

# Next Generation Europe – Europe’s recovery and resilience plan

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## The COVID-19 crisis: a challenge turned into opportunity

The pandemic crisis brought about by **COVID-19** has shaken the world economy, healthcare systems and the way of living and working together. Social distancing, self-isolation and travel restrictions have led to a reduced workforce across all economic sectors and caused **many jobs to be lost**.

**2021 will be the year of transition** and the new normality is going to be different from what we know. During the COVID-19 crisis, one area that has shown great growth is **digitization**, including online customer service, remote working, supply-chain reinvention and machine learning to improve operations. **Healthcare** has also changed substantially, with telehealth and biopharma gaining ground. The COVID-19 crisis has created a need for companies to reconfigure their operations—and an opportunity to transform them. Despite the complicated situation that Europe is dealing with, **difficult situations inspire ingenious solutions**. Therefore, it is expected that the current crisis triggers a wave of innovation and launches a generation of entrepreneurs to transform Europe in a more resilient space ready to face future crisis.

”*“The recovery plan turns the immense challenge we face into an opportunity, not only by supporting the recovery but also by investing in our future: the European Green Deal and digitalisation will boost jobs and growth, the resilience of our societies and the health of our environment. This is Europe’s moment. Our willingness to act must live up to the challenges we are all facing. With Next Generation EU we are providing an ambitious answer”.* President Ursula von der Leyen

## The Next Generation EU instrument

To ensure the repair of the immediate economic and social damage caused by the pandemic, and build a greener, more digital and more resilient Europe, the European Commission has launched a **new resilience and recovery instrument**, called **“Next Generation EU”** (NextGen EU), provided with **€750 billion**. The money raised for NextGen EU will be invested across **three pillars**, and funds will go to **specific programmes**:



 **Pillar I. Support to European Member States to repair socio-economic damage from the crisis and emerge stronger from post COVID-19 recovery:** The Recovery and Resilience Facility (the Facility) together with **cohesion policy** (REACT-EU package) and the **Just Transition Mechanism** will be fundamental in achieving this goal. In addition, the reinforced **European Agricultural Fund for Rural Development** will support rural areas in making the structural changes necessary in line with the European Green Deal.

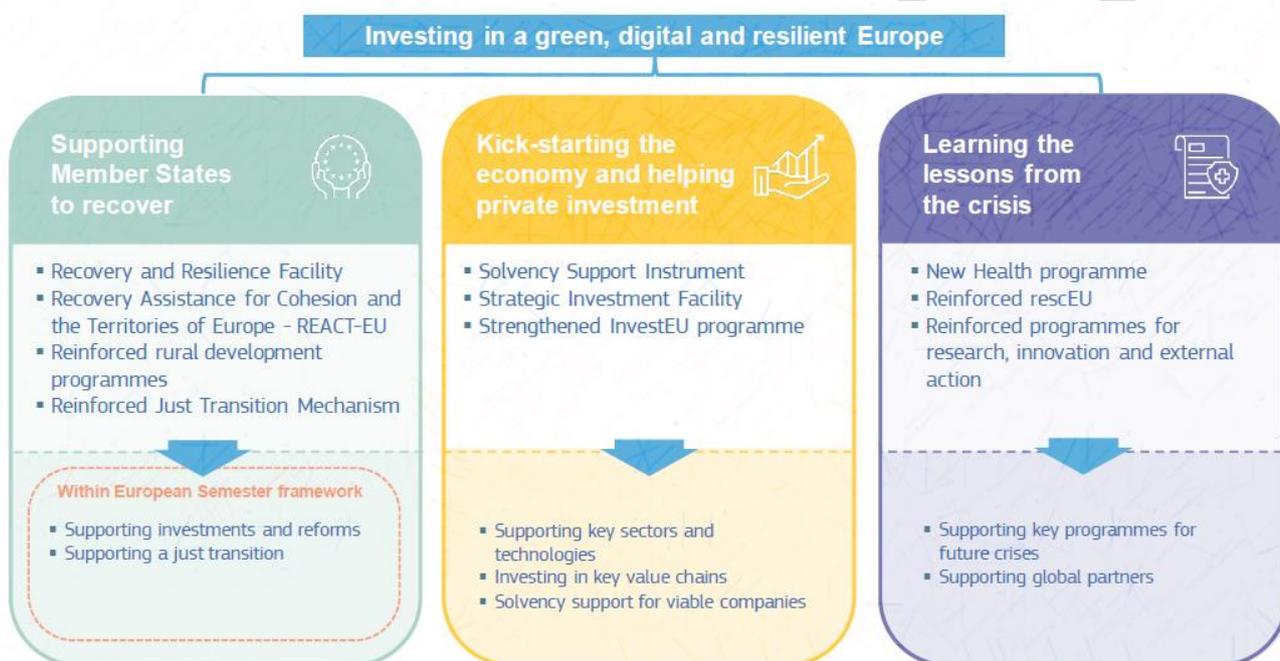
 **Pillar II. Incentivizing private investment and boosting the economy:** For Kick-starting the economy, the European Commission estimates that investment needs amount to at least

€1.5 trillion in 2020–2021. The Commission is therefore proposing a new **Solvency Support Instrument** to provide urgent equity support to sound companies put at risk by the crisis. The Commission is also proposing to strengthen **InvestEU**, Europe’s flagship investment programme, to mobilise investment across the Union in areas such as sustainable infrastructure and digitisation.



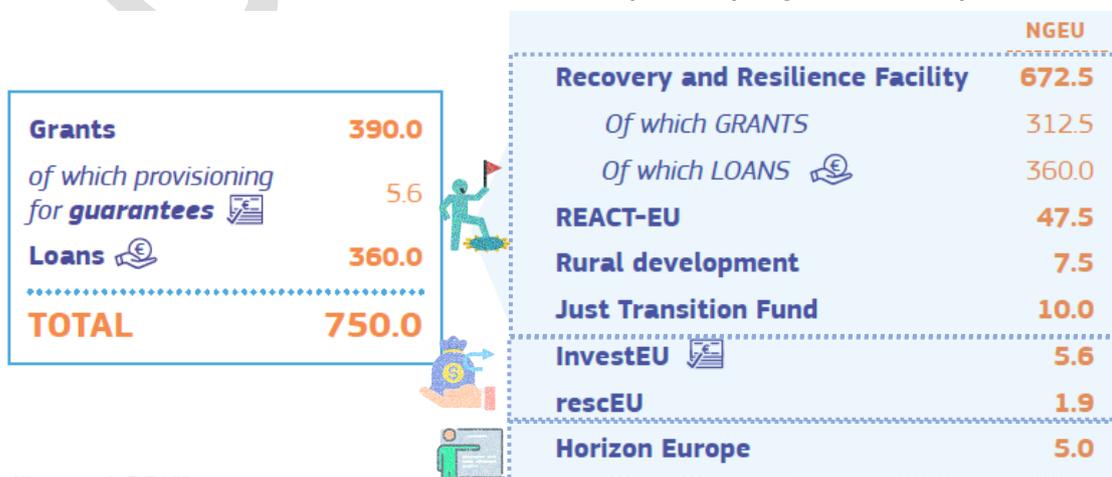
**Pillar III. Learning the lessons of the crisis and addressing Europe’s strategic challenges:**

To prepare Europe for the future and translating lessons learned from the current crisis to tangible actions, the Commission is proposing a **new Health Programme** to strengthen health security and prepare for future health crises. **RescEU**, the Union’s Civil Protection Mechanism, will be expanded and reinforced to equip the Union to prepare for and respond to future crises. Also, **Horizon Europe** will be strengthened to fund essential research in health, resilience and the green and digital transitions.



The three pillars of NextGen EU. Source: EC, 2020

The distribution of the NextGen EU funds in different specific programmes is presented below:



Distribution of the Next Generation EU (NGEU) funds in different specific programmes.

Source: Own elaboration, adapted from EC, 2020.



## National recovery and resilience plans

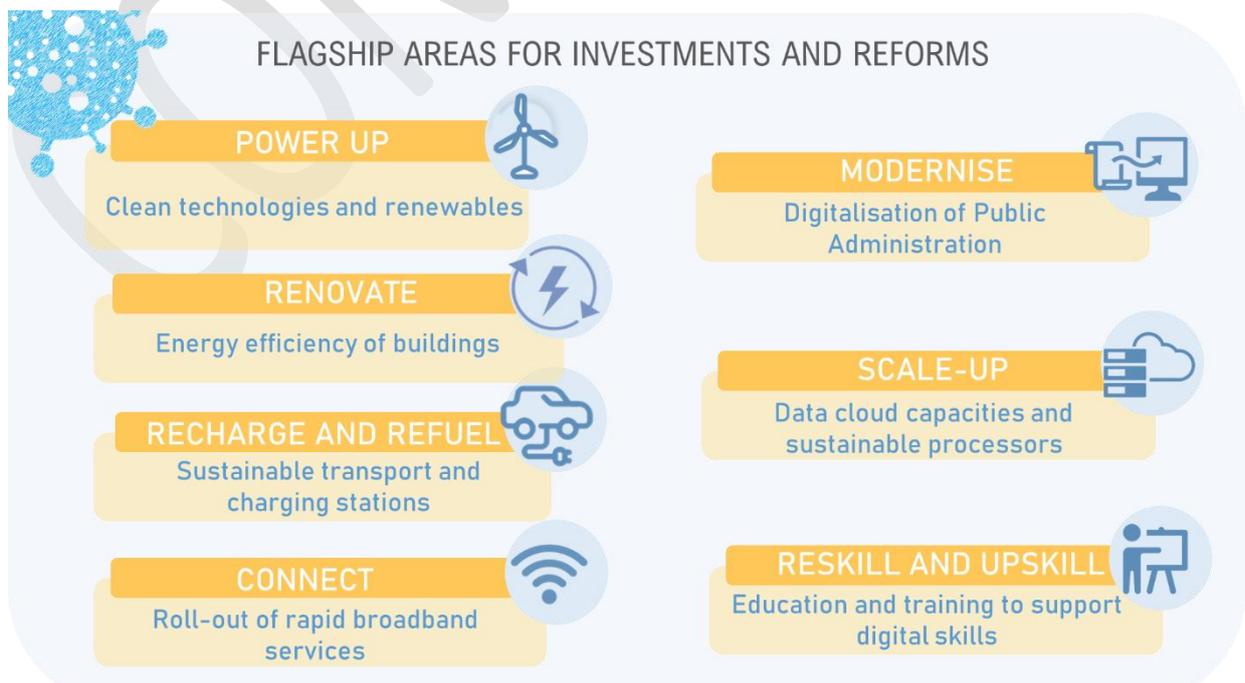
Funds paid out to Member States are based on [National Recovery and Resilience Plans](#) which includes reforms and public investment projects. These plans should effectively address challenges identified in the [European Semester](#), particularly the [country-specific recommendations](#) adopted by the Council. The plans should also include measures to address the challenges and reap the benefits of the green and digital transitions. Each plan is expected to contribute to the four dimensions outlined in the [2021 Annual Sustainable Growth Strategy](#): 1) Environmental sustainability/Green transition, 2) Digital transition & Productivity, 3) Fairness and 4) Macroeconomic stability. In a nutshell these **National Recovery and Resilience Plans must:**



The grants allocation per Member State (2018 prices) in the Recovery and Resilience Facility can be consulted [here](#).

### Flagship areas

The Commission strongly encourages Member States to put forward investment and reform plans in the following areas:



*Flagship areas for investments and reforms. Source: Own elaboration, adapted from [EC 2020](#).*

## EU Taxonomy as climate tracking tool

The EU Taxonomy is a tool to help investors, companies, issuers and project promoters guide the **transition to a low-carbon, resilient and resource-efficient economy**.

The Taxonomy sets **performance thresholds** for economic activities which:

- make a substantive contribution to one of six environmental objectives depicted at right;
- do no significant harm to the other five, where relevant;
- meet minimum safeguards (e.g., OECD Guidelines on Multinational Enterprises and the UN Guiding Principles on Business and Human Rights).



According to the report “[Applying the EU Taxonomy: Lessons from the Front Line](#)”, it is recommended the EU Taxonomy as preferred climate tracking tool to identify green investments in the EU’s next long-term budget and recovery package to align EU funds, and recovery investments, with the goals of the **Paris Agreement** and to deliver the **EU Green Deal**.

The Next Generation EU encourages activities which could be classified as environmentally sustainable according to the [EU Taxonomy Regulation](#). The criteria to classify an activity as environmentally sustainable have been purposed by Technical Expert Group, reviewed and finally publish in a [Draft Delegated Regulation](#) in November 2020. This document will be reviewed during this year as well as the feedback received. At the end of 2021, the final version of the delegated act is expected to be published with the criteria for the most relevant sectors in the categories of climate change adaptation and climate change mitigation, as well as the ‘**Do No Significant Harm**’ principles to other categories criteria. These criteria include greenhouse gases emissions in kg CO<sub>2</sub> eq, which must be accounted by a Life Cycle Assessment (LCA) methodology and reviewed by a qualified external reviewer.



### Timeline

Member States are encouraged to submit their National Reform Programmes and their Recovery and Resilience Plans in a single integrated document, which will provide an overview of the reforms and investments that the Member State plan to undertake in the coming years, in line with the objectives of the Facility. The steps and timeline foreseen since the submission of the draft recovery and resilience plans by Member States are depicted in the figure below.



*Timeline of the preparation and monitoring of the National Recovery and Resilience Plans.*

Source: [Council of the EU, 2020](#).

## A new Industrial Strategy for a globally competitive, green and digital Europe

Europe needs industry to become greener, more circular and more digital while remaining competitive on the global stage. With a [new Industrial Strategy](#), the Commission will make sure that Europe embarks on its twin transition towards **climate neutrality and digital leadership**, while European businesses remain fit to achieve their ambitions and cope with increasing global competition.



*Twin transition of Europe. Source: [EC, 2020](#).*



If you are interested in applying for NextGen EU funding, **don't hesitate to contact us**

at [contactica@contactica.es](mailto:contactica@contactica.es) or calling at **(+34) 91 505 68 73**

**We are the perfect adviser to guide you through the process step by step!**