

STUDY

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# Addressing the challenges of the social and territorial cohesion in National Recovery and Resilience Plans: a preliminary assessment

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# Addressing the challenges of the social and territorial cohesion in National Recovery and Resilience Plans: a preliminary assessment

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## **Abstract**

This briefing gives a comparative assessment of initiatives being undertaken in RRF Pillar 4 across a sample of four National Recovery and Resilience Plans (NRRPs) in Ireland, Italy, Poland and Portugal. In each of them, it covers three measures falling into the categories territorial infrastructure, targeting of specific territories, and adult and vocational training. Pillar 4 is covered as a cross-cutting theme that is picked up across a range of components, but there is substantial variation in how each NRRP treats social and territorial cohesion. In all four cases, the NRRP sets out significant reforms and investments and there are spill-overs with other measures. The plans aim to ensure the sustainability of the supported measures via reforms, capacity-building and complementarities and synergies with other instruments, especially Cohesion Policy. Yet, there remain substantial strategic and operational challenges in achieving potential synergies and a risk of duplication and rivalry.

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## LIST OF ABBREVIATIONS

<b>CP</b>	Cohesion Policy
<b>CSR</b>	Country-specific recommendations
<b>DESI</b>	Digital Economy and Society Index
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>GOL</b>	Guaranteed Employability of Workers (Italy)
<b>MFF</b>	Multiannual Financial Framework
<b>NRRP</b>	National Recovery and Resilience Plan
<b>NZEB</b>	Near Zero Energy Building (Ireland)
<b>RRF</b>	Recovery and Resilience Framework
<b>SNAI</b>	National Strategy for Inner Areas (Italy)
<b>SOLAS</b>	Recovery Skills Response Programme (Ireland)
<b>TEN-T</b>	Trans-European Transport Network
<b>TU</b>	Technological Universities
<b>ZES</b>	Special Economic Zones (Italy)

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## EXECUTIVE SUMMARY

This paper provides a comparative assessment of initiatives being undertaken in RRF Pillar 4 across a sample of four National Recovery and Resilience Plans in Ireland, Italy, Poland and Portugal, covering a selection of three specific measures in each (territorial infrastructure, adult and vocational training, targeting of specific territories). Although there is substantial variation in how each NRRP treats social and territorial cohesion, Pillar 4 is covered as cross-cutting theme that is picked up across a range of components. Across all four cases, significant reforms and investments are identified in the social and territorial components of Pillar 4.

In Italy, support for special economic zones aims to improve their governance and strengthen business infrastructure to help establish new firms. RRF is also targeting Italy's Inner Areas, investing in community and social infrastructures and health services in specific territories identified throughout the country as in particular need (although there have been some challenges in reaching associated targets). Support for active labour market policies and strengthening employment centres is also being provided. An important element of Pillar 4 support in Italy is its complementarity with Cohesion Policy (CP) investments, both the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

In Ireland, the rehabilitation of peatlands has a clear territorial dimension as the focus is on the Midland's region. Rehabilitation is anticipated to contribute to green transition but also mitigate socio-economic effects of transition away from peat harvesting by providing alternative development trajectories. The measure works alongside other domestic and EU Just Transition instruments, improving the prospects of long-term impact. Another measure is investing in Ireland's SOLAS Recovery Skills Response Programme, with further education and training contributing to social cohesion. By addressing female working rates, it addresses an important gap, although coverage could be extended to other groups. The measure supports territorial cohesion through the implementation role of Local Education and Training Boards. RRF support for Technological Universities supports territorial cohesion as it is based on a consortium of regional institutions. There is strong potential to use RRF to strengthen university-private sector relationships through enhancing their capacity to engage. The funding complements domestic support, although there is a substantial higher education funding gap that presents challenges for long-term sustainability.

In Poland, one measure addresses the low level of professional activity of women and younger people by improving nursery provision. The sustainability of the measure is strengthened by developing an integrated, multi-fund approach that draws together domestic and EU funding, creating a more coordinated system of financial management. Focus on the professional activation of young women is relevant but other target groups receive less attention. Technical support for water and sewage management in rural areas represents a significant change in the current approach to supporting water and sewage investments by introducing principles of territorialisation. The sustainability of the measure in the longer term is strengthened by the combination of different types of support, including capital investment and capacity-building in local communities. However, the funding available is very limited in relation to the scale of the challenge. Another measure supports territorial cohesion through investments in green transformation in urban areas. A significant innovation is the strengthened legal status of local government plans. This builds on ongoing initiatives additional but legislative reforms to cover functional urban areas would have strengthened the measure.

Portugal's NRRP extensively covers the 'fourth pillar', with around one-quarter of funding related to 'social and territorial cohesion'. Territorial cohesion is predominantly addressed by the Resilience dimension of the plan and is integrated with social aspects. This includes a measure to strengthen



health infrastructure and services, for example, combining nation-wide reforms with territorially targeted investments (in areas of high population density and on the island of Madeira). The component's focus on mental health is important in the post-pandemic context although target populations could be expanded. A second measure strengthens social support to counter negative demographic trends, improve the rights of persons with disabilities and other persons with dependency and in disadvantaged situations. Territorial targeting is foreseen for this measure although the process and links with local and regional authorities is not fully detailed. A third measure aims to improve physical and digital connectivity to economically relevant regions and areas and in cross-border regions. It has an indirect impact on social cohesion with the potential for business parks to attract and retain skilled workers, and to promote employment and economic activity in these regions.

Overall, a variety of positive spill-overs with other investments can be identified from Pillar 4 actions, but a key concern is ensuring the sustainability of the supported measures. This is being pursued through the introductions of legislative and regulatory reforms, capacity-building actions including at regional, local and community reforms and the identification of complementarities and synergies with other funding sources and instruments. Complementarity with CP is particularly important for Pillar 4 as there is considerable strategic overlap. RRF is providing an opportunity to improve the framework conditions for investment that improve the conditions for (and effectiveness of) CP funding and Pillar 4 measures in the Plans include specific references to complementarity with CP funding. However, it should be noted that there are substantial strategic and operational challenges in achieving potential synergies and a risk of duplication and rivalry. There has been criticism of the lack of coordination between CP and RRF and the lack of involvement of local and regional authorities in drafting NRRPs with potentially negative consequences for cohesion.

## 1. INTRODUCTION

This paper analyses Pillar 4 across a sample of four NRRPs (Table 1) and within this a selection of three specific measures. The selection of countries and measures aims to capture representative samples, based on: overall scale of RRF funding, priority and funding attached to Pillar 4, coverage of different dimensions of social and territorial cohesion, level of anticipated implementation by the time of research, and potential interactions with other funds and instruments pursuing the objective of cohesion (especially Cohesion Policy).

The 25 NRRPs adopted by the end of June 2022 will support Pillar 4 with approximately €222 billion. Of these, excluding prefinancing, €7.9 billion had been paid out by mid-2022.<sup>1</sup> The four selected case study countries all dedicate above-average shares of their NRRP funding to Pillar 4. Portugal has the highest share in the EU (25.92%), with Italy ranking 5<sup>th</sup>, Poland 6<sup>th</sup> and Ireland 8<sup>th</sup> (for an overview see Annex).

**Table 1:** Pillar 4 in case study NRRPs

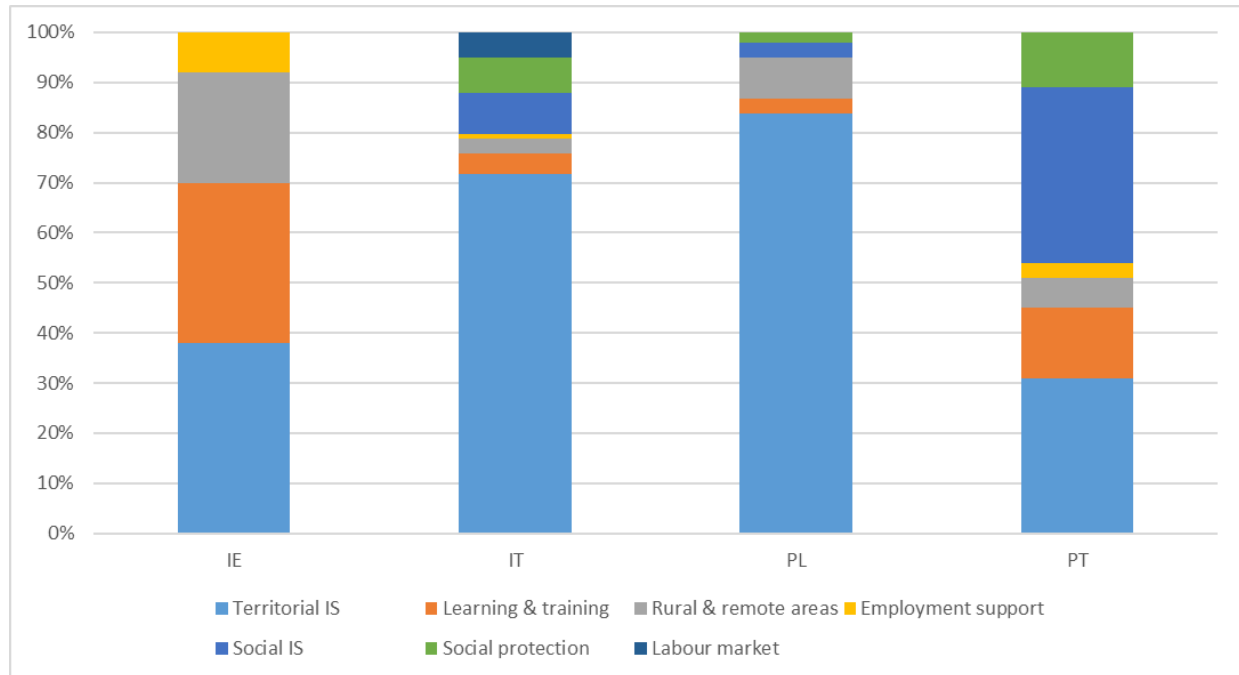
	<b>Funding, €</b>	<b>Share of total NRRP</b>	<b>Number of investments</b>	<b>Number of reforms</b>
<b>Ireland</b>	0.11 billion	11.29%	36	9
<b>Italy</b>	24.88 billion	12.99%	196	61
<b>Poland</b>	4.47 billion	12.63%	95	51
<b>Portugal</b>	4.30 billion	25.92%	148	17
<b>EU27</b>	<b>67.86 billion</b>	<b>10.09%</b>	<b>1,600</b>	<b>818</b>

Source: EU Recovery and Resilience Scoreboard. NRRP contribution includes only the primary pillar.

Over two thirds of the Pillar 4 funding are dedicated to the territorial infrastructure and services category. “Adult learning and training” comes second and “support to rural and remote areas” comes fourth,<sup>2</sup> each with a share of funding below 10%. Analysis of Pillar 4 across the case study NRRPs illustrates the significant share given to territorial infrastructure measures. However, there is substantial variation. In Poland and Italy, territorial infrastructure accounts for over three quarters of funding, whereas training and skills measures receive a higher proportion (). Allocations to measures targeting specific territories (e.g. rural and remote areas, urban areas) varies across the cases and assessment of this provides insights into the territoriality of RRF support and its relationship with Cohesion Policy.

<sup>1</sup> European Commission (2022) Report from the Commission to the European Parliament and the Council. Review report on the implementation of the Recovery and Resilience Facility, 29 July 2022, [https://ec.europa.eu/info/sites/default/files/com\\_2022\\_383\\_1\\_en.pdf](https://ec.europa.eu/info/sites/default/files/com_2022_383_1_en.pdf)

<sup>2</sup> [https://ec.europa.eu/economy\\_finance/recovery-and-resilience-scoreboard/social.html](https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/social.html)

**Figure 1:** Shares of expenditure supporting social and territorial cohesion per policy area


Source: [https://ec.europa.eu/economy\\_finance/recovery-and-resilience-scoreboard/social.html](https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/social.html)

The selected Pillar 4 therefore measures fall into three types: territorial infrastructure; adult and vocational training; and targeting specific territories. Table 2 provides an overview of the 12 measures selected for this paper.

**Table 2:** Selected measures for analysis

	<b>Territorial infrastructure</b>	<b>Adult and vocational training</b>	<b>Targeting specific territories</b>
<b>Ireland</b>	Technological Universities Transformation Fund	SOLAS Recovery Skills Response Programme	Enhanced Rehabilitation of Peatland
<b>Italy</b>	Special Economic Zones	Active labour market policies and employment service centres	National Strategy for Inner Areas
<b>Poland</b>	Water and sewage management in rural areas	Improving the situation of parents on the labour market	Green transformation of cities and functional areas
<b>Portugal</b>	Infrastructures to reinforce cohesion and competitiveness	Innovation in responses to social challenges	National health infrastructures and services

For several reasons, it is challenging to precisely assess and compare treatment of Pillar 4 across NRRPs. First, in several cases, (most notably Poland) delayed release of RRF means it is too early to identify the positive effect investment based on economic, social and territorial indicators. Second, the plans vary in scope and content, with diverse structures. Related, the contribution of the RRF expenditures to total public spending varies considerably between Member States. In Poland, Portugal and Italy, RRF spending is substantial relative to the funding available for national measures. For other countries, including Ireland, the macroeconomic significance of RRF spending is more limited (although it should be noted that even in these contexts, the medium-term nature of RRF investment is important as national stimulus measures were often focused on short-term income support). Finally, there are

definitional issues: in some cases, reforms and investments are divided into small components spread over time, increasing the number of milestones and targets.

## 2. ITALY

### 2.1. Pillar 4 in the NRRP

The Italian NRRP<sup>3</sup> is comparatively detailed with 273 pages and structured into six priority areas of investments, so-called missions: 1) Digitalisation, innovation, competitiveness, culture and tourism; 2) Green revolution and ecological transition; 3) Infrastructure for sustainable mobility; 4) Education and research; 5) Inclusion and cohesion; and 6) Health. Each mission in turn consists of between two and four components, with a total of 16 components addressing specific challenges. In parallel to investments, the NRRP also foresees a number of reforms, which are of horizontal, enabling or sectoral nature.

The NRRP emphasises that ensuring social inclusion is essential to improve territorial cohesion, help economic growth and overcome deep inequalities often accentuated by the pandemic. The three main priorities are gender equality, the protection and enhancement of young people and overcoming territorial gaps. Female empowerment and the fight against gender discrimination, the growth of skills, capacity and employment prospects of young people, territorial rebalancing and the development of the South are not univocally entrusted to single interventions, but pursued as transversal objectives in all the components of the NRRP. About 40% of the Plan's territorial resources are destined for the South, testifying to the attention paid to the issue of territorial rebalancing. The European Commission's assessment of the cohesion dimension is positive, highlighting that investments focussed on the South of Italy will contribute to foster territorial cohesion and convergence, and to closing the infrastructure (and services) gap.<sup>4</sup>

The significant potential of the NRRP providing a lasting impact in addressing territorial challenges and promoting a balanced development has been acknowledged by the Commission.<sup>5</sup> Accordingly, the NRRP discusses its coherence with the MFF, emphasising its complementarity with the "Cohesion, resilience and values" heading of the MFF. There, the Italian allocation of just under €42 billion is seen as the main item of the MFF with which to ensure coordination and complementary use of NRRP resources. This complementarity is particularly evident considering the thematic concentration rules for the ERDF on digitalisation, innovation and environment and for ESF+ on policies for young people and social inclusion.

Although measures related to social and territorial cohesion challenges are also included in other components of the Italian NRRP (e.g. Missions 2 and 6), Mission 5 on "Inclusion and cohesion" stands out as explicitly addressing Pillar 4. Within that, component 3 of mission 5, "Special interventions for territorial cohesion" (M5C3) is of particular relevance for the territorial dimension of cohesion, covering two of the measures presented in more detail below.

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<sup>3</sup> <https://www.governo.it/sites/governo.it/files/PNRR.pdf>

<sup>4</sup> <https://eur-lex.europa.eu/legal-content/HR/TXT/?uri=CELEX:52021SC0165>

<sup>5</sup> [https://eur-lex.europa.eu/resource.html?uri=cellar:a811c054-d372-11eb-895a-01aa75ed71a1.0001.02/DOC\\_2&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:a811c054-d372-11eb-895a-01aa75ed71a1.0001.02/DOC_2&format=PDF)

## 2.2. Specific measures

This section assesses three examples of Italian NRRP measures that fall under Pillar 4. They all fall under Mission 5 “Inclusion and Cohesion”, with two being part of Component 3 “Special interventions for territorial cohesion” (M5C3) and one part of Component 1 “Employment policies”:

- Interventions for Special Economic Zones (ZES): one reform and one investment
- Interventions supporting the implementation of the National Strategy for Inner Areas: one investment
- Active labour market policies and strengthening employment centres: two reforms and four investments

### 2.2.1. Special Economic Zones (M5C3)

#### a. Description

The NRRP targets eight Special Economic Zones (Zone Economiche Speciali, ZES) in Italy’s Mezzogiorno, using both a reform and three types of investments.

#### b. Reforms and investments

The NRRP foresees a reform that aims to simplify the governance system of the ZES and to establish mechanisms that are not only allowing the accelerated construction of the infrastructural measures outlined below, but also favour the establishment of new businesses. This will include the establishment of a digital one-stop-shop. The reform will also concern the activities and powers of the Commissioner who will have ownership of the single authorisation procedure and will be the main interlocutor for economic actors interested in investing in the reference area. The related milestone is the entry into force of the regulation that allows for simplification and the strengthening of the Commissioner role, with the fourth quarter of 2021 as an indicative timeline for completion.

At the same time, infrastructural investments are made to ensure an adequate development of the connections of the ZES areas with the national transport network, and in particular with the Trans-European Transport Network (TEN-T). Table 3 lists the 8 targeted ZES, the associated NRRP funding and the number of projects.

**Table 3:** NRRP funding for Special Economic Zones in Italy

ZES	NRRP funding (€ million)	N. of projects
Abruzzo	62.9	10
Campania	136.0	10
Adriatica	83.1	23
Ionica	108.1	9
Calabria	111.7	11
Sicilia Orientale	61.4	6
Sicilia Occidentale	56.8	3
Sardegna	10.0	1
<b>Total</b>	<b>630.0</b>	<b>73</b>

Source: <https://www.ministroperilsud.gov.it/it/approfondimenti/zes/le-zes-nel-pnrr-gli-investimenti/>

There are three types of measures:

- "Last mile" connection: creating effective connections between the industrial areas and the national transport networks as well as with the TEN-T network, with a focus on railways. This will allow reducing time and costs in logistics of industrial zones.
- Digitalisation and enhancement of logistics, green urbanisation, and energy and environmental efficiency works in dry ports and industrial areas belonging to ZES.
- Enhancing resilience and security of infrastructures for access to ports.

The NRRP defines one milestone and two targets:

- Entry into force of Ministry Decrees approving the operational plans for all 8 ZES (milestone, Q4 2021, completed)<sup>6</sup>
- Start of at least 41 infrastructural interventions in the ZES (target, Q4 2023)
- Completion of at least 41 infrastructural interventions in the ZES (target, Q2 2026)

The 41 interventions are divided into the three types of measures foreseen: at least 22 last-mile connections, at least 15 interventions for digital logistics and at least 4 interventions strengthening resilience.<sup>7</sup>

### c. Assessment

**Support to ZES is expected to contribute to Italian cohesion and convergence goals** and its usefulness has also been emphasised by the European Commission. The development of ZES is also supported from other sources, such as Cohesion Policy, which operate in a complementary manner. For instance, the 2021-27 ERDF programme of Sicily emphasises its synergies with the NRRP in supporting ZES.<sup>8</sup> In addition, also the Italian Fund for Development and Cohesion (Fondo per lo Sviluppo e la Coesione, FSC) dedicates €250 million to the development of ports in the south of Italy.

**The ZES support is additional to other NRRP support to Italian ports, but focused on the South of Italy.** Under Mission 3, the NRRP funds investments in port development, logistics and maritime transport, which are not limited to ports in the south. Still, Naples and Cagliari are covered by both types of NRRP measures.

## 2.2.2. Active labour market policies and strengthening employment centres (M5C1)

### a. Description

Support for active labour market policies and strengthening employment centres are two linked measures under Component 1 of Mission 5 of the NRRP. The overarching headline goals are: facilitating participation in the labour market; strengthening active labour market policies and vocational training; supporting women empowerment; and fostering social inclusion. The NRRP investments into employment centres amounts to €600 million.

### b. Reforms and investments

NRRP support consists of a reform and an investment:

<sup>6</sup> <https://italiadomani.gov.it/en/Interventi/riforme/riforme-settoriali/semplificazione-delle-procedure-e-rafforzamento-dei-poteri-del-c.html>

<sup>7</sup> <https://italiadomani.gov.it/en/Interventi/investimenti/interventi-infrastrutturali-per-le-zone-economiche-speciali-o-zes.html>

<sup>8</sup> <https://www.euroinfocilia.it/download/proposta-programma-regionale-fesr-sicilia-2021-2027-dqr-n-199-del-14042022/?wpdmdl=79859>

**Active Labour Market Policies (ALMPs) and Vocational Training:** The objective of this reform is to promote a more efficient active labour market system by providing specific employment services and personalised labour market activation plans. The creation of a National Programme for the Guaranteed Employability of Workers (GOL) shall enable the provision of tailor-made services to the unemployed, thus strengthening their activation paths. The GOL programme shall be accompanied by the National Plan for New Skills<sup>9</sup> and the definition of national essential levels of vocational training measures. The vocational education and training system in Italy shall be enhanced by promoting a territorial network of education, training and employment services, as well as by developing an inclusive lifelong learning system and innovative upskilling and reskilling pathways. The NRRP support for this reform is €4.4 billion. The NRRP defines two milestones and three targets:

- Entry into force of Inter-Ministerial Decrees establishing the GOL programme and the National Plan for New Skills (milestone, Q4 2021, achieved)
- Entry into force at the regional level of all plans for the public employment services centres (milestone, Q4 2022)
- At least 3,000,000 people benefit from the GOL programme (target, Q4 2025)
- At least 800,000 GOL beneficiaries have participated in vocational training (target, Q4 2025)
- At least 80% of public employment service centres in each region have met the criteria of the essential level of services as defined in the GOL programme

**Strengthening public employment service centres:** The objective of this investment is to allow an effective delivery of employment and training services. This measure includes infrastructural investments, the development of regional labour market observatories, the development of interoperability between regional and national information systems, and the design and implementation of training interventions to update the skills of job advisors. The measure also envisages the design and implementation of contents and communication channels of the services offered. It is based around a national plan for public employment service centres and corresponding ones at the level of the Regions. The NRRP support for this reform is €600 million and the plan defines two targets:

- At least 250 public employment service centres have completed at least 50% of the activities envisaged in regional strengthening plans (target, Q4 2022)
- At least 500 public employment service centres have completed at least 100% of the activities envisaged in regional strengthening plans (target, Q4 2025)

### c. Assessment

**In terms of progress, some key milestones have been achieved or will be soon.** The first milestone, the entry into force of required legislation, has been achieved at the end 2021. The end of 2022 should see the achievement of another milestone (regional plans for employment service centres), but also of the more concrete target of at least 250 service centres having already completed half of their planned activities. It appears that regional plans are in place in at least several Italian regions, but there was no information about the state of their implementation. At the same time, the implementation of the national-level plan appears to be significantly delayed.<sup>10</sup>

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<sup>9</sup> Piano Nazionale Nuove Competenze, [https://lineaamica.gov.it/docs/default-source/focus/piano-nazionale-nuove-competenze.pdf?sfvrsn=2ccb2323\\_9](https://lineaamica.gov.it/docs/default-source/focus/piano-nazionale-nuove-competenze.pdf?sfvrsn=2ccb2323_9)

<sup>10</sup> [https://www.repubblica.it/economia/2021/08/30/news/lavoro\\_i\\_centri\\_per\\_l\\_impiego\\_sono\\_in\\_ritardo\\_assunto\\_solo\\_l\\_8\\_degli\\_addetti-315929967/](https://www.repubblica.it/economia/2021/08/30/news/lavoro_i_centri_per_l_impiego_sono_in_ritardo_assunto_solo_l_8_degli_addetti-315929967/)

**There is complementarity to other policy frameworks.** In terms of Cohesion Policy, there is also wide-ranging support for active labour market policies including public employment service centres in the context of Italian European Social Fund programmes. For instance, the 2014-20 national programme on systems for active employment policies emphasises the important role of employment service centres. However, compared to the other two measures presented above, the NRRP reforms and investments supporting active labour market policies and strengthening employment centres appear less connected directly to parallel Cohesion Policy interventions.

### 2.2.3. National Strategy for Inner Areas SNAI (M5C3)

#### a. Description

Support for the territories identified in the National Strategy for Inner Areas (SNAI)<sup>11</sup> is part of the component “Special interventions for territorial cohesion” (M5C3). It has a budget of €830 million.

#### b. Reforms and investments

The support of the NRRP for the SNAI is divided into two lines of intervention: a) Enhancement of community services and social infrastructures and b) accessibility of health services.

**Enhancement of community services and social infrastructures:** The intervention aims to facilitate the solution to problems of social hardship and fragility, through the intensification of the provision of services to the elderly, young people in difficulty, socio-assistance services, etc., also facilitating accessibility to territories and connections with urban centres. This includes increasing of funding in the form of transfers to local authorities for the construction of social infrastructures that can serve to increase the provision of services in the area. The NRRP defines one milestone and one target:

- Award of the tender for the interventions to improve social services and infrastructures in inner areas and for the support to pharmacies in municipalities of less than 3,000 inhabitants (milestone, Q4 2022)
- New and improved social services and infrastructure accessible to at least 2,000,000 people living in municipalities in inner areas and in Southern Italy (target, Q4 2025)

**Accessibility of health services:** Pharmacies will be enabled to take on stronger roles in the healthcare system. Rural pharmacies in centres with less than 3,000 inhabitants should become structures capable of providing local health services, to improve the range of services offered to the population of these marginalised areas. Public funding will be made available to encourage individuals to invest in the adaptation of pharmacies so that they can take on a series of additional roles: (i) by participating in the integrated home care service; (ii) providing second-level services, through diagnostic-therapeutic paths envisaged for specific pathologies; (iii) dispensing drugs that the patient would have to collect in hospital; and (iv) monitoring patients with electronic medical records and pharmaceutical files. The measure envisages encouraging private co-investment equal to about 50% of the public funding. The NRRP defines two targets:

- Support to at least 500 rural pharmacies in municipalities of less than 3,000 inhabitants, first batch (target, Q4 2023)
- Support to at least 2,000 rural pharmacies in municipalities of less than 3,000 inhabitants, first batch (target, Q2 2026)

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<sup>11</sup> <https://www.agenziacoesione.gov.it/strategia-nazionale-aree-interne/?lang=en>



A first call<sup>12</sup> for pharmacies has been launched in December 2021 and closed in September 2022.

### c. Assessment

**NRRP measures for inner areas are strongly linked to other policy frameworks. The NRRP support is complementing support provided in the context of Cohesion Policy and rural development policy.** Since 2014, the National Strategy for Inner Areas (SNAI) has been targeting 72 territories across Italy. The NRRP measures can build on the experiences made with EU support in the past programming period. The SNAI was launched in 2014-20 and is funded by both Cohesion Policy (ERDF and ESF) and EU rural development policy (European Agricultural Fund for Rural Development), with a total EU contribution of €693 million. This is less than the NRRP funding for SNAI areas (€830 million) until 2026, but of a similar scale. The framework will continue in the current programming period<sup>13</sup> and the Italian Partnership Agreement for 2021-27 highlights internal areas as a key territorial policy focus.

**The NRRP measures target a key type of territory identified as requiring support.** In addition to the traditional focus on the South of Italy, the Italian so-called inner areas have increasingly become an area of concern and a target of policies. Inner areas make up about 60% of the entire Italian territory and have similar characteristics: a) notable natural, landscape and cultural wealth, b) distance from large urban agglomerations and service centres, c) potential of development centred on the combination of innovation and tradition. For the relaunch and enhancement of inner areas it is necessary to support investments that increase the attractiveness of these places, reversing the decline trends that affect them (infrastructural, demographic, economic), and facilitate development mechanisms.

**Milestones and targets:** In terms of enhancement of community services and social infrastructures, there remain questions regarding the set target. The envisaged number of inhabitants benefitting from the investment is equal to the total number of people living in inner areas, therefore this would require that all the inhabitants would benefit. In terms of support for accessible health services, it is difficult to comment on how realistic the targets of 500 and 2,000 pharmacies. However, the fact the original deadline of the call for a first group of 500 pharmacies has been extended from June to September 2022 might indicate a lower level of demand than expected or point to insufficient awareness.

## 3. IRELAND

### 3.1. Pillar 4 in the NRRP

Ireland's NRRP is a comparatively short document (30 pages), reflecting the fact that RRF funding is limited relative to the size of the economy. Total non-repayable support is €989 million, representing around 0.3% of the country's 2019 GDP. Ireland did not request any pre-financing following approval of the Plan and the first instalment is due in quarter 3 of 2022. The NRRP has three Components: 1. Advancing the Green Transition; 2. Accelerating and Expanding Digital Reforms and Transformation; Priority 3: Social and Economic Recovery and Job Creation.

The Plan does not set out explicit links between these priorities and the six pillars of the RRF. Nevertheless, in setting the context and introducing the Plan, the first sections of the NRRP highlight crucial issues that come under Pillar 4:

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<sup>12</sup> <https://www.ministroperilsud.gov.it/it/approfondimenti/bandi-e-opportunita/bando-farmacie-rurali-pnrr/>

<sup>13</sup> [https://www.agenziacoesione.gov.it/news\\_istituzionali/aree-interne/](https://www.agenziacoesione.gov.it/news_istituzionali/aree-interne/)

- The task of meeting Ireland's ambitious greenhouse gas emissions targets presents territorial challenges and opportunities for local communities.
- The impact of the pandemic on the labour force is a threat to social cohesion. There is a disproportionate impact on women, younger workers and on those with lower education attainment. Women are over-represented in the sectors most significantly affected by COVID-19.
- Asymmetry in terms of the scale of disruption because of the pandemic across the economy and society and the need for measures to reduce territorial disparities.

Pillar 4 is, thus, cross-cutting: all three NRRP components contribute significantly to social and territorial cohesion. The Plan provides detail on how each component covers aspects of Pillar 4, as set out in Article 3 of the RRF Regulation.

**Component 1: Advancing the Green Transition.** Component 1 includes tackling decarbonisation and advancing towards the environmental objectives aligned with the EU Green Deal. Achieving Ireland's planned reduction in emissions is challenging. The country is lagging behind compared to other EU Member States in tackling decarbonisation and RRF is important in introducing reform and directing funding towards decarbonising projects such as retrofitting, ecosystem resilience and regeneration, climate mitigation and adaptation, and green data systems.

**Component 2: Accelerating and Expanding Digital Reforms and Transformation.** Component 2 of the NRRP includes measures to support social cohesion by improving access to the labour market and productivity of the workforce and upskilling measures, especially in economic sectors most relevant for the green and digital transitions. This includes measures designed to address the risks of a digital divide, providing connectivity and information and communications technology equipment to disadvantaged learners in schools.

**Component 3: Social and economic recovery and job creation.** This component aims to address the socio-economic impact of the pandemic by facilitating return to work and addressing future structural changes. Component 3 includes strong contributions under Pillar 4 with social cohesion being supported through a focus on new work placements in response to the pandemic and investment in training to boost labour market capacity in the face of digital transition and climate change. These issues have territorial as well as social dimensions. Ireland has persistent territorial disparities which have been exacerbated by the dual challenge of Brexit and the pandemic. The impact of the pandemic has been acute in coastal and rural areas due to concentrations of jobs in tourism and accommodation.<sup>14</sup> The Northern Rural areas face difficulties linked to distance and scale, skills retention and development, and infrastructure and accessibility. Moreover, Ireland is exposed to Brexit due to high trade intensity with the UK, common land border, and links with the UK as a 'land-bridge' to continental markets.<sup>15</sup>

## 3.2. Specific measures

Pillar 4 is addressed through specific measures included across all three components of the plan. This section assesses three examples of these measures.

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<sup>14</sup> Lydon R and McGrath L (2020) Regional Impact of COVID-19: Western Region and Atlantic Economic Corridor, Central Bank of Ireland Economic Letter, Vol 2020, No. 10, <https://www.centralbank.ie/docs/default-source/publications/economic-letters/vol-2020-no-10-reg-impact-of-COVID-19-western-reg-and-atlantic-eco-corridor-lydon-mcgrath.pdf?sfvrsn=6>

<sup>15</sup> Copenhagen Economics (2018) Ireland and the Impacts of Brexit, Strategic Implications for Ireland Arising from Changing EU-UK Trading Relations. Report for DBEI, <https://dbei.gov.ie/en/Publications/Publication-files/Ireland-and-the-Impacts-of-Brexit.pdf>

### 3.2.1. The Technological Universities Transformation Fund (3.3)

#### a. Description

This measure promotes regional economic development by building the capacity of regionally based Technological Universities (TUs), fostering the development of new education and training programmes and enabling the development of regional innovation hubs. NRRP funding totalling €40m will be made available over the period 2022-24 to support flexible course provision and increase participation in higher education by underrepresented groups, alongside innovative approaches to addressing regional skills needs. Actions supported include staff skills and development, curricular and teaching and learning reform, skills for regional development and for SME, enterprise, and social engagement, digital and enabling infrastructure, and access to nationally shared TU digital services.

#### b. Reforms and investments

The measure has two milestones and two targets related to the agreement and implementation of grants:

- Project grants awarded under the Education and Training Reforms programme to be agreed by the first quarter of 2022. A consortium of the Technological Universities was awarded an initial allocation of €18.81 million for the project 'National Technological University Transformation for Resilience and Recovery' as the first tranche of funding (milestone).
- Approval of project reports by end of 2024 (milestone).
- 4,000 staff across Technological Universities participating in upskilling and development activities by second quarter of 2024 (target).
- 9,600 students across Technological Universities enrolled in new or reformed courses by end of 2024 (target).

#### c. Assessment

**The measure makes a clear contribution to territorial cohesion.** Technological Universities address the social and economic needs of specific regions and focus on science and technology programmes that are vocationally and professionally oriented. For example, the TU for the west and north-west is expected to play a key role in helping the region compete on an international stage in the context of Brexit where the implementation of trade agreements and relationships is expected to bring challenges for various sectors in the Irish economy and regions, especially the border regions.

**It is based on extensive research and analysis.** It has been informed by sector-wide evidence gathered as part of the "Next Steps for Teaching and Learning: Moving Forward Together" project coordinated by the National Forum for the Enhancement of Teaching and Learning, which addressed key lessons learned during the pandemic. The measure also considers data on students' experiences during the period of public health restrictions in addition to their overall experiences of higher education gathered as part of the National Student Survey.

**The measure contributes to digital transition and addresses territorial aspects of the digital divide in Ireland.** Ireland is regarded as a forerunner among EU Member States in terms of progress in levels of digitalisation. The country is ranked fifth according to the Digital Economy and Society Index (DESI). Nevertheless, the acceleration of digital technologies has increased pressure on individuals to be able to use and interact with them, emphasising the pressing need for digital skills. A 2022 report highlights divides in digital literacy according to age, social class, region, and level of education. The

pandemic has accelerated this digital divide.<sup>16</sup> In this context, the measure focuses on mainstreaming relevant courses, content, or approaches to address these gaps.

**There is strong potential to use RRF to strengthen university-private sector relationships between Technological Universities and their local industry base through enhancing their capacity to engage.** TUs are expected to play a pivotal role in facilitating access, widening participation, and supporting regional employment through direct links with firms in the territory.

Being based on grants to a consortium of universities, the measure supports an increase in knowledge transfer within the TU system over and above that of the existing individual Institutional members. The first tranche of funding was awarded to a partnership of all five TUs and the value of this network-based approach in TUs was noted in Ireland's National Smart Specialisation Strategy.<sup>17</sup>

The funding complements domestic support, although there is a substantial higher education funding gap that presents challenges for long-term sustainability. The €40m to be invested under this measure represents a significant contribution relative to domestic support. A total of €90 million is being made available by the Irish Government over a three-year period (2020-23) through the Technological Universities Transformation Fund. This is particularly important given the fact that a core funding gap of €307 million has been identified for the higher education budget in Ireland as a whole. Calls have been made for positive discrimination towards Technological Universities who have been in receipt of lesser funding than traditional universities to date.<sup>18</sup>

### 3.2.2. SOLAS Recovery Skills Response Programme (3.2)

#### a. Description

Under Component 3 of the NRRP, the SOLAS Recovery Skills Response Programme comprises educational and training initiatives rolled out as part of Ireland's Skills to Compete programme. This includes a Green Skills Action programme providing training to address climate and low carbon economy issues. The measure directly addresses issues of social cohesion as it aims to support those who have lost their jobs because of COVID-19 in re-entering the workforce through free reskilling and retraining. The SOLAS green skills action programme provides workers affected by the pandemic (women in particular), with the opportunity to gain experience, reskill or upskill in new areas. It provides financial aid to cohorts at risk of poverty with lower-than-average workforce participation rates. It includes a focus on provision in near zero energy building and retrofitting. There is also a focus on using digital and other technologies in teaching and learning.

#### b. Reforms and investments

Measure 3.2 has two milestones associated with publication of training opportunities and a series of indicators and targets related to participation in training courses.

- Publication of all skill provision opportunities under the 'Skills to Compete' programme by end of 2021, which has been achieved (milestone).
- Publication of all Green Skills provision and modules opportunities by end of 2021, which has been achieved (milestone).

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<sup>16</sup> Accenture (2022) *Towards a digital society*, <https://www.accenture.com/content/dam/accnture/final/a-com-migration/manual/r3/pdf/pdf-174/Accenture-digital-index.pdf>

<sup>17</sup> Department of Enterprise, Trade and Employment (2022) *National Smart Specialisation Strategy for Innovation 2022-2027* p. 83.

<sup>18</sup> Joint Committee on Education, Further and Higher Education, Research, Innovation and Science has published its Report on the Future Funding of Higher Education

- Participants in the Green Skills Action Programme and Skills to Compete Programme. This has a target of at least 81,250 additional participants enrolled by end of 2022 as compared the end of 2020 (target).
- Increase in the share of women under the age of 30 with a level of education attainment at level 5 or lower enrolled in the Skills to Compete Initiative. This has a target of raising the share of this cohort from 14% to 20% by end of 2022 (target).

### c. Assessment

**The measure contributes to social cohesion.** It addresses the social impact of the pandemic by investing in further education and training to upskill and reskill. This will facilitate people's return to work, and it seeks to equip workers with green skills and skills to transition into growth sectors of the economy by offering a range of educational and training programmes. Ireland's CSR 2020 noted that in the context of the pandemic, it was essential to ensure that the digitalisation of education and work does not increase educational and social inequalities.<sup>19</sup>

**The focus on addressing female working rates addresses an important gap.** The number of women active in the labour force in Ireland is growing but participation rates remain well below those in northern Europe. OECD reports have highlighted the problem of skill shortage and mismatches and the need for training to ensure complementary skills to realise the productivity gains made possible by new technologies. This includes specific provisions to target underrepresented populations, notably women.<sup>20</sup>

**RRF represents essential funding to strengthen and expand existing initiatives.** The impact of the pandemic significantly changed the nature of the demand for Further Education and Training (FET), increasing the demand to upscale and refocus existing provision. Skills to Compete will address the upskilling requirements of those who lose their jobs specifically because of the pandemic. RRF support provides critical support to respond to this change, therefore, that funding is used to ensure that FET delivers on this agenda, and this section identifies the key considerations in building a funding model that will underpin success.

**The measure supports green transition.** The Green Skills Programme complements general provision in areas such as green skills and sustainability, which includes retrofit and Near Zero Energy Building (NZEB), across Ireland's FET sector, with some 50+ programmes already running. The NRRP has committed €29 million to NZEB & Retrofit upskilling and reskilling programmes and €10 million to Green Skills Modules.

**The measure supports territorial cohesion through the implementation role of Local Education and Training Boards.** Training programmes and modules are managed by 16 local Education and Training Boards. Each Education and Training Board will shape its own Skills to Compete provision to reflect the labour market characteristics of its region and the responses that will be most effective for their local community. FET also has direct links to local communities, their networks, and key regional enterprises.

**Very ambitious targets are set,** with over 80,000 additional training places to be filled by end of 2022, including 60,000 places for upskilling in green skills modules. Nevertheless, the SOLAS agency draws

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<sup>19</sup> European Council (2020) Council Recommendation of 20 July 2020 on the 2020 National Reform Programme of Ireland and delivering a Council opinion on the 2020 Stability Programme of Ireland, p. 42.

<sup>20</sup> OECD (2020) Economic Surveys: Ireland p. 41.

on skills-demands indicators, such as the Recruitment Agency Survey and the survey of employer skills needs. It also draws on data from Ireland's Central Statistics Office labour force surveys.<sup>21</sup>

### 3.2.3. The Enhanced Rehabilitation of Peatland (1.6)

#### a. Description

Measure 1.6 is part of Component 1: Advancing the Green Transition. It comprises investment to prevent further degradation of peatlands and to improve and enhance their condition. The aim is to change land use from peat extraction to carbon capture and store atmospheric carbon dioxide, strengthen biodiversity, support eco-systems, and improve water quality and flood risk management. Specifically, the investment supports the rehabilitation of 33,000 hectares of peatlands areas in the Midlands region, owned by a semi-state-owned company, Bord Na Móna. Rehabilitation includes creation of wetlands, improvement of the topography, trenching of drains and construction of a solar powered pumping system.

#### b. Reforms and investments

Measure 1.6 has one milestone associated with publication of a study and targets related to stages of rehabilitation work.

**Milestone:** Preliminary paper on the rehabilitation of peatlands, including environmental objectives, the standards of rehabilitation that shall apply, the list of 82 bogs selected for rehabilitation and the criteria for their selection. This milestone was fulfilled with the publication of a methodological report in September 2022.<sup>22</sup>

**Targets:** Indicators and targets relate to the results of grant funding up to €108 million to Bord na Móna in relation to the enhanced rehabilitation of its peatlands under the Peatlands Climate Action Scheme. Targets include commencement of work on rehabilitation of at least 19 bogs by the end of 2021, commencement of work on an additional 42 bogs by end of 2023, rehabilitation improvements to be substantially achieved for at least 40 bogs by end of 2024 and rehabilitation improvements on all 82 bogs by the third quarter of 2026.

#### c. Assessment

**The measure has clear relevance to territorial cohesion, especially the Just Transition Mechanism.** The primary challenge during the transition out of peat has been the impact on jobs and communities in the impacted Midlands region as the labour-intensive industry of peat harvesting is wound down. Bord na Móna has already ceased commercial peat cutting, meaning jobs have been lost due to the closure of power stations, and impacts are felt on related sectors. Thus, the immediate transition presents challenges for a predominantly rural territory that faces a number of social and economic disparities. The rehabilitation and restoration programme aims to protect the storage of 100 million tonnes of CO<sub>2</sub> emissions. This will mitigate to some extent the expected negative job impacts by providing a transitional role and sustaining employment in the short to medium term.

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<sup>21</sup> European Commission (2022) European Network of Public Employment Services Future skills, career guidance and lifelong learning in PES, Thematic paper p. 21.

<sup>22</sup> EDRSS (2022) Methodology Paper for the Enhanced Decommissioning, Rehabilitation and Restoration on Bord na Móna Peatlands – Preliminary Study, September 2022.



**As noted in the Implementing Decision, the measure has the potential to accelerate the green transition and protect the environment.**<sup>23</sup> It addresses points raised in the European Semester Country Report, supporting the transition away from peat harvesting for peat fired power generation in the Midlands region. Ireland's CSR for 2022 included the need to expand public investment for the green transition, including by making use of the RRF.<sup>24</sup>

**The measure is complementary to EU and domestic measures, strengthening the prospect of longer-term sustainability and ongoing support of the region.** An EU Life project 'Peatlands and People' is being implemented in 2021-27 with funding of around €10 million. It will establish a Peatlands Knowledge Centre of Excellence to explore best practices; a Just Transition Accelerator programme to focus on low-carbon and circular economies to support the midlands region; and an immersive People's Discovery Attraction to introduce the importance of climate action and peatlands to citizens.<sup>25</sup> The measure is also integrated with the domestic Climate Action Fund (which will provide pre-financing). It provides €500 million in government funding up to 2027 to meet climate and energy targets. Ireland also has a Peatlands Finance project, co-funded with the European Investment Bank's Natural Capital Finance Facility, which has raised corporate interest in Ireland's peatlands. Ireland's own National Just Transition Fund which was launched in 2020 to support communities transitioning to a low carbon economy, focussing on retraining workers and generating sustainable employment in green enterprises in the Midlands region.<sup>26</sup> Funding of €84.5 million has been secured from the EU Just Transition Fund for investment in the longer-term transition of the region. A Territorial Just Transition Plan covering the region is being submitted to the European Commission for approval during 2022. Thus, there are clear linkages between the measure and other initiatives. A potential risk is the failure to provide additionality but this can be addressed availing of complementarities where they are present and by the extended coverage of peatland areas in the measure.

**Start of work under this measure was delayed and according to the European Commission Recovery and Resilience Scoreboard, no grants have been disbursed.** Nevertheless, according to the latest Bord na Móna Quarterly Report (September 2022), rehabilitation work is progressing in fifteen Year 1 bogs and seventeen Year 2 bogs. Three bogs are considered fully complete and fifteen additional bogs are more than 90% (work content) complete.

## 4. POLAND

### 4.1. Pillar 4 in the NRRP

**The Polish NRRP identifies nine key development challenges, each of which incorporates combinations of the Pillars defined in Article 3 of the RRF.** The Plan includes a table that sets out nine development challenges according to the Pillars, linking Pillar 4 to three.

**Challenge 2: Unfavourable demographic trends and the supply of labour resources.** This is particularly relevant for the social cohesion dimension of Pillar 4 and includes reference to Eurostat forecasts. It highlights specific issues with the participation in the labour market of young people,

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<sup>23</sup> European Council (2021) Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Ireland p. 8.

<sup>24</sup> European Council (2022) Council recommendation on the 2022 National Reform Programme of Ireland and delivering a Council opinion on the 2022 Stability Programme of Ireland, p. 10.

<sup>25</sup> <https://peatlandsandpeople.ie/about/>

<sup>26</sup> <https://www.gov.ie/en/publication/ed10d-just-transition-fund/>

women, people with disabilities, people with low qualifications, people remaining in agriculture and the elderly, especially given digitisation and transformation towards a low-carbon economy.

**Challenge 7. The condition of infrastructure, structure and safety of transport serving a competitive, green economy and intelligent mobility.** This applies to both national and regional lines and thus is relevant for the territorial cohesion element of Pillar 4.

**Challenge 8. Concentration of development and climate problems, loss of growth potential and low resistance to crisis phenomena in the territorial system.** This is the most relevant development challenge for Pillar 4, particularly for territorial cohesion. It highlights the high level of territorial differentiation in socio-economic development in Poland and how the effects of the current crisis have emphasised it even more. Territorial differences persist at the regional and, particularly, local level. This is evidenced in terms of widening productivity gaps, territorial concentration of exclusion and unemployment, differences between large urban centres and rural areas, uneven investment in technical infrastructure, and pressure on green areas. Challenge 8 identifies types of territory facing serious developmental and climate-related problems, drawing on Poland's Strategy for Responsible Development. So-called 'areas of strategic intervention' are identified for investment: medium-sized cities losing their socio-economic functions and functionally related territories at risk of marginalisation, rural areas in particular; cities reliant on energy-intensive industries that need to move towards a green and digital economy; and mining regions experiencing the direct effects of this transformation.

Challenge 8 identifies **key investment needs that are particularly relevant for Pillar 4:**

- Responding to poor infrastructure accessibility that increases risk of social exclusion – access to water and sewage infrastructure, very fast internet, low-emission transport, various types of public services.
- Greater digitalisation of services to increase access to public services dedicated to entrepreneurs, residents, or patients.
- Improvement in transport infrastructure to strengthen the territorial balance between larger cities and their hinterland and to improve low- and zero-carbon transport.
- Addressing the impact of COVID-19 on the finances of regional and local governments.
- Addressing variation in capacities of local governments to design and implement development strategies.

Challenges and needs, including those with elements related to Pillar 4, are then picked up in six 'components' that set out NRRP aims, areas of support and associated reforms and investments.

## 4.2. Specific measures

Measures addressing Pillar 4 are included across different components of the plan. This section assesses three examples.

### 4.2.1. Green transformation of cities and functional areas (B3.4)

#### a. Description

**Also under Component B, Measure B3.4. has an explicit territorial dimension, supporting territorial cohesion through investments in green transformation in urban areas.** The measure aims to facilitate the ecological transformation of medium-sized cities and their functional areas through a range of reforms and investment projects. It is directed to local governments and other beneficiaries implementing projects that support pro-ecological solutions for cities. This can include



energy saving initiatives; protection of air and water resources; development of zero-emission transport; increasing urban green areas; and education and promotion of building ecological awareness of inhabitants.

#### b. Reforms and investments

Measure B3.4 has a key reform milestone and investment targets:

- **Regulation concerning implementation of a new Green Transformation of Cities instrument.** The reform had a target deadline of the second quarter of 2022 and was introduced in July 2022. It specifies the aims and procedure for granting support from the instrument (milestone).
- **Green transformation in cities. The instrument is financed from the loan part of the NRRP,** covering up to 100% of project costs and planned as a returnable instrument. Local governments, the private sector and other entities based in the functional urban area, make applications to the Ministry of Development Funds and Regional Policy, responding to needs identified in local and supra-local strategies. Poland's National Bank is directly responsible for granting the loans with a total budget of €2.8 billion. There is an open call until funds are exhausted, with 120 projects to be contracted by the second quarter of 2024 and at least 344 by end of 2025 (target).

#### c. Assessment

**The measure responds to provisions set out in the Council implementing decisions,** notably by including the scope to investments in sustainable urban transport and implementing sustainable urban mobility plans it is expected to accelerate the green transition of cities. It also contributes to effectively addressing a significant subset of the structural challenges identified in Poland's country-specific recommendations (CSRs) of 2019 and 2020 through its strong emphasis on reforms and investments aligned with the EU green agenda.

**A significant innovation resulting from the reforms is the strengthened legal status of strategies prepared by local governments as solutions aimed at green transformation of cities.** Such strategies are the starting point for integrated and comprehensive activities and investments in each area, including those related to adaptation to climate change and they are based on a multi-faceted diagnosis, they provide stakeholders and residents with transparent information about changes in their territory.

**This measure includes several provisions that increase the scope for its sustainability in the longer term.** First, it **builds on ongoing legislative and policy initiatives** that support more strategic responses to territorial cohesion challenges. The measure is aligned to legislative and strategic initiatives in the field of regional development policy, urban policy (including the launch of a new National Urban Policy in 2022) and spatial planning. This should strengthen integrated planning and development of cities and functional urban areas, including a focus on green investment. One of the assumptions of new legislation will be creating a "green" civic budget with the allocation of additional share of the city budget dedicated to urban ecological solutions. Second, there is clear complementarity between this measure and Cohesion Policy investments set out in the Partnership Agreement for 2021-27. Under Cohesion Policy's Policy Objective 5, territorial instruments will include investment in communal revitalisation programs that will be complementary to regeneration activities as part of the green transformation of cities. Third, capacity issues are considered. Experience of urban authorities in caring out 'green' investments varies across Poland, especially outside of the main agglomerations. However, B3.4 investments are accompanied by capacity-building measures. Under a separate measure (A1.3) RRF will provide PLN 173 million for the preparation of development strategies

and revitalisation plans in around 60% of Polish municipalities. Moreover, initiatives underway in Poland's development management system offer scope for strategic cooperation across multiple levels (territorial agreements, local government, and program contracts). The Ministry of Funds and Regional Policy also supports increasing the competences of local government units (notably through the new Advisory Support Centre, which is referenced in the NRRP).

**The indicative targets for this measure are realistic.** The NRRP notes that these estimates are based on experience of existing investments, especially those carried out under Cohesion Policy 2014-20, in the field of local development, revitalisation and mitigation of climate change.

On the other hand, **additional legislative reforms to cover functional urban areas would have strengthened the effectiveness and sustainability of this measure.** An important element of the measure is to cover green transition in functional urban areas where municipalities face common spatial and environmental challenges. So far, only areas around two regional capitals have developed such strategies. One solution would be a Metropolitan Act to regulate cooperation within metropolitan areas. The Metropolitan Area of Upper Silesia provides an example of the use of legal instruments to address green transformation, pooling resources while local governments maintain competences. However, similar legislative initiatives in other regions (e.g., Pomorskie) have been delayed and metropolitan reform was not a milestone in the NRRP.

**Although the reform milestone that is a pre-condition for support under this measure has been met, a fundamental problem for all measures in the country's NRRP is the European Commission's blocking of RRF funding to Poland until issues concerning rule of law issues and judicial independence are settled.** The Polish government has put in place pre-financing arrangements, including identifying resources from the domestic budget that is allowing the launch of project calls according to the timeline but there is uncertainty about when RRF funding will be released.

**There could also be difficulties in basing investment on loan-based instruments, particularly for urban authorities in less developed regions.** Given the current uncertain financial situation of local government units in Poland, particularly in less developed regions, some cities may find it challenging to use loan-based financing as opposed to grants or subsidies. This could undermine territorial cohesion objectives.

#### 4.2.2. [Improving the situation of parents on the labour market by increasing access to high quality care for children up to 3 years of age \(A4.2\)](#)

##### **a.** Description

Under Component A 'Resilience and competitiveness of the economy,' measure 4.2 contributes to social cohesion by targeting the expansion of the care system for children up to 3 years of age. The goal is to address issues with the supply of labour resources, including the participation of young people and women by co-financing construction costs of care facilities and creating a long-term system for managing their financing. This involves expansion of Poland's 'Maluch' programme, in operation since 2011, becoming the 'Maluch+' programme.

##### **b.** Reforms and investments

- **A bundle of reforms amending the Act on the care of children up to three years of age,** including: (i) implementing mandatory minimum education and quality standards for childcare facilities (to be enacted by the second quarter of 2023); (ii) implementing long-term national funding for childcare services (to be enacted by second quarter of 2024); and (iii) integrating

management of three separate sources of funding for childcare facilities: national funding, the European Social Fund + (ESF+) and RRF, enacted in 2022 (milestone).

- **Investment in the Maluch+ programme.** This includes creation and implementation of an IT system for projects by managing institutions and final beneficiaries. Investment of around €380 million co-financing for construction or renovation of facilities or purchase of real estate and infrastructure. The aim is to create at least 47,500 new childcare places by mid-2026 (target).

### c. Assessment

**The measure addresses a fundamental challenge to social cohesion identified in the labour market: the low level of professional activity of women, caused by necessity performing caring functions towards other family members, especially children.** Although the original Maluch programme has been running since 2011, demand is high. Over 60% of municipalities in Poland lack any institutions for the care of children up to 3 years of age and according to European Council recommendations, the enrolment rate for children under the age of three in formal childcare remains one of the lowest among EU countries, and limited access to childcare prevents women from entering the labour market.

**The target associated with investment in this measure (around €36,000 per nursery place) is realistic,** taking into account purchase of real estate, construction of new facilities and other construction works.

**The sustainability of the measure is strengthened by developing an integrated, multi fund approach** that draws together domestic and EU funding, creating a more coordinated system of financial management. RRF funding is contributing to an existing national programme but there is additionality as it is accelerating changes via larger-scale projects and more integrated approaches. RRF support will complement ESF+ in 2021-27 and Polish national funds (once RRF and Cohesion Policy support is finished). It is anticipated that bringing together these resources will increase the budget of the programme from €98 million per year to around €325 million per year.

**There is strong coherence with other policies and measures, particularly Cohesion Policy.** While RRF will finance the creation and development of infrastructure, under Cohesion Policy, the maintenance of care places created through RRF will be financed, as well as the creation of care places that do not require infrastructure investments, for instance activities aimed at improving the quality of care (particularly ESF+ funded training for people running care places and staff caring for children).

**It is also positive that the measure will strengthen e-services and contribute to digital and green transitions.** The measure will finance the IT system (for the purposes of applying for funds from the Maluch+ Program, billing and monitoring its implementation) and an architectural project containing technologies minimizing the consumption of resources and energy.

**Focus on the professional activation of young women is relevant but other target groups receive less attention.** For instance, Poland's CSR in 2020 noted problems with the labour market participation women, but also older people and persons with disabilities and their carers.

**Delays in the release of RRF funding have created uncertainty;** some local authorities have struggled to draft applications for funding given uncertainty about procedures and timetables. However, pre-financing from domestic funds and the fact that there is an established project pipeline is beneficial.

### 4.2.3. Technical support for water and sewage management in rural areas (B3.1)

#### a. Description

**Measure B3.1 is part of component B that aims to limit the negative impact of the economy on the environment and ensure the country's energy and ecological competitiveness and security.**

It addresses territorial cohesion issues highlighted under NRRP Challenge 8 by targeting infrastructure investment in rural areas facing serious developmental and climate-related problems. Specifically, it responds to problems related to the accessibility of water and sewage infrastructure in some rural territories. It targets rural and urban-rural municipalities that have low own budgets per capita and limited financial and administrative capacity to invest in water management networks.

#### b. Reforms and investments

Measure B3.1 includes both reform and investment elements.

- **Entry into force of a legal act establishing the obligation to ensure regular monitoring and control of individual wastewater treatment systems.** This legislation was introduced in July 2022 and introduces an obligation for municipalities to supervise and control the discharge of sewage and the use of tools to prevent inappropriate sewage discharge (milestone).
- **Investments in sustainable water and sewage management in rural areas - Number of new connections in the field of water supply infrastructure.** The target is to establish 33,990 such linkages by end of 2025. The investment will be implemented under the competition procedure carried out by the Agency for Restructuring and Modernisation of Agriculture. The budget is €204 million (target).

#### c. Assessment

**The reforms and investments under this measure respond directly to challenges highlighted in the Council Implementing Decision in terms of territorial cohesion and the sustainable development and resilience of rural areas and related to sustainability and territorial cohesion.**

By increasing the availability of water and sewerage infrastructure in rural areas it is expected to improve the quality of life in those regions, reduce effects of recurrent excess or water scarcity, prevent floods in agricultural areas and increase water retention levels (as referred to in the Council Implementing Decision).

**The cost of the investment is supported by analyses.** Government analyses from implementation of investments in the field of water supply and sanitation of villages under Poland's EU-funded Rural Development Programme 2014-20 have informed the budget allocated to this measure.

**The measure represents a significant change in the current approach to supporting water and sewage investments by introducing principles of territorialisation.** Funds will be allocated to projects based on its implementation in a rural or urban-rural commune, excluding towns with more than 5,000 inhabitants. Selection criteria also include the registered unemployment rate in the district, the areas where state farms were located, diagnosed high barriers to development etc. Territorial cohesion should be strengthened as support will be directed to territories whose investment capacity has been limited, increasing the availability of water and sewage infrastructure in rural areas, increasing their investment potential and improving the health and quality of life of the population.

**The impact of the measure is heightened by the fact that it fills an identified gap in infrastructure investment.** Priority under Cohesion Policy is predominantly given to investments in infrastructure in

agglomerations areas. Thus, the measure builds territorial cohesion by strengthening resilience to crises in rural areas outside the main urban centres.

**The sustainability of the measure in the longer term is strengthened by the combination of different types of support.** The measure comprises not just capital investment in infrastructure but mobilisation and capacity building of inhabitants of rural communities through advisory centres, the organization of training, workshops, study trips, and the development of multi-annual action plans to improve water management in the longer term.

**However, the funding available is very limited in relation to the scale of the challenge.** The Polish Ministry of Agriculture and Rural Development has recognised the need to identify additional funding sources to support the construction, expansion and modernization of water supply systems outside agglomerations.<sup>27</sup> As with other NRRP investments, RRF funding has not yet been released due to unresolved rule-of-law issues. However, project calls can be launched as legislation has been passed to use domestic budgets for pre-financing.

## 5. PORTUGAL

### 5.1. Pillar 4 in the NRRP

The twin green and digital transitions are a central focus of the Portuguese NRRP,<sup>28</sup> but measures are also largely related to the country's main challenges, such as educational needs and economic, social and institutional resilience. The plan's different measures or components address social and territorial cohesion in an integrated manner, considering this across a range of pillars and, for example, in relation to the National Health Service, forestry, and the entrepreneurial system. Approximately 47% of estimated expenditure of the Portuguese NRRP is under Pillar 4 on social and territorial cohesion, with 26% with it as the primary pillar, and 21% as the secondary pillar.<sup>29</sup> This contrasts with the other cases in this report, as it represents more than double their share of expenditure with it as a primary pillar. Due to being affected by what the plan refers to as the *middle-income trap* (at approximately 75% of EU GDP), Portugal's focus on these challenges comes from a need to strengthen its territorial cohesion especially in matters of innovation, ensuring impact is not concentrated solely in metropolitan centres and generating sufficient spill-over effects in other regions. Related is also the need to provide public services of general interest (health, employment, education) in non-metropolitan areas and developing effective multilevel governance to ensure social inclusion and cohesion. The plan emphasises the following cohesion-related issues:

- **Unfavourable demographic trends**, with a decrease in population in all Portuguese regions except for Lisbon's metropolitan area, and an increasingly aging population.<sup>30</sup> This demonstrates not just a trend for population decline but also rural exodus and urban preference for the capital. Unemployment has also increased due to the pandemic, with general negative labour market

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<sup>27</sup> MRiRW: środki z KPO na zrównoważoną gospodarkę wodno-ściekową na terenach wiejskich nie wystarczą, Samorząd PAP 4/7/2021. <https://samorząd.pap.pl/kategoria/srodowisko/mrirw-srodki-z-kpo-na-zrownowazona-gospodarke-wodno-ściekowa-na-terenach>

<sup>28</sup> Three main dimensions for investment: 1. Resilience, 2. Green/Climate Transition; 3. Digital Transition. See <https://recuperarportugal.gov.pt/wp-content/uploads/2021/10/PRR.pdf>

<sup>29</sup> [https://ec.europa.eu/economy\\_finance/recovery-and-resilience-scoreboard/country\\_overview.html?country=Portugal](https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/country_overview.html?country=Portugal)

<sup>30</sup> <https://worldpopulationreview.com/countries/portugal-population> and <https://recuperarportugal.gov.pt/wp-content/uploads/2021/10/PRR.pdf>

trends of low salaries and precariousness, and inhibited professional mobility especially for the younger population.

- **Changes in development trends**, with Lisbon no longer assuming the leading role in the Portuguese economy, with Alentejo Litoral taking its place in recent years, and with most NUTS II and III regions with GDP growth per capita levels still below the EU average.
- **Lack of access to public services of general interest**, with varied challenges depending on the sector. The provision of the necessary conditions in schools and in the general education system for the digital transition remains a central issue. In other sectors such as health and some social services areas (e.g. transport) there are gaps at the level of infrastructures both in metropolitan and rural areas.
- **Need to reinforce social responses' network**, in which further gaps have been identified due to the pandemic. Response includes adapting social services and equipment in a pandemic and post-pandemic context, and ensuring housing, health, nurseries and other education services are capable of addressing the needs of the population across the whole territory (greater needs identified in the NUTS II of Norte including Porto metropolitan area, Lisbon metropolitan area and Algarve).
- **Need to manage crisis prevention**, namely regarding prevention and combat of rural fires and mitigation of water scarcity, two issues that increasingly affect Portugal. This pertains to the dimension of climate but has important impacts on society and territorial cohesion and resilience.

The Portuguese NRRP focuses on three 'dimensions': resilience, climate transition, and digital transition. These are addressed through 20 'components', which in turn consider objectives, challenges, and investments for each of these areas. Pillar 4 is emphasised across the three dimensions, but the Resilience dimension is where most territorially focused interventions are concentrated, and therefore it has a greater potential for territorial cohesion impacts. Several components are explicitly linked to Pillar 4 in the plan, illustrated in an alignment grid.<sup>31</sup>

The plan also discusses its coherence and alignment with the European Semester and related emblematic initiatives or common European challenges, and the promotion of equality of opportunities and gender equality. Furthermore, the Portuguese NRRP considers its internal and external coherence. Regarding internal coherence, the plan considers its alignment with the broader Portuguese Strategy 2030, the sectoral strategic framework and the country's conjunctural response to the pandemic crisis. The NRRP also supports reforms that address the wider structural challenges of the country, with the articulation of these reforms and investments developed in the context of each of the components in which they are integrated. Regarding external coherence, common projects with Spain are considered given the geographical proximity, with ambitions to create an Iberian market in key sectors (e.g. digitalisation and energy), and with working groups already underway.

## 5.2. Specific measures

Pillar 4 does not have a dedicated component in the Portuguese NRRP. Instead, measures or investments addressing social and territorial cohesion are integrated across different components of the plan. This section addresses three notable examples of these components.

<sup>31</sup> Ministério do Planeamento (2021) Recuperar Portugal, Construindo o Futuro. PRR Plano de Recuperação e Resiliência. Mecanismo de Recuperação e Resiliência. República Portuguesa. XXII Governo, pp. 31. Lisbon. <https://recuperarportugal.gov.pt/wp-content/uploads/2021/10/PRR.pdf>



### 5.2.1. Infrastructures to reinforce cohesion and competitiveness

#### (i) Description

Component 7 of the Portuguese NRRP focuses on infrastructures and seeks to reinforce resilience and territorial cohesion, increase the competitiveness of the productive fabric, and contribute to the reduction of context costs. The plan identifies specific challenges related to infrastructure in Portugal, particularly in relation to the road networks. These include a need to improve the management and organisation of road traffic, removing vehicles from the urban areas and channelling them to rapid transit systems. Lessened environmental impact is thus predicted through the interventions in this component, as well as improved accessibility for more vulnerable users. Additionally, the component aims to address so-called missing links in the national road network, especially to make business parks and other economic agents more accessible. The component seeks to provide better physical access to business parks via an expansion of the road network while also strengthening their digitalisation.

#### (ii) Reforms and investments

To address the challenges concerning social responses, this component foresees a total of €690 million across six investments, with all having territorial targeting to a greater or lesser extent, and with indirect impacts on social cohesion. The proposed investments under this component are foreseen within the National Investment Programme 2030 (PNI2030) and in the Common Strategy of Territorial Development. One of the investments targets an autonomous region (Azores) and the other five target continental Portugal. Below are two examples of these investments:

- **Missing links and increasing network capacity** (RE-C07-i02, €313 million). This investment seeks to promote and eliminate urban crossings and to adapt the road network capacity by reducing journey times, pollutant gases and traffic. Lowered costs should then be attained for the business fabric, thus potentiating investment in the connected infrastructures. Specific roads are being targeted for this investment. The implementation of the investment is expected by 31 December 2025.
- **Business reception areas** (RE-C07-i01, €110 million plus €142 million for road accessibility with RE-C07-i04). These areas were already in place, but through this investment the implementation of new innovation models and approaches, as well as technological concepts, is foreseen. This new generation of business reception areas should ensure the production and storage of renewable energy for self-consumption; pilot interventions for testing islands of service quality of energetic stability; sustainable mobility; reinforcement of 5G coverage; active measures for the prevention and protection against wildfires. The selection of these areas will be done through competitive calls, and implementation is expected to be completed by 31 December 2025. Road accessibility is also foreseen to these areas but included in a separate investment, which specifies the targeted territories.

As part of these investments, targets have been set for the coming years. These include the building or rehabilitation of 111 roads; 15,000 additional publicly accessible electric vehicle recharging stations; and 10 interventions in selected business reception areas – all by 2025.

#### (iii) Assessment

The component 7 of the Portuguese NRRP and its related reforms and investments address the need for improved physical and digital connectivity to economically relevant regions and areas in Portugal and in cross-border regions. It specifically addresses the challenge of low territorial cohesion and low firm competitiveness in the inland and low-density regions of the country, in great part caused by inadequate road network links which leads to greater costs for firms and difficulty in attracting skilled

staff. Concomitantly, it seeks to reduce emissions in the transport sector with improved mobility and accessibility, and in the business parks themselves. The component is thus linked with territorial cohesion by strengthening connectivity and business activity in inland and non-metropolitan areas. It has an indirect impact on social cohesion with the potential for business parks to attract and retain skilled workers, and to promote employment and economic activity in these regions. Integration is done with components in the green and digital transition dimensions through a focus on innovation, digitalisation, energy efficiency and renewable energies.

The targets associated with the investment are realistic, considering broader investments in construction works, requalification and energy efficiency. Nonetheless, the targets included in this component could benefit from creating further links with social cohesion measures.

## 5.2.2. Innovation in responses to social challenges

### (i) Description

Component 3 of the Portuguese NRRP seeks to reinforce, requalify, and innovate the social responses aimed at children, elderly people, people with disabilities and families. The main objectives include addressing the social, demographic, and epidemiological trends in the country by promoting birth rates, active and healthy aging, work-life balance, and social and territorial cohesion, thus fitting with Pillar 4. This component also seeks to promote an integrated intervention with disadvantaged communities to combat poverty. The plan identifies specific challenges facing the Portuguese social fabric related with these, and amplified by the pandemic, such as the negative demographic trends, and the growing needs of the population regarding family support. Accompanying these are the increasing life expectancy of the population that requires accompaniment of the aging population. There is thus an increasing demand for a social network of services and equipment that can adapt to these changing socioeconomic dynamics. The plan's assessment considers public policies are not being able to keep up with the declining structures of family support or the broader but insufficient social support structures that have resulted of the changes in the labour market and family lives. Isolation of large segments of the population (e.g. disabled people and elderly people primarily) requires new responses.

### (ii) Reforms and investments

This component foresees, in total, €833 million across four reforms and six investments. To address the challenges concerning social responses, this component envisages three nationwide infrastructure, services and regulatory reforms centred on the provision of facilities and innovative social responses (RE-ro5) (e.g., Collaborative Housing instead of institutional housing services, residential structures for the Elderly, and social support for those in isolation); creation of a National Strategy for the Inclusion of People with Disabilities 2021-25 (RE-ro6); and a National Strategy for Combatting Poverty 2021-30 (RE-ro8). Another reform is envisioned with an explicit territorial focus, namely integrated support programmes to disadvantaged communities in the metropolitan areas (RE-ro7), which tend to be fragile to gentrification. Three of the six investments foreseen also demonstrate explicit territorial targeting. Below is one example:

- **Integrated operations in disadvantaged communities in the metropolitan areas of Lisbon and Porto** (RE-C03-i06, €250 million). Integrated approach for the promotion of social inclusion of disadvantaged communities that live in a context of poverty and exclusion. Projects that can be



supported include those addressing employability; qualification and certification of adults; third sector articulation for combatting poverty and exclusion; capacity-building of local actors in partnership networks; citizenship and civic participation; diagnosis of population needs; health access; access to culture and creativity with a valorisation of diversity; participation of communities in the management of their own programme. Approval of action plans for this intervention was completed in December 2021.

As part of this investment, targets have been set for the coming years. These include constitution of teams of social intervention, with a target of 278 teams by 2024; and creation, expansion, and requalification of the network of social facilities/social responses for childhood, the old age, for people with disabilities and others, with a target of 28,000 facilities by 2026. In total, 14 targets have been set in relation to this Component 3 on Social Responses.

### (iii) Assessment

The component 3 of the Portuguese NRRP and its related reforms and investments address the critical issue of improving and adapting social responses in Portugal after many years of socio-economic challenges, and in the face of new demographic and labour market trends, especially in a post-pandemic context. The component identified challenges of negative demographic trends, rights of persons with disabilities and other persons with dependency and in disadvantaged situations. Structural social policy challenges are thus addressed through this component by tackling the insufficiencies of the social service system and its coverage for populations and territories in need. Social and territorial cohesion are therefore both foreseen in this component, particularly in the territorial targeting of a reform and half of the investments put forth, which support other nationwide reforms.

There is strong integration with other components in the NRRP, notably with Component 1 on the resilience and reform of the health system and support to the wellbeing of the population, and more indirectly with components in the green and digital transition dimensions through a focus on innovation, energy efficiency and housing, education, training, and digitalisation.

The targets associated with the investment are realistic, considering broader investments in construction works, requalification and community networks. Nonetheless, the targets included in this component in general fail to demonstrate the territorial targeting proposed and desired links with local and regional authorities.

## 5.2.3. Strengthening national health infrastructure and services

### (i) Description

Component 1 of the Portuguese NRRP seeks to reinforce the capacity of the National Health Service. The main objectives are to address the demographic and epidemiological trends in the country, promote therapeutic and technological innovation, address social needs and rising costs. The plan identifies specific challenges of the Portuguese health system related with these:

- **The demographic transition characterised by an aging population**, changing disease patterns with an increasing weight of chronic and degenerative illnesses and multimorbidity, and low wellbeing and quality of life levels, namely for those over 65 years old.
- **High avoidable mortality**, namely before 70 years of age;

- **Weak support to health promotion and disease prevention**, key aspects to address pro-actively the development of the healthcare needs of the population and guarantee the sustainability of the healthcare system;
- **Fragmentation of the care provided**, which remain punctual and reactive and can lead to higher numbers of avoidable hospital admissions, worsening quality of life and higher costs;
- **High out of pocket payments in health.**

#### (ii) Reforms and investments

This component foresees, in total, €1.383 million across three reforms and nine investments. The reforms are nationwide infrastructure, services, and regulatory reforms, with a focus on primary healthcare (RE-r01) (e.g., continued and integrated health management and intervention programmes and modernisation of facilities and equipment); mental health (RE-ro2), namely related with dementia and broadening of the community care network; and the conclusion of the reform of the governance model of public hospitals (RE-ro3) for a more efficient healthcare system response. While the reforms are nationwide, there is still a territorial cohesion focus, with four of the investments demonstrating territorial targeting. Below are two examples:

- **Hospital equipment in Seixal, Sintra and Lisbon** (RE-C01-i04, €180 million). As a reinforcement of the hospital network in a region that is frequently in high demand, mainly in the suburban areas which have a high population density and are more constrained socially and economically, this investment foresees the acquisition of equipment for the Lisbon Oriental Hospital and the hospitals in Seixal and Sintra. The implementation of the investment is expected to be completed by 30 June 2026.
- **Digitalisation in the area of health in Madeira** (RE-C01-i07-RAM, €15 million). This investment will permit: (i) creating/implementing digital support technologies to support patients; (ii) strengthen telehealth; (iii) reinforce ITC and AI for epidemiological vigilance; (iv) heighten health digitalisation and the interoperability of the information system; (v) improve citizen access to the health services' information; (vi) train citizens and stakeholders for the use of digital resources in health. The implementation of this investment will be coordinated by the Regional Government of Madeira's health service, and is expected to be completed by 31 December 2024.

As part of these investments, targets have been set for the coming years. These include concluding the process of decentralisation of competences in the area of health in all councils, with a target of 201 councils with a concluded process by 2022; and renovating local networks, with a target of 90% of renovated local networks by 2022. In total, 21 targets have been set in relation to this Component 1 on the National Health Service.

#### (iii) Assessment

The component and its related reforms and investments address a fundamental challenge for social and territorial cohesion in Portugal, especially in the post-pandemic context – that of upgrading the healthcare system and improving its accessibility. It also addresses the identified challenges of negative demographic trends, changing disease patterns and rising costs related with fragmented healthcare provision. The National Health service in Portugal has been requiring a considerable reform, with public hospitals recurrently needing bailouts by the government and a systematic cycle of indebtedness that impacts on general accessibility and wellbeing of the population. The reforms included in this component therefore have the potential of addressing this and increasing the efficiency of the healthcare services.

It is important to recognise that while the investments exemplified here are territorially-targeted, these are supported by nationwide reforms of the infrastructure, services and regulations, showcasing far-reaching effects on social and territorial cohesion. Territorial cohesion is foreseen in this component more specifically with the integration of a relevant territorial and local dimension, ensuring larger coverage in the creation of hospitals or investment in equipment and digitalisation in both high- and low-density regions. Social cohesion and inclusion are also integrated with the consideration of vulnerable groups such as the elderly and the socially and economically disadvantaged. This is evidenced by the improvement of community and home care services, as well as in the provisions for the continued or long-term care and wellbeing of the population. The component also strengthens overall expenditure control, cost efficiency and budgeting, as advised in the Country Specific Recommendation.<sup>32</sup>

The targets set are in their majority realistic, with those concerning the renovation of local networks of the healthcare system and the conclusion of the decentralisation process to local authorities potentially needing more time for their completion given the complexity of the process.

The component has a great potential to strengthen e-services and telehealth, thus contributing to the digital and green transition dimensions, besides the resilient dimension. It therefore demonstrates integration and cohesion across the NRRP. The investment on health digitalisation in the region of Madeira is a good example of this, improving both local services in a low-density area, providing long-term vigilance and care and training citizens in digital literacy.

The component's focus on mental health is of value considering the post-pandemic context also had repercussions in this area. Nonetheless, it is arguable that the predominant focus on dementia care means there is less consideration of the mental health needs of the younger population. This seems particularly relevant when considering this population segment is the most affected by precarity of employment. Likewise, there is little attention given to people with disabilities in the reforms and investments proposed, even though digitalisation could address some of the related concerns.

## 6. CONCLUSIONS

**In NRRPs, Pillar 4 is most often given less priority in terms of allocations than sectoral investments that promote the green and digital transitions.** The focus placed on Pillar 4 is similar in Ireland, Italy and Poland, ranked third in terms of Pillars supported and ranging between 11-13% of total planned allocations. In Portugal, the plan extensively covers Pillar 4, with around 25% of funding targeted. It should also be noted that measures under other headings will impact on Pillar 4. For example, public administration reforms often also focus on improving women's access to managerial positions. In addition, even where target territories are not specified explicitly, investment in infrastructure gaps and connectivity deficits will tend to be in disadvantaged regions, urban neighbourhoods and other localities.

**In all four cases, Pillar 4 is treated as cross-cutting with related measures identifiable across multiple components of the Plan.** This reflects the horizontal nature of social and territorial challenges, although it makes the overall coherence of social and territorial interventions less explicit. However, there are components in each Plan that are particularly relevant (Component 3 - Social and

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<sup>32</sup> See <https://data.consilium.europa.eu/doc/document/ST-10149-2021-ADD-1-REV-1/en/pdf>

economic recovery and job creation in Ireland, Mission 5 – ‘Inclusion and cohesion’ in Italy, Challenge 8 - Concentration of development and climate problems, loss of growth potential and low resistance to crisis phenomena in the territorial system in Poland and the ‘Resilience’ dimension in Portugal).

**Significant reforms and investments are included in the social dimension of Pillar 4, with a valuable focus on vulnerable groups.** In all four cases, ambitious employment, skills and social reforms and investments are set out to promote a fair, inclusive and sustainable recovery. These measures are crucial as they seek to improve lifelong learning, training and upskilling in the context of pandemic impacts and structural transitions. Particularly important is an explicit focus on participation of vulnerable groups, notably women and young people (e.g. Ireland and Italy), with related investment in childcare capacity (e.g. Poland). It will be important that sufficient attention is paid to other vulnerable groups to ensure inclusivity (e.g. Portugal includes a focus on older people).

**Territorial cohesion is supported both through the targeting of specific places and in the ‘territorialisation’ of investment.** Each of the NRRPs covered includes spending in specific territories. Prominent examples of this are support for the rehabilitation of peatlands in the Midlands region of Ireland, investment in health infrastructure in Madeira and support for Italy’s inner areas. Moreover, the ‘territorialisation’ of investment in infrastructure and social services is anticipated to strengthen cohesion. The introduction of criteria to channel investment to different types of place directly addresses the uneven territorial impact of the pandemic and long-term inequalities. This is apparent for instance, in the focus on rural areas for water infrastructure in Poland, or health equipment in densely populated areas in Portugal.

**A range of positive spill-overs with other investments can be identified from Pillar 4 actions** in the Plans covered. For example, adult learning will be key to boosting social and economic resilience, rehabilitation of degraded urban and rural territories will support environmental goals and offer new economic opportunities.

**A key challenge for Pillar 4 is ensuring the sustainability of the supported measures.** RRF represents a ‘one-off’ investment and Member States have to make efforts to ensure that these cohesion benefits are maintained and built on in the longer-term. This challenge is significant in a context of likely constrained budgets for public investment. For example, more nursery places will require states to fund more childcare workers’ salaries. Pillar 4 measures as set out in the Plans are addressing this challenge in a variety of ways. First, the reform element of RRF is providing an opportunity to improve the framework conditions for EU and domestic investment (in some countries mobilising crucial legal and regulatory initiatives), that improve the conditions for effective, long-term financial support (e.g. reforms creating new employment services in Italy, strengthening the legal status of local planning documents in Poland, increasing the efficiency of the health care system in Portugal). Second, there are several important examples of Pillar 4 measures working in synergy with related domestic and EU funds and instruments. This strengthens broader strategic coherence beyond the specific measure and helps secure funding after the current lifecycle of the RRF. Third, it is important to note that capacity-building elements are built into several Pillar 4 measures to increase the scope for long-term impacts. In Portugal, capacity-building of local actors in partnership networks is part of social welfare initiatives. In Poland, the measure to strengthen water treatment infrastructure in rural areas combines capital investment with capacity building of inhabitants of rural communities through advisory centres, training etc and the measure to support green investment in cities is accompanied by the capacity-building work from the government’s Advisory Support Centre.

**Complementarity with EU Cohesion Policy is particularly important for Pillar 4** as there is considerable strategic overlap.<sup>33</sup> Although the objectives differ, the significant thematic overlap between the RRF and Cohesion Policy – notably the common focus on green and digital transitions – can be exploited to coordinate investments and achieve additional impacts. The RRF is providing an opportunity to improve the framework conditions for investment that improve the conditions for (and effectiveness of) CP funding. More specifically, Pillar 4 measures in the Plans include specific references to complementarity with CP funding. For example, in Poland, ESF+ support for training is complementary to RRF infrastructure support under the Maluch+ programme and integrated territorial investments supported under CP will support RRF investments in green revitalisation of cities. In Ireland, the measure to rehabilitate peatlands in the Midlands region is complemented by JTF-funded actions under the territorial Just Transition Plan. In Italy, the National Strategy for Inner Areas receives integrated support from RRF, CP and domestic funds.

**However, it should be noted that there are substantial challenges in achieving potential synergies.** The demands of effective strategic and operational coordination are considerable, with limited time to embed inter-institutional cooperation mechanisms and effective working relations where these do not already exist. Moreover, there is a risk of duplication and rivalry between Pillar 4 and Cohesion Policy, particularly where RRF is perceived as offering stronger incentives for beneficiaries (e.g. in terms of timescale, aid intensity, financial management). This may have significant implications for absorption of CP funds and for the broad objective of cohesion. The cases covered include important examples of regional and local participation in the design and delivery of Pillar 4 measures (e.g. the role of consortium of regional Technological Universities and Local Education and Training Boards in Ireland, the focus on capacity-building for local authorities in Poland). However, in this context, it should be noted that there has been criticism of the lack of coordination between CP and RRF and the lack of involvement of local and regional authorities in drafting NRRPs.<sup>34</sup> Article 28 of the RRF regulation requires Member State to foster synergies and ensure effective coordination among different instruments at Union, national and regional levels and in some MS synchronicity in the drafting of NRRPs and Partnership Agreements/Operational Programmes has been important in strengthening complementarities and significant effort has been made to align strategies.<sup>35</sup> However, the RRF requirement for engagement with partners (in line with national frameworks), particularly in the preparation of programmes, is less of an obligation than the partnership principle in CP. In a small group of countries, particularly those with federal or regionalised institutional systems, regional and/or local governments have actively participated in the development of NRRPs and are envisaged as having a major role in implementation arrangements. Elsewhere, subnational actors, civil society and the private sector have been largely involved (so far) only as consultees, at the outset of the drafting process or on draft plans, or project proposers. In part, this reflects the dominance of national measures in NRRPs and the responsibility for reforms and investments at national level.<sup>36</sup>

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<sup>33</sup> EPRC (2022) Cohesion Policy & new instruments: from coexistence to complementarity Discussion Paper for CZ Expert Workshop, July 2022.

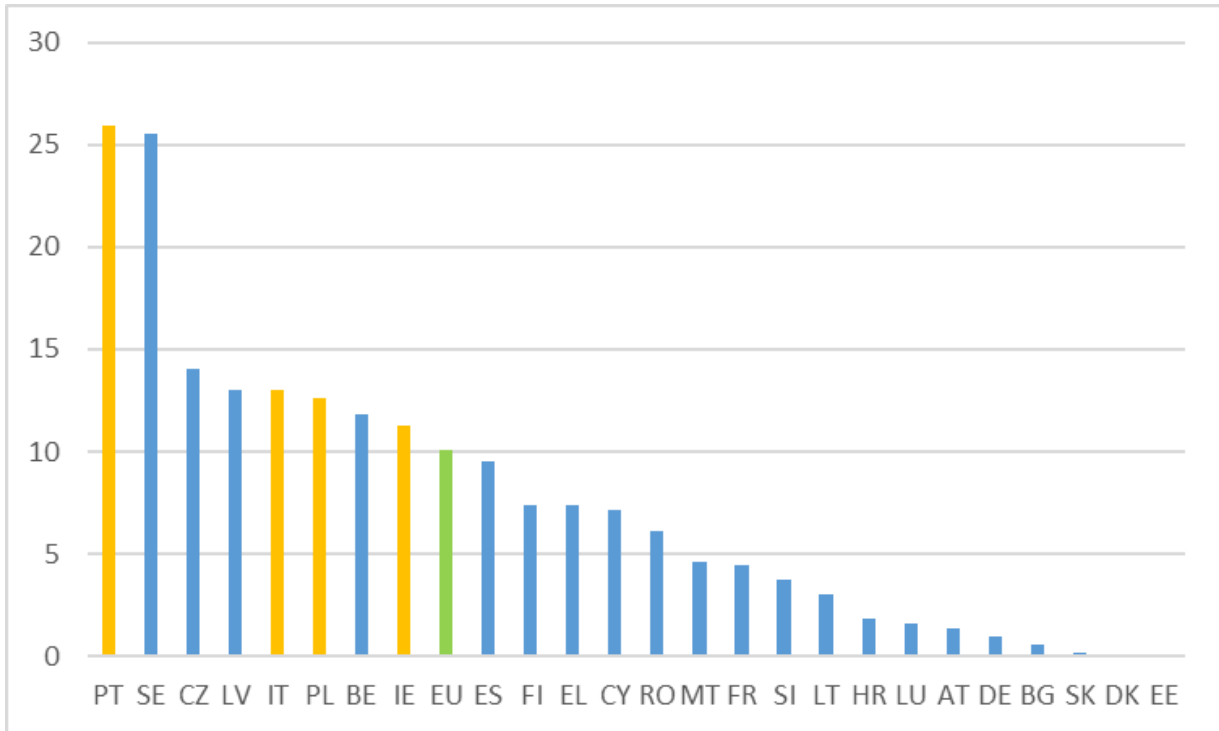
<sup>34</sup> European Parliament resolution of 10 June 2021 on the views of Parliament on the ongoing assessment by the Commission and the Council of the national recovery and resilience plans (2021/2738(RSP)).

<sup>35</sup> See, for example Portugal's NRRP - Recuperar Portugal, Construindo o Futuro, 22 April 2021, p. 212

<sup>36</sup> Bachtler J and Mendez C (2021) Recovery and Cohesion: Ambitious Objectives, Challenging Implementation, Paper to the 42nd meeting of the EoRPA Regional Policy Research Consortium, October 2021, European Policies Research Centre, Glasgow and Delft.

## ANNEX

Table: Share of Pillar 4 in EU countries (% of NRRP funding). Case study countries in yellow



Note: no data for Hungary and the Netherlands. Source: EU Recovery and Resilience Scoreboard

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This briefing gives a comparative assessment of initiatives being undertaken in RRF Pillar 4 across a sample of four National Recovery and Resilience Plans (NRRPs) in Ireland, Italy, Poland and Portugal. In each of them, it covers three measures falling into the categories territorial infrastructure, targeting of specific territories, and adult and vocational training. Pillar 4 is covered as a cross-cutting theme that is picked up across a range of components, but there is substantial variation in how each NRRP treats social and territorial cohesion. In all four cases, the NRRP sets out significant reforms and investments and there are spill-overs with other measures. The plans aim to ensure the sustainability of the supported measures via reforms, capacity-building and complementarities and synergies with other instruments, especially Cohesion Policy. Yet, there remain substantial strategic and operational challenges in achieving potential synergies and a risk of duplication and rivalry. This document was provided by the Economic Governance Support Unit at the request of the ECON Committee.

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