NextGenEU 1 year on: 3 political lessons learned

Mark Foster, Managing Director

A year ago, I was working in an EU government relations function for a globally systemically important bank headquartered outside the EU. The amount of internal interest across the bank in the EU's approach to COVID was such that I was reporting on an almost daily basis on one or another economic aspect of the crisis. All governments were stretched to the limit by COVID. And it's not over yet. But there was a special interest in the almost existential factor to the crisis response in Europe: will the EU be able to cope and succeed in corralling 27 Member States with diverging political and cultural visions into a coherent strategy? And if so, how?

The core of the recovery plan from an economic perspective was branded Next Generation EU with its circa 750bn euro financial support package coming primarily from the Recovery and Resilience Facility (RRF). This week (1 March 2022) the Commission published its first annual report on RRF implementation. I won't attempt to summarise the report – a good overview can be found in the accompanying press release. But as we look back over the 1st year of the RRF, there are, to my mind, 3 key political lessons which can be drawn:

1. **In times of crisis, EU integration advances**: We've seen it in the past (after the great financial crisis or in response to the migration/refugee crisis after the Syrian war to cite just two examples) but it's worth recalling and remembering for all those who follow current and future EU policy and politics. COVID was no different. Commission Executive Vice President Dombrovskis rightly states the RRF would have been 'unthinkable' a few years ago. The EU successfully managed to obtain unanimous support from Council to raise the ceiling within the EU budget, providing headroom for the Commission to borrow on international markets and inject money directly into the EU economy (via grants and loans to governments upon approval of national recovery plans). Combined with the activation of the general escape clause of the Stability and Growth Pact the EU learnt the lessons of the past, rejecting the austerity route taken after the sovereign debt crisis in favour of a classic, Keynesian 'shot in the arm' approach. This achievement was no mean feat when one considers the historic, traditional reticence towards EU-level fiscal harmonisation and risk sharing in countries such as Austria, Germany, the Netherlands, and Finland, known collectively, somewhat disparagingly, as 'the Frugals'. It's also to these countries' credit that their leaders recognised both the symbolic and very real value-added united EU-level action could bring, instead of steadfastly sticking to their default opposition.

2. **Transparency, accountability, and slick communications matter:** The EU has always prided itself on being transparent and accountable. But it does not always deliver in full (EP first readings, trilogue deals and four column tables anyone!?) and has often been found wanting in its communications. With the RRF the Commission upped its game. It published an unprecedented amount of detail and data regarding how NextGenEU is funded, when and how disbursements are made and what projects RRF grants and loans will finance. This level of openness is welcome as it enables EU citizens and businesses to understand how EU monies and debt obligations (ultimately citizens' taxes) are being spent. But it also plays a key role in ensuring EU governments are held to public account for the societal and transformational changes envisaged via NextGenEU funding. This in turn keeps the political pressure on Member States to deliver genuine reform. On the comms front, user-friendly tools such as the RRF scorecard, factsheets and regular press releases on country specific assessments have all helped make NextGenEU feel more real. Even the term itself - NextGenEU - has a more comms savvy, future-orientated branding feel to it, when compared to the EU's past tendency for more mundane, discursive descriptions of its activities.

3. **Political conviction (and money) can be transformative:** I heard an anecdote that when Commission President Von der Leyen initially announced to MEPs in her State of the Union address that upwards of 30% of the RRF would be ring-fenced for green initiatives and 20% for digital initiatives, Commission officials visibly paled, as that commitment was completely unscripted. True or not, the first annual implementation report seems to fully vindicate the President in her ambition to direct funds towards the dual-transitional priorities of green and digital – as this factsheet shows. When seen in conjunction with the intense legislative and regulatory agenda in the fields of green and digital, it seems clear that the ingredients are in place for the recovery tool to act as 'a transformation tool of our economies and societies'.

We still have some way to go before we can declare victory over COVID. But whilst our hearts and minds focus on averting an even larger, existential threat in the EU's eastern neighbourhood, we might take a moment to stop to celebrate a truly European success of the RRF at 1.

Strategic Advisory Management
E:info@samadvisory.eu
T : 0032 493 251 362