



**ESDN** REPORT

**EUROPEAN RECOVERY  
AND RESILIENCE  
MECHANISMS –  
CHALLENGES IN  
SYSTEMIC APPROACHES  
IN SUSTAINABLE  
DEVELOPMENT**

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ESDN Office



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# INTRODUCTION

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The relative unpreparedness of the world for the Covid-19 pandemic has brought the concept of resilience to the forefront of discussions in the international policy arena. The EU defines resilience as the “ability not only to withstand and cope with challenges but also to undergo transitions, in a sustainable, fair, and democratic manner.”<sup>1</sup> Therefore, building resilience will not only better prepare European societies for potential future pandemics or other unforeseeable events, it is also crucial to achieve the European ambitions concerning the Green and Digital Transitions. In line with this, the European Union’s pandemic recovery plans focus not only on rebuilding the economy, but also on ‘building back better’ and supporting sustainable practices, as well as building resilience towards future shocks.

The 2021 ESDN Conference was about European Recovery and Resilience Mechanisms in connection to challenges in systemic approaches in sustainable development. This Report builds on discussions at the ESDN Conference, which was attended by

over 100 sustainable development policymakers and other SD professionals on 30th November & 1<sup>st</sup> December 2021. It is supplemented by desk research and several documents outlining the strategies of the European Commission, such as the Recovery and Resilience Facility.

Chapter 1 summarises the EU’s recovery efforts and how they are related to building more resilience. Chapter 2 will explore the connection between resilience and the main aspects of sustainable development, which are economy, environment/ecology, society and governance. Chapter 3 is the conclusions that can be drawn about recovery and resilience in Europe.

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<sup>1</sup> EU Science Hub. 2022. *Resilience*. [online] Available at: <[https://joint-research-centre.ec.europa.eu/resilience\\_en](https://joint-research-centre.ec.europa.eu/resilience_en)> [Accessed 9 May 2022].

# CHAPTER 1

## EU MECHANISMS FOR RECOVERY AND RESILIENCE

The European Commission structured the EU's efforts to recover from the pandemic around the two strategic priorities of the Commission, namely the Green and Digital Twin Transitions. In addition, it is based on the four principles of competitive sustainability:

- Environmental sustainability
- Fairness
- Productivity
- Macroeconomic stability

In addition, all programmes are aligned with the Sustainable Development Goals (SDGs).<sup>2</sup>

### Next Generation EU

Next Generation EU (NextGenEU) is an addition to the Multi-annual financial framework (MFF), which is the budget of the European Union. It was added in response to the Covid-19 crisis. NextGenEU focuses on the Twin Green and Digital Transitions, as well as investments in health, supporting young people, education and young

entrepreneurs and equality. The Recovery and Resilience Facility is the centrepiece of this long-term recovery fund.<sup>3</sup>

### Recovery and Resilience Facility

The [Recovery and Resilience Facility \(RRF\)](#) is a temporary instrument being employed by the European Union in response to economic and societal consequences of the Covid-19 pandemic. It helps to raise funds to support EU Member States in implementing reforms that align with the EU's aforementioned strategic priorities. More specifically, the Facility is structured around 6 pillars:

- Green Transition;
- Digital transformation;
- Smart, sustainable and inclusive growth;
- Social & territorial cohesion;
- Health, economic, social and institutional resilience; and
- Policies for the next generation.

<sup>2</sup> Morgese Borys, M., 2021. *EU Resilience and Recovery Autumn Package*.

<sup>3</sup> NextGenerationEU. 2022. *NextGenerationEU*. [online] Available at: <[https://europa.eu/next-generation-eu/index\\_en](https://europa.eu/next-generation-eu/index_en)> [Accessed 9 May 2022].

Member States have to submit national recovery plans to the Commission, outlining their reforms and investments. These also need to be aligned with country-specific challenges identified in the European Semester Process, which is the EU's framework for economic and employment policy coordination. The allocation of funds is performance based. This means, that the fulfilment of certain targets and milestones towards achieving reforms in plans will unlock regular payment.<sup>4</sup>

The RRF came into force in February 2021. Progress of countries can be monitored through a [scoreboard](#), which provides detailed explanations of each country's recovery plan. All but four countries had submitted their plans in May 2022. As the European Commission reports, countries have allocated almost 40% of spending on climate related reforms (exceeding the Commission's target of 37%) and 26.4% on digitalisation (original target 20%).<sup>5</sup>

According to Magdalena Morgese Borys from the EU Commission's Recovery & Resilience Task Force (SG Recover), the RRF is one of the key strategies for the EU to achieve its policy ambitions in the next few years. As the economic crisis subsides, the focus is shifting from crisis management towards transformation and inclusive recovery. In 2022, the European Semester Cycle and RRF will be closely integrated.<sup>6</sup>

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<sup>4</sup> European Commission – European Commission. 2022. *Recovery and Resilience Facility*. [online] Available at: <[https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility\\_en](https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en)> [Accessed 9 May 2022].

<sup>5</sup> Ec.europa.eu. 2022. Recovery and Resilience Scoreboard. [online] Available at: <[https://ec.europa.eu/economy\\_finance/recovery-and-resilience-scoreboard/index.html](https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html)> [Accessed 16 May 2022].

<sup>6</sup> Morgese Borys, M., 2021. *EU Resilience and Recovery Autumn Package*.

## CHAPTER 2

# ASPECTS OF RESILIENCE AND SUSTAINABILITY

The following subsections provide an insight into the three dimensions of sustainable development; economy, society, and the environment and how they relate to the concept of resilience. The final subsection looks into the connection of governance and resilience.

### Economic Resilience and Sustainability

Activities that support the decarbonisation of the economy, for example the manufacturing of solar panels, produce greenhouse gases and use a lot of materials. For a climate neutral economy, circularity is therefore crucial. To achieve a circular economy, it is necessary to address resource supply at the systemic level. As the pandemic has shown, a circular supply system with less reliance on international supply chains can strengthen preparedness and resilience to international shocks. However, there are still many systemic-level barriers.

The Government of Slovenia, for example, is aiming to make Slovenia the first circular economy. This will happen through the management of a portfolio

of innovations and by providing action points to impact decision-making for the transition. This includes working on large-scale transformations across value chains, for example in forestry, mobility or food systems. It is important to involve all parts of society, including children, businesses, and research.<sup>7</sup> More information about the Slovenian strategy can be found [here](#).

Another aspect of a systemic change often proposed by sustainability advocates is the concept of a wellbeing economy. It is uncertain whether absolute decoupling of economic growth and material throughput and carbon emissions is possible. In addition, many pressures on economic growth are projected for the next decades, for example aging populations, pandemics, and the impacts of climate change. Therefore, it could be useful to focus on economic strategies that enable and grow wellbeing rather than GDP. During workshops run by the Finnish government, participants came up with the concept of thinking of the economy and wellbeing as the metabolism of society. The aim is to restore the

<sup>7</sup> Dermelj, M., 2021. *Deep Demonstration of a Circular, Regenerative Economy in Slovenia*.



resources that make our societies better (human and environmental capital).<sup>8</sup>

Simon Savsek from the European Investment Bank argued at the ESDN Conference that the financial system has proven resilient in the face of the pandemic, which is also due to a well-coordinated policy response. To be resilient to future shocks, including climate shocks, it is important to adapt a more long-term approach to financial decisions. However, ESG standards (Environmental, Social and Governance) are not yet well defined and therefore it is hard to make decisions that are resilient towards future shocks.<sup>9</sup>

## Environmental Resilience and Sustainability

Climate adaptation refers to ecological, social or economic adjustments in response to actual or expected climate impacts. It seeks to mitigate potential damages and to potentially benefit from the opportunities that may come from climate change (e.g. longer growing season).<sup>10</sup>

Angelika Tamášová from the European Environment Agency argued that based on the inexorable socio-economic and environmental impacts of climate change, some systemic approaches, such as the transition to a climate-neutral and climate-resilient society, are needed in order to achieve the Sustainable Development Goals.<sup>11</sup>

For this reason, climate adaptation is part of the EU's Recovery and Resilience

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<sup>8</sup> Mulholland, E., 2021. *European Recovery and Resilience Mechanisms - Challenges in Systemic Approaches in SD*. [online] ESDN. Available at:

<[https://www.esdn.eu/fileadmin/pdf/Conferences/2021\\_Ljubljana/Documents/ESDN\\_Conference\\_2021\\_Report\\_Final.pdf](https://www.esdn.eu/fileadmin/pdf/Conferences/2021_Ljubljana/Documents/ESDN_Conference_2021_Report_Final.pdf)> [Accessed 9 May 2022].

<sup>9</sup> Ibid.

<sup>10</sup> Unfccc.int. 2022. [online] Available at: <<https://unfccc.int/topics/adaptation-and-resilience/the-big-picture/what-do-adaptation-to-climate-change-and-climate-resilience-mean>> [Accessed 13 May 2022].

<sup>11</sup> Mulholland, E., 2021. *European Recovery and Resilience Mechanisms - Challenges in Systemic Approaches in SD*. [online] ESDN. Available at:

<[https://www.esdn.eu/fileadmin/pdf/Conferences/2021\\_Ljubljana/Documents/ESDN\\_Conference\\_2021\\_Report\\_Final.pdf](https://www.esdn.eu/fileadmin/pdf/Conferences/2021_Ljubljana/Documents/ESDN_Conference_2021_Report_Final.pdf)> [Accessed 9 May 2022].



Plans, and the principle of ‘building back better’ after the pandemic. Building back better refers to a strategy designed to reduce social and environmental risk in the face of potential future disasters and not to rebuild harmful practices from before the pandemic.<sup>12</sup> More specifically, it can be understood as a framework to transform the original vision of economic structures. For example, as part of the RRF and the NextGenEU Plan, the funds directed to the environment and ecology are related to the improvement of the water quality of rivers and seas, as well as the intention of reducing waste and plastic waste. The planting of trees and the consequent recovery of the bee population are also in this plan, as well as the provision of green spaces and renewable energies in cities. In the same way, healthy eating is intended to be achieved through a system of agriculture that respects the environment.<sup>13</sup>

Policies, such as the [European Climate Law](#), the [European Adaptation Strategy](#), the [EU Recovery and Resilience Facility](#),

the resilience plans, the national recovery and the national adaptation strategies and action plans, all point towards building environmental resilience against biodiversity loss and climate change.

The European Adaptation Strategy seeks to minimize vulnerability by reinforcing and improving adaptive capacity; making it systemic and smarter through international action. Approved in 2021, the European Climate Law refers to the guarantee of continuous improvement in adaptation to climate change based on the strengthening of resilience with the help of scientific analysis and indicators of progress. Finally, the aforementioned NextGenEU Plan - EU Recovery and Resilience Facility approved in 2021, seeks to establish certain objectives related to adaptation to climate change and resilience in the context of the global pandemic.

At the same time, it is important to mention regional and local adaptation, climate-proofing investments and

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<sup>12</sup> OECD, 2020. *Building back better. A sustainable, resilient recovery after COVID-19*. [online] OECD. Available at: <<https://www.oecd.org/coronavirus/policy-responses/building-back-better-a-sustainable-resilient-recovery-after-covid-19-52b869f5/>> [Accessed 12 May 2022].

<sup>13</sup> Mulholland, Eric. (2021) *European Recovery and Resilience Mechanisms – Challenges in Systemic Approaches in SD*. ESDN Conference Report

climate resilient infrastructures, nature-based solutions and synergies with the renovation wave as part of the climate-change adaptation strategies and plans. The [Adaptation Support Tool](#) by the European Environmental Agency provides practical guides at the national level related to the evaluation of adaptive strategies as well as suggestions for their development and implementation.

Angelika Tamášová also mentioned certain key strategies to achieve the Green Transition.<sup>14</sup> In the case of reforms, she mentioned the need for an improvement in waste and water management, the implementation of clean vehicles as well as the general improvement of nature conservation through permitting and environmental taxation. Regarding investments, the highlights are circular economy and water management, clean power and networks, biodiversity and climate change adaptation, sustainable mobility

and renovation and energy efficiency. In short, she places special emphasis on nature-based solutions and ecosystem-based adaptation (such as forest management to prevent floods) looking for synergy and preservation.<sup>15</sup>

## Societal Resilience and Sustainability

Political and democratic support is essential for achieving the green transition. Heather Grabbe, from the Open Society Foundations, argued that societal resilience can be achieved through reframing the sustainability transitions, as well as bringing the ecological debate closer to all layers of society. This is important because the measures discussed become part of the daily life of all people. For this, Europe does not only need economic and political change, but also social structural change. This can be achieved through dialogue and understanding of different views of the population on the necessary measures.<sup>16</sup>

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<sup>14</sup> Green transition. (n/d). Reform Support. Retrieved on May 12, 2022, from [https://ec.europa.eu/reform-support/what-we-do/green-transition\\_en](https://ec.europa.eu/reform-support/what-we-do/green-transition_en)

<sup>15</sup> Mulholland, E., 2021. *European Recovery and Resilience Mechanisms - Challenges in Systemic Approaches in SD*. [online] ESDN. Available at: [https://www.esdn.eu/fileadmin/pdf/Conferences/2021\\_Ljubljana/Documents/ESDN\\_Conference\\_2021\\_Report\\_Final.pdf](https://www.esdn.eu/fileadmin/pdf/Conferences/2021_Ljubljana/Documents/ESDN_Conference_2021_Report_Final.pdf) [Accessed 9 May 2022].

<sup>16</sup> Ibid.

In short, solving the problem of communication, the lack of popular knowledge regarding environmental problems and the necessity, but also the benefits of measures, is necessary. This includes a certain degree of economic redistribution while fostering a more sustainable economy. For example, increasing local consumption and consumption of locally produced renewable energy would not only be more environmentally sustainable, but also create local jobs.

An important EU tool aimed at increasing resilience and equality is the Just Transition Mechanism, which supports the territories that are most affected by the transition to a climate neutral economy to avoid growing regional inequalities. It aims to implement structural changes towards a more sustainable and resilient economy in regions where a substantial percentage of employment depends on coal mining or other fossil fuels.<sup>17</sup> It is part of the [European Cohesion Policy 2021-2027](#).<sup>18</sup>

Heather Grabbe also stated that the uncertainty of the population about the change that is about to happen, and needs to happen, is a great social problem as far as climate change is concerned. According to her, a solution path is related to localizing the SDGs and implementing subnational actions and projects. In this way, both national and subnational actions, and their monitoring, will be more adapted to local circumstances and therefore more likely to find support in the local population. Likewise, a solution on a larger scale is found in the [Conference on the Future of Europe](#), for which representatives of the citizenry were randomly chosen to engage in a democratic dialogue regarding their visions for a more sustainable future. The issues that were discussed at these meetings are of great importance: climate change and the environment, health, a stronger economy, social justice and jobs, EU in the world, values and rights, rule of law, security, Digital Transformation; European democracy, migration, education, culture, youth and

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17 Just Transition Fund. (s/f). Europa.eu. Retrieved on May 10, 2022, from [https://ec.europa.eu/regional\\_policy/de/funding/jtf/](https://ec.europa.eu/regional_policy/de/funding/jtf/)

18 Cohesion policy 2021-2027. (n/d). Europe.Eu. Retrieved on May 12, 2022, from [https://ec.europa.eu/regional\\_policy/en/2021\\_2027/](https://ec.europa.eu/regional_policy/en/2021_2027/)

sport.<sup>19</sup> The Conference on the Future of Europe concluded its work in May 2022.

A fundamental issue to take into account regarding the Green Transition is digitalisation. According to Wolfgang Ebner, digitalisation has the ability to transform society according to values of inclusion and cohesion, which is why the digital skills of the population must be central to the transition. Some challenges related to digitization are the lack of sufficient technology and digital skills in education. Therefore, Wolfgang Ebner argued that governments need to keep the Digital Divide in check, which refers to any unequal distribution in access, use, or impact of information and communication technologies between social groups. It is directly related to education for sustainable development, and digital literacy.<sup>20</sup>

## Governance for Resilience and Sustainability

For a systemic approach to sustainable transitions, good governance is crucial. Good governance means to retain oversight over all policies and activities that are going on in different sectors and to coordinate and find synergies.

According to Hans Bruyninckx, Executive Director of the EEA, the European Green Deal (EGD) represents such a systemic approach, as it combines different fields of action (such as transport, food, energy, but also including social aspects, such as the Just Transition). The EGD has a systemic transitions logic behind it, because it targets a long-term time horizon and a link to different political strategies in Europe. What is necessary now is to recognise system interlinkages and identify certain barriers. One barrier is that we are deeply locked into certain social paradigms and practices, so transformations need to happen at a

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<sup>19</sup> Conference on the Future of Europe. (n/d). Europa.Eu. Retrieved on May 10, 2022, from <https://futureu.europa.eu/?locale=en>

<sup>20</sup> Bridging the digital divide for a more inclusive Europe. (n/d). Migration and Home Affairs. Retrieved on May 12, 2022, from [https://ec.europa.eu/home-affairs/pages/publication/bridging-digital-divide-more-inclusive-europe\\_es](https://ec.europa.eu/home-affairs/pages/publication/bridging-digital-divide-more-inclusive-europe_es)

very deep level.<sup>21</sup> However, there are many policy and governance mechanisms that can support such a deep transformation.

One key mechanism is Policy Coherence for Sustainable Development (PCSD). According to the OECD, “PCSD is an approach and policy tool to integrate the economic, social, environmental and governance dimensions of sustainable development at all stages of domestic and international policy-making.”<sup>22</sup> A study by Leida Reijnhout found, however, that PCSD is often not taken seriously enough by governments and SD strategies are often secondary to jobs and growth. In addition, governments usually do not have a unit or person with the mandate to act if there are policy incoherencies.

At the ESDN Conference, Laszlo Borbély from the Romanian Prime Minister’s Office presented several strategies to foster a whole-of-government approach. As SD is located at the Prime

Minister’s Office, this provides an overview and access to all other line ministries and they are better able to coordinate. In addition, many civil servants in different ministries are trained on sustainable development in order to raise awareness and better coordinate policies.

However, one difficulty with PCSD is a lack of data. This was remarked both by Hans Bruyninckx, as well as Annika Lindblom, a civil servant from the Finnish Ministry of the Environment. There is also no PCSD indicator from Eurostat yet.

The Committee of the Regions evaluated eight National Recovery Plans in the Recovery and Resilience Facility and found that there was no clear and transparent link between the SDGs and the investments, and even in the case that there was a link, it was not mentioned. However, according to Ricardo Rio, Mayor of Braga in Portugal, including the SDGs could facilitate tracking and measuring of progress.<sup>23</sup>

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<sup>21</sup> Bruyninckx, H., 2021. *Putting the European Green Deal to Work - The governance challenge in sustainability transitions*.

<sup>22</sup> Oecd.org. 2022. [online] Available at: <<https://www.oecd.org/governance/pcsd/Note%20on%20Shaping%20Targets.pdf>> [Accessed 9 May 2022].

<sup>23</sup> Mulholland, E., 2021. *European Recovery and Resilience Mechanisms - Challenges in Systemic Approaches in SD*. [online] ESDN. Available at:

The SDGs will be included in the European Semester for the first time in 2022, which will advance policy coherence.

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<[https://www.esdn.eu/fileadmin/pdf/Conferences/2021\\_Ljubljana/Documents/ESDN\\_Conference\\_2021\\_Report\\_Final.pdf](https://www.esdn.eu/fileadmin/pdf/Conferences/2021_Ljubljana/Documents/ESDN_Conference_2021_Report_Final.pdf)> [Accessed 9 May 2022].

## CHAPTER 3

### CONCLUSIONS

To implement a systemic transformation a systemic transformation need systemic approaches. This is why policy coherence (for sustainable development) is a key mechanism to ensure that all actions taken will lead to the final objective of a sustainable society, environment and economy. Yet, both Leida Reijnhout's study, as well as the study by the Committee of the Regions, has found that policy coherence and the SDGs are not taken seriously by most governments. As the Mayor of Braga argued, we are missing a great chance, because the SDGs, by nature, are interconnected. The SDGs present a great chance of monitoring progress and making sure that all policies align. A positive aspect of policy coherence, as highlighted by Hans Bruyninckx, is the Green Deal, as it takes a holistic approach to transforming the entire economy towards preserving the environment, while also taking into account social considerations and Just Transition principles, in particular.

As of now, it seems like governance processes and mechanisms are not equipped with the tools to maintain and coordinate policy coherence and to tackle the rapid transformation that is needed. This is due to the fact that

governance and sustainable development policy-making has been based on incremental changes so far. However, if governments keep implementing incremental changes, it will be too late to address the imminent threats of biodiversity loss and the climate crisis.

A key to achieving the necessary transformations, and to achieving them quickly, is to consider and address societal challenges and concerns. This is important, because policies can only be implemented with democratic support. For this, it will be key to communicate effectively. Firstly, the public needs to know the scale of the changes that will need to be implemented. There will not only be more recycling, but a whole new system of consuming. These changes need to be communicated in a positive way, showing the public the benefits for their lifestyles and health. Only then can the transformational policies be implemented that will lead to changes in the system at the necessary speed.