

Which pathways to respond to the energy crisis? Recommendations on EU financial instruments

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At the EU and country levels, debates on the future of the National Plan for Recovery and Resilience (RRPs) and the capacity of existing plans to face the energy crisis have delineated different scenarios. Experts gathered during the Geneva Democracy Week workshop “**Programming and managing public funds at time of crises: European scenarios**” discussed the implications of the crisis on the management and expenditure of public funds in Europe. We at the European continent are all affected by the ongoing crisis so we should unite our forces to provide a common response.

Considering that:

- Performance-based approaches are welcome and should be extended to other public investments, especially with regards to ownership by local actors
- Flexibility is positive under certain well-defined conditions
- We need to defend existing welfare investments
- We need to provide a long-term common strategy looking at Agenda 2030
- We need to guarantee democratic procedures in defining and redefining programmes as well as social dialogue

We advocate a common and coordinated European response, based on the following three recommendations:

1. Focus on implementation rather than on extensive reprogramming

An extensive reprogramming of RRP in a majority of EU countries during 2023 would be counterproductive if targets are to be achieved. It is now time to implement the planned investments in providing goods, services, and infrastructures. It is urgent to implement national plans, accelerate administrative processes, and adapt public administrations at all levels to the new challenges. The expansion and strengthening of administrative capacities are crucial to ensure efficient spending of public funds, including Recovery resources, in order to have the expected impact at national and regional levels.

To measure impact, performance-based approaches to the Recovery facility are well appreciated and should now be tested during the implementation of NRRPs. This is **not** the time to start negotiations with the European Commission (and other Member States called to approve them within the Council) for the reprogramming of the NRRPs under Article 21 of Regulation 241/2021.

2. Remodel current multiannual financial programmes

For EU Member States, there is no way of reformulating the resources planned for the European cohesion policy 2014-2020 and re-allocated during the most acute phase of the pandemic. As it emerges from the Cohesion data monitoring platform of the European Commission, € 265.2 billion has not yet been spent by Member States (36% of total resources programmed). However, the vast majority of ‘unspent’ amounts have already been committed (in some countries to 100%) to date. Much of this amount has probably been spent but not yet reported to the European Commission. The existing Multiannual Financial Framework (MFF) cohesion policy chapter mechanism until 2023 is based on reimbursements, so it is not reasonable to assume that they can be rescheduled or reallocated. Instead, this situation presents an opportunity to try to remodel the current national Partnership Agreements for the MFF 2021-2027, recently approved by the EU Commission, and to reprogram the resources allocated to finance the national operational programs.

If the governance of the MFF 2021-2027 Partnership Agreement is redefined, it is essential that the remodelling respects territorial allocations and the concentration principle. The adaptation should therefore focus on its component managed by the central administration of the Member States: on the one hand, resources have not yet been committed but only planned, and on the other hand, they will benefit from the measures of simplification and acceleration of the investments foreseen for the RRP. In addition, the current partnership agreements usually provide for joint action with the RRP "in the face of particularly relevant needs" in the fields of, inter alia, energy, health, and administrative capacity.

3. Meeting the energy challenge

Operational guidelines were recently published by the European Commission to address the energy challenge in two documents: the *Guidance on Recovery and Resilience Plans in the context of Repower EU* and the Commission's *Proposal for the Regulation on Repower EU chapters in recovery and resilience plans*. The Commission invites Member States to add to their existing NPRRs a chapter on new actions to achieve the objectives of the Repower EU Plan, that is to say, the diversification of energy supply and reduction of dependence on fossil fuels (COM 2022- 230 of 18 May 2022, as amended by the second revised Presidency comprise – Council of the European Union of 3 October 2022). Although the proposal of the European Commission to add a "new energy chapter" to the existing RRP of Member States is welcome, the suggestion to fund it through the Cohesion policy resources, among others, seems problematic.

On this basis, recommendations could move in three integrated directions:

1. Reconsider the possibility of financing Repower EU and its new RRP chapters through Eurobonds and not from the current EU budget.
2. Update the Partnership Agreement with the European Commission before 2021-2027 National Operational Programs are implemented considering the NextGeneration EU follow-up.
3. Call for a new SURE program, or equivalent welfare schemes to support citizen's welfare across the European continent.

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