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Next Generation EU funding
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Contents

Foreword	03
Executive summary	04
Renaissance in Europe: Next Generation EU funding	06
Digitalisation and innovation	14
The environment and sustainability	20
Conclusion	25
About the research	27
Endnotes	28
Authors	29
Contacts	30



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Next Generation EU here

Foreword

The huge Next Generation EU (NGEU) funding programme for the development of Europe after the COVID-19 pandemic is now under way and is being supplemented by both local funds and private investments.

NGEU has the power to clearly define what the roadmap towards 'The Europe of tomorrow' will look like by prompting national governments to take action with immediate effect. Its impact on society, the EU economy and Europe as a whole over the next few years should be substantial if it is utilised correctly and in a timely manner. New investment will enable Europe to transition to a more resilient and competitive economy through digitalisation and innovation, while also addressing the challenges of climate change, resulting in a more inclusive society.

This report looks at the nature and aims of the NGEU programme and compares them with the expectations of citizens in the EU (and Europe more broadly), based on a survey of 4,500 respondents in seven EU countries and the UK, and it makes an assessment of the likely direction of change.

Although implementation of the programme is still at an early stage, we should expect to see positive transformation throughout Europe over the next few years, given careful coordination and suitable monitoring of progress, and we can make predictions about what some of the changes might be.

We hope that this report provides you with a valuable introduction to the profound changes that we might expect to occur across Europe in the next few years.



Karim Moueddene

Partner

Global Lead for European Institutions



Executive Summary

The Next Generation EU (NGEU) funding plan, which will distribute €750 billion (at 2018 prices, updated in August 2021 to €806.9bn at current prices) to assist recovery from the COVID-19 pandemic, will help to put the European Union on a path towards resilient economic growth. Its objective is to support transformational change within the EU and to meet the challenges of the future.

This report looks at the changes now under way and the extent to which they appear to be consistent with the expectations of citizens across the EU. For this purpose, Deloitte North & South Europe and Deloitte Central Mediterranean commissioned a survey to obtain the views of a representative sample of individuals in seven EU countries (Belgium, Denmark, France, Germany, Greece, Italy and the Netherlands).

It seems very likely that changes driven by substantial new investment, financed by NGEU funding, will have implications not just for the EU but also for non-EU countries within Europe, such as the UK and Switzerland. We have therefore also included within the survey the views of a representative sample of citizens in the UK, in order to make comparisons.

The survey was undertaken in Q2 2021, a critical juncture when the EU economy (and much of Europe in general) was starting to recover from the pandemic, and plans for NGEU funding were being formulated. Since then the funding programme has progressed and the plans to build a resilient and flourishing economy in future are now turning into action.

Our report considers how NGEU funding will help transform the EU as a whole, bridging the gaps between countries to create a more inclusive Europe that is moving forward at the same speed. It therefore takes a transnational approach to the analysis. However, we recognise that even among the seven EU countries in the survey there are differing expectations and views about the direction of development. And so while discussing the EU as a whole, we also recognise and highlight national differences.



Executive Summary

The report begins by identifying the enablers for social and economic revitalisation within both the EU and Europe as a whole, comparing people's expectations to the ambitions of the NGEU programme. While education and health are fundamental necessities for social and economic development, in this report we focus on the economic direction that the EU – and Europe more generally – is expected to take, with developments in the areas of digitalisation and innovation, and environmental transition and sustainability.

Everyone has a role to play. Governments and institutions need to rethink economies and establish systems for monitoring the impact of national recovery plans. Companies need to exploit opportunities arising from NGEU fund investments and embrace new business models that adapt to the pace of change. And societies need to embrace a new world of innovation, digitalisation and face up to the consequences of climate change.



Renaissance in Europe: Next Generation EU funding

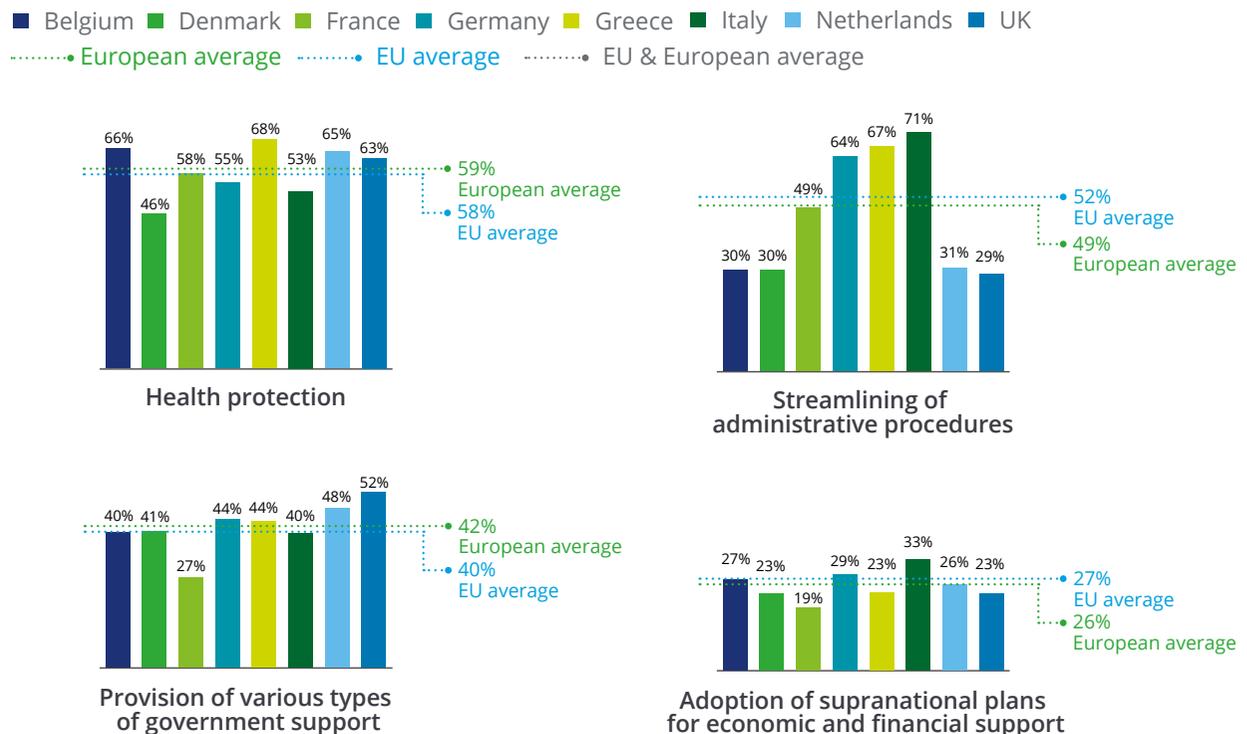
The requirements for social and economic recovery

Governments of all the major European economies have been looking at ways to recover from the COVID-19 pandemic. Among our survey respondents, most were already (in Q2) expecting recovery to occur by 2022, although some (particularly in Greece) did not expect recovery until 2023.

Respondents were asked about the factors that would be necessary for recovery. Not surprisingly perhaps, in view of their experiences during the pandemic, many identified the need to protect public health. The majority of the respondents thought that improvements in public administration were necessary, possibly due to dissatisfaction with their government's administrative efficiency. Many respondents also saw the need for various forms of government support at either national or supranational (EU) level, or both (see Figure 1).

More than one in four European respondents believe that resorting to supranational plans – such as the Next Generation EU programme – would be more effective at revamping the economy. This proportion rises to one in three among young people in Generation Z.

FIGURE 1
Strategic enablers for social and economic revitalisation



Q: What do you consider most effective to support the social and economic revamp of the country in which you live? European average = including responses from the UK. Baseline: full sample 4,530 respondents.

Renaissance in Europe: Next Generation EU funding

Public perceptions of actions by the EU and EU funding

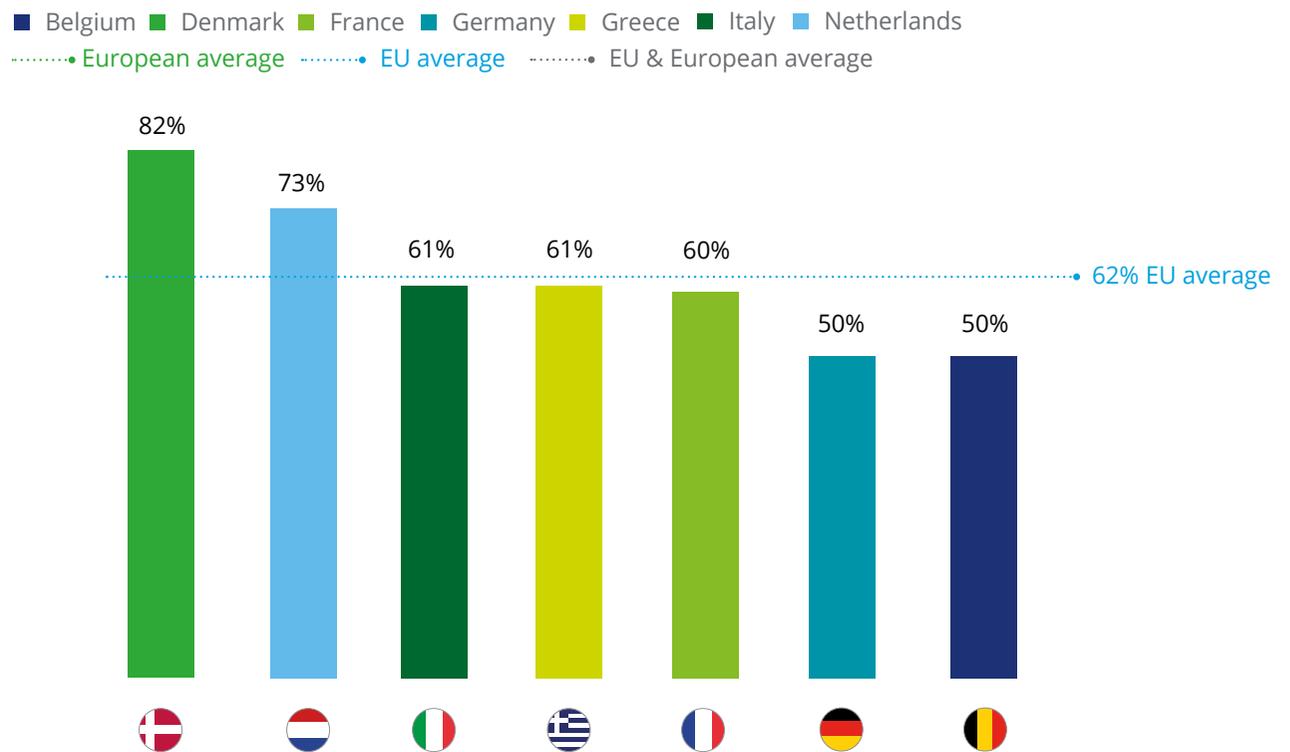
In general, survey respondents in the EU countries felt that their government had responded well to the pandemic and the health emergency, and appreciated the co-ordination between countries that the EU provided. However, there were some differences in opinion between countries (see Figure 2) due to perceived weaknesses in administration and communication by the EU authorities.

In the aftermath of the pandemic, public trust in EU institutions appears to have strengthened.

About 60% of EU respondents considered that 'now' might be an opportunity to strengthen the strategic leadership role of the EU.

That is supportive for the NGEU programme – the most extensive stimulus ever funded by the EU – as it seeks to lay the foundations for a more sustainable, digital-friendly and inclusive post-pandemic Europe.

FIGURE 2
Perception of actions by the EU in managing the health emergency



Q: Thinking about the policies and strategies implemented to date since the pandemic outbreak, what is your opinion on the work of the European Union? Respondents were asked to indicate their opinion on a scale of 1 – 5, from extremely negative (=1) to extremely positive (=5). The percentages shown are those respondents giving a rating of 3, 4 or 5. Baseline: full EU sample of 4,020 respondents.

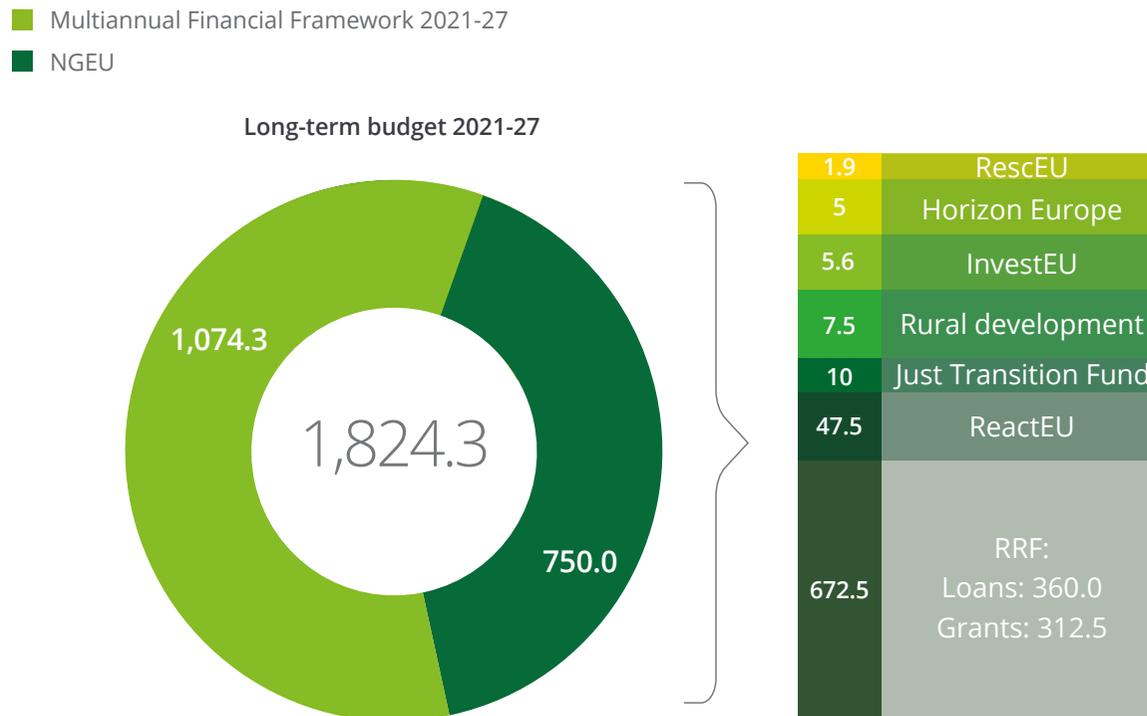
Renaissance in Europe: Next Generation EU funding

The NGEU programme

The ultimate goal of the NGEU programme is to tackle the socioeconomic consequences of COVID-19, by stimulating a recovery in GDP growth and helping to transform the EU and make it more resilient to future shocks, through its major development policies, particularly the European Green Deal and the digital revolution. The NGEU is an exceptional temporary recovery instrument that is included in the EU's Multiannual Financial Framework (MFF) 2021-27 (see Figure 3).

NGEU funds are being channelled through seven programmes. The largest of these is the Recovery and Resilience Facility (RRF, €672.5 billion at 2018 prices and €723.8bn at current prices) which will be provided in the form of loans and grants.

FIGURE 3
EU long-term budget, including NGEU (at 2018 prices, bn €)



Source: European Commission.

Renaissance in Europe: Next Generation EU funding

To access NGEU funds, especially those in the RRF, each Member State was required to develop a National Recovery and Resilience Plan (NRRP), setting out a coherent package of reforms and investment for the period 2021-26 in six areas: green transition; digital transformation; smart, sustainable and inclusive growth and jobs; social and territorial cohesion; health and resilience; and policies for the next generation, including education and skills. The EU has set broad guidelines for achieving economies of scale and shared goals, but for individual countries the main areas of intervention are based on country-specific recommendations adopted by the European Council and on the country's own particular needs and circumstances.

The NRRPs are assessed by the European Commission on the basis of set criteria, which include:

- Consistency with the country-specific recommendations adopted by the European Council.
- Strengthening the potential for job creation and growth, and the social and economic resilience of the Member State.
- Effective contribution to green and digital transition: national plans should allocate at least 37% of the budget to climate change and biodiversity, and a further minimum of 20% to digitalisation.
- Efforts in support of social inclusion and cohesion.
- A need to safeguard medium-term budget sustainability, focusing on increasing investment and the quality of public financing.

FIGURE 4

Share of total spending in NRRPs allocated to sustainability and digitalisation

 Belgium  Denmark  France  Germany  Greece  Italy

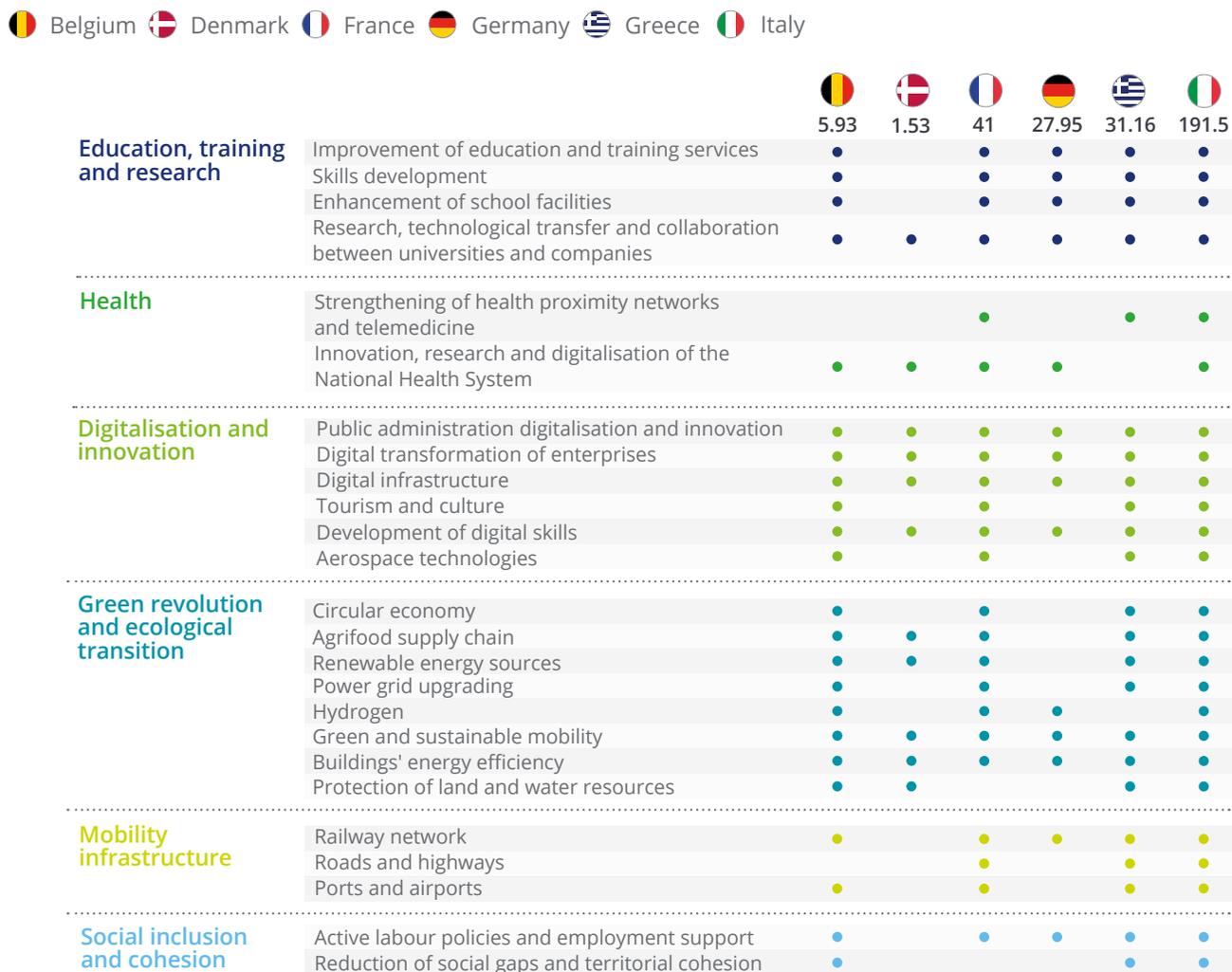
Missions	Environment and the fight against climate change	Digitalisation
Minimum threshold required by the EU	37%	20%
	50%	27%
	59%	25%
	46%	21%
	42%	52%
	38%	23%
	37%	25%

Source: Deloitte analysis based on data from the European Commission. The Netherlands not included as it had yet to submit its NRRP at the time of publication.

Renaissance in Europe: Next Generation EU funding

At the time of writing, most of the NRRPs have been approved and the first funds are being distributed. A comparative analysis of the NRRPs shows that the main areas of planned intervention are similar for the various countries covered by our survey. Individual projects for funding reflect the specific needs of each Member State (see Figure 5). However, it seems likely that opportunities will also arise for co-operation on some initiatives between countries, for example where these are undertaken by international companies.

FIGURE 5
A comparison of the NRRPs of the countries in the survey (at 2018 prices, bn €)



Source: Deloitte analysis based on the NRRPs. The Netherlands not included as it had yet to submit its NRRP at the time of producing this report.



Renaissance in Europe: Next Generation EU funding

Confidence in the ability of governments to use NGEU funds effectively

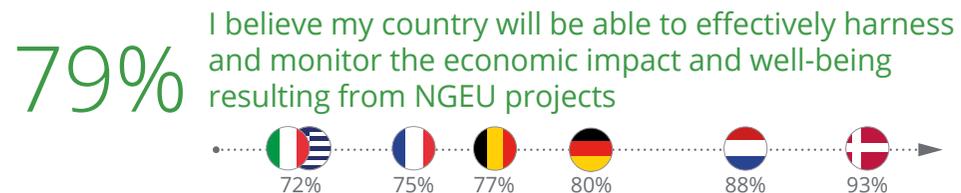
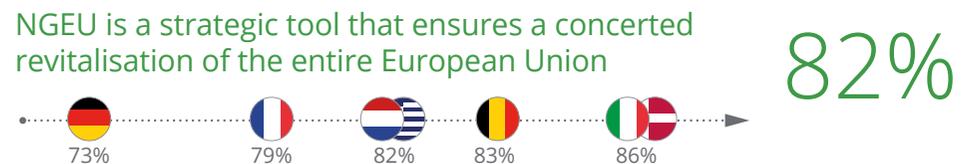
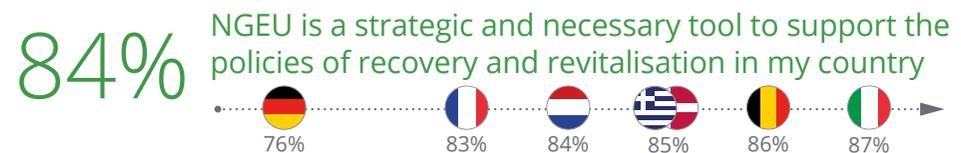
Confidence in the ability of governments to make effective use of NGEU funds was high among survey respondents (see Figure 6).

More than eight out of ten respondents from the EU countries thought that the NGEU is a strategic and necessary instrument to support the revitalisation of both their country and the EU as a whole.

However, sentiment was not quite as strong in France and Germany compared to the other Member States.

FIGURE 6
Sentiment regarding the NGEU

 Belgium
  Denmark
  France
  Germany
  Greece
  Italy
  Netherlands



Q: To what extent do you agree with the following statements? Baseline: full EU sample 4,020 respondents.

Renaissance in Europe: Next Generation EU funding

In general the guidelines proposed for NRRPs by the EU meet the needs and expectations of our survey respondents.

Aspects of education (73%) and healthcare (53%), which feature in all NRRPs, are seen as a prerequisite for future growth.

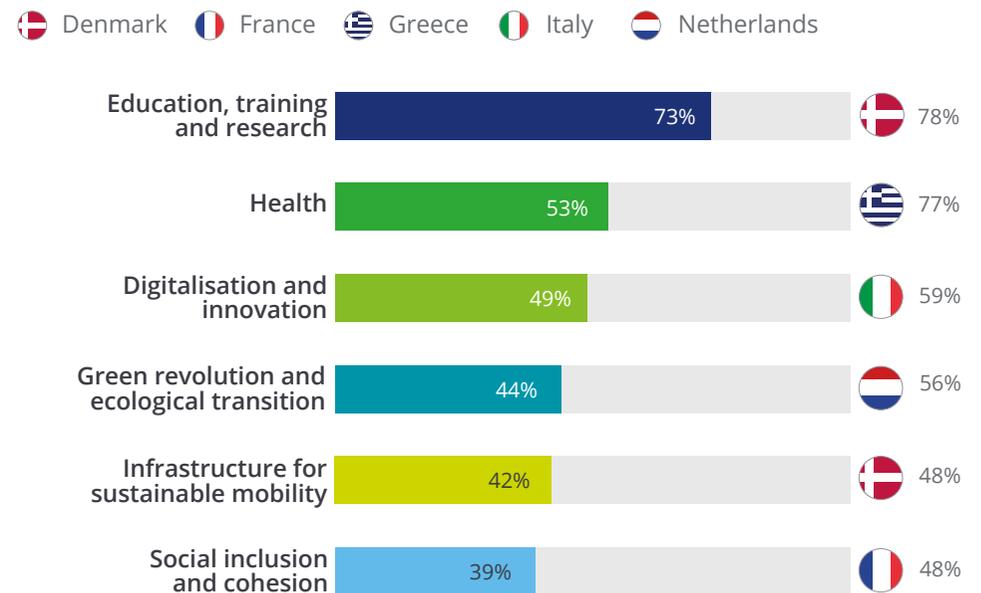
In addition, many respondents considered that the most important interventions at a structural level should be for digitalisation and innovation that support both people and businesses (49%), and a 'green revolution' to preserve the natural environment for future generations (44%).

The emphasis on supportive digital technology was greater among the 'silent generation' (those born between 1926 and 1945), who discovered its usefulness and value in responding to everyday needs during the pandemic. In contrast, the younger age groups (Millennials and Generation Z) are more sensitive to and have greater expectations for environmental protection (see Figure 7).

It is essential that NGEU-related investments and reforms should be monitored continually, to ensure that they are achieving their intended purpose and meeting EU requirements.¹ In this regard, our survey respondents (about 80%) have a high level of trust in their government to spend the funds well and to monitor the spending effectively (see Figure 6).

FIGURE 7

NGEU priority areas to relaunch Member States: views of respondents



Q: In your opinion, among the areas of intervention identified by Next Generation EU, which are the most important ones to invest in to revitalise your country? Baseline: full EU sample 4,020 respondents.

Bars report the average EU data. The country flag represents the highest voting area of interest across the EU.

Focus on:



Education



Training



Research

One in two survey respondents would like to see more emphasis placed on education, training and research in a post-pandemic future

Respondents in all countries in the survey recognise the importance of investment to improve education and training. It is crucial to educate society so it can more easily adjust to a digital and sustainable economy and unlock its full potential. There is a virtuous circle of education and training improving the scale of innovation in each country and community well-being, which in turn stimulates further education and training.

While some resources must be allocated to strengthening education and research, a policy aimed at economic development cannot disregard workforce training, both to enrich existing skills (upskilling) and to acquire new skills (reskilling). The 2021 Deloitte Global Human Capital Trends found that 72% of business leaders believe that reskilling and workforce flexibility and mobility will be increasingly important in the future of work.²

In education and research the initiatives that survey respondents believe can contribute most to building an innovative country include not only modernisation of their system (55%) – especially in Germany and Greece (both 70%) – but also strengthening ties between universities and businesses (51%), for instance through support for applied research and innovation ecosystems that help accelerate technology transfer. For example, many companies (two out of three) in Europe enter into strategic alliances with external partners of various types to develop smart manufacturing initiatives.³

In training, one of the priorities identified by respondents is the need to develop and enhance analytical skills and soft skills (31%), including problem-solving. This need is felt in particular by younger people (44% of Generation Z) who view these skills as a means of shaping a highly innovative future. It seems likely that there will also be a need to develop competencies in STEM subjects (Science, Technology, Engineering and Mathematics).

Digitalisation and innovation

Increasing use of digital technologies

The need for social distancing or self-isolation during the pandemic increased not only the use of digital technology by businesses and individuals (in many cases for the first time), but also the awareness of its potential. Digitalisation is affecting all of Europe, not just the EU.

Survey respondents have been open to change, with only 12% finding it difficult to get used to a digital environment.

New lifestyles and consumption patterns are emerging: more than 50% of respondents will continue making contactless payments and using online apps and services after the end of restrictions. This trend is particularly strong in the UK.

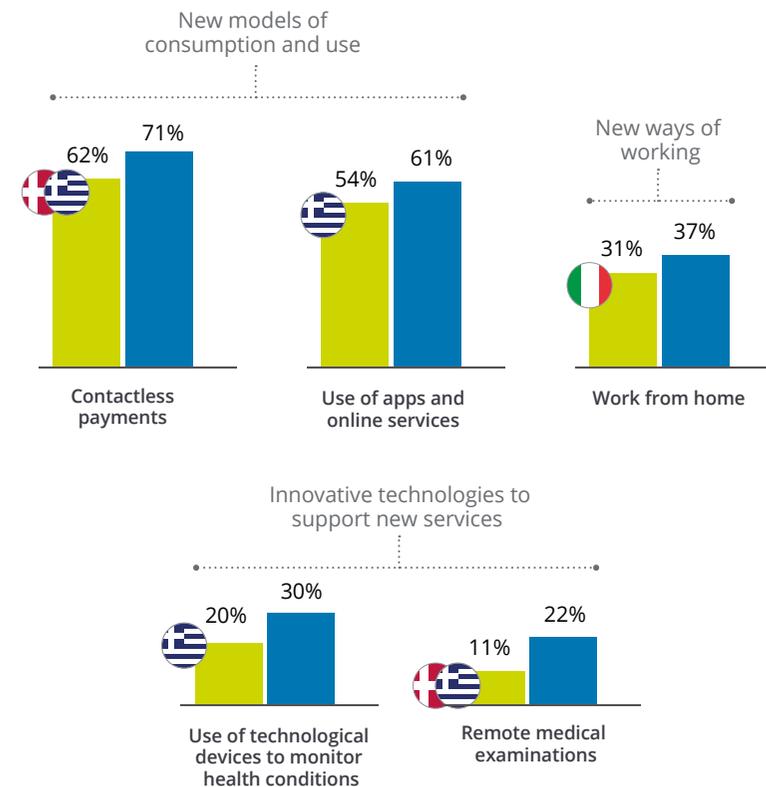
Some of the changes accelerated by COVID-19 have become part of a new everyday routine that is likely to continue well into the future. About one-third of respondents plan to continue to work remotely, although this is likely to become part of a 'hybrid' model, alternating physical presence in an office with working from home. The perceived value of digital technology also extends to the health sector: one respondent in five will continue to use technological devices (such as smartwatches and fitness trackers) to monitor their health; and one in ten intend to make use of telemedicine (see Figure 8).

FIGURE 8

Uses of digital technology likely to continue post-pandemic

■ EU ■ UK

🇩🇰 Denmark 🇬🇷 Greece 🇮🇹 Italy



Q: In your opinion, among the areas of intervention identified by Next Generation EU, which are the most important ones to invest in to revitalise your country? Baseline: full EU sample 4,020 respondents.

The country flag represents the highest voting area of interest across the EU.

Digitalisation and innovation

The value of digital technologies is not limited to benefits such as saving time (49%) or economic advantage (30%), but also includes added value through better access to information (46%), a wider choice of products and services (31%), and even the creation of new professions and business opportunities (27%). Just as important was the proportion of respondents who also mention health improvement (25%) as a benefit, thanks to telemedicine and wearable devices.

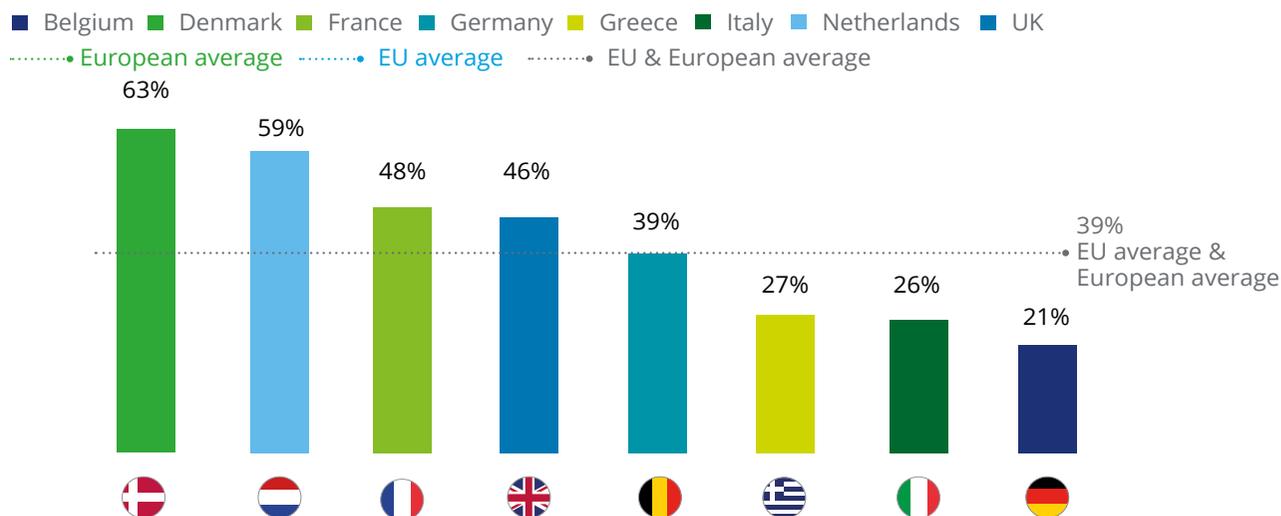
This trend towards digitalisation implies an irreversible shift from previous ways of doing things in favour of new habits based on higher productivity and (for businesses) competitiveness. Crucially, digitalisation goes hand-in-hand with innovation.

Unlocking the potential of digitalisation: areas of greatest concern

While the pace of digitalisation opens up prospects for developing, accessing and using innovative products and services, there are still obstacles to overcome.

FIGURE 9

Satisfaction with the level of digitalisation



Q: Thinking about the level of digitalisation and innovation in the country where you live, how satisfied are you? Respondents answered on a scale of 1 to 5: 1= Very dissatisfied, 5= Very satisfied. The percentage figures for 'satisfied' are those giving a rating of 4 or 5. Baseline: full sample 4,530 respondents.

Only four out of ten survey respondents – in both the EU countries and the UK – are satisfied with the level of digitalisation in their country. This confirms the strategic importance of allocating NGEU funds to strengthening digital skills and infrastructures.

There are big differences in the degree of satisfaction with the level of digitalisation between the various countries (see Figure 9). The highest levels of satisfaction are in Denmark (63%) and the Netherlands (59%), and the lowest are in Greece (27%), Italy (26%) and Germany (21%). These are significant gaps, especially given the need for new investment and revitalisation on uniform foundations and the importance of avoiding a 'multi-speed' Europe.



Digitalisation and innovation

A challenge for governments is to define priorities for investment of NGEU funds in digitalisation. Many respondents emphasised concerns of a personal nature, such as personal data protection (42%), the loss of interpersonal contact (42%) and the fight against digital illiteracy (40%). For others there are infrastructure issues, such as efficiency in public administration (49%) and the improvement of broadband connectivity (31%) (see Figure 10).

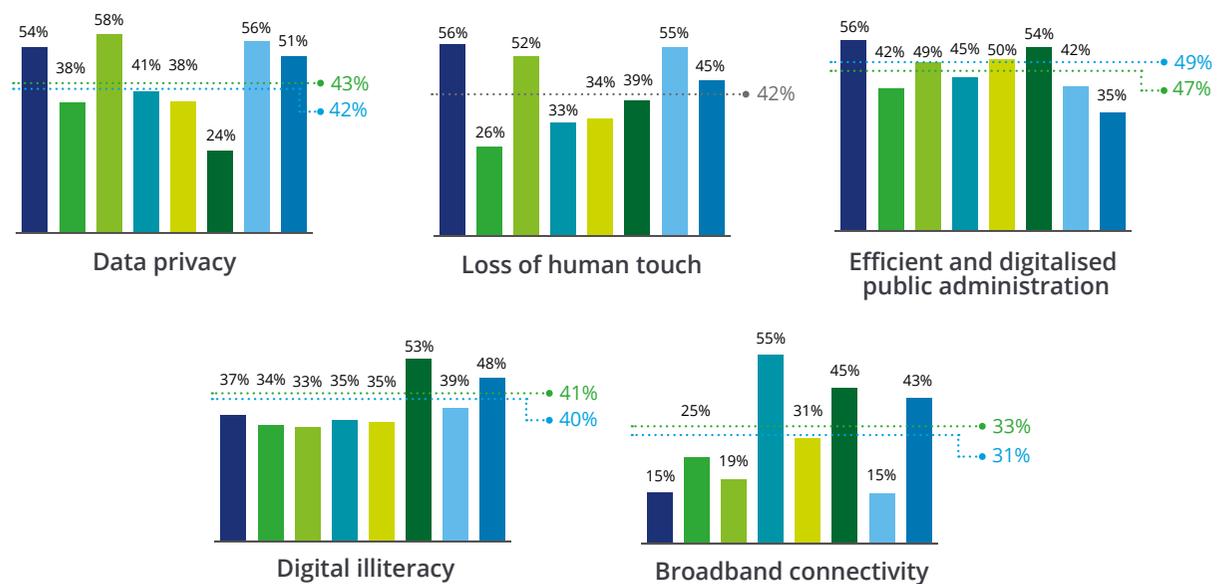
Public administration efficiency is an issue common to respondents in all the EU countries. Personal data protection and the preservation of human interaction were a particular concern in France, Belgium and the Netherlands. The lack of state-of-the-art digital infrastructure was a bigger concern in Germany and Italy, where digital illiteracy is also an issue.

While NGEU funds can be regarded as an enabling condition for economic recovery through digitalisation, governments, companies and other institutions need to approach innovation from a 'human-centric' perspective, i.e., one focused on people's real needs: convenience, ease of use and accessibility.

FIGURE 10

Main areas of improvement in digitalisation

■ Belgium ■ Denmark ■ France ■ Germany ■ Greece ■ Italy ■ Netherlands ■ UK
 European average EU average EU & European average



Q: What actions have you taken to make your lifestyle more sustainable and environmentally conscious? Baseline: full sample 4,530 respondents.

Digitalisation and innovation

Cybersecurity



In 2020, 31% of all global cyber-attacks were carried out in Europe.⁴ This threat is likely to grow in terms of both frequency and sophistication, given the increasing number of devices accessing the internet. Furthermore, as society becomes increasingly digital, governments are being urged to develop their cyber-security skills. Within its Digital Europe 2021-2027 programme, the EU has planned to spend €1.6 billion on cyber-security for public administration, the business community and its citizens.⁵ Among respondents in France, 58% regarded cyber-risk as a particular concern. In February 2021 the French government allocated €1 billion to create a cyber-security ecosystem⁶ and plans to distribute an additional €500 million from NGEU funds.⁷

Human-centric digitalisation: building digitalisation around people



Although people are becoming more accustomed to digital technology, entirely virtual relationships frighten them, particularly among younger age groups (45% of Generation Z). Institutions and companies should therefore develop innovative hybrid processes that integrate and balance the physical and virtual to provide the best possible experience. Awareness of this issue is particularly high among respondents in Belgium (56%) where €24.8 million of funds for NRRPs have been allocated to educational projects that include the creation of a learning experience where digital technologies, (e.g. augmented and virtual reality) complement traditional teaching.⁸

Digital literacy



Fighting digital illiteracy is one of the main priorities for economic recovery and the revitalisation of Europe. The EU's Digital Agenda aims to train at least 70% of citizens in the 16-74 age group in essential digital skills within the next four years.⁹ Sustainable social and economic growth can only be achieved through continual improvements in workforce skills and reskilling. It has been estimated that by 2025 one in two workers will need to learn and develop new skills due to the increasing level of digitalisation in all economies.¹⁰ This was a particular concern for respondents in Italy (53%), where the government has allocated €1 billion from the NGEU programme to a New Skills Fund to promote continuous training, in line with national needs and growth objectives, and plans to use other NGEU-related resources to give tax credits to companies that invest in developing their employees' skills.¹¹

Digitalisation and innovation

Strengthening network infrastructures



Digitalisation and the revival of competitiveness at a national level require a profound shift in approach that will be achieved only by strengthening network infrastructures – not just for large urban centres but also for small towns and rural areas, reducing the digital divide in society. High-speed connectivity is a precondition for resilient digital economies. In this regard, all Member States must work towards a coherent investment plan with the common goal of overcoming the digital divide between EU nations. A common feature of all the NRRPs of countries in our survey is investment in digital infrastructure, albeit with varying orders of magnitude (see Figure 10). For example in Italy €6.7 billion have been allocated to support ultra-fast networks,¹² and in Germany investments in digital transition amount to €1.5 billion,¹³ including infrastructure projects. Even where connectivity improvements are of less immediate concern, countries have allocated some resources to digital infrastructure: in Greece, €453 million,¹⁴ in France €300 million,¹⁵ in Belgium €187 million¹⁶ and in Denmark 100 million kroner.¹⁷

Improving public administration



One final area of intervention for digital investment is to improve the administration of public services, making them simpler and faster, and to raise the level of public trust. The digitalisation of public administration will require investment to re-engineer procedures and redesign services. In Italy, for example, this is a significant concern of survey respondents (54%), and the government has committed to using NGEU funds (€9.7 billion) so that within the next five years 75% of government agencies will use cloud services, with interoperability between the databases of public agencies and improvement in services such as payments and communications.¹⁸ By comparison, in Belgium although 56% of respondents expressed concerns about public administration, the country's NRRP provides for investment of just €585 million.¹⁹

Digitalisation and innovation

The role of digitalisation and innovation in the revitalisation of Europe

Digital technology will have a central role in building a better Europe as it recovers from the pandemic.

For more than nine in ten survey respondents, both in the EU and the UK, a successful digital transition will require the collective efforts of all stakeholders – in education, business, and society with appropriate guidance from government.

More opportunities than risks can be identified. The challenge for players in both the public and private sectors is to use technologically advanced solutions (such as the internet of things, artificial intelligence, blockchain, data analytics and the cloud) in their strategies and investments in order to facilitate innovation. A crucial objective of digitalisation and related innovation should be to create new value for society in the broadest sense by putting people at the centre of future development plans.



The environment and sustainability

Protecting the environment

A report by the European Commission in March 2020 included a prediction that global consumption of the Earth's material resources would double in the next 40 years, and that the annual production of waste would increase by 70% 2050.²⁰ These are problems that no country can ignore. To address these challenges, strategies are being developed in Europe – and in particular the EU – for a transition to a resource-efficient economic model that does not rely on resource consumption for economic growth, and where net greenhouse gas emissions are zero.

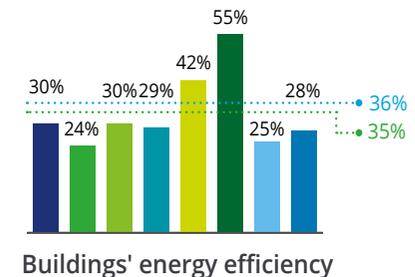
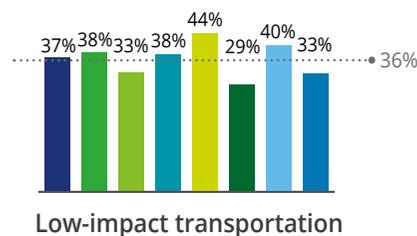
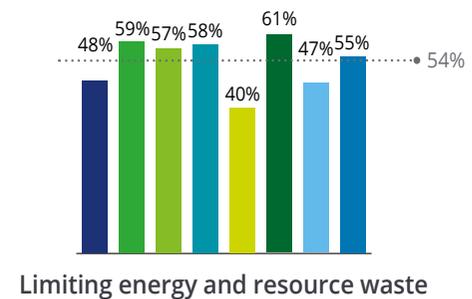
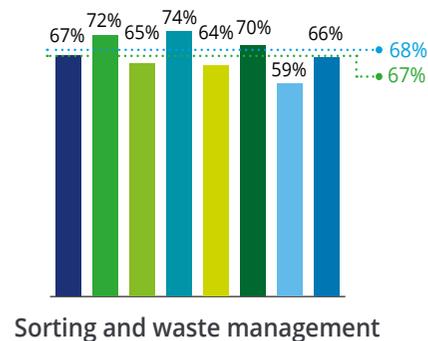
Respondents to our survey support these objectives, not just at a theoretical level but also through practical actions in everyday life.

Among respondents in EU countries, nearly half (45%) say they have adopted a more sustainable lifestyle and pattern of consumption and do not want to give it up. Respondents in the UK have similar views.

FIGURE 11

Sustainable actions by citizens

■ Belgium ■ Denmark ■ France ■ Germany ■ Greece ■ Italy ■ Netherlands ■ UK
 European average EU average EU & European average



Q: In your opinion, which of the following issues are most relevant to digitalisation? Baseline: full sample 4,530 respondents.

Day-to-day actions among EU respondents include waste sorting and management (68%), limiting energy and other natural resources waste (54%) and preferring low environmental impact transport (36%) (see Figure 11).

In 2020, more than two million electric or hybrid cars were registered in the EU, an increase of 170% and nearly 60%, respectively, compared with 2019.²¹

The environment and sustainability

The attitudes of respondents are also seen in longer-term choices, such as investing in the energy efficiency of homes (36%). This is a critical concern among respondents in Italy (55%) and Greece (42%), whose respective governments have allocated €15.4 billion²² and €2.7 billion²³ in their NRRPs.

More than one in four respondents in the EU (and especially in Germany) indicated that they are willing to pay a higher price for an environmentally sustainable products or services.

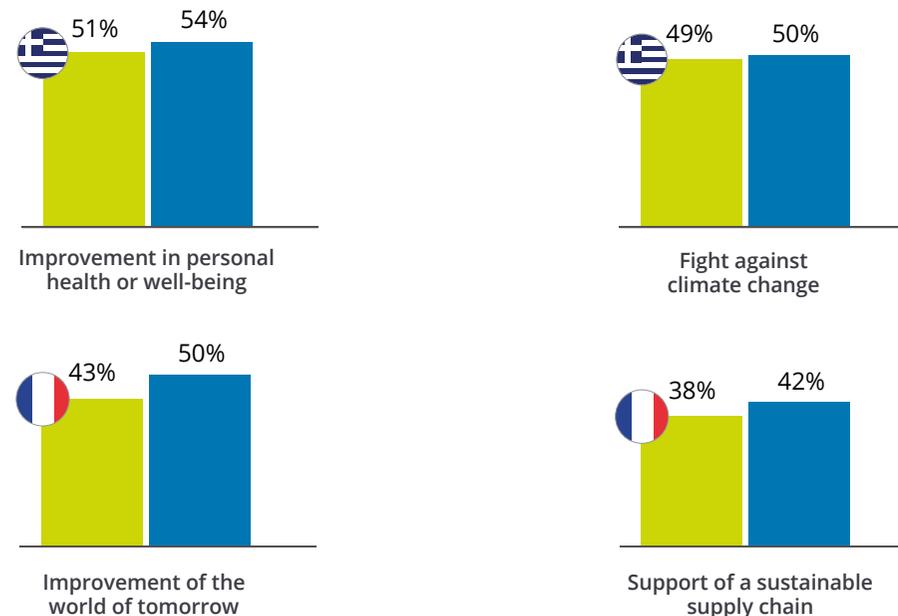
About four in ten consider sustainability first and foremost to be a personal responsibility.

The interest in green issues in Europe appears to be motivated not only by personal concerns, such as improvement in personal health and well-being (51%), but also by collective goals, such as the fight against climate change (49%), improving the world of tomorrow (43%) and promoting a sustainable supply chain (38%) (see Figure 12).

FIGURE 12

Perceived benefits of a sustainable lifestyle

■ EU ■ UK
 🇫🇷 France 🇬🇷 Greece



Q: What benefits do you expect to achieve by adopting a more sustainable and conscious lifestyle? Baseline: full sample 4,530 respondents.

The country flag represents the highest voting area of interest across the EU.

The environment and sustainability

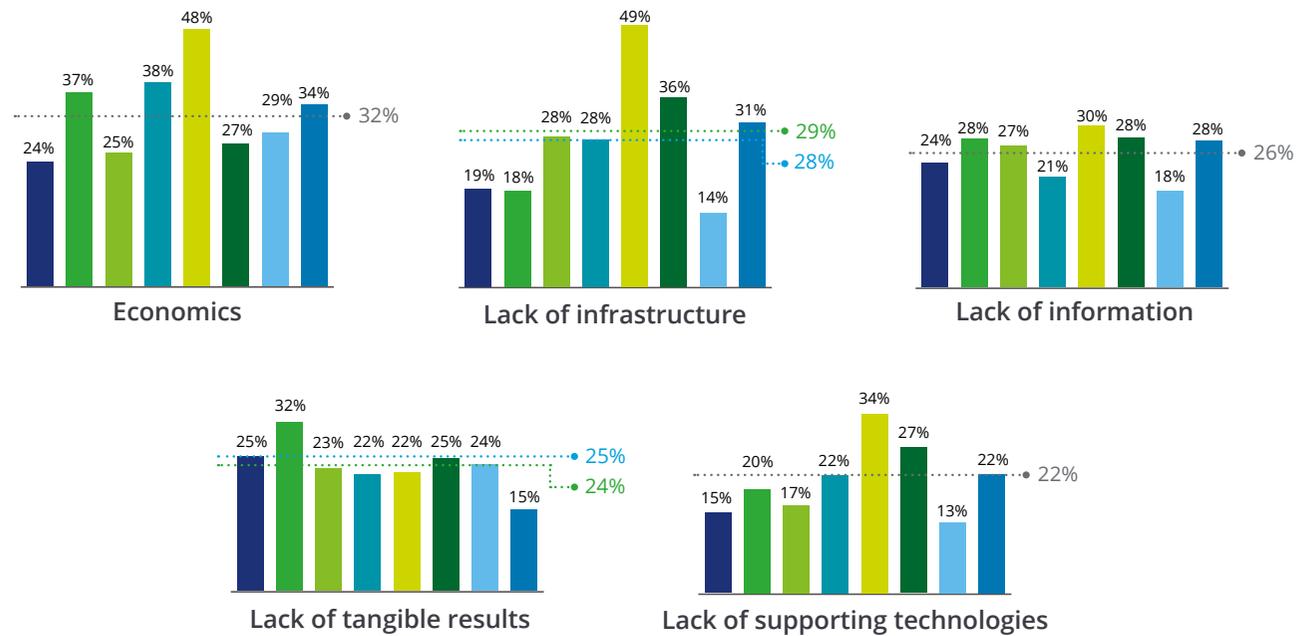
Challenges in making a green transition

In spite of citizens' perceptions, there is a contrasting picture between the good intentions of individuals and the difficulties in putting them into practice. Structural problems hinder the adoption of sustainable behaviours. Respondents complained about inadequate infrastructure (28%) – especially in southern European countries, Greece (49%) and Italy (36%) – the lack of sufficient information about the impact of their actions or possible alternatives (26%), the lack of tangible results (25%) and the lack of technologies that support ethical choices (22%) (see Figure 13).

FIGURE 13

Barriers to the adoption of a sustainable lifestyle

■ Belgium ■ Denmark ■ France ■ Germany ■ Greece ■ Italy ■ Netherlands ■ UK
• European average• EU average• EU & European average



Q: What are the main difficulties you encounter in taking sustainable actions? Baseline: full sample 4,530 respondents.



The environment and sustainability

Taking action for a sustainable environment

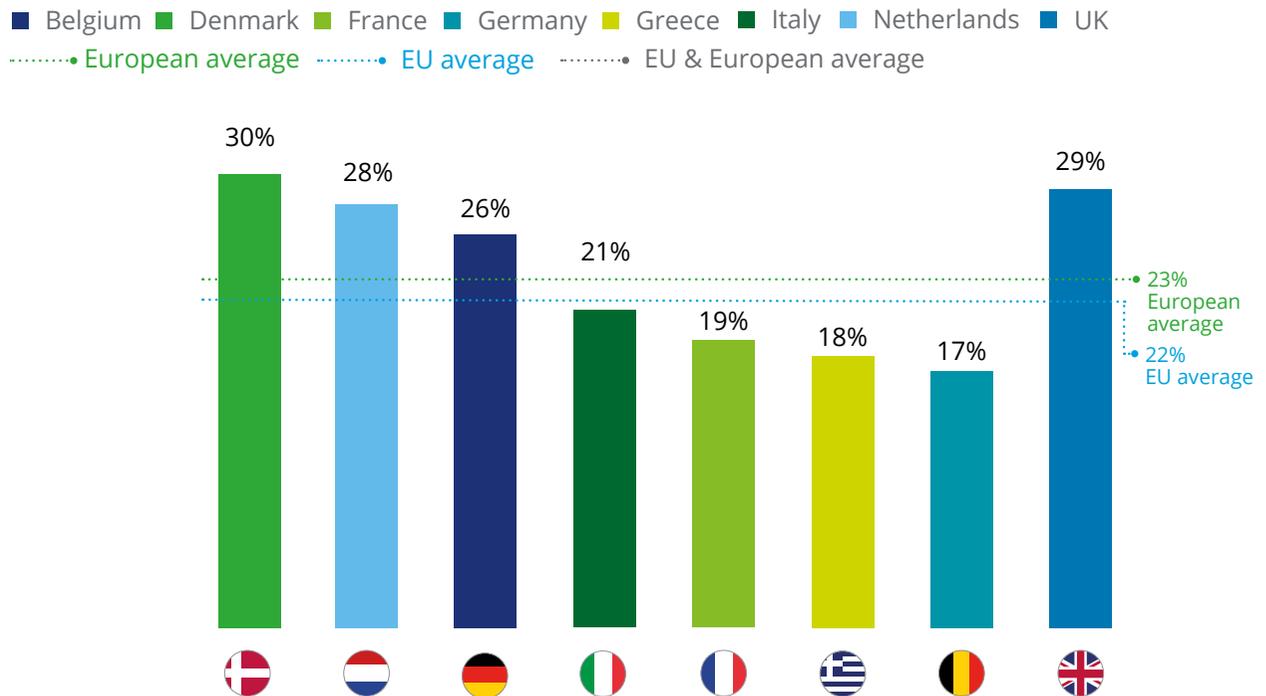
The task of government is to support the actions of businesses and individuals and to promote incentives, standards and regulations that facilitate access to sustainable products and services at the 'right price'. Through transition to a sustainable and circular economy it is expected that the GDP of EU countries will grow by an additional 0.5% by 2030, creating about 700,000 new jobs.²⁴

However, less than a quarter of respondents are satisfied with their country's level of environmental sustainability (see Figure 14). This suggests that the investment of NGEU funds could be crucial in supporting change.

National governments in the EU intend to allocate substantial resources from recovery programmes to the green transition. NGEU funds will be allocated to the refurbishing and energy upgrading of buildings, to renewable energy sources, including hydrogen, and to green mobility. The upgrading of buildings is a substantial item of expenditure across countries. Investment in renewables is particularly relevant for Italy (€23.8 billion),²⁵ Germany (€3.3 billion)²⁶ and Denmark (DKK645 million),²⁷ and solutions for more sustainable transport, such as bike lanes and electric vehicles, are a priority for the Belgian government (€1.3 billion).²⁸

FIGURE 14

Satisfaction with the level of environmental sustainability



Q: Thinking about the level of sustainability of the country in which you live, how satisfied are you with the overall environmental sustainability? Baseline: full sample 4,530 respondents.

The environment and sustainability

The task of government – supranational, national and local – is to guide the transition towards a more sustainable model for the environment, for example through awareness-raising, setting guidelines and promoting concrete action. However, the agenda for a climate-neutral and resource-efficient global economy requires the involvement of all stakeholders, including private businesses and the education sector, as well as the government.

While companies need to rethink and adjust their long-term growth strategies, many still have much to do to implement a comprehensive green strategy. Indeed there is evidence from the research that claims by companies that they are pursuing a green agenda lack substance.

In answer to the question, “In your country, which of the following sectors are making greater efforts to innovate with a truly sustainable approach?”, one in three respondents replied “None”.

Ideas for the future of Europe after the pandemic revolve increasingly around the broader concept of sustainability. Sustainability has three ‘pillars’: a sustainable environment, a sustainable economy and social well-being. It is not limited to protecting the environment, but also focuses on economic and social development.

From a business perspective, protecting the environment and reconciling it with economic progress and social well-being calls for a new approach and considerable investment. Business organisations need to implement – if they have not already done so – a strategy for sustainability aligned with the perceptions and needs of their customers and society in general.

Sustainability is an essential condition for balanced and long-lasting development. In allocating NGEU funds, EU governments should promote its principles and ambitions.

43% of Generation Z respondents in the EU would like to live in a country where sustainability is at the heart of investment policies.



Conclusion

The NGEU funding programme will lead to a large funding investment to regenerate society and the economy in Europe as it emerges from the disruption caused by COVID-19. NGEU funds will be directed towards three crucial pillars, identified by the EU, for positive change – digitalisation, innovation, and sustainability. These pillars represent the key to building a prosperous Europe of tomorrow, one that is built on strength to provide long-lasting growth.

So far, NGEU funding has set the wheels in motion for governments to begin to take action. Some countries are maximising the opportunities by utilising additional local funds. Italy, for example, has supplemented its NGEU funds with a 'Complementary Fund' of €30.6 billion. Moreover, the NGEU funding opportunity is acting as a catalyst for private investment towards a more digital, sustainable and inclusive future for businesses, governments, and citizens in the EU. Therefore, it is evident that the impacts of NGEU will be felt beyond EU borders and precipitate change throughout the European continent.

The future of Europe depends on its ability to regenerate its economies after the COVID-19 pandemic and establish a competitive position in the global arena. Just as in the United States and China, there is recognition in the EU of an urgent need to revitalise and transform the economy and make it resilient to future shocks, caused perhaps by another pandemic or by the consequences of climate change. The importance of the opportunities created by NGEU to build a better future, with a strong and growing economy and a more inclusive society, cannot be understated.

The programme aims to revitalise the EU and close the gaps between its best and least performing national economies. Although they differ, the national NRRPs appear to be in alignment with the expectations of the survey respondents (and by implication, those of people in the EU), and there is broad agreement about the necessary direction of change.



Conclusion

Although the programme is still at an early stage of implementation, we can make a number of predictions about some of the changes that are likely to occur:

- **Digitalisation will continue to be a driving force for change and innovation in all areas of business and society.** Large investments by the NGEU programme will in turn be a driving force in support of digitalisation and innovation. This is why the NGEU, as the largest-ever funding programme in the EU, creates a unique opportunity for growth and development.
- **The benefits of digitalisation should be experienced by everyone.** There is a risk that some sections of society could be left behind by technical progress, and people may feel isolated by the lack of human interaction in automated systems. It will therefore be important to ensure that as digitalisation increasingly permeates day-to-day life, applications should be ‘human-centric’ and people should find them accessible and easy to use.
- **Society, business and governments are recognising the need to create a sustainable society, and in particular to invest in measures to mitigate the effects of climate change and environmental damage.** Some observers (including survey respondents) feel that companies may express good intentions but are slower to take action. Many digital innovations in the future will be directed towards environmental protection and sustainability.
- **At the same time, concerns about sustainability are likely to influence digital innovation, and there will be resistance to digital change that could cause environmental damage.** There could be a virtuous circle between innovation and sustainability (which Deloitte refers to as ‘innovability’), in which digitalisation helps to create a sustainable environment and concerns about sustainability influence the nature of digital change. Nearly 60% of all survey respondents indicated

that innovation can accelerate the achievement of sustainability-related goals and that at the same time sustainability will increasingly mitigate the social and environmental risks often associated with innovation. Deloitte refers to the close connection between innovation and sustainability as ‘innovability’.²⁹

- **The promotion of a revitalised and resilient Europe through the NGEU programme, co-ordinated by the EU, will inevitably extend to other countries in Europe through a ‘ripple effect’.** For example, multinational companies that respond to incentives provided by NGEU funding to develop their businesses will inevitably extend their activities to countries outside the EU, such as the UK and Switzerland. The revitalisation of the EU will therefore benefit Europe as a whole.
- **The speed of innovation and change will depend on the extent to which organisations collaborate, through knowledge-sharing or technical transfers, or complement each other with their particular skills and expertise.** Many developments in digital systems and applications already rely on collaboration and interaction between many different organisations within a broad ecosystem. Our survey found that 37% of all respondents believe that collaboration between key players – government, universities and research centres, and businesses – will be important for sustainability and innovation. It therefore seems likely that creating a sustainable and economically sound Europe will require the co-operation of many different players.

Public and private investment under the programme is in its infancy but over time we will begin to see the socio-economic benefits that these funds will have on the whole of Europe. Although it is evident that the NGEU programme will be transformative, progress should be monitored closely to ensure lasting success. Overall, the NGEU funding programme and its spillovers create a unique opportunity to build a vibrant, inclusive and sustainable Europe of tomorrow.

About the research

The survey, which is part of Deloitte North & South Europe and Deloitte Central Mediterranean's proprietary project on the recovery in Europe and the NGEU programme, was conducted in collaboration with a research institute.

The online survey was carried out in eight European countries – Belgium, Denmark, France, Germany, Greece, Italy, the Netherlands and the UK – and involved 4,530 respondents. The samples from each country were representative of the adult populations by gender, age group and area of residence. Deloitte designed the questionnaire and also analysed the results. The analysis considered both an overall 'European average', which included responses from UK respondents, and an EU average of responses from just the EU Member States in the survey.

The survey was conducted in Q2 2021 and focused primarily on the following macro-themes:

- + Changes in social and economic priorities and behaviours post-pandemic.
- + Perceptions of the work of national governments and the European Union in response to the crisis.
- + Requirements for the revitalisation of the EU and individual countries.
- + Priority areas for the allocation of NGEU funds, with a particular focus on digitalisation and sustainability.



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Authors



Andrea Poggi

Partner

Clients & Industries Leader

Deloitte Central Mediterranean

apoggi@deloitte.it

Research & Editorial

Mariangela Campalani

Director

Clients & Industries

Deloitte Central Mediterranean

mcampalani@deloitte.it

Luca Bonacina

Manager

Clients & Industries

Deloitte Italy

lbonacina@deloitte.it

Contacts



Ian Geddes
Partner
Consumer Industry Leader
Deloitte North & South Europe
igeddes@deloitte.co.uk



Julian Leake
Partner
Financial Services Industry Leader
Deloitte North & South Europe
jileake@deloitte.co.uk



Kirsty Newmann
Partner
Deloitte Private Industry Leader
Deloitte North & South Europe
knewman@deloitte.co.uk



Helene Geijtenbeek
Partner
Global Innovation and
Investment Incentives
hgeijtenbeek@deloitte.nl



Carsten Jørgensen
Partner
Government & Public Services
Industry Leader
Deloitte North & South Europe
cajoergensen@deloitte.dk



Nico Kleyn
Partner
Life Sciences & Health Care
Industry Leader
Deloitte North & South Europe
nikleyn@deloitte.ch



Edward Shedd
Partner
Technology, Media & Telecommunications
Industry Leader
Deloitte North & South Europe
eshedd@deloitte.co.uk



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