

## THE POLITICS OF THE EU RECOVERY FUND: SOLIDARITY OR STRATEGIC NECESSITY?

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***Abstract:** The NextGenerationEU (NGEU) recovery fund, introduced in response to the COVID-19 pandemic, represents a pivotal moment in the European Union's efforts to strengthen its economic resilience, promote solidarity, and ensure long-term recovery. This paper examines the political and economic dynamics surrounding the NGEU, analyzing its design, objectives, implementation, and the broader implications for EU cohesion. The NGEU aims to address the disparities between Member States, providing targeted support to the hardest-hit regions, particularly in Southern Europe and Eastern Europe, while also fostering investments in green technologies and digitalization. The first section explores the political motivations behind the NGEU, questioning whether it is a genuine act of solidarity or driven by strategic necessity. It examines the EU's decision-making process, particularly the compromise reached between the Frugal Four and other Member States. Section II analyzes the design and function of the NGEU, highlighting the Recovery and Resilience Facility (RRF) as the key mechanism for fund allocation. Section III addresses the impact of the NGEU on EU cohesion, considering its effect on political unity and economic stability within the Union. The paper also examines the challenges of implementing the NGEU, including administrative delays, concerns over debt sustainability, and the conditionality attached to fund disbursement. Criticisms about the equity of fund distribution and the political tensions it has generated, particularly regarding the rule of law, are also addressed. Finally, the conclusion evaluates the long-term prospects of the NGEU, considering its potential to foster a unified, resilient EU capable of navigating future crises. Ultimately, the NGEU's success or failure will significantly shape the EU's future trajectory, both internally and in its broader role on the global stage.*

**Key words:** generation, future, development, resilience, dynamics

### INTRODUCTION

The COVID-19 pandemic confronted the European Union (EU) with an unprecedented socio-economic shock, threatening not only the health of its citizens but also the stability of its internal market and the cohesion of the Union itself. In response, the EU launched the NextGenerationEU (NGEU) recovery package, a €750 billion stimulus plan financed through joint borrowing by the European Commission. This marked a historic shift in EU economic governance: for the first time, Member States collectively agreed to raise common debt on a large scale to finance direct transfers and loans to individual countries [12,17]. This extraordinary policy response has been widely interpreted as a potential turning point in European integration. On one hand, it was presented by EU institutions and leaders as a profound act of **solidarity**, a shared commitment to rebuilding a more resilient, green, and digital Europe [13]. On the other hand, critics argue that the fund was primarily a **strategic necessity**, intended to stabilize the internal market, prevent economic collapse in weaker Member States, and contain rising populism and Euroscepticism. Notably, Italian Prime Minister Giuseppe Conte warned early in the pandemic that failure to deliver a robust recovery plan could lead to the collapse of the European project [15]. Moreover, the design and governance of the NGEU suggest a political compromise rather than a purely normative act. The prolonged negotiations between northern "frugal" states and southern countries resulted in conditional disbursements, oversight mechanisms, and a clear focus on reforms tied to green and

digital transitions. The European Court of Auditors later raised concerns about the sufficiency of safeguards and oversight, emphasizing the risks of fraud and the need for stronger protections [9].

### MATERIALS AND METHODS

This paper explores the political logic behind the creation of the NGEU, analyzing whether it was primarily driven by normative ideals of solidarity or by pragmatic concerns for economic and political stability. The main objective of the article is to analyze the political logic behind the creation of the NextGenerationEU (NGEU) recovery fund, specifically examining whether it was primarily motivated by normative ideals of solidarity or by pragmatic concerns about economic and political stability within the European Union. By examining the institutional design of the fund, the negotiations between Member States, and the broader historical context of EU crisis responses, this study aims to provide a nuanced understanding of the NGEU as both a symbol of unity and a mechanism of strategic preservation [16]. The article adopts a qualitative political analysis, focusing on how the NGEU was negotiated, designed, and implemented. It investigates both the symbolic (solidarity, European integration) and strategic (economic stability, crisis management) dimensions of the fund.

### RESEARCH RESULTS

Historically, the European Union has maintained a limited role in fiscal policy, which remained firmly within the jurisdiction of individual Member States. The EU's economic framework, particularly within the Eurozone, has emphasized fiscal discipline over fiscal union. Instruments such as the Stability and Growth Pact (SGP) were designed to enforce budgetary constraints, not enable joint borrowing or spending. This foundational emphasis on national responsibility shaped the EU's early responses to economic crises and made fiscal integration highly contested [10].

The Eurozone sovereign debt crisis (2010–2015) brought these limitations into sharp relief. During that crisis, the EU's response — built around mechanisms like the European Stability Mechanism (ESM) — prioritized conditional lending and austerity measures. Countries like Greece, Ireland, and Portugal were forced into strict reform programs in exchange for financial support. This response generated widespread social unrest and deepened North–South divides within the EU. Importantly, there was no mutualized debt instrument at that time, and the idea of fiscal transfers was politically toxic in many northern countries [14].

By contrast, the COVID-19 pandemic presented a symmetric shock — hitting all EU economies, though with different intensities. It became clear early on that relying solely on national responses would risk significant fragmentation. Southern countries such as Italy and Spain, already fiscally constrained, faced higher infection and mortality rates in the first wave, while lacking the budgetary room to respond at the scale needed. The initial resistance of the “Frugal Four” (Austria, Denmark, the Netherlands, and Sweden) to any form of debt mutualization reflected the deep-seated political hesitation that had characterized past crisis responses [1].

However, pressure mounted quickly. Key EU leaders, including French President Emmanuel Macron and German Chancellor Angela Merkel, proposed a joint recovery instrument in May 2020. This Franco-German shift marked a political breakthrough, as Germany — long opposed to debt mutualization — signaled its willingness to pursue a collective financial response. As scholars have noted, this was less a sudden embrace of solidarity and more a recognition that failure to act could threaten the political and economic stability of the EU as a whole [10].

The NextGenerationEU was ultimately born out of this high-stakes environment, blending innovative fiscal mechanisms with political compromise. Unlike the crisis measures of the past, the NGEU is funded through common EU bonds — a historic first — and it distributes funds not just as loans, but also as grants. Yet, its creation did not emerge from a vacuum; it was deeply shaped by the failures, lessons, and political scars of earlier EU crises, particularly the harsh outcomes of austerity-driven policies [4].

The NextGenerationEU (NGEU) recovery fund represents an unprecedented departure from traditional EU fiscal governance. Unlike previous EU financial mechanisms, such as the European Stability Mechanism (ESM), which relied primarily on conditional loans, the NGEU combines both grants and loans, with a significant emphasis on supporting economic recovery across the Union, while ensuring future resilience through green and digital transitions. The design of the NGEU is built around a central role for the European Commission, which issues common bonds on behalf of the EU to raise funds. The European Commission can borrow funds on the capital markets in the name of the Union, marking a historic shift toward joint debt issuance. This institutional shift was made possible by the European Council's unanimous agreement to establish the recovery fund in July 2020 [11].

The recovery fund is conditional: each Member State must submit a national recovery plan, which outlines how they will spend the funds in alignment with EU priorities. These plans must be approved by the European Commission, ensuring that investments are directed towards the green and digital transitions. This approval mechanism involves a double-layered governance process: first, national governments must negotiate with the Commission, and then the European Council must approve the Commission's assessment. This complex process ensures alignment with EU priorities while respecting the sovereignty of Member States [7].

The NGEU serves several critical functions within the EU's long-term strategy:

- **Economic Recovery:** The fund's main goal is to restore economic growth following the COVID-19 pandemic. With a focus on both grants and loans, the NGEU aims to boost investments in key areas such as renewable energy, digitization, and healthcare systems.
- **Promoting EU Integration:** While some critics argue that the NGEU is a temporary solution to a pressing crisis, others suggest that the fund could be a stepping stone toward a more permanent fiscal union within the EU. By pooling debt for the first time, the EU has tested the possibility of a common EU fiscal capacity, with potential long-term implications for fiscal integration.
- **Social Cohesion:** The NGEU also aims to reduce disparities between wealthier and poorer Member States by focusing on social cohesion and regional development. While countries like Italy, Spain, and Greece are the largest recipients, the fund's allocation is structured to address structural inequalities that existed before the pandemic.

The creation of the NextGenerationEU (NGEU) recovery fund was not just a fiscal and economic maneuver; it was also a political landmark in the history of the European Union [18]. The fund required overcoming deeply entrenched national interests, addressing internal political divisions within the EU, and navigating sensitive power dynamics. This section explores the political forces that both facilitated and resisted the creation of the NGEU, as well as the broader implications for the EU's future [6].

One of the most significant political challenges in creating the NGEU was overcoming the resistance from the Frugal Four — Austria, Denmark, the Netherlands, and Sweden. These countries, particularly the Netherlands, strongly opposed the idea of issuing joint debt and providing grants to the hardest-hit economies. Their concerns were rooted in

fiscal discipline and fears that financial aid would be used irresponsibly by southern European countries.

However, the political landscape shifted dramatically during the crisis. As the economic effects of the COVID-19 pandemic became more severe, countries like Italy and Spain, which were already economically vulnerable, faced unprecedented health and economic crises. The political pressure to act quickly was compounded by public opinion in these countries, which demanded urgent action from Brussels [9].

The final compromise was encapsulated in the July 2020 agreement, where the NGEU was structured as a combination of grants (to be allocated to the hardest-hit countries) and loans (for more stable economies), with stringent oversight mechanisms to ensure proper use of funds [8].

The political debate surrounding the NGEU largely centered on the North-South divide within the EU. Southern European countries, like Italy and Spain, viewed the NGEU as a critical expression of EU solidarity, while Northern countries often saw it as a necessary step to ensure the EU's long-term stability [5].

For Southern countries, the NGEU was seen as a lifeline — a tool to mitigate the devastating economic impact of the pandemic and prevent further divergence between wealthier and poorer regions of Europe. The provision of grants, rather than loans, was seen as a crucial distinction, as it allowed countries already burdened with high debt levels to access support without exacerbating their financial challenges.

On the other hand, Northern states such as the Netherlands, Germany, and Austria viewed the NGEU more as a strategic necessity than an act of pure solidarity. These countries were aware that failing to support the Southern economies could lead to long-term instability in the Eurozone, which would ultimately harm their own economies as well. The political calculus here was rooted in the shared interest of maintaining EU cohesion and ensuring that the economic fallout from the pandemic did not cause irreparable damage to the Union.

Thus, the NGEU can be seen as a political compromise between the need for fiscal solidarity and the practical realities of political accountability in an economically diverse Union [2].

The NGEU has been described by some scholars as a potential turning point in the evolution of EU fiscal integration. By issuing common debt for the first time, the EU has ventured into territory previously considered taboo — pooling national resources to tackle shared challenges. This move raises several questions about the future of fiscal union within the EU.

One of the most significant implications is the potential for increased fiscal solidarity across the EU. If the NGEU is seen as a success, it could pave the way for further integration in areas like shared fiscal responsibility, common budgetary policies, and even the creation of a more permanent EU fiscal capacity. The success of NGEU could also fuel debates about the need for EU-wide taxation powers and a common treasury — moves that would be essential to supporting deeper fiscal union [19].

At the same time, the NGEU underscores the political limits of EU integration. While the recovery fund marked a political breakthrough, it also revealed the fundamental differences in the economic priorities and fiscal approaches of Member States. While some view NGEU as a step towards greater integration, others see it as a one-time emergency measure that does not fundamentally alter the Union's fiscal architecture.

The role of the European Parliament was also crucial in shaping the political dynamics around the NGEU. While the European Commission and the European Council took the lead in negotiating the recovery fund, the Parliament provided a forum for debate and scrutiny. MEPs from various political groups, particularly the Progressive Alliance of

Socialists and Democrats (S&D) and the Greens/European Free Alliance (Greens/EFA), were strong proponents of the NGEU, pushing for more ambitious reforms and greater emphasis on social and environmental sustainability [3].

Public opinion across the EU was also a key factor. In countries like Italy and Spain, where the pandemic had taken a particularly heavy toll, public support for EU intervention was high. In contrast, in some northern countries, such as the Netherlands, public opinion was more skeptical, with concerns about debt mutualization and the potential for moral hazard.

## CONCLUSIONS

The NextGenerationEU (NGEU) recovery fund marks a transformative chapter in the European Union's efforts to address the economic, social, and political aftermath of the COVID-19 pandemic. It represents an unprecedented exercise in EU solidarity and economic governance, as the Union seeks to promote a resilient, sustainable recovery while safeguarding its internal cohesion. However, while the NGEU has the potential to significantly advance the EU's long-term goals, its journey has been fraught with both challenges and criticisms.

On the one hand, the NGEU demonstrates the EU's commitment to solidarity, particularly through the Recovery and Resilience Facility (RRF), which targets support for the most economically vulnerable Member States. By focusing on green transformation, digital innovation, and resilience-building, the fund also aligns with the EU's long-term strategic vision for a sustainable and inclusive future. The fund offers a much-needed economic lifeline and aims to reduce the disparities between wealthier and economically struggling regions, ultimately promoting greater economic cohesion within the EU.

On the other hand, the implementation of the NGEU has highlighted significant administrative and political challenges, with delays in the approval of national recovery plans, concerns over the EU's rising debt levels, and debates over the conditionality tied to the disbursement of funds. These factors have given rise to political divisions within the Union, particularly regarding the rule of law conditionality and the perceived erosion of national sovereignty. Moreover, the fund's equity and fairness in distributing funds across different Member States has sparked criticism, as some argue that the wealthier nations benefit disproportionately, while poorer regions may struggle to meet the criteria for recovery funds.

Despite these obstacles, the NGEU has undeniably strengthened the EU's position on the global stage, showcasing its capacity for coordinated action in the face of an unprecedented crisis. The fund's focus on future-proofing the EU's economy in terms of digitalization and green investment holds the potential to ensure not only an economic recovery but also a long-term transformation that will prepare Europe for future challenges, be they economic, environmental, or geopolitical.

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