

Next Generation EU - NGEU

“NextGenerationEU is more than a recovery plan – it is a once in a lifetime chance to emerge stronger from the pandemic, transform our economies and societies, and design a Europe that works for everyone. We have everything we need to make this happen. We have a vision, we have a plan and we have agreed to invest €806.9 billion together” (€750 billion in 2018 prices)... Make it Green... Make it Digital... Make it Healthy... Make it Strong...Make it Equal... ([Next Generation EU – Make it Real](#))

Next Generation EU (NGEU, also called the European Union Recovery Instrument) is a European Union (EU) [economic recovery](#) package to support the EU member states to recover from the [COVID-19 pandemic](#), in particular those that have been particularly hard hit. Agreed in principle by the [European Council](#) on 21 July 2020 and adopted on 14 December 2020, the instrument is worth €750 billion. NGEU will operate from 2021 to 2026, and will be tied to the regular [2021–2027 budget of the EU's Multiannual Financial Framework](#) (MFF). The comprehensive NGEU and MFF packages are projected to reach €1824.3 billion.

When Covid-19 went global in March 2020, many countries, including European countries, reacted by closing borders to stop the spread of the virus. Citizens everywhere expected governments to look after their own – first. Much of the world was plunged into deep economic crisis as lockdowns froze activity, people stopped working and government deficits soared. While countries adopted fairly similar measures (like job retention or so-called “furlough” schemes), policies were not coordinated.

Although the ECB acted (fairly) early to support financial markets and hence borrowing by governments, there were quite strong differences in opinion about how the EU should respond collectively. In particular, France, Belgium, Greece, Portugal, Ireland, Slovenia and Luxembourg on the one hand were looking for some joint financing mechanism to meet the crisis and support economic recovery. On the other hand, the [Frugal Four](#) (Austria, Sweden, the Netherlands, and Denmark) and Germany were sceptical about creating a joint spending package, financed by some sort of Eurobonds – or corona bonds – that would be issued jointly. A political breakthrough was made on 18 May, when France and Germany proposed setting up an aid package of \$500 billion in grants, to be financed by money borrowed by the European Commission in international capital markets.

Finally, on 17 July 2020, an agreement was reached by the European Council. In addition to setting out the Multiannual Financial Framework (MFF) for 2021-2027, it was decided to set up the Next Generation EU (NGEU) package that would provide €360 billion in loans and €390 billion in grants to support the recovery in Member States. This is widely seen as a big step for the EU, because, for the first time, the Union has adopted a joint fiscal policy backed by collective borrowing.

Total grants and loans per topic (in € billion, 2018)^[53]

Topics	Total allocations
1. Single market , innovation and digital	10.6
2. Cohesion, resilience and values	721.9
3. Natural resources and environment	17.5
Total	750 billion

Total grants pre-allocated^[note 1] to all member states (in € billion, 2021)

Facility	Total allocations
Recovery and Resilience Facility ^[54]	338.0 (maximum)
REACT-EU ^[55]	39.8
Just Transition Fund ^[56]	18.9 ^[note 2]
European Agricultural Fund for Rural Development ^[57]	8.1
Total	379.3 billion

Total grants and loans per programme, facility, or fund (in € billion, 2018)^[48]

Programme	Total allocations
Recovery and Resilience Facility	672.5 (loans: 360 – grants: 312.5)
REACT-EU (regional cohesion)	47.5
Horizon Europe (research and innovation)	5.0
InvestEU	5.6
European Agricultural Fund for Rural Development	7.5
Just Transition Fund (climate-neutral economy)	10.0
RescEU (disaster relief and emergency reserves)	1.9
Total	750 billion

Source: https://en.wikipedia.org/wiki/Next_Generation_EU

They tables show the priorities and instruments of spending under NGEU. The table just above also indicates pre-allocations of the entire package. By far the main area of spending and support is to help individual countries, and this expresses a degree of solidarity between EU member states.

NGEU has been called the Union’s “Hamilton moment”, after Alexander Hamilton, the US Secretary of the Treasury and future president who established the US federal budget.

For some, NGEU is thus viewed as a stepping-stone, to constructing an EU fiscal policy that will be able to act alongside the Union’s monetary policy. This could happen perhaps if the EU needs to develop a much greater defence capability. Others are not so sure. NGEU is not seen as big enough or permanent enough to constitute the emergence of a common fiscal policy. It has been argued, for example, that the European Commission can no longer borrow at cheaper interest rates than Member States, thus reducing the financial advantage of borrowing jointly. Much will depend also on how well the Member States use these monies. If NGEU is seen to be a success, it could lead to greater fiscal integration. If it fails, federal aspirations could be “[dashed for a decade](#)”.