

## NEXT GENERATION E.U. PROGRAM - AN OPPORTUNITY FOR ROMANIA

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**Abstract.** *In this paper, the authors analyze the proposal of the European Commission and European Parliament concerning the European Union recovery plan, to repair the damages caused by the SARS-CoV-2 pandemic. The leaders of the European Union have designed this program to help EU member states get through this crisis more easily and to lay the foundations for a modern Europe, that is more resilient to current and future challenges. The budget allocated for this program will be 750 billion euros, and, together with the European Structural and Investment Funds, the budget for the financial year 2021-2027 will total 1824 billion euros. This analysis is necessary because the distribution of European funds is the subject of difficult, often contradictory, discussions between Member States, due to different priorities from one state to another.*

**Key words:** *European funds, economic recovery, resilience, SARS-CoV-2*

### INTRODUCTION

Society is facing one of the worst medical crises of recent times, that of the coronavirus pandemic, a crisis that has gradually turned into a real problem of international security. Most of the key areas have suffered as a result, which is why a need emerges for solutions to ensure the reconstruction of Europe, especially of the economic field [15].

The crisis caused by the coronavirus pandemic has profoundly affected the European and global economy. These radical changes have led the European Commission to react by proposing measures to mitigate the negative impact on EU Member States. On 27<sup>th</sup> May 2020, the European Commission presented a recovery plan of Europe to minimise the financial and social impact caused by the pandemic [12].

In order to mobilise the necessary investments, the Commission presented both the new recovery instrument – Next Generation EU – worth of 750 billion euros and the revised proposal for the long-term budget of European Union for the period 2021-2027, amounting to 1,100 billion euros [5]. Briefly, the EC provides Member States with a total budget of 1,850 billion euros for the next 7 years [4].

Given the multiple problems that Romania is facing with, the European funds represent an obvious opportunity for the overall development of Romania.. It is obvious that financing needs far exceed the public funds (national and European) allocated in this respect [1]. Attracting and absorbing European funds represents a great challenge to the government, local public administrations, business environment and non-governmental institutions.

Attracting European funds represents an objective of national interest, which conditions the achievement of the desiderate for overall development of the country, the improvement of life quality, the improvement of transport infrastructure, rural infrastructure, social, educational and medical services, influencing, in general, the achievement of investments as support for future developments and sustainable economic growth, having a number of positive effects throughout society [2].

## MATERIALS AND METHODS

The methods used in the elaboration of the present paper were analysis, synthesis, method of comparison, deduction and induction. The data used were taken from the communications of European Union Council and national and international statistics, as well from various national and international publications, on the basis of which we made our own calculations and interpretations.

## RESEARCH RESULTS

The Next Generation EU Programme aims to contribute to a sustainable and prosperous recovery that accelerates the transition to a digital and green Europe. The amounts allocated for this program at EU level are shown in the table below.

**Table 1.**

**Amounts allocated for the Next Generation EU Programme (billion euro)**

<b>Recovery and Resilience Facility (RRF)</b>	<b>672.5</b>
of which credits	360
of which grants	312.5
<b>React E.U.</b>	<b>47.5</b>
<b>Horizon Europe</b>	<b>5</b>
<b>Invest E.U. Program</b>	<b>5.6</b>
<b>Rural development</b>	<b>7.5</b>
<b>Just Transition Fund (JTF)</b>	<b>10</b>
<b>RescEU</b>	<b>1.9</b>
<b>TOTAL</b>	<b>750</b>

Source: [https://ec.europa.eu/info/strategy/recovery-plan-europe\\_ro](https://ec.europa.eu/info/strategy/recovery-plan-europe_ro) [9]

The Next Generation EU Programme will be invested in the Member States through **three pillars** [14].

**The first pillar** will support EU Member States through investment and reforms by the way of:

- **The Recovery and Resilience Facility**, the central element of the Next Generation EU programme, with an allocation of 672.5 billion euros for grants and loans, will also support EU Member States in national investment plans and reforms that will mainly target the transition to a green and digital society, as well as the resilience of national economies. The mechanism will be made available to all Member States but will be concentrated in the most affected areas and where the resilience needs are greatest.
- **REACT-EU** will have an additional amount of 47.5 billion euros allocated for cohesion policy in the period 2020-2022. This amount will be used as subsidies for cities, hospitals and businesses.
- For **the Just Transition Fund**, the European Commission proposes to allocate 10 billion euros to support Member States in accelerating the transition to climate neutrality, facilitating the re-profiling of workers, creating new opportunities for SMEs, investments in the transition to a clean energy and a circular economy.
- **The European Agriculture fund for Rural Development** will have allocated 7.5 billion euros to support rural areas in the implementation of the European Green Pact, biodiversity strategy and 'farm-to-fork' strategy.

**The second pillar** will support the economic recovery by stimulating private investments through:

- The new **Solvency Support Instrument** that will mobilise private resources to urgently support viable European businesses in the sectors, regions and countries

most affected by the pandemic.

- **The Invest EU** programme will have an allocated amount of 5.6 billion euros. This mechanism envisages mobilising private investments in projects across the Union.
- **The Strategic Investment Mechanism** was designed under the Invest EU programme to generate investments of up to 150 billion euros to increase the resilience of strategic sectors, in particular those related to value chains essential to the internal market.

**The third pillar** aims to harness the lessons learned from the pandemic crisis and covers:

- The **EU4Health** programme in health field, to help Europe deal with future health threats.
- Strengthen **the RescEU and the EU Civil Protection Mechanism** to respond to large-scale emergencies with a total budget of 1.9 billion euros.
- **Horizon Europe** programme will be supplemented by 5 billion euros for health research.

The NextGenerationEU programme will therefore supplement funds for other European programmes or funds, such as Horizon 2020, InvestEU, Rural Development or Just Transition Fund (JTF) [6].

As regards the ceilings allocated for each country for grants, these are shown in the table below.

**Table 2.**

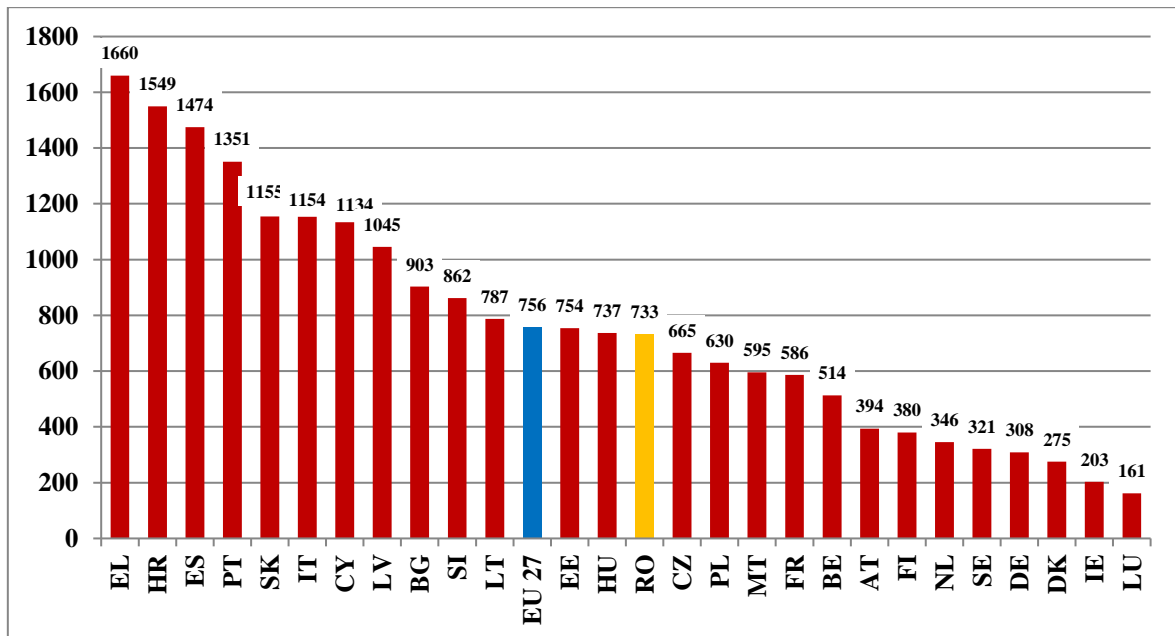
**Ceilings allocated for grants from the NextGenerationEU programme**

Country	Billions of euros	Country	Billions of euros
<b>Spain</b>	69.5	<b>Belgium</b>	5.9
<b>Italy</b>	68.9	<b>Austria</b>	3.5
<b>France</b>	39.4	<b>Sweden</b>	3.3
<b>Germany</b>	25.6	<b>Lithuania</b>	2.2
<b>Poland</b>	23.9	<b>Finland</b>	2.1
<b>Greece</b>	17.8	<b>Latvia</b>	2.0
<b>Romania</b>	<b>14.2</b>	<b>Slovenia</b>	1.8
<b>Portugal</b>	13.9	<b>Denmark</b>	1.6
<b>Hungary</b>	7.2	<b>Estonia</b>	1.0
<b>Czech Republic</b>	7.1	<b>Ireland</b>	1.0
<b>Bulgaria</b>	6.3	<b>Cyprus</b>	1.0
<b>Croatia</b>	6.3	<b>Malta</b>	0.3
<b>Slovakia</b>	6.3	<b>Luxembourg</b>	0.1
<b>Netherlands</b>	6.0	<b>EU 27</b>	338.0

*Source: Data provided by the European Council [6]*

Romania will receive around 14.2 billion euros, thus being the seventh in the European Union in terms of allocations. Larger amounts than Romania will receive Spain (69.5 billion euros), Italy (68.8 billion euros), France (39.4 billion euros), Germany (25.6 billion euros), Poland (23.9 billion euros) and Greece (17.8 billion euros), countries larger than Romania in terms of both the area and the number of inhabitants.

By reporting the national ceilings allocated for grants from the Next Generation EU programme to the resident population of each Member State, we find the allocated amount per inhabitant of EU Member States. These amounts are given in the chart below.



**Figure 1. Allocations per capita from Next Generation EU grants**

*Source: own calculations based on grant ceilings and Eurostat data [6, 10]*

Inequalities are very obvious. If the EU average per capita is 756 euros, in Greece the average is 1,660 euros per inhabitant, in Croatia 1,549 euro per inhabitant, Spain 1,474 euros per inhabitant which represents more than double the EU average. In Romania the average is 733 euros per capita. Much smaller amounts are allocated to Germany with 308 euro/resident, Denmark 275 euro/resident, Ireland 203 euro/resident and Luxembourg with 161 euro/resident.

In order to establish the budget for the Next Generation EU programme, the European Union will raise funds by temporarily raising the ceiling that applies to own resources to 2.0% of the EU's gross national income, allowing the Commission to use its strong credit rating to borrow 750 billion euros from financial markets [14]. Thus, in order to facilitate the reimbursement of funds collected from the market and to contribute more to reduce the pressure on national budgets, the Commission will propose, in addition to the proposed own resources in 2018, new additional own resources, such as: taxation of digital services, taxation of financial transactions, revenue from the emissions trading scheme, plastics tax and a border adjustment mechanism for carbon dioxide emissions.

According to the EU's Economic and Social Recovery Plan, from a total amount of 750 billion euros, Romania will benefit from 33 billion euros [3,13] – of which 19.62 billion euros is non-refundable funds – money that we will have to absorb by 2023. Thus, about 26 billion euros will be able to be accessed, in the form of grants and credits, through the Recovery and Resilience Facility, money that will be intended for investments and reforms in the green and digital fields [11]. Around 1.5 billion euros represents additional grants for the implementation of the Cohesion Policy during 2020-2022, which will be distributed through REACT–EU and 1.3 billion euros (grants) – additional funds for rural development [8]. In addition, through the Just Transition Fund will also be allocated to Romania about 4.4 billion euros, money intended for the professional re-profiling of workers in fossil fuel industries, the creation of new opportunities for SMEs, and investments in the transition to a clean energy and a circular economy.

According to European Commissioner Adina Vălean, the majority of non-refundable funds from the Next Generation EU instrument will be allocated on the basis of

the needs resulting from the country report. According to the recommendations made in the European Semester country report, Romania must carry out reforms and investments with priority in the following areas: health, education, transport infrastructure and digital field. Thus, by June 2021, Romania will have to submit to the European Commission a country plan including viable reform and development projects for funding from the Next Generation EU programme [14].

An important issue that is being discussed in the European institutions is refers at making access to European funds conditional on respect for the rule of law.

## CONCLUSIONS

From the European Commission's perspective, the solution to strengthening Europe and transforming it into a stronger community after the SARS-CoV-2 crisis consists in the introduction of the Next Generation EU programme.

The successful implementation of this programme depends, first of all, on carrying out an analysis of the economic situation in each European State and identifying the needs of citizens. This analysis will then prepare the measures that will manage the proper management of the impact which the crisis had, harnessing recovery potential and avoiding an economic imbalance at European Union level. Secondly, the implementation of the Next Generation EU instrument requires the involvement of States in attracting new funds and their good investment.

The path out of the medical and economic crisis which the European Union is facing will be followed by establishing of a development environment that is favorable to future generations. Through a clear and precise vision, the European Community aims to create a sustainable and green Europe that can only take shape by maximising the effectiveness of the Next Generation EU recovery instrument, together with the founding of the European Green Pact.

The way in which funds allocated through the Next Generation EU programme are distributed and spent through the Next Generation EU programme is unclear and is under discussion in the European institutions, but on the basis of the Priorities of the European Union for the period 2021-2027 and the recommendations of the European Commission within the 2020 Country Report regarding Romania [7], national authorities will have to submit projects that stimulate mature public investments and promote private investments.

In order to encourage economic recovery at national level, it is important for Romania to relaunch public infrastructure works in areas such as sustainable transport, modernisation of railway infrastructure, energy efficiency, environmental infrastructure, especially in the field of water, and digital services. Also, on the recommendation of the European Commission and in line with the objectives of the European Ecological Pact, Romania will have to take measures for waste management, as the recycling of municipal waste is carried out at a very low level. Investment projects in the production and use of clean energy will also be needed, as well as for the conversion of mono-industrial regions with a high carbon intensity.

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