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Recovery and Resilience Facility Funding in the Visegrád Countries and its Impact on Austria

Vasily Astrov, Robert Stehrer and Zuzana Zavarská

The Vienna Institute for International Economic Studies
Wiener Institut für Internationale Wirtschaftsvergleiche

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VASILY ASTROV
ROBERT STEHRER
ZUZANA ZAVARSKÁ

Vasily Astrov and Zuzana Zavarská are Economists at the Vienna Institute for International Economic Studies (wiiw). Robert Stehrer is Scientific Director at wiiw.

Executive summary

To benefit from the newly established EU Recovery and Resilience Facility (RRF), the Visegrád countries – Czechia, Slovakia, Hungary, and Poland – have submitted their national recovery plans. The Czech and Slovak plans have already been approved by the EU, paving the way for the up-front disbursement of 13% of the requested funds. However, approval of the Hungarian and Polish plans is still pending. All plans mostly rely on EU grants, with only Poland requesting a small amount of EU loans. Although all plans meet the requirements of at least 37% to be spent on green transition and at least 20% on the digital economy, individual spending priorities vary by country. Czechia and Poland, which are strongly dependent on coal power generation, put a great emphasis on renewables and clean technologies (and digital skills in the case of Czechia), Hungary on health care and green transportation, and Slovakia on digital skills and health care. In the area of digital economy, all countries focus to a large extent on public services. Healthcare, education, transportation and utilities tend to be the main beneficiaries of RRF funding in the region, albeit with strong cross-country variation in the relative importance of individual sectors.

The annual growth effect of total EU RRF spending is estimated to range, on average, between 0.6 pp in Czechia and 1.4 pp in Slovakia over the next five years. For Austria, the effect will be less pronounced (0.3 pp per year on average) because of the smaller size of its own RRF spending in relation to GDP. However, the Austrian economy will benefit from the positive demand spill-overs of RRF in the Visegrád countries due to its extensive production and trade links with the region. As the Visegrád countries gradually move towards the implementation phase of the RRF package, numerous policy implications for Austria arise. These include the encouragement of cross-border cooperation on projects (especially in the areas of green transition and health care), an active role in regional stakeholder engagement, and reinforcement of alignment with core EU goals and values.

Keywords: Recovery and Resilience Facility, Visegrád countries, fiscal multiplier, input-output tables

JEL classification: F0, H30, H50, H77

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1. NEXT GENERATION EU IN A NUTSHELL

The projected recovery of the Visegrád economies – Czechia, Hungary, Poland and Slovakia - in the next few years should be helped by inflows from the Next Generation EU (NGEU) recovery fund, which is the core building block of the fiscal policy response to the coronavirus crisis at the EU level. The NGEU fund totals EUR 806.9bn (in current prices) and aims to facilitate economic recovery, especially as fiscal stimulus measures enacted at the national level in response to the COVID-19 crisis are being gradually downscaled. Simultaneously, NGEU funds are aimed at fostering structural reforms in member states, especially in the crucial areas of digital and green economy. The latter, in particular, should help countries meet the ambitious EU targets on climate change contained in the 'Fit for 55 strategy' as well as reaching net-zero carbon emissions by 2050.

Within the NGEU, of central importance is the Recovery and Resilience Facility (RRF), which officially entered into force on 19 February 2021 and finances reforms and investments from the start of the pandemic in February 2020 until 31 December 2026. Within its framework a total of EUR 723.8bn (in current prices) should be available to EU member states, of which up to EUR 338bn will be in the form of grants and up to EUR 385.8bn in cheap loans.[1] These amounts are taken from the adopted EU Multiannual Financial Framework (MFF) for 2021-2027, but the actual amounts will be set in mid-2022 based on actual developments in the recipient economies.

To be eligible for RRF funds, EU member states needed to submit national recovery and resilience plans outlining their proposed investments and reforms which should be implemented by 2026. According to the criteria set by the European Commission, at least 37% of the proposed investment should be geared to green transition and another 20% to the digitalisation of the economy. Upon approval of national plans, 13% of RRF grants earmarked for individual member states will be front-loaded, while the remainder is to be disbursed when the agreed milestones have been met.

Each recovery plan is expected to contribute to the four dimensions outlined in the 2021 'Annual Sustainable Growth Strategy'[2] (environmental sustainability, productivity, fairness and macroeconomic stability) and to take into account the Country Specific Recommendations of the European Commission.

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1 The remaining EUR 83.1bn of NGEU funds are contributions to other programmes, of which the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) is by far the biggest (up to EUR 50.6bn). REACT-EU is to support investment in job maintenance such as short-time work schemes and support for the self-employed, but can also be used for other measures ranging from youth unemployment measures and supporting job creation to investment support for SMEs, see https://ec.europa.eu/commission/presscorner/detail/en/QANDA_20_948

2 https://eur-lex.europa.eu/legal-content/en/TXT/?qid=1600708827568&uri=CELEX:52020DC0575

The recovery plans are supposed to address the policy areas of European relevance, which are structured in six 'pillars':[3]

1) Green transition;
2) Digital transformation;
3) Smart, sustainable and inclusive growth including economic cohesion, jobs, productivity, competitiveness, research, development and innovation and a well-functioning internal market with strong SMEs;
4) Social and territorial cohesion;
5) Health and economic, social and institutional resilience, with the aim of, inter alia, increasing crisis preparedness and crisis response capacity; and
6) Policies for the next generation, children and youth such as education and skills.

Moreover, they are strongly encouraged to contribute towards progress in the seven EU flagship areas for investments and reforms:[4]

1) Power up (Clean technologies and renewables);
2) Renovate (Energy efficiency of buildings);
3) Recharge and refuel (Sustainable transport and charging stations);
4) Connect (Roll-out of rapid broadband services);
5) Modernise (Digitalisation of public administration);
6) Scale-Up (Data cloud capacities and sustainable processors); and
7) Reskill and upskill (Education and training to support digital skills).

2. RECOVERY PLANS RELY HEAVILY ON GRANTS

All four Visegrád countries have submitted their recovery plans. Two of them – the Czech and Slovak plans – have already been endorsed by the EU, paving the way for the upfront disbursement of 13% of the requested funds in September and October 2021, respectively.[5] However, approval of the Hungarian and Polish plans is still pending given the on-going rule-of-law disputes with both countries, to which the disbursement of EU funds is now formally linked.

Poland's recovery plan is by far the biggest of the four in absolute terms, requesting total funding of EUR 35.9bn. This can not only be attributed to Poland's size but also to the fact that unlike the other three countries, it has also requested the loan component of the RRF (albeit at EUR 12.1bn, it represents only one-third of the allocated loan quota for Poland). The recovery plans of other countries are much smaller: EUR 7.2bn in Hungary, EUR 7bn in Czechia, and EUR 6.3bn in Slovakia.[6] The grant component of the RRF has been requested in the full amount by all four countries, and the plans submitted by Czechia and Slovakia even exceed somewhat their respective grant quotas, meaning that the difference (EUR 100m and 300m, respectively) must be covered by national budgets.

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3 https://eur-lex.europa.eu/eli/reg/2021/241/oj

4 https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en#national-recovery-and-resilience-plans

5 https://ec.europa.eu/commission/presscorner/detail/en/ip_21_4912 and https://ec.europa.eu/commission/presscorner/detail/en/ip_21_5224

6 GDP per capita is an important criterion for setting the country quotas. Given Austria's comparatively high GDP per capita, its recovery plan is comparatively small (EUR 4.5bn).

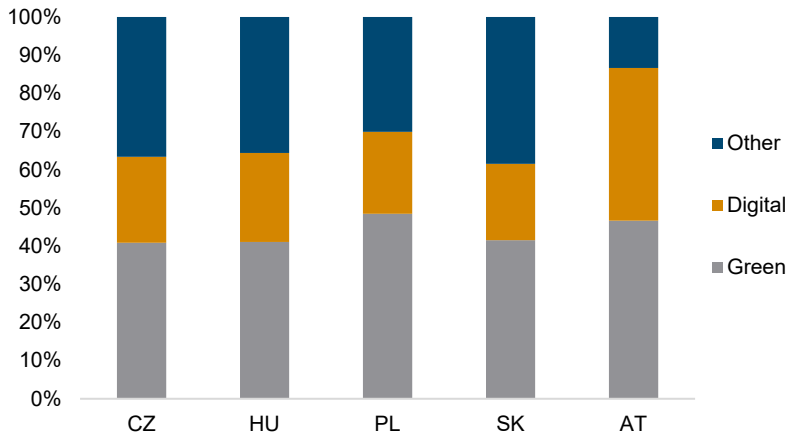
Caution with respect to the loan component of the RRF is not confined to the Visegrád region, but is an EU-wide phenomenon. Only seven EU member states have requested RRF loans so far, and only three of them (Greece, Italy and Romania) have requested the full amount of loans to which they are entitled. This wariness can be partially attributed to concerns over public debt sustainability, but – even more likely – to the fear of excessive EU leverage over domestic spending.[7] At the same time, the deadline for requesting RRF loans is set for the end of August 2023, so EU member states which have not done so (or have requested loans only partially) still have time left.

In the following, we analyse the spending priorities of the recovery plans of the Visegrád countries (compared to Austria), with a special emphasis on green transition, and the economic sectors which will benefit the most. As the submitted plans differ greatly with respect to the number and definition of spending categories, making cross-country comparisons is not an easy task. Therefore, unless otherwise indicated, we will draw mainly on the data compiled by Darvas et al. (2022), who provide cross-country comparisons of national recovery plans of EU member states on an up-to-date basis.

3. MAIN SPENDING PRIORITIES

Figure 1 presents a broad breakdown of the national recovery plans, showing the shares of proposed spending on the digital and green economy.

Figure 1 / Proposed spending on green and digital economy, in %



Source: Darvas et al. (2022) based on submitted national recovery plans.

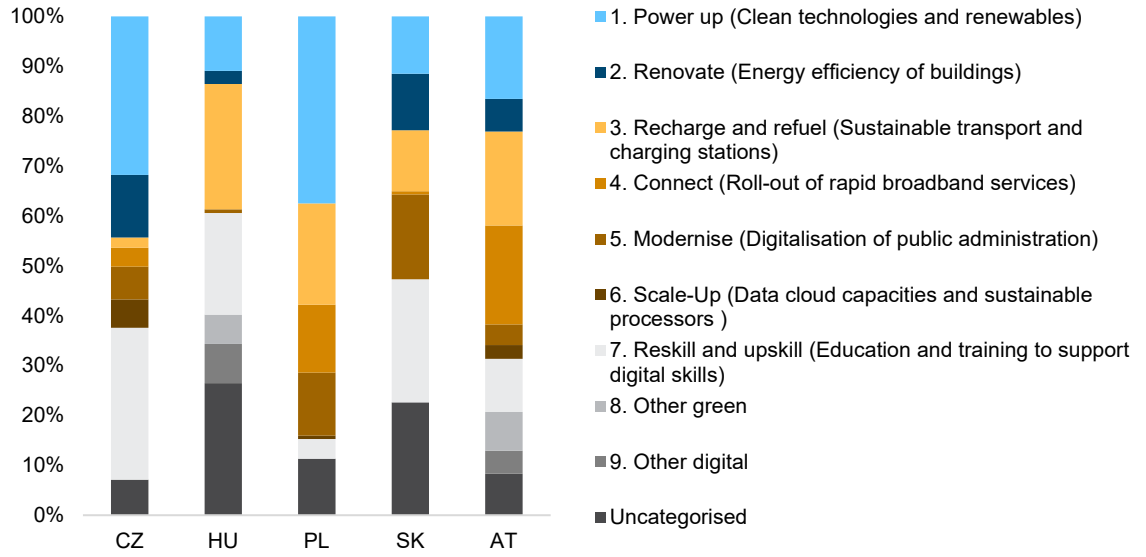
As one can see, all plans meet the EU requirements of at least 37% to be spent on green transition and at least 20% on digital economy. In most cases they slightly exceed the EU requirements. In terms of proposed allocations to these two broad priorities, the national recovery plans are very similar, with the major exception of Poland which is planning to spend somewhat more on green transition than the other three Visegrád countries.

[7] Hungary is the case in point. Officially, Hungary's decision not to take any RRF loans was justified by public debt concerns, although this did not prevent the country's recent borrowing from Russia and China on terms less preferential than RRF loans – see https://intellinews.com/hungary-turns-down-eu-s-9-4bn-recovery-fund-credit-line-209482/.

In general, the proposed allocations on green transition are in line with those of Austria, but those on the digital economy are much lower. In Austria, as much as 40% of its recovery plan is accounted for by digitalisation, versus only 20-23% in the Visegrád countries. This is a wider pattern across the entire EU-CEE compared to Western Europe and may result in a widened gap between the two regions in terms of digital infrastructure, skills and capabilities over the medium-term, impeding the region's ability to converge. The Visegrád countries are considerably lagging in innovation potential behind Western Europe, and the underrepresentation of the digital component in their recovery plans can potentially exacerbate this.

Figure 2 presents a more detailed breakdown of spending categories grouped by seven EU flagship areas, of which the first three address green transition and the other four digital economy. As one can see, there is a lot of cross-country heterogeneity in the announced spending priorities. In Czechia and particularly Poland, the single biggest spending item is 'clean technologies and renewables', whereas in Slovakia it is 'education and training to support digital skills'. In Hungary, 26% of proposed spending cannot be primarily attributed to either green or digital transition and represents other measures, particularly healthcare investments (for more on that, see Figure 3 below and the corresponding analysis).

Figure 2 / Breakdown of recovery plans by EU flagship project, in %



Notes: components 1-7 represent the seven flagship areas as defined by the EU; components 8 and 9 comprise measures in green transition and digital economy, respectively, which cannot be attributed to the seven flagship areas.
Source: Darvas et al. (2022).

The recovery plans of the Visegrád countries reflect their general strong tendency towards investment in 'concrete' projects rather than human capital and intangibles. From the perspective of structurally transforming the economy into higher value-added segments, this is a challenge, as investment in intangibles has generally been neglected.

In the area of digital economy, the recovery plans of the Visegrád countries heavily target public services. The typically proposed measures include e-governance, digital transformation of healthcare, digital infrastructure in schools, judicial system and administration of construction permits, as well as support for enhancing the digital technologies available to businesses by building digital hubs.

Connectivity ('the rollout of rapid broadband services') is a relatively important spending item for Poland, accounting for 13.6% of the recovery plan, but is less prominent in the Czech and Slovak plans and entirely missing in that of Hungary. Again, this is strikingly different from Austria, where connectivity is the single most important spending item, accounting for 19.8% of its recovery plan.

Digital skills occupy a relatively high share in the recovery plans of all Visegrád countries apart from Poland. As already mentioned, it is the single biggest spending item in Slovakia (24.7% of the total, followed by 17% to be spent on the digitalisation of public administration) and the second biggest in Czechia (30.4% of the total), where proposed measures aim to improve digital skills at all levels as part of the education system and through dedicated upskilling and reskilling programmes. By way of comparison, in Austria's recovery plan the share of digital skills as a spending priority is much more modest, accounting for only 10.6%.

However, the proposed measures in digitalisation in the recovery plans of the Visegrád countries arguably cover the basics and largely focus on just two out of the four RRF digital priorities: connectivity and digital skills, while the other two – cybersecurity and cutting-edge technologies, such as high-performance computing and artificial intelligence – feature less prominently.[8] Besides, the problem lies in the structurally transformative nature (or rather, lack thereof) of e-government investments. While more efficient public services improve the wellbeing of citizens and enhance the business environment, by and large they do not prepare the workforce for a digital transformation of the economy. Retraining of workers and addressing preparedness for automation only show up as minor points in the discussion.[9] Additional challenges lie in the lack of adoption of the newly available services.[10]

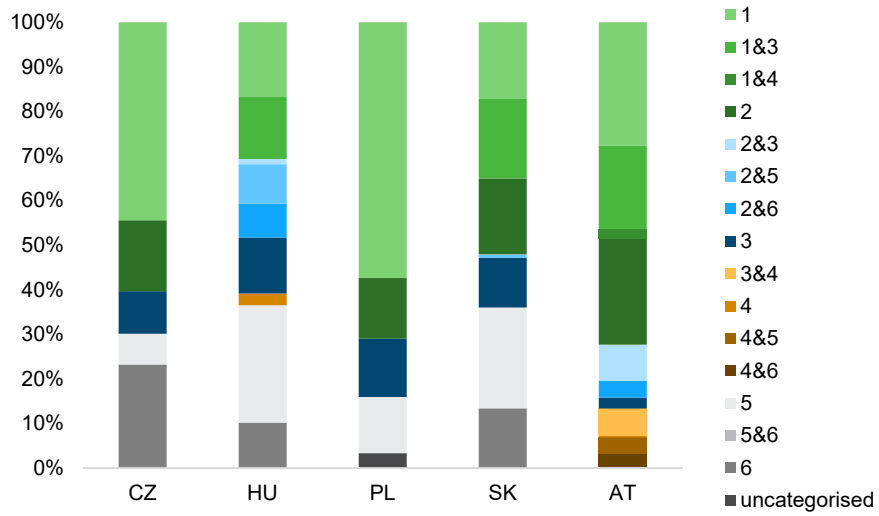
An alternative classification of the recovery plans of the Visegrád countries (and Austria) is grouping the spending categories into the six EU pillars (Figure 3). The advantage of this classification is that it includes not only green and digital investments (pillars 1 and 2) but also measures in other areas such as business support, research, healthcare and education (pillars 3-6), which cannot be captured by the classification by flagship area presented in Figure 2. However, the disadvantage is that many proposed measures address two (or more) pillars simultaneously and have some green and/or digital component as well, which means that their allocation to a particular pillar(s) is to an extent a matter of judgment.

[8] https://intellinews.com/comment-cee-national-recovery-and-resilience-plans-the-focus-the-gaps-and-what-comes-next-212807/

[9] For example, in developing digital skills, Slovakia places greater emphasis on individuals which are not part of the labour force (i.e., students and seniors), rather than reskilling employed individuals to prepare them for the needs of tomorrow.

[10] For instance, in Slovakia only 12% of citizens made use of the available e-government services in 2020.

Figure 3 / Breakdown of recovery plans by EU 'pillar', in %



Notes: The six pillars as defined by the European Commission are: 1- Green transition, 2 - Digital transformation, 3- Smart, sustainable and inclusive growth, 4 - Social and territorial cohesion, 5 - Health and economic, social and institutional resilience, 6 - Policies for the next generation. Measures which address two pillars simultaneously are classified accordingly.
Source: Darvas et al. (2022).

This classification visualises the fact that the recovery plans of the Visegrád countries are far from being confined to digital and green transition. This is particularly the case for Hungary and Slovakia, where 52% and 47% of their plans respectively are represented by measures which are per se neither green nor digital (albeit many of them have some green or digital component). In the plans of Czechia and Poland, the shares of such spending items are lower (40% and 29%, respectively), and even lower in the case of Austria (16% of the total).

Among the non-green and non-digital spending items, of particular importance are investments in the healthcare sector (pillar 5). They account for 26% of the Hungarian and 23% of the Slovak recovery plan, of which 15% alone is to be spent on the construction of new hospitals and the renovation of existing ones. In Czechia, 11.6% of the plan is dedicated to healthcare. Other non-green and non-digital spending items include measures such as improving the business environment, reorganising the judicial and pension systems, and investing in child and social care.

4. PROPOSED INVESTMENTS IN GREEN TRANSITION

Green transition is an important priority for all Visegrád countries. However, there is considerable cross-country variation with respect to individual measures. In Poland and Czechia the focus is on clean technologies and renewables spending, which accounts for 37.5% and 31.7% respectively, of their recovery plans. This is hardly surprising, as both countries still rely heavily on coal power generation, which is very carbon-intensive and jeopardises the attainment of EU climate goals.[11] In Hungary the share of proposed spending on clean technologies and renewables is much lower (10.9%); instead, the focus is on sustainable mobility, which accounts for 25.1% of the entire plan. In Slovakia, proposed

[11] According to the draft Energy Policy of Poland to 2040, the share of coal and lignite in electricity generation will be reduced from just under 80% in 2017 to 60% by 2030, see https://www.iea.org/countries/poland.

spending on green transition is evenly distributed across sub-components, with clean technologies and renewables, green transportation, and energy efficiency of buildings each accounting for 11-12% of the country's recovery plan. In comparison, Austria's recovery plan addresses nearly equally measures for clean technologies and renewables, and green transportation (each accounting for 16-18% of proposed spending), with energy efficiency of buildings having a lower share (Figure 2).

Many of the proposed measures in the field of green transition are aimed at improving outdated energy infrastructure and energy efficiency, particularly in the residential sector. The national recovery plans typically foresee measures such as investing in water and waste management, inter alia by liquidating illegal landfills, recycling infrastructure, water retention measures and support of biodiversity, renewable energy investments, promoting residential solar panels, replacement of coal-fired burners, integrating renewable electricity production by directly connecting the new photovoltaic parks, investing in innovative decarbonisation technologies in industry, modernisation of district heating distribution networks, increasing the number of smart meters, and implementing electricity-based residential heating systems.

Sustainable mobility is mentioned in all recovery plans as well. Proposed measures typically include expanding the rail network,[12] electrifying and modernising it, developing new cycling infrastructure, financing low-emission vehicles for the public and business sectors, replacing bus fleets with fully electric vehicles, developing new infrastructure for electric vehicle charging points, and supporting inter-modal (including cargo) transportation.

However, apart from Hungary which in terms of electric transportation is already the most advanced (and to a lesser extent Poland where it accounts for 20.5% of the recovery plan), sustainable mobility is not the top-priority for other countries. This may be surprising, given the region's strong specialisation in the automotive industry[13] and EU plans to phase out cars with internal combustion engines as part of its climate policy. Although Slovakia, Czechia and Hungary are already producing electric vehicles (EVs) and the region is becoming a new centre for electric battery production, domestic sales of EVs in the Visegrád region remain low.[14] This is partly because they are too expensive for many local customers (and government incentives are low), but also because of largely poor infrastructure, such as low density of charging stations.

Energy efficiency of buildings is only prominently featured in the recovery plans of Slovakia and Czechia, but not mentioned at all in the Polish plan. The proposed measures include greening of private and public buildings, including hospitals and schools. In Czechia, these measures account for 12.5% of the recovery plan, while in Slovakia 8% of the plan is to be spent exclusively on renovating at least 30,000 family homes to improve their energy and green performance.[15]

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[12] Hungary's recovery plan in particular targets doubling the number of rail passengers and trains running in and between metropolitan areas by creating a unified system of pricing and management in rail transportation, investing in rolling stock and railway infrastructure, and providing easy access to train stations, https://www.palyazat.gov.hu/helyreallitasi-es-ellenallokepessegi-eszkoz-rrf#.

[13] With 1.22m produced cars annually, Slovakia is a front-runner in the region, followed by Czechia (1.16m), Poland (451 th) and Hungary (406 th),

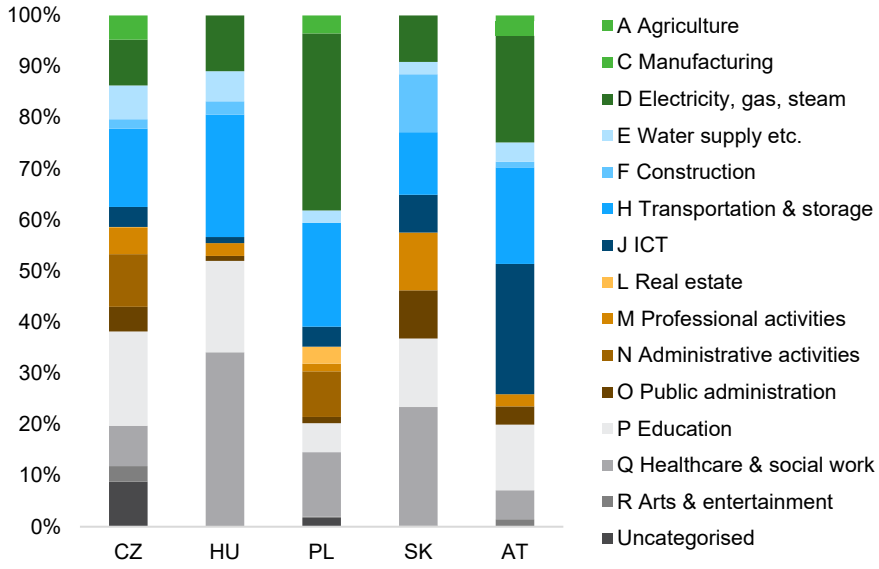
[14] In 2020, they accounted for less than 2% of new car sales, versus 10.5% in the EU as a whole, https://intellinews.com/central-europe-joins-the-ev-revolution-210046/?source=czech-republic

[15] https://ec.europa.eu/commission/presscorner/detail/en/ip_21_3054

5. BREAKDOWN BY ECONOMIC SECTOR

Figure 4 presents the breakdown of national recovery plans of the Visegrád countries by economic sector. On a regional (unweighted) average, the four sectors which will benefit the most from RRF funding are healthcare and social work (19.5% of total funding), transportation and storage (18%), electricity, gas and steam (15.9%), and education (13.8%).[16] This is hardly surprising given that the recovery plans are strongly focusing on health and education (including digitalisation projects implemented there), while transportation and utilities will benefit from spending on sustainable mobility and other green transition measures. Other sectors will benefit comparatively little from RRF transfers and some - such as mining and financial services - not at all.

Figure 4 / Breakdown of recovery plans by economic sector (at NACE 1-digit level), in %



Source: Darvas et al. (2022).

The averages above hide significant heterogeneity across countries. For instance, while healthcare accounts for as much as 34% of RRF transfers in Hungary, its share in Czechia is only 8%. The utilities sector is the main recipient of RRF funds in Poland (34% of the total), but its share in other countries is much lower. The only sector which should benefit relatively strongly in all Visegrád countries is transportation, with its share ranging from 12% in Slovakia to 24% in Hungary.

6. POTENTIAL IMPACT ON THE VISEGRÁD ECONOMIES AND AUSTRIA

Astrov and Holzner (2021) estimated the growth effects of NGEU spending on the Visegrád economies and Austria, using the wiiw multi-country input-output database (MC IOD) which contains information on forward and backward cross-border trade linkages.[17] The cumulative boost to the Visegrád economies from NGEU transfers was estimated to range from 2% of GDP in Czechia to 4.2% in Slovakia, compared to 0.12% for Austria. These estimates were plausible and generally in line with other findings, such as

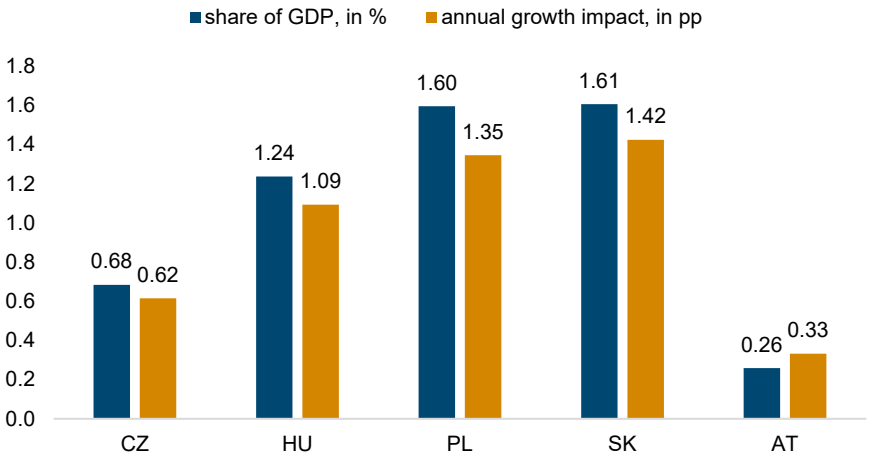
[16] Own calculations based on Darvas et al. (2022) data.

[17] See Reiter and Stehrer (2021).

those of Picek (2020) and Verwey et al. (2020). However, as the national recovery and resilience plans were not available at that time, these estimates could only be seen as a very rough guide.

The availability of national recovery plans with detailed spending plans by economic sector offers an opportunity to update the estimates contained in Astrov and Holzner (2021) and to increase their accuracy. Besides, unlike Astrov and Holzner (2021) which covered the effects of the *entire* NGEU package, the estimates below focus exclusively on the effects of the RRF.

Figure 5 / Share of RRF transfers of GDP and the growth impact of RRF spending



Note: GDP is taken from the wiiw MC IOT for year 2018.
Source: Bruegel; wiiw MC IOD; own calculations.

Figure 5 presents the size of RRF transfers in relation to GDP and the estimated growth impact of EU-wide RRF funding on the economies of the Visegrád countries and Austria. Since the time profile of RRF spending is known only for some countries, we simply assume that these funds are allocated over a five-year period and calculate the *average* annual impact.[18]

As can be seen, the share of RRF spending of GDP of the Visegrád countries ranges from 0.7% in Czechia to 1.2% in Hungary to 1.6% in Poland and Slovakia, while the value for Austria is much lower (0.3%). The estimated growth impact of the RRF for the Visegrád economies is slightly lower than its share of GDP, as part of it leaks out in the form of imports, including from Austria. Conversely, the estimated growth impact of RRF on the Austrian economy is slightly larger than its share of GDP (0.33%). The reason for this is Austria's strong integration into international production networks and its extensive trade links with the Visegrád countries.

[18] At the time of these calculations (July 2021), Bulgaria and the Netherlands had not yet submitted national plans, whereas for Denmark, Ireland and Malta no allocation of RRF funds across sectors was provided. In these cases, we took the total RRF spending as outlined in the recovery plans and allocated it proportionally to the respective countries' government spending by sector. Further, our estimates include only direct demand effects and do not take into account induced effects such as higher household spending due to higher incomes or an increase in private investment induced by RRF spending. Formally, the type-I value added multipliers are reported in Figure 5.

It is important to stress at this point that the estimates presented in Figure 5 are obtained under certain assumptions, which are quite restrictive.

› The Visegrád countries will receive the full requested amount of RRF grants (and loans in the case of Poland), which implies that their absorption capacity will be 100%.

› All the measures specified in their recovery plans are genuinely new and were not already planned by the governments beforehand.

› The share of RRF transfers of GDP and their estimated growth impact presented in Figure 5 are in relation to the respective country's nominal GDP in 2018. With the nominal GDP growing over time on account of the economic growth and inflation, the share of RRF transfers in GDP and their growth impact will somewhat decline over time.

For these reasons, the actual impact of RRF spending on the Visegrád countries and Austria will be likely lower than the above estimates. Finally, it should be emphasised once again that these estimates take RRF spending in *all* EU member states into account. When considering *only* the effects of RRF transfers to the Visegrád economies, the impact on the Austrian GDP becomes negligibly low, only 0.015%.

7. KEY CHALLENGES GOING FORWARD AND POLICY IMPLICATIONS

As the Visegrád countries gradually move forward from the preparation phase of their recovery plans to the implementation phase – assuming Poland and Hungary satisfactorily address the EU's rule of law concerns and their funds are released— formidable challenges await the region. To translate the potential of the RRF as envisioned in respective recovery plans into reality will require a degree of institutional strength that the Visegrád countries have not fully demonstrated over past programming periods. Given the spillover effects that can be induced by the Visegrád RRFs, successful implementation in the neighbouring countries is of relevance for Austria.

Perhaps the greatest challenge that lies ahead is absorption capacity. ESIF spending in the Visegrád countries has long been problematic and falls significantly behind Austria. The ability of these economies to strategically allocate and invest the funds in a five-year timeframe will be a tricky task, particularly in areas that do not entail spending on 'concrete' projects, such as on education or digital skills. Cross-border cooperation in relevant areas according to pillars and flagship projects can offer Austrian firms business opportunities and should be encouraged. Green investments ranging from water and waste management to improving the energy efficiency of buildings may be especially relevant given Austria's greater expertise in the area. The emphasis of the Visegrád recovery plans on healthcare investment also offers numerous opportunities for Austrian businesses as well as the public sector.

The preparedness of the Visegrád countries in terms of the logistical aspects of implementation is rather weak. There are personnel deficiencies in terms of coordination and oversight, not only at the central and ministerial level, but also at the recipients' end at the regional and municipal level. Moreover, corruption and transparency remain a key issue with regard to EU funds in the region. While Czechia and Slovakia have done relatively well in terms of stakeholder engagement in the preparation phase, the same cannot be said for Hungary and Poland. Going forward, Austria's role in stakeholder engagement in the region can be important (for instance through organising roundtables, discussions, etc.). Similarly,

lending support and sharing best practices and experiences among policymakers in terms of implementation may prove useful in facilitating the growth-enhancing effects of the RRF.

Furthermore, synergies among the individual components of the RRF as well as with the ESIF and domestic spending should be carefully considered. Having a coordinated vision across various components and across ministries will facilitate a more strategic approach to the development of the Visegrád economies as well as Austria in the new decade. At the same time, modernisation projects proposed in the RRF need to be coupled with the provision of more basic needs in lagging regions. Given substantial regional disparities in the Visegrád countries, parts of the country often lack core infrastructure and cannot directly leapfrog to the ambitions envisioned by the RRF. Moreover, in terms of resilience with regard to the ongoing pandemic, it must also be noted that the orientation of RRF reforms and investments is rather long-term and does not address the more acute challenges related to the COVID-19 crisis. For instance, reforms in the area of education – of which most are projected to be implemented over the next few years – will likely not make up for the losses borne by the present cohorts. Therefore, it is vital to stress the continued need to keep short-term resilience in mind. In this regard, complementarity of fiscal support, ESIF projects and RRF projects will be important. Moreover, fostering spillovers to private investment will also increase the multiplier effects of the RRF.

Finally, in addition to the investments proposed in the recovery plans, a major component of the RRF is its reform orientation, encouraged by the EU. While these reforms have the potential to bring about important systemic changes, these will not materialise without sufficient political support at the national and international level. Emphasis on the non-financial aspects of the RRF and alignment with the core goals of the EU remain crucial. The current disputes over the release of the RRF with Hungary and Poland have no immediate impact on Austria's economic interests. Therefore, precedence should be given to supporting the rule of law clause and reinforcing European cohesion and shared values within the single market.

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ZVR-Zahl: 329995655

Postanschrift: A 1060 Wien, Rahlgasse 3, Tel: [+431] 533 66 10, Telefax: [+431] 533 66 10 50
Internet Homepage: www.wiiw.ac.at

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