Effective implementation of the Recovery and Resilience funds: Is the Next Generation EU Transforming the European Paradigm?

A vision from ELEC Romania

The European Facility for Recovery and Resilience is, probably, more necessary now than the moment when the project was initially launched.

After the significant economy decrease of last year, many countries (among which, Romania) registered a fast recovery; however, inflation – together with the succession of pandemic waves that, as we see, are far from ending despite the wider vaccine access – generates an increased pressure on European economies - and not only. The budgetary deficits which have steeply risen due to the support that each member state has given to their domestic economies last year, will be hard to maintain during the next years, particularly in case the economic instability will intensify. This is why, particularly in this context, the Recovery and Resilience plan could be as vital as oxygen for all European economies. Had the Plan been faster implemented, maybe the economic tensions would have been smaller; on the other hand, this slower pace makes the European states become more conscious about the actual realities, provides more arguments when drafting national plans and this is why this important set of information should be promptly and strategically used.

The domestic capacity of attracting EU Funds in a highly regulated, equitable manner and transparent conditions represent a priority for most of the EU governments. The instruments made available by EU for the Member States to sustain the economic growth are multiple: The European Recovery and Resilience Mechanism, REACT-EU, Invest EU, together with other funds made available with the Cohesion Policy, Common Agricultural Policy and Plus European Social Fund.

These, however, must have their roots on budgetary and institutional fundaments oriented towards reforms and supplementary funding allocated to co-finance the investment projects, so as to consolidate the implementation institutions and the legal framework for their proper and successful implementation.

This is why an integrated approach and a common vision are necessary in the European practice, to help structure the National Recovery and Resilience Plans on three main pillars: priorities for economic policies, structural reforms, and investment projects. A set of monitoring indicators has been created for each of these pillars.

It is therefore essential for all countries, Romania included, that their budgetary policies are based on a multi-annual approach for resources allocation, connected to the European budgetary cycles.

There is an important correlation between the impact of the estimated GDP of the Recovery and Resilience plan and the per capita adjusted GDP. In this context, one might say that the Plan is an instrument to facilitate the economic convergence of the European States with a lower economic power. As such, a "booster" used efficiently could significantly help, but, if inefficiently applied, it can directly contribute to an even bigger discrepancy between the big and the small European economies, especially if the developed economies will naturally optimize the way these funds are used.

Surprisingly for many of us, some elements of the Plan – and especially the Green Deal – have recently created a great pressure on the energy price, which has significantly risen, contributing to the steep increase of inflation that will put more pressure on the post-pandemic recovery (whereas post-pandemic recovery should actually represent the very purpose of the Green Deal). This being said, perhaps another set of measures is necessary in order to calm-down the energy price...

And, if we address the Green Deal subject, we must admit that indeed, from our perspective, this is a truly ambitious master plan, looking to increase the sustainability of our economy while, at the same time, protecting the environment.

The European Union's Green Deal represents the EU's main new growth strategy to secure transition of the EU economy to a sustainable economic model. Presented in December 2019, the overarching objective of the EU Green Deal is for the EU to become the first climate neutral continent by 2050, resulting in a cleaner environment, more affordable energy, smarter transport, new jobs, and an overall better quality of life. There are several funding mechanisms in place to facilitate the EU Green Deal, totaling over €1 trillion. This could represent the seed of the next industrial revolution: the Green Revolution, having all chances to reshape the general aspects of our future generations' life. Our generation will probably ensure only the transition towards this end.

However, we must be very careful about the way we handle such transition, as too abrupt moves could compromise the long road ahead of us. Why? Because Green is not necessarily cheap.

To the contrary, in order to switch from fossil to green, more investments are required for the electricity systems in general. More balancing capacity, more interconnections, another philosophy of managing the power system. We want to do everything green, but we will definitely need nuclear power to ensure the predictable baseload and gas fired power plants to secure the balancing of the unpredictable renewables. Smart, digital and cyber-secured grids must be the backbone for more renewables and storage and hydrogen and so on. Then, we need to tackle the social issues created by closing the traditional fossil fuel-based economy. In the end, all these costs will lead to a higher electricity price. Until it will be good times, we need to pass through some not so good times. And the guides, the procedures, the rules for spending all these moneys should focus on how we could make the transition easier to accept for the Romanian society.

If we are not consequent in our actions, we will see other situations like the one during the recent COP26 Summit, where while the world leaders were preparing to pledge their part in this 30-year endeavor, the first big energy scare of the green era was unfolding before their eyes. Since May the price of a basket of oil, coal and gas has soared by 95%.

Britain, the host of the summit, had turned its coal-fired power stations back on, American petrol prices have hit $3 a gallon, blackouts have engulfed China and India, and Vladimir Putin has just reminded Europe that its supply of fuel relies on Russian goodwill. The panic generated represents a reminder that modern life needs abundant energy: without it, bills become unaffordable, homes freeze and businesses stall or even collapse!

We also need to face other realities: we have just 5 years to design and implement several big renewables projects under the Recovery and Resilience program, but more than 70% of the photovoltaic cells, wind turbines or power storage battery systems are manufactured in Asia. Without a European reindustrialization plan and several sharp measures for strengthening the European production, there are high chances or, better said risks, that the Green Deal actually directly finances non-EU and Asian economies first, before it shows positive signs on our continent.

Nevertheless, we need to be optimistic and embrace the challenge that the Green Deal offers us. In the end, the humanity exited the STONE AGE not because the stones were finished but simply because better technologies were invented.

And this should be the best post-pandemic outcome for all EU member states!

Thank you for your attention!

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