Next Generation EU: Europe needs pan-European investment

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Next Generation EU: Europe needs pan-European investment

Ron Beetsma, Lorenzo Codogno, Paul van den Noord 29 November 2020

Projects need to fulfill certain conditions and should be reform- and investment-related, based on guidelines provided by the Commission. As such, projects should come as a complement to structural reform plans.

This approach has a strong macroeconomic rationale. Yet, it is subject to a number of risks, common to most EU policy initiatives that rely on countries submitting their own plans (even when subject to coordination such as the European Semester), and of which some are acknowledged to have long plagued the effectiveness of EU projects:

1. The additionality of the plans may turn out limited as countries use EU funds to finance existing projects or projects that would have been undertaken anyway. In that case, support funding can at most limit the decline of growth or further erode fiscal space.
2. The subsidiarity principle calls for such a pan-EU initiative. Next Generation EU should not turn out to be a missed opportunity to initiate and fund genuine pan-European infrastructure projects with a high impact on potential growth. Roel Beetsma, Lorenzo Codogno and Paul van den Noord argue that the subsidiarity principle calls for such a pan-EU initiative.

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