National governments have been at the frontline of the economic response to the pandemic crisis and will remain ultimately responsible for the success or failure of the European response. The design of the national recovery strategies and their implementation is essentially what will determine the fate of the Next Generation EU initiative.

European institutions have not let member states walking alone in this crisis and do have a keen interest that the new EU instruments work, are well received by the European people and deliver on the premises of restoring socio-economic conditions. Among the instruments put in place, the Next Generation EU initiative (NGEU) is certainly the most substantial contribution for the economic recovery in the years to come.

Both in the Commission initial proposal and even more after the Council deal of the 21st July large part of the EU financial support will be under shared management of the Member States and the Commission, while only a smaller part of the NGEU funds will finance 'European public goods' and instruments under direct management of the Commission. This means that the member states will play a key role in guaranteeing the success of the recovery plans.

In fact, the key components of the NGEU initiative are the Recovery and Resilience Facility (RRF) which, endowed with resources of 672.5 billion euro (of which 312.5 grants and 360 loans), will serve to finance the National Recovery Plans, and React-EU, which – with 47.5 billion euro – will top up national cohesion funds. Together these funds cover 96% of the entire NGEU envelope. To understand the magnitude of the EU support, we can quickly look at the support of the RRF and React-EU, considering the only grants component of the former, to individual member states in % GDP. As stressed by Alcidi, Gros and Corti 2020, Southern and central-eastern European countries will be the biggest beneficiaries of financial support, receiving as much as 1% to 3.5% of domestic GDP each year over the period 2021-24 (see **Figure 1**). Certainly not peanuts, if we consider that such amounts will entirely cover the entire yearly public investment, such as in Croatia, Bulgaria and Portugal, or half of it, such as in Italy, Poland and Spain.

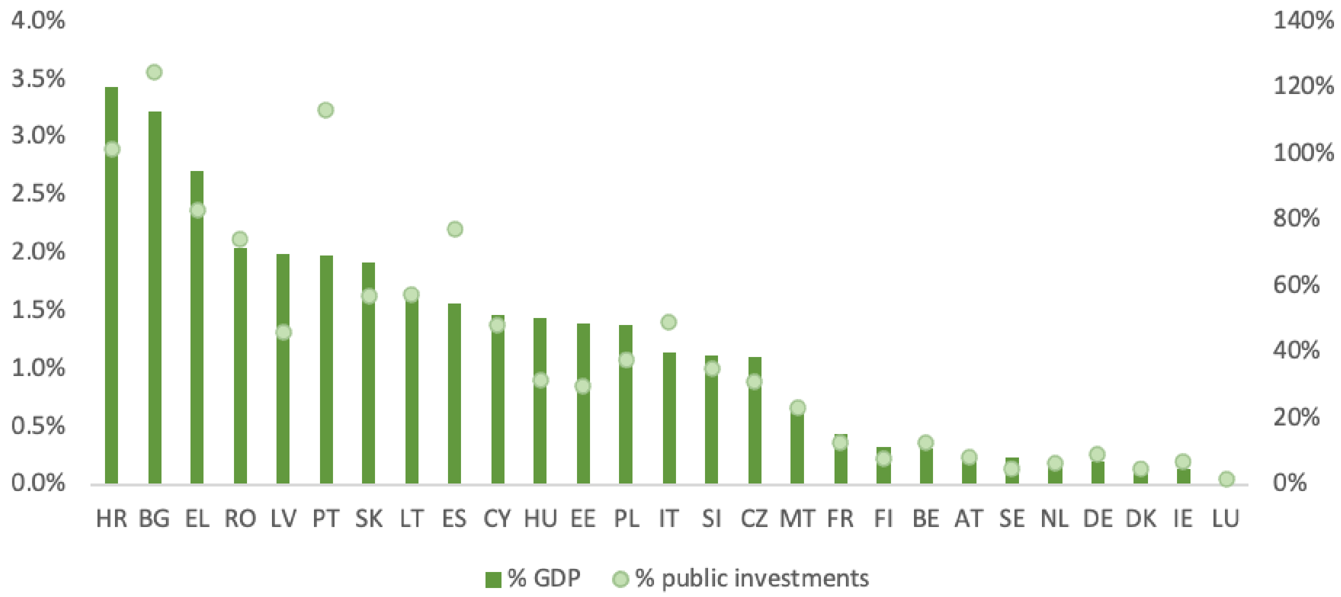

Figure 1. Annualised NGEU grants support per member state as % GDP (2021) and as % of public investments (Source: own calculation, based on European Commission data, 2020)[1].

The RRF and React-EU constitute an unprecedented financial support to Member States' anti-crisis measures and economic policy. The paramount aim, recognised by European institutions, consists in supporting member states' recovery after the pandemic by increasing national public investments. In this respect, two clear priorities will steer the EU revision of National Recovery Plans – and therefore the budgetary allocations:the green and digital transitions. At the same time, the Commission explicitly recognised the importance of a fair and inclusive recovery. To this end, in order to ensure that the green and digital recovery will also be able to deliver better social outcomes the Commission identifies the Semester as the European tool to steer recovery strategies.

As highlighted by Crum 2020, with NGEU, the European semester radically changes its character from a non-binding structure for policy coordination to a vehicle for the allocation of a large-scale financing. This change, however, is all but an easy task. A point we want to stress in this contribution concerns the capacity of the Semester to actually steer Member States' reforms and effective responses. Put it differently, is the current set of indicators adequate to identify country specific needs, and in particular social needs? Without a thorough monitoring of the deficiencies in health, educational, and employment outcomes, how can the Commission provide country specific recommendations pointing towards an inclusive recovery?

In this respect, as recently shown by Antonucci and Corti (2020),the Semester has a lack of indicators focusing on inequality and social imbalances. In particular in the area of social investment, the focus on inequality in access to services is missing, whereby the current set of indicators does not indeed provide a full account of what is called inequality of opportunities.

Let us take a concrete example by looking at the situation of European children. The COVID-19 crisis has challenged children's education, care and well-being. Many parents struggled and will continue to struggle to balance their responsibilities for childcare and paid employment, with a disproportionate burden placed on women. Indeed, the work of childcare is done predominantly by women, including mothers and also other female caregivers such as grandmothers, siblings and workers in the childcare sector. With childhood education and care services suffering major disruption in the aftermath of the lockdown, the consequences for the educational targets, family well-being and inclusiveness deserve attention.

At the moment, however, the Semester scoreboard includes one indicator that measures the performance of member states' childcare policies: 'children aged less than 3 years old in formal childcare' (along with the number of hours of services per week). This is clearly not enough. To properly assess the increased inequality in access to childcare services among children and the consequent imbalances in education, mothers' employment and income, different aspects should become part of the picture. As an example, it would be essential to disaggregate enrolment in terms of the socio-economic background of families, so to understand whether, for instance, services disproportionately serve children from middle-high income households, or parents already employed, as well as particular geographical areas (notably centres/urban) or regions. As underlined by Morabito and Vandebroeck (2020), only 20% of children from bottom income households have been enrolled in childcare, while the percentage rises to 70% for top income households. In addition, it would be important to have indicators about participation of children in private and public childcare services, the quality of services and measurements of outcomes in terms of child development and wellbeing, along with the share of monthly income of households devoted to childcare fees. A more complete set of information would allow to better assess inequalities and its drivers and suggest more efficient policies and actions to tackle imbalances.

The present Semester's scoreboard, also includes one indicator on children material poverty but considering only children falling below 60 per cent of median income, thus excluding a large part of the middle class. In this case, rather than failing in assessing the status of the most disadvantaged, the indicator does not provide relevant information about trends with regards to middle-income households, which have seen a severe degradation of their living conditions as a result of COVID19, and thus increasing risk factors for children. Moreover, other dimensions of child poverty are not taken into account in the Semester scoreboard, such as material deprivation, parents' employment status and work life balance, along with access to key social services, such as adequate housing.

The lack of adequate indicators to measure distribution of socio-economic performance directly affect the capacity to elaborate appropriate recommendations to member states. This has a twofold consequence. On the one hand, it decreases the actual capacity of the Commission to steer member states reforms towards inclusive recovery. On the other hand, it risks that the funds allocated under Next Generation EU are used by member states for purposes not in line with the priorities identified by the Commission itself.

Conclusion

The Next Generation EU represents a unique opportunity that must be seized in order to guarantee a fair and inclusive recovery that meets citizens' expectations. For this to happen, however, an adequate monitoring is necessary to guarantee that equal opportunities are guaranteed to all citizens. The crisis has harshly hit the most vulnerable groups, non-standards (self-employed, part-time and temporary) workers, low-skilled labour force, women and young generations. Adequate targeting and tailor-made intervention are thus necessary to guarantee an inclusive recovery and build stronger basis for a resilient, truly fairer and inclusive economy.

Footnotes

[1] RRF: https://ec.europa.eu/info/sites/info/files/1_en_annexe_proposition_part1_v15.pdf
React-EU: https://ec.europa.eu/info/sites/info/files/com_2020_451_en_annexe_v1.pdf
EUCO: https://www.consilium.europa.eu/media/45109/210720-euco-final-conclusions-en.pdf

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