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Three challenges for the implementation of Next Generation EU

Next Generation EU (NGEU) has rightly been hailed as a paradigm shift in EU governance, or at least the first step that hopefully will not fade with the pandemic. NGEU is not just the money made available to Member States. It represents also a paradigm shift in terms of defining the cornerstones of future economic development and the role of public policies in the next decade.

There are three keywords to frame the NGEU method: programming, direct intervention, resource allocation. The accompanying documents of NGEU define a lot of detail required in the control and in the governance of the processes, and this represents an ambitious challenge for all Member States. National governments have to present national plans aimed at two objectives: recovery and resilience. The first is a shorter-term objective that requires well-designed fiscal measures aimed to reduce as much as possible the economic and social damages created by the pandemic, and to restart economic activity. The second is a longer-term objective concerning the ability to favour structural changes in the economic system. Obviously, the two objectives, and the related tools, are and must be interconnected, but they also require diversified approaches and tools, and each will have to be evaluated with appropriate criteria.

I see three risks here. The first relates to the recovery. This recession is peculiar because it simultaneously affects the demand and supply side. But the implications for the recovery of this aspect - and of other no less relevant ones - are usually not adequately discussed. Attention seems to be focused almost exclusively on what are considered the structural problems pre-existing to the pandemic. This is not wrong, but it may not be enough if the specific structural effects of the recession on production methods, on the composition of aggregate demand or on expectations for the future are also hampering recovery. These new structural effects must also be considered.

The second risk relates to the link between recovery and resilience. Structural problems to be removed are rightly the core of the current discussion, but few seem to care about the intensity and speed of the effects such projects may have on economic recovery and their ability to remove the additional structural obstacles created by the recession itself. Delaying and weakening recovery can have devastating effects in the long

run, especially for those young people to whom we all pay great attention. As numerous studies show, delayed entry into the labour market or an entry in a depressed state of the economy has negative effects on the entire (working) life of young people. This does not seem to be a secondary effect and it would be good to take it into account in a conscious and responsible decision-making process. Here our challenge is how to combine reform and recovery in national plans, and what is the best sequence of reform and recovery interventions.

The third risk relates to the long-run sustainability of the recovery. Too often we talk about recovery by focusing entirely on aggregate variables. However, this approach is insufficient and dangerous. If GDP returns to pre-crisis levels but inequality in income and wealth distribution is even greater than before the crisis, this risks jeopardizing the economic and social sustainability of the recovery itself, undermining the European long-term growth. Therefore, when preparing national plans, we should also take this dimension into account.

As European Parliament, over the next years, we will be vigilant to ensure that the Commission carries out the tasks assigned in appropriate ways so that the facility reaches its objectives, especially in terms of digital and environmental transformation, social impact and the Next Generation policies that we have envisaged for the Union.