareness in Denmark on the EU, protested and organised virtual meetings with other NGOs and stakeholders. The efforts concluded in a letter to the finance minister presenting their observations on the programme. The DRRP states that consultations were organised through the 13 climate partnerships[99] and 'restart teams', dialogue meetings and a seminar – without putting dates on them.[100]

95 DST (2021).

96 Fleming (2021).

97 DI (2020).

98 Thus formulated by a stakeholder. In fact, the instructions in this respect can be found on p. 47 of EC (2021).

99 The partnerships are chaired by leading CEO's, such as Blue Denmark by the CEO of Maersk, heavy industry by the managing director of Aalborg Portland (cement producer).

100 DRRP, p. 232.

Implementation, monitoring and coordination mechanisms

The national executive, the government, is perceived and presented as owner of the programme. There is no sign of any conflicts concerning the plans.

> There does not seem to be significant local-government participation in the carrying-out of the DRRP, except in the bicycle subcomponent.

The concerned sector ministries are implementing agencies, e.g. the Ministry of Higher Education and Science will manage the applications for the Innovation Fund, ensure the necessary co-financing and also that there is no double funding, and the Ministry of Taxation will handle the investment window.

The European Semester process is supposed to play a central role in the monitoring of the RRF. In this regard, there is structured cooperation with social partners, not least FH, which works through the European Trade Union Confederation (ETUC) and maintains contacts directly with COM staff in Brussels and with the COM representative in Copenhagen as well as with government ministries. So it mostly works on the inner lines to try to influence *ex ante*. Likewise, it cooperates with employers' organisations. There is, not surprisingly, some disagreement with the employers about the degree to which deregulation is desirable. So in a way Danish trade unions are perhaps more involved than those of other countries, which has to do with the particular operational mode of the Danish model and also with the fact that Denmark is relatively small and the main players know each other. But there seems to be little activity on these topics directed to the public at large, except reports and occasional updates on its website.

The ES has been suspended since the beginning of 2020 and it is not clear when it will be resumed/normalised. Instead, the Contact Committee for Europe 2020, spearheaded by the Ministry of Foreign Affairs, is in charge.

The Climate Law attributed to the Climate Council the role of assessing the government's climate initiatives, particularly whether they make believable that the climate targets are achieved. To this end, annual climate programmes are published. The first annual Climate Programme was presented in September 2020 and a Climate Action Plan followed in December 2020. To speed up the transition, Parliament has voted to impose an intermediate target by 2025 of 50-54% reductions. When the second annual Climate Programme was subjected to public discussion at the end of September 2021, it was immediately criticised by the Climate Council for not living up to the 2025 goal.

Country Specific Recommendations and reforms

When delivering its recommendations on the 2020 Danish Convergence Programme, the EU recommended that Denmark should 1) address the pandemic, sustain the economy, and support the ensuing recovery, while enhancing investment. Specifically, was added that it should 'enhance the resilience of the health system, including by ensuring sufficient critical medical products and addressing the shortage of health workers', 2) focus on the green and digital transition, and 3) that anti-money laundering supervision and framework should be strengthened.[101]

The DRRP responds well to the second recommendation. With respect to the first recommendation, particularly the point about the shortage of health workers, this concern is not adequately addressed, see below under B.

The money laundering recommendation falls outside of this study. Government has responded to it by initiating formal control measures and also the court system is still active in pursuing some cases from earlier times.

Neoliberal reform resistance

Denmark has not acted against neoliberal policies but rather spearheads them.

However, there are not as such any reforms aimed at lowering labour costs in the programme although such measures are part of other policies. The picture is mixed. The Social Democratic minority government has proposed and Parliament adopted a pension reform that enables people who have been on the labour market for more than 42 years to get their pension even if they have not

101 EC Commission (2020).

reached pension age (which had been raised before that and is being gradually raised further). Other policies put a wedge in between different categories of the labour force. One recent proposal that seems to be adopted is to cut unemployment benefits by some € 537 per month for new university graduates while adding to the unemployment benefits of workers who have been in employment for some years already. One argument is that in this way it can be ensured that graduates do not give up membership of unemployment insurance schemes (a mix of public and private funds) when they get employment.

Though it is not directly related to this subject, it is interesting to note that the EU directive from 2019 comprising earmarked paternity leave was adopted by the social partners (FH and employers' confederation, DA) only recently.

> There is no sign that the government is more willing than before to contribute to higher public-sector wages or, for that matter, better conditions for the lowest paid.

These questions are not tackled in the plans.

In some policies Denmark is rear-guard, but not in the rolling out of the RRF, which was more or less a gift to enhance already adopted political agreements, something extra. Official Denmark wants to promote – and boasts about – its green image as well as its high degree of digitalisation.

All subcomponents have a comment attached on state aid. One comment in the report is: 'The rehabilitation of contaminated land will not constitute state aid in the sense of Article 107 (1) TFEU[102] since no aid is given to any particular industry.' (DRRP, p. 81). Often is referred to the General Block Exemption Regulation and some are 'group exempted' (demonstration of CCS projects). On the investment window is said that 'The initiative applies to all undertakings on equal terms and therefore does not constitute state aid.'[103] So there is deemed to be no state aid, either because of exemptions or because everybody is treated the same or because no economic advantage is given, in the case of a Danish university. Or because e.g., road construction is not an economic activity as long as it does not involve user financing. If nothing else, it is promised that the matter will be evaluated further when the subcomponent is implemented. It all appears very mechanical, and, at any rate, it is not really analysed if state aid is necessary.

Whether this way of relaxing state aid rules by using the exemptions allowed reflects neoliberal reform or the opposite, is open to interpretation.

B. CARE SOCIETY

Care society and DRRP

The term 'care society' is not used, but as seen the DRRP contains a component entitled, 'Strengthening the Resilience of the Healthcare System' for € 32.8 million.

The working conditions of nurses is particularly revealing with respect to government policies. During the corona crisis healthcare workers were lauded for their extra work hours and flexibility. When the labour agreements with the nurses were up for renegotiation, they expressed that time had come to be better placed in the wage scale as compared with typically male-dominated fields with similar education requirements and that their salaries did not reflect their responsibility and importance.

> Most of the organised nurses voted no to two proposals from the public mediator for collective bargaining and started a strike in June. The strike was ended by law at the end of August this year and the nurses got little more than a salary and benefits review commission

out of it plus what they had already achieved, viz. a 5% pay rise over three years. Some nurses continued punctual strikes afterwards. Others were leaving the public sector and since recruiting new nurses is difficult, there is an ever more acute shortage. The government may have to give

102 Article 107 essentially states three criteria for state aid, 1. direct aid, such as a tax benefit, 2. it distorts or threatens competition, 3. it is selective, i.e. favours one party or company or companies to the detriment of others. TFEU = Treaty on the Functioning of the European Union of 2009, popularly called the Lisbon Treaty.

103 DRRP, p. 224.

some temporary or permanent relief. It can thus be expected that the next CSR will reiterate the concern about the health sector.

C. CLIMATE AND DIGITAL POLICIES

Climate crisis handling

The government is committed to the climate goals it has set for the country, but implementation with respect to the policies that should lead to the reduction targets is lagging. Although there are many policies in place, they are not as yet expected to reach the stated goal at the expected time. Besides, there are legitimate claims that the starting point for emissions is underestimated and that, in addition, the 'business as usual' scenario would increase GHG emissions more than foreseen. The measures to be taken will also have side effects that are underestimated, e.g. emissions during construction. Also, some heavy industries get a mild treatment which will increase the burden on other sectors (see 'Active industrial policies' below). Another factor is that biomass, which is used extensively in district heating, is considered to be neutral and that air flights and marine transport are not included in the emission numbers. That said, the shipping industry is committed to reducing its emissions.

The government is being criticized from the left and centre for not being willing to, right away, adopt a CO_2 tax. The counter argument is that the CO_2e tax is complicated, will require exceptions and would be asocial (well-known arguments). However, as seen, the study of such a tax reform to be implemented after 2023 is part of DRRP. Both FH and DI – albeit hesitantly – emphasise the need for this as do large segments of the public and economists.

Additional funds for the climate and digitalisation, impact on public finances

That the Danish government is devoting a lot of energy to climate policies and digitalisation is confirmed by the following agreements:

1. Climate agreement for energy and industry (June 2020)
2. Climate plan for a green garbage sector and a circular economy (June 2020)
3. Green transition of road transport (December 2020)
4. Agreement on stimulus and green recovery (December 2020)
5. Agreement on green tax reform (December 2020)
6. Agreement on green transition of Danish agriculture (October 2021)[104]

A report by the partnership on digitalisation is expected in October 2021. Until then there is no plan or agreement on the overall digital strategy.

The agreements are assumed to have the following fiscal impact:

Policy 1 is costed at a total impact on public finances of € 3.02 billion until 2030. It comprises large offshore windmill parks and public-private partnerships will be part of this policy.

Policy 2 will basically have no impact on public finances, and the agreement does not overlap with DRRP.

Policy 3 – when adopted in December 2020, this policy was estimated to cost € 1.1 billion of which € 550.3 billion for loss of revenue for zero and low-emission vehicles in the period 2021-2025, of which € 147.7 million in the period 2021-2022.[105] By including the revenues gained in the longer run, the net cost of the policy would only be € 403 million until 2030.

It turns out that there are more costs associated with the registration vehicle rebate than foreseen in the road transport agreement and the corresponding component of DRRP. The policy entered into force in the beginning of 2021. Since rather identical rebates on registration tax were given for both hybrid plug-in vehicles and electric

104 In Danish, 1. Klimaaftale for energi og industri, 2. Klimaaftale for en grøn affaldssektor, 3. Aftale om grøn omstilling af vejtransporten, 4. Aftale om stimuli og grøn genopretning, 5. Aftale om grøn skattereform.6. Aftale om grøn omstilling af dansk landbrug.

105 P. 4 of the agreement of December 2020 (URL: https://fm.dk/media/18511/aftale-om-groen-omstilling-af-vejtransporten_a.pdf, downloaded Oct. 10, 2021).

cars, a surge in the sale of plug-in vehicles resulted. For the first 7 months of the year lost government revenue on this item reached € 308 million[106] (around 21 % of all new cars sold were hybrid and 8% electric in the first four months of the year[107]).

The reduction in CO_2 would be 2.1 Mt by 2030 and 1 Mt by 2025. The expenditures are partially included in the DRRP, which has set aside € 218.1 billion for sustainable road transport and aims at a reduction of 2.1 Mt CO_2 by 2030, i.e. the same, which appears strange but perhaps shows the difficulty of attribution.

> An agreement was concluded in June 2021 about an infrastructure plan with a 2035 horizon which was highly criticised by the left for caving in too much to road expansion interests.

There will also be investments in railways, though. It involves € 14.2 billion for new infrastructure projects plus € 7.8 billion for existing projects etc., altogether € 22 billion. Of this, €11.5 billion will be for public transport (€ 6 billion of which for new projects). € 8.6 billion will be for roads, €1.5 billion for regional projects, and € 403 million for bicycle infrastructure. In addition, there will be funding for charging stations for electric vehicles.

Policy 4 is an overall stimulus, estimated to cost €7.4 billion. Most of the costs are for other than green recovery. Those that are for green recovery include recommendations from the partnerships, such as the investment window further detailed in the green tax reform that is then in turn financed by DRRP, as seen above.

Policy 5 is complementing and helping to develop the two-phase green tax reform, gradually introducing energy taxes approaching a broad CO_2e tax. The main item is the investment window for € 433.6 million in the period 2021-2025. Most of the investment window is now funded by DRRP (around €403 million) which thus covers about half of the total of € 796.6 million 2021-2025.[108]

Policy 6 – the agricultural climate policy agreement was reached in the beginning of October 2021 for 2023-2027 primarily but also with a 2030 climate horizon. Originally, government wanted to transfer 22-25% from pillar 1 (direct income support) to pillar 2 (rural development), thus reducing direct payments to farmers. But the Danish government prefers broad-based policy compromises that will not be changed after the next election, and the opposition wanted more emphasis on technology-based green initiatives without reducing the direct support to farmers. The result was an agreement that received all votes in Parliament but one. Altogether € 4.1 billion will be given to the various support types in the period 2021-2027 with € 2.8 dedicated more directly to the green transition. The agreement also contains a substantial allocation to R&D of € 759 million. The funding comes partly from the government who will give € 877.3 million, of which € 507 million in new money to ensure that 25% of agricultural subsidies will be used for the green transition as per EU requirements.[109] The rest is mostly EU money and a small part of it comes from DRRP, according to one source. All the initiatives foreseen in the DRRP for agriculture and environment could in fact be rolled into this package, but it is not clear.

In conclusion, the DRRP resources help in the policies already staked out, but which were short of financing until the RRF. In fact, the Minister of Finance anticipated the expected RRF funds in the Budget Bill for 2021, even before the EU had obtained approval for the Facility. In the end, the funds were approved by the parliamentary Finance Committee through a supplementary budget appropriation.

106 Nielsen (2021).

107 Bahn and Fjordbak-Trier (2021).

108 Factsheet: Business compensations in the first phase, no date. (URL: https://fm.dk/media/18521/faktaark_kompensation-til-erhverv_a.pdf, downloaded October 10, 2021).

109 Agreement on the green transition of Danish agriculture, October 4, 2021 (URL: https://fm.dk/media/25215/aftale-om-groen-omstilling-af-dansk-landbrug.pdf, downloaded October 10, 2021).

Compatibility of climate and digitalisation policy and human rights abuses

Implicitly it is assumed, throughout the DRRP, that there is no conflict between climate and digitalisation policies. In fact, they are complementary. And the green initiatives imply digital solutions.

Acquiring the minerals for digitalisation and the batteries necessary for electric vehicles etc. thus represents human rights challenges to the green transition.

Similarly, not only are solar PV cells mostly imported from China, but the component polysilicon is to a large extent produced in Xinjiang province. The EU has imposed a timid boycott on four Chinese officials related to Xinjiang. But realistic alternatives for substantial solar cell production in Europe seems a long way off.

A question is if the green transition could or should be less technology driven. But even organic farming relies on electricity and electronic-driven controls and devices.

D. NATIONAL INDUSTRIAL POLICIES

Active industrial policies

Denmark is counting on innovative technological solutions to reduce its CO_2e emissions.

There is work afoot to implement CCS technologies, hydrogen production from windmills, PtX (green fuels: e-ammonia, e-kerosene, e-diesel) and many other technologies. The government wants Denmark to be a leader, and the DRRP is meant to contribute to that. DI pushes further.

Job creation is also a goal, and one that FH is very implicated in. The estimate in the DRRP is that 12,500 jobs will be created from 2021 to 2025. In general, FH stresses the need to include the social pillar and in concrete negotiations it always emphasises the need for a fair labour market, for suppression of social dumping and preserving unemployment benefits.

The government does not detail how much is spent on international markets. It would have executed many of these projects without the RRF money, but the access to RRF was a lightning rod to formulate the policies in more detail. Denmark certainly does not aim to import, particularly not windmills, but tender rules within the EU apply. However, Orsted (project developer and owner of wind farms) is highly competitive and so is the windmill producer Vestas. The DRRP throughout stresses cross-border activities and the attraction of foreign investment and labour power.

Growth is expected to come from exports.

Some cases show that government is also listening to the complaints of heavy conventional businesses, in addition to agriculture, in order to ensure economic sustainability. The cement producer Aalborg Portland is the single most CO_2-emitting enterprise (2.2 Mt) in Denmark. It has reached an agreement with government to reduce its CO_2-emissions by only 30% by 2030. The justification is that it is more energy efficient than its competitors and that there is a high societal need for cement.

Government has approved of a gas pipeline of 115 km to serve the two plants of Nordic Sugar, the second-largest emitter. Although in principle no government money is involved, it is the 100% state-owned Energinet which will own the project. This should cut emissions by a third. Nordic Sugar has refused to entertain the idea that the plants could be electrified instead.

The role of the public sector

The government cooperates very closely with the private sector as seen in the partnerships and also with the trade unions, both the overall confederation and with the individual trade unions, organised as per their skills, employment sector (private (trade, industry)/public) or employment status (functionary/civil servant/worker).

Government is intervening and supporting the economy in many ways as confirmed by *the DRRP and the other green agreements and plans, but DI expresses that more firm government policies are needed so that businesses know what* *taxation and support systems they can count on.*[110] There is no particular role for public enterprises, but about public-private partnerships

it is specifically pointed out in the DRRP that, 'The intention with the missions is to build green public-private partnerships of research institutions, private businesses, public institutions and innovation actors.'[111]

E. LEFT ALTERNATIVES AND CONCLUSION

The parliamentary left has been supportive of the initiatives and approved them, indirectly through the Budget Bill. The Red-Green Alliance expressed during the budget debate on the 2021 Bill that it was in favour of the many small green initiatives included, such as € 26.8 million for the taking out of carbon-rich soils out of production. But it directs criticisms at government for being too slow and not willing to confront the major problems that will hurt vested interests. Concerning the climate agreement for agriculture, the controversy not only focussed on how much public subsidy farmers should get, but also on the CO_2 reductions achieved. Only 1.9 Mt of the targeted 7.4 Mt in reductions are considered firm. The rest depends on the success of future technologies or paying generous compensations for taking land out of production or supporting them in planting trees. No reduction in meat production is foreseen. The Red-Green Alliance voted for it because there was a promise of reductions of 55-65% in agriculture by 2030 and a revisiting of the achievements in 2023/2024.

Unsurprisingly, the political parties to the left, which ensured the adoption of the road transport agreement, wanted to revise it when they learned that the allocation for registration tax reductions for 'green' vehicles was so vastly exceeded. At the end of September 2021, the Minister of Climate, Energy and Utilities admitted that the policy should be revised before scheduled.

The different political parties have presented their own climate policies, particularly in the lead-up to the 2019 parliamentary 'climate' election.

> The most important issue is, in the view of the writer of this paper that the social dimension – the 'who benefits' – is left out.

Granted, government uses as an explanation for not implementing a CO_2e tax right away that low-income, particularly rural-based, households will suffer, but the argument is used to defend its lengthening of the time horizon. The major question if initiatives benefit businesses excessively is left out, also by the left. The approach may be understandable in view of the fact that production, transportation and distribution generate a lot of CO_2, but the assumption underlying the DRRP is that nothing fundamental should change, e.g., as many individual cars as before (if not more). There is a little bit about bicycle planning and lanes in the DRRP, and

the transport agreement does involve public and green transport, but not in a way that is up to the task of making public transport truly attractive.

The main conclusion is that Denmark will conduct massive investments in green technologies but that there are no plans to change lifestyles fundamentally, let alone engage in societal transformation. Businesses should continue to produce the same products, maybe some that are 'greener' and they will be supported heavily to upgrade their equipment and technologies, strengthening Danish competitiveness. The reflections on how much businesses could finance themselves seem absent. For example, in the normal business cycle, amortised equipment is not replaced by the same technologies. It is core to the capitalist drive to be more effective and beat the competition.

The 'transition' will require many new processes, but it may also well give capitalism a new lease on life.

110 When government launched its second Climate Programme at the end of September 2021, business representatives expressed on TV news that the government policy still was too abstract and that business needed a clearer policy framework – in the very same areas that DRRP covers. There was no sign of recognition of DRRP, not even of its existence.

111 DRRP, p. 27.

Competition will force the laggards to get in on the act. Also, at the current time, many businesses sit on heaps of cash, so how much should be offered as subsidies?

> It is as if neoliberalism is turned on its head: it is no longer the principle 'polluter pays' that governs (if it ever did), but rather 'pay the polluter'.

When it comes to the formulation of the EU recovery programme for Denmark, it is obvious that government is not interested in the participation of civil society, even to the point of ignoring some EU requirements.

The plan as such is well made and fairly detailed. It is the basic assumptions, directions and tendencies that should be examined some more. Unfortunately, the left has not endeavoured to do so.

BIBLIOGRAPHY

Bahn, Martin and Anders Fjordbak-Trier (2021), "Absurd", Government may have spent more than one billion on climate rebate for cars which are not green, *("Absurd": Staten kan have brugt over en milliard på klimarabat til biler, der ikke er grønne*). *Information*, 12 May 2021. URL: https://www.information.dk/indland/2021/05/absurd-staten-kan-brugt-milliard-paa-klimarabat-biler-groenne, downloaded September 26, 2021.

Confederation of Danish Industry, DI (2020), 'Climate/24/7 The climate does not wait – Businesses are ready' (*Klima/ 24/7 Klimaet venter ikke – Virksomhederne er klar*). June 2020. URL: https://www.danskindustri.dk/globalassets/billedarkiv/kampagnesites/klima247/klima-24-7-110621.pdf

Danish Government (2020), Denmark's Recovery and Resilience Plan – accelerating the green transition, April 2020.

Danish Statistical Office, DST (2021), Low public deficit in 2020 (*Lavt offentligt underskud i 2020)*. April 29, 2021. URL: https://www.dst.dk/Site/Dst/Udgivelser/nyt/GetPdf.aspx?cid=32817. Downloaded September 23, 2021.

Danish Trade Union Confederation (FH) (2020a), Danish Trade Union Confederation's proposal for a climate action plan: Together we create Denmark, together we create green transition (*FH's helhedsplan for en retfærdig grøn omstilling: Sammen skaber vi Danmark – sammen skaber vi grøn omstilling*. Copenhagen, May 2020. It is published in English as well as Danish. URL: https://fho.dk/wp-content/uploads/2020/10/20200922-green-transition-compressed.pdf, downloaded September 2021.

Danish Trade Union Confederation (FH) (2020b), Danish Trade Union Confederation's Recovery Plan: Invest in climate, technology and safety *(FH's Genopretningsplan: Investér i klima, teknologi og tryghed)*. Copenhagen. May 2020. (Only in Danish). URL: https://viewer.ipaper.io/fh/genopretningsplan/, downloaded September 2021.

European Commission (EC) (2020), Council Recommendation on the 2020 National Reform Programme of Denmark and delivering a Council opinion on the 2020 Convergence Programme of Denmark, COM(2020) 504 final. May 20, 2020.

European Commission (EC) (2021), Guidance to Member States Recovery and Resilience Plans. Staff Working Document, Part 1/2, January 22, 2021.

Fleming, Sam (2021), EU hawks set tough terms for talks on reform of fiscal rules. *Financial Times,* September 9, 2021. URL https://www.ft.com/content/ba20ed45-99c3-4f47-a7b2-658d715ac281, downloaded September 27, 2021.

Ministry of Climate, Energy and Utilities (MCEU) (2021a), Gas pipeline to Lolland-Falster will ensure CO_2 reductions and employment (*Gasledning til Lolland-Falster skal sikre CO_2-reduktioner og arbejdspladser)*. Published on the Ministry's website on February 1, 2021. URL: https://kefm.dk/aktuelt/nyheder/2021/feb/gasledning-til-lolland-falster-skal-sikre-co2-reduktioner-og-arbejdspladser, downloaded September 28, 2021.

Ministry of Climate, Energy and Utilities (MCEU) (2021b), Denmark is closer to the climate goal than previously assumed (*Danmark er nærmere klimamålet end først antaget*). Published on the Ministry's website on April 26, 2021. URL: https://www.regeringen.dk/nyheder/2021/danmark-er-naermere-klimamaalet-end-foerst-antaget/. Downloaded September 29, 2021.

Nielsen, Jørgen Steen (2021), Plug-in hybrid cars are not green and climate-friendly: Now policians must stop the support for them (*Pluginhybridbiler er ikke grønne og klimavenlige: Nu må politikerne stoppe støtten til dem*). *Information*, August 27, 2021. URL: https://www.information.dk/indland/leder/2021/08/pluginhybridbiler-groenne-klimavenlige-maa-politikerne-stoppe-stoetten, downloaded September 28, 2021.

Members and observers

Austria
transform!at
www.transform.or.at
Institute of Intercultural Research and Cooperation – IIRC*
www.latautonomy.com

Cyprus
Research Institute PROMITHEAS *
www.inep.org.cy

Czech Republic
Institut of the Czech Left (Institut české levice)*
www.institutcl.cz
Society for European Dialogue – SPED
e-mail: malek_j@cbox.cz

Denmark
transform!danmark
www.transformdanmark.dk

Finland
Left Forum
www.vasemmistofoorumi.fi
Democratic Civic Association – DSL
www.desili.fi

France
Espaces Marx
www.espaces-marx.fr
Foundation Copernic*
www.fondation-copernic.org
Foundation Gabriel Péri*
www.gabrielperi.fr
Institut La Boétie
institutlaboetie.fr

Germany
Journal Sozialismus
www.sozialismus.de
Rosa Luxemburg Foundation – RLF
www.rosalux.de
Institute for Social, Ecological and Economic Studies – isw
www.isw-muenchen.de

Greece
Nicos Poulantzas Institute – NPI
www.poulantzas.gr

Hungary
transform!hungary *
www.balmix.hu

Italy
transform! italia
www.transform-italia.it
Cultural Association Punto Rosso (Associazione Culturale Punto Rosso)
www.puntorosso.it
Fondazione Claudio Sabattini*
www.fondazionesabattini.it

Lithuania
DEMOS. Institute of Critical Thought*
e-mail: demos@inbox.lt

Luxembourg
Transform! Luxembourg
www.transform.lu

Moldova
Transform! Moldova *
e-mail: transformoldova@gmail.com

Norway
Manifesto Foundation *
www.manifestanalyse.no

Poland
Foundation Forward / Naprzód
www.fundacja-naprzod.pl

Portugal
Cultures of Labour and Socialism – CUL:TRA
e-mail: info@cultra.pt

Romania
Association for the Development of the Romanian Social Forum *
e-mail: pedroxma@yahoo.com

Serbia
Center for Politics of Emancipation – CPE*
www.cpe.org.rs

Slovenia
Institute for Labour Studies – IDS*
www.delavske-studije.si

Spain
Alternative Foundation (Catalonia)
www.fundacioalternativa.cat
Europe of Citizens Foundation – FEC
www.lafec.org
Foundation for Marxist Studies – FIM
www.fim.org.es
Instituto 25M*
www.instituto25m.info
Iratzar Foundation (Basque Country)*
www.iratzar.eus

Sweden
Center for Marxist Social Studies
www.cmsmarx.org

Turkey
Social Investigations and Cultural Development Foundation – TAKSAV*
www.taksav.org
Sol-Blog*
https://solparti.org

UK
The World Transformed – TWT*
www.theworldtransformed.org
Transform! UK – A Journal of the Radical Left
www.prruk.org

*Observers

European network for alternative thinking and political dialogue

transform! europe is a network of **39 European organisations from 23 countries**, active in the field of political education and critical scientific analysis, and is the recognised political foundation corresponding to the Party of the European Left (EL).

On the transform! europe **website**, you can find reports on current events relevant to Europe, as well as analyses of economic, political and social topics. In order to enable direct exchange between politicians, academics and activists involved in social movements, our calendar provides an overview of relevant international conferences and events. Moreover, transform! europe enables free access to **publications** released or supported by the transform! network which cover a wide range of topics on a high level. They can be downloaded from the website for free.

www.transform-network.net

transform! europe

ISBN 978-3-903343-34-4

9 783903 343344

www.transform-network.net