FROM GRANTS TO COMMON BORROWING: RETHINKING EU FINANCIAL INSTRUMENTS IN THE POST-PANDEMIC ERA

Adrian-Constantin Popescu[1*], Raluca-Ioana Stănciulescu[2]
[1),2)] Bucharest University of Economic Studies, Bucharest, Romania

Abstract
In response to the pandemic and geopolitical crises, the European Union (EU) has introduced new financial instruments based on common borrowing, most notably NextGenerationEU and the Security Action for Europe (SAFE). These instruments expand the use of EU borrowing alongside regular budget financing, while their forms of support and governance arrangements differ. This paper explores whether the post-pandemic move toward borrowing-based financial instruments represents a temporary crisis-driven response or a deeper structural transformation in EU fiscal governance.
The study adopts an exploratory comparative institutional approach, comparing cohesion policy grant funding under the regular EU budget, the Recovery and Resilience Facility (RRF) within NextGenerationEU, and SAFE across six analytical dimensions. The analysis draws on EU legal acts, institutional reports and academic literature, with the Support to mitigate Unemployment Risks in an Emergency (SURE) instrument used as a supplementary historical reference.
The findings show that common borrowing finances both grants and loans under the RRF, while SAFE provides loans linked to defence investment plans and procurement requirements. The Commission's assessment and oversight responsibilities vary across the instruments. Documentary evidence supports continuity in financing practices and the reuse of borrowing arrangements, but does not establish increasing reversal costs or a permanent fiscal capacity. Overall, the paper concludes that the EU's post-pandemic financial evolution combines reusable financing capabilities with temporary programme mandates. The contribution lies in distinguishing the transferability of financing arrangements from the replication of an entire governance model.

Keywords
NextGenerationEU, Common borrowing, EU financial instruments, EU fiscal capacity, Recovery and Resilience Facility, Crisis management.

JEL Classification
E62, F36, H63

[*] Corresponding author, **Adrian-Constantin Popescu** - popescuconstantin14@stud.ase.ro

Introduction

The COVID-19 pandemic exposed limitations in the European Union's arrangements for economic coordination and crisis financing. Initial national responses were followed by EU-level measures intended to support recovery and limit economic fragmentation (Musiałkowska and Idczak, 2021; Kempf and Linos, 2024). At the same time, the pandemic has significantly influenced European integration processes, prompting the European Union to act within and beyond its existing powers and instruments to support Member States and subnational levels in managing the crisis.

Two dimensions of EU financing should be distinguished: the source of resources and the form of support provided to recipients. Resources can be mobilised through the EU's regular own resources system or through borrowing undertaken by the European Commission on behalf of the Union, while support can take the form of grants or loans. Common borrowing can therefore finance both repayable and non-repayable support. It is conceptually distinct from financial instruments such as loans, guarantees and equity used within cohesion policy to support final beneficiaries.

Established in 2020, the Support to mitigate Unemployment Risks in an Emergency (SURE) instrument allowed the Commission to borrow on behalf of the Union and provide loans to Member States in support of national job-retention measures (Council Regulation (EU) 2020/672; European Commission, 2023). Its inclusion offers a reference point for examining the continuity of common borrowing and changes in its policy uses.

The post-pandemic turning point is particularly associated with the emergence of a European-scale joint financing mechanism that explicitly combines grants and loans, accompanied by conditionalities and an innovative governance architecture. NextGenerationEU subsequently expanded the scale and policy scope of borrowing-financed EU intervention. Its main component, the Recovery and Resilience Facility (RRF), provides both grants and loans to Member States (Council Regulation (EU) 2020/2094; Regulation (EU) 2021/241). National recovery and resilience plans combine reforms and investments, with payment requests assessed against agreed milestones and targets (Ceron, 2023). This architecture brings the relationship between common financing, national implementation and EU-level oversight to the centre of the analysis.

The extension of common borrowing to defence adds a further dimension to this development. Adopted in 2025 as part of the ReArm Europe Plan/Readiness 2030, the Security Action for Europe (SAFE) instrument provides up to EUR 150 billion in loans to Member States to support defence investment, particularly through common procurement (Council Regulation (EU) 2025/1106). Financial support is linked to national investment plans and procurement and industrial eligibility requirements. SAFE therefore enables a comparison of how common borrowing is combined with different policy objectives and governance arrangements.

Existing research has compared the RRF with cohesion policy (Cecchi, 2023) and examined whether NextGenerationEU represents a lasting change in EU economic governance (Buti and Fabbrini, 2023). The extension of borrowing to defence raises a further comparative question: which institutional features of borrowing-financed crisis intervention are transferable across policy domains? This paper contributes to that debate through a structured comparison of cohesion policy grant funding under the regular Multiannual Financial Framework (MFF), the RRF and SAFE. It identifies which financing arrangements are reused, which governance and conditionality features remain

specific to each instrument, and what these continuities and differences imply for the durability of common borrowing.

Keeping in mind the current EU-level context, this paper addresses the following research questions. The main research question guiding the analysis is: *To what extent does the expansion of EU-level common borrowing in response to recent crises represent a temporary financing arrangement or a more durable transformation of EU fiscal governance?*

To address this overarching question, the study explores three related sub-questions: *(i) What institutional features distinguish instruments financed through regular EU budget resources from borrowing-based mechanisms such as NextGenerationEU and the Security Action for Europe (SAFE)? (ii) How does the shift toward common borrowing reshape governance arrangements and the role of the European Commission within EU financial policy? (iii) Do the institutional similarities between NextGenerationEU and sectoral instruments such as SAFE indicate the emergence of path dependency toward a more permanent common fiscal capacity?*

These questions are addressed through an exploratory and comparative institutional approach, focusing on the analysis of legal, financial, and governance characteristics of selected EU-level instruments rather than on hypothesis testing or econometric estimation.

1. Review of the scientific literature

Recent literature converges on the idea that the COVID-19 pandemic has acted as an institutional catalyst that has accelerated financial innovation at the EU level, given that the initial responses of Member States were predominantly national and generated tensions in financial markets by increasing sovereign bond spreads and the reappearance of liquidity risk (Kempf and Linos, 2024). In integration-oriented literature, the pandemic is interpreted as a window of opportunity to reform decision-making processes and strengthen the coordinating role of European institutions, including by reorienting budget priorities towards green transformation, digitalisation, and health (Musiałkowska and Idczak, 2021). At the same time, the literature notes ambivalence: the crisis may stimulate reforms, but it may also pose a threat to the inclusive integration of all Member States, suggesting that the transition of financial instruments may produce differentiated effects depending on the administrative capacity and fiscal position of states (Storonyanska and Benovska, 2023).

A central point in the literature is the emergence of NextGenerationEU (NGEU), through the issuance of large-scale joint debt to finance the mechanism, described as a major novelty in EU financial practice (Kempf and Linos, 2024). Specialised studies emphasise that NGEU combines grants and loans, with grants accounting for a significant share, i.e. more than half, which indicates that the transition is not a complete replacement of grants, but a reconfiguration of the mix of instruments around joint loans. At the same time, the literature points to normative and constitutional tensions regarding the democratic legitimacy and legality of this type of financial innovation, with an emphasis on its exceptional nature, suggesting that the debate on joint lending is simultaneously one of effectiveness and legitimacy.

A major strand of literature describes the NGEU and the Recovery and Resilience Facility (RRF) as an expression of unprecedented solidarity thanks to joint financing and innovative governance (Ceron, 2023). According to this perspective, Member States

access both grants and loans through National Recovery and Resilience Plans, under conditions that include minimum allocation targets and requirements related to country-specific recommendations. This architecture is seen as a potential new generation of fiscal coordination at the EU level, precisely because it combines common resources with conditions geared towards reforms and investments, while other analyses place the RRF in the broader family of EU crisis financial policy instruments, alongside stability mechanisms and monetary intervention programmes, as part of a mechanism for maintaining macroeconomic stability (Zayats, 2025).

The literature on RRF governance focuses on whether the instrument corrects one of the structural weaknesses of the EU architecture: fiscal coordination. Analyses based on quantitative and qualitative assessments of National Plans, country-specific recommendations, and domestic policy preferences indicate a certain degree of convergence towards supranational preferences but highlight that this convergence is more pronounced in green policy areas than in other areas (Ceron, 2023). This distinction is important for the topic of transition: although joint borrowing can strengthen European fiscal capacity, the literature suggests that its coordinating effect depends on the design of conditionality and the compatibility between EU priorities and national preferences, and convergence may be sectoral rather than general.

At the same time, the literature on the EU's response to the pandemic emphasises that the NGEU was implemented without amending the treaties, which demonstrates creativity in legal interpretation when supported by political will, but which also fuels debates about the time limitation and exceptional nature of this type of joint debt (Kempf and Linos, 2024). Therefore, the literature suggests a tension between two directions: (i) interpreting the NGEU/RRF as a model for future joint financing and (ii) interpreting it as a strictly exceptional response, with constitutional and legitimacy constraints. This tension shapes the framework of the grants-to-joint-loans debate as a debate about the permanent or temporary nature of joint borrowing capacity.

Research on the relationship between the EU and the North Atlantic Treaty Organization (NATO) indicates that organisational overlap can empower the European Commission in shaping governance in security-related areas, suggesting an institutional basis for mandate and instrument extensions (Hoeffler and Hofmann, 2024). In this context, the literature on NGEU explicitly highlights that some authors see joint borrowing as a possible model for financing further common challenges, including those related to the Ukraine crisis (Kempf and Linos, 2024).

The Security Action for Europe (SAFE) instrument provides a sectoral case for examining institutional continuity beyond the pandemic recovery agenda. Its design combines EU-level borrowing with loans to Member States, national investment plans and specific procurement and industrial eligibility requirements, including rules on the origin of components (Council Regulation (EU) 2025/1106). These features establish points of comparison with the RRF, while reflecting the particular objectives of defence financing. Assessing the relationship between the two instruments therefore requires distinguishing the reuse of common financing and planning arrangements from differences in policy objectives and conditions of access to support.

Overall, the literature identifies a tension between the formally temporary character of recent crisis instruments and their possible longer-term consequences for EU fiscal governance. The constitutional implications of NextGenerationEU and the conditions

under which it could lead to lasting institutional change remain central to this debate (Fabbrini, 2022; Buti and Fabbrini, 2023). Research on the RRF and its relationship with cohesion policy also highlights differences in fiscal coordination, management and implementation (Ceron, 2023; Cecchi, 2023). These contributions inform a comparison that distinguishes the source of financing from the arrangements governing its allocation and use. The reuse of common borrowing across instruments raises the question of institutional continuity, while an interpretation based on path dependence requires evidence of mechanisms connecting earlier choices to subsequent decisions.

Historical institutionalism offers a framework for examining how the timing and sequence of political choices affect institutional development. Within this perspective, path dependence concerns the mechanisms through which earlier choices shape subsequent institutional trajectories. Pierson (2000) emphasises self-reinforcing processes: learning, coordination and accumulated investment can increase the relative benefits of existing arrangements and the costs of switching to alternatives. Mahoney (2000) stresses the need to identify contingent starting points and the causal sequences through which they produce subsequent institutional outcomes. The present study draws specifically on the self-reinforcing strand of this literature to examine the possible persistence of common financing arrangements.

For the purposes of this study, this framework directs attention to three analytical criteria: (i) critical junctures, examined by asking whether crisis-related decisions opened or expanded options for common financing; (ii) self-reinforcement, assessed through evidence that earlier investments in borrowing infrastructure, administrative expertise and coordination facilitate subsequent interventions; and (iii) reversibility, assessed through the costs of moving to alternative arrangements and the legal and political conditions for authorising further borrowing. These criteria guide an exploratory assessment of possible path dependence. Repeated borrowing or institutional similarities alone are insufficient to establish that such a process is underway; the interpretation depends on evidence of mechanisms linking earlier institutional choices to later decisions.

2. Research methodology

This paper uses an exploratory comparative institutional approach to examine whether recent developments in EU common borrowing represent temporary crisis responses or a more durable transformation of fiscal governance. The analysis focuses on the legal, financial and governance characteristics of selected financing arrangements and their implications for institutional continuity.

The principal comparison covers three arrangements: cohesion policy grant funding under the regular Multiannual Financial Framework, the Recovery and Resilience Facility within NextGenerationEU, and Security Action for Europe. Cohesion policy provides a baseline for regular budget financing and shared management. The RRF is selected to examine large-scale borrowing-financed recovery support linked to national reform and investment plans. SAFE allows the analysis to consider the extension of common borrowing to defence financing. This purposive selection focuses on the relationship between cohesion, recovery and defence financing for Member States, rather than providing an exhaustive inventory of EU borrowing programmes. SURE is included in the documentary analysis as a supplementary historical reference to identify features that

preceded NextGenerationEU and inform the assessment of changes in borrowing practices. The comparative matrix remains focused on the three principal arrangements.

The comparison uses six analytical dimensions: legal basis, source of funding, governance and oversight arrangements, conditionality, intended policy function, and temporal design. These dimensions are applied consistently across the principal cases. The form of support, including grants and loans, is recorded separately from its funding source. For each dimension, the analysis identifies the relevant legal provisions and institutional arrangements before considering their implications in light of the academic literature.

The study draws on secondary sources, including peer-reviewed academic literature and official documents from EU institutions and other international organisations. The documentary corpus includes relevant financing decisions and institutional reports addressing the design and implementation of the selected arrangements. It includes Regulation (EU) 2021/1060 for the cohesion policy framework, Regulation (EU) 2021/241 establishing the RRF, Council Regulation (EU) 2020/2094, Council Decision (EU, Euratom) 2020/2053, Council Regulation (EU) 2025/1106 establishing SAFE, and Council Regulation (EU) 2020/672 establishing SURE. Commission reports supplement these legal sources. Documents are selected for their direct relevance to the analytical dimensions.

The assessment of possible path dependence applies the criteria introduced in the theoretical framework: critical junctures, self-reinforcement and reversibility. Crisis-related decisions are examined for the financing options they opened or expanded. Evidence of self-reinforcement is sought in the retention and subsequent use of borrowing infrastructure, administrative expertise and coordination arrangements. Reversibility is considered through the costs of adopting alternatives and the legal and political conditions governing further borrowing. Institutional similarities and repeated interventions are treated as observations requiring explanation; interpretations of path dependence depend on documentary evidence linking earlier choices to subsequent developments. Descriptive financial information contextualises the scale and composition of the financing arrangements. The analysis distinguishes authorised amounts, funds raised, programme disbursements and outstanding debt, with reporting periods specified for each indicator. Partial-year observations are identified separately. These data support the institutional comparison without providing estimates of causal effects on economic convergence or fiscal sustainability. The findings therefore concern institutional design and evidence of continuity, while recognising the limits of the selected cases and the available observation period.

Several limitations of this approach should be acknowledged. The analysis does not rely on primary data or original quantitative estimates, and the instruments examined are still in relatively early stages of implementation. As such, the findings should be interpreted as analytically informed insights rather than definitive evaluations of long-term outcomes. Nevertheless, this methodology is well suited to the paper's objective of contributing to the ongoing academic and policy debate on the future trajectory of EU financial instruments in the post-pandemic period.

3. Results and discussion

3.1. A Comparative Framework of EU Financial Instruments

To address the first research question, we compare cohesion policy grant funding under the regular Multiannual Financial Framework, the Recovery and Resilience Facility within NextGenerationEU, and Security Action for Europe (table no. 1). The comparison applies the six dimensions established in the methodology and distinguishes the source of financing from the form of support provided.

Table no. 1. A Comparative Framework of EU Financial Instruments

Analytical dimension	Cohesion Policy	RRF within NextGenerationEU	SAFE
Legal basis	Regulation (EU) 2021/1060, based on Articles 177, 322(1)(a) and 349 TFEU	Regulation (EU) 2021/241, based on Article 175(3) TFEU; related NGEU financing framework established through Regulation 2020/2094 and Decision 2020/2053	Emergency-based legal framework: Council Regulation (EU) 2025/1106, based on Article 122 TFEU
Source of funding	National contributions to the EU budget within the MFF	Primarily EU-level common borrowing under NextGenerationEU	EU borrowing on capital markets to finance loans to Member States (Article 9)
Governance and oversight mechanisms	Shared management involving the Commission, national, and regional authorities (Articles 7 and 8)	More centralised governance based on Commission assessment of national plans and milestones (Articles 19, 20 and 24)	Commission assessment and payment decisions; Council approval of financial assistance (Articles 7, 8 and 12)
Conditionality	Expenditure eligibility, enabling conditions and management verifications (Articles 15, 63 and 74)	Milestones and targets for payments other than pre-financing, alongside financial-control requirements (Articles 22 and 24)	Investment plans, procurement and industrial eligibility requirements; evidence of progress and compliance for payments (Articles 7, 12 and 16)

Analytical dimension	Cohesion Policy	RRF within NextGenerationEU	SAFE
Intended policy function	Regional redistribution and long-term convergence	Macroeconomic stabilisation, resilience, and the green and digital transition (Articles 3 and 4)	Strategic autonomy and strengthening EU defence capabilities
Temporal design	Recurring policy framework implemented through multiannual programming	Temporary (2021–2026); associated repayment obligations extend beyond implementation	Loan availability until 31 December 2030; longer repayment horizon (Articles 10 and 12)

Source: Authors' own analytical synthesis based on EU institutional documents and the academic literature reviewed.

Note: Article references concern Regulations (EU) 2021/1060, 2021/241 and 2025/1106 for the three columns, respectively. The forms of support are grants for the cohesion policy baseline, grants and loans under the RRF, and loans under SAFE. TFEU: Treaty on the Functioning of the European Union.

The principal financial difference concerns the source of resources. Cohesion policy grant funding under the regular MFF draws on EU budget resources, while the RRF is financed primarily through EU borrowing under NextGenerationEU. This borrowing supports both grants and loans. The legal architecture distinguishes the establishment of the Facility from the arrangements enabling its financing. The RRF was established by Regulation (EU) 2021/241 under Article 175(3) TFEU. The broader EU Recovery Instrument was established by Regulation (EU) 2020/2094 under Article 122 TFEU, while NGEU borrowing is authorised by Article 5 of Council Decision (EU, Euratom) 2020/2053, based on Article 311 TFEU. SAFE extends the use of EU borrowing to finance loans for defence procurement under Council Regulation (EU) 2025/1106.

The governance comparison identifies different roles for EU institutions and Member States. Cohesion policy uses shared management, with national and regional authorities implementing programmes within a common regulatory framework (Regulation (EU) 2021/1060, Articles 7 and 8). The RRF relies on national plans assessed by the Commission and approved by the Council, with payments other than pre-financing linked to agreed milestones and targets (Regulation (EU) 2021/241, Articles 19, 20 and 24). SAFE combines Commission assessment and Council approval of assistance, while payments depend on progress in implementing investment plans and compliance with procurement and industrial eligibility requirements (Council Regulation (EU) 2025/1106, Articles 7, 8, 12 and 16). The comparison therefore suggests that the Commission's role varies with the governance and conditionality attached to each instrument. Common borrowing is compatible with different arrangements for implementation and oversight.

The comparison also identifies differences in policy emphasis. Cohesion policy focuses on regional development and the reduction of economic, social and territorial disparities. The RRF combines recovery and resilience objectives with support for cohesion and the

green and digital transitions (Regulation (EU) 2021/241, Articles 3 and 4). SAFE focuses on defence industrial capacity and readiness (Council Regulation (EU) 2025/1106, Articles 1 and 4). Policy functions therefore overlap across the instruments, even as crisis-related borrowing is directed towards additional recovery and defence priorities. This overlap qualifies an interpretation of recent developments as a straightforward transition from regional redistribution to strategic investment.

The implications of these similarities and differences for possible path dependence are examined in Section 3.3.

3.2. Implications for Convergence and Financial Sustainability

This subsection discusses the implications of the comparative institutional analysis for fiscal convergence and financial sustainability at the EU level. These implications are derived from the observed institutional features and governance arrangements of borrowing-based instruments and should be understood as analytically grounded and forward-looking considerations, rather than as empirically tested causal effects.

The shift toward borrowing-based EU financial instruments also has important implications for convergence and financial sustainability. While the analytical framework highlights structural differences in governance and design, the economic relevance of this transformation is closely linked to its scale and continuity. The chart (figure no. 1) presents funding raised through EU bond issuance between 2021 and the first half of 2025, providing descriptive context for the scale of EU borrowing (European Commission, 2025b).

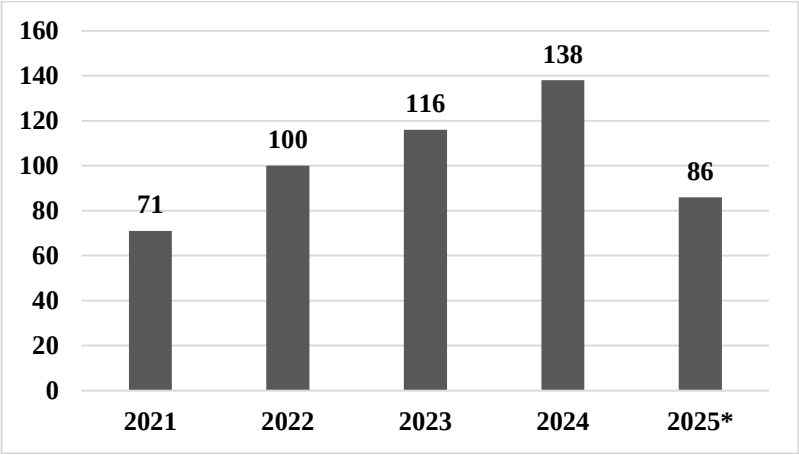

Figure no. 1: Funding Raised through EU Bond Issuance, 2021–H1 2025, billion EUR

Source: Authors' own illustration based on data from the European Commission (2025b), COM(2025) 588 final.

Note: Figures represent funding raised during each reporting period, rather than outstanding debt. Data for 2025 cover the first half of the year and are not directly comparable with full-year observations. The unified funding approach applies from January 2023 and supports multiple EU programmes; the amounts cannot be attributed entirely to NextGenerationEU.

A sharp increase in EU-level borrowing can be observed from 2021 onwards, following the launch of NextGenerationEU and the adoption of a unified funding approach. Annual borrowing volumes remained consistently high between 2022 and 2024, indicating that common borrowing was not limited to an isolated emergency response but became a recurring financing practice over multiple years.

Large-scale EU-level borrowing, primarily through the Recovery and Resilience Facility, marks a significant shift toward a solidarity-based paradigm in European economic governance (Buti and Fabbrini, 2023). Conceptual assessments suggest that while borrowing-based instruments aim to foster economic convergence, their success is deeply intertwined with national administrative capacities and the effective implementation of structural reforms (Bańkowski et al., 2022; Freier et al., 2022; Cecchi, 2023). Institutional literature reflects a concern that significant disparities in governance quality among Member States may result in uneven fund absorption, potentially entrenching rather than mitigating cross-country divergences (Armingeon et al., 2022). Regarding financial sustainability, the transition to collective debt issuance positions the European Commission as a major provider of safe assets. However, the reliance on future own resources for repayment raises questions about the long-term balance between solidarity and responsibility required to maintain political legitimacy (Eisl and Tomay, 2020). The experience of NextGenerationEU raises the question of whether expanded borrowing practices may support a more durable EU fiscal capacity, an interpretation examined in Section 3.3. In the absence of systematic quantitative evaluation of long-term outcomes, these observations do not allow for definitive conclusions regarding convergence dynamics or fiscal sustainability. They do, however, point to key analytical tensions that warrant further empirical investigation.

3.3. Temporary Innovation or Structural Transformation?

This subsection directly addresses the main research question by assessing whether the European Union's shift toward borrowing-based financial instruments constitutes a temporary crisis-driven response or signals a deeper structural transformation in EU fiscal governance.

The comparative institutional analysis and the examination of borrowing dynamics presented in the preceding subsections suggest that the European Union's recent financial evolution cannot be categorised simply as either a temporary deviation or a fully realised federal transformation. Drawing on the dimensions established in the analytical framework, specifically the shifts in funding sources, governance models, and policy functions, it is possible to discern the contours of a potential paradigm shift that stands in tension with the Union's formal legal constraints.

Arguments supporting the interpretation of a structural transformation are rooted in the fundamental changes to the Union's operational logic identified in the comparative matrix. The clearest documentary evidence relevant to self-reinforcement concerns the development and reuse of financing arrangements. The Commission explains that the back-to-back funding approach encountered limitations under SURE, while the larger and more complex NGEU programme prompted the introduction of a diversified funding strategy. From January 2023, this strategy was extended through the unified funding approach, which also provides the financing framework for SAFE (European Commission, n.d.). This sequence supports an interpretation of operational continuity and

institutional learning. It does not, however, establish that alternatives to common borrowing became progressively more costly or politically unavailable.

Conversely, significant evidence remains to support the view that these measures are temporary innovations limited by political and legal realities. As highlighted in the analysis of the legal basis, instruments like NGEU rely on emergency provisions such as Article 122 TFEU rather than a permanent amendment to the Treaties. This legal fragility implies that the current architecture is constructed on a crisis-driven foundation that may not withstand a return to normal politics. The formally temporary nature of the NGEU lifespan, concluding in 2026, and the reliance on future own resources for repayment underscore the lack of a permanent consensus on a fiscal union.

The evidence is consequently stronger for the reuse of financing capabilities than for increasing reversal costs or the emergence of an irreversible fiscal settlement. The findings support an interpretation of institutional adaptation with potential path-dependent effects, while the scope of further borrowing continues to depend on legal authorisation and political agreement.

The Commission's 2025 proposal for the Multiannual Financial Framework 2028–2034 provides a prospective test of this interpretation. Its proposed crisis lending mechanism and new own resources, intended also to support NGEU repayment, connect future financing options with existing commitments (European Commission, 2025a). The proposal indicates an intention to retain and develop common financing capabilities. Its negotiation and eventual implementation will provide further evidence about their durability; the proposal itself does not establish a permanent borrowing capacity.

Conclusions

This paper has examined the evolution of the European Union's financial architecture in the post-pandemic era, questioning whether the expanded use of EU borrowing alongside regular budget financing represents a temporary crisis management tactic or a structural transformation of EU governance.

With regard to the *first research question*, the analysis highlights that the introduction of borrowing-based instruments such as NextGenerationEU and the Security Action for Europe marks a clear departure from the logic of traditional grant-based financing under the Multiannual Financial Framework. Common borrowing provides an additional source of financing that supports both grants and loans under the RRF. The Commission's expanded borrowing operations increase the Union's financing capacity within programme-specific legal mandates.

The findings indicate that this shift toward common borrowing has also reshaped governance arrangements within EU financial policy, addressing our *second research question*. Under the RRF, payments other than pre-financing are linked to agreed milestones and targets, connecting financial support to reforms and investments. SAFE combines national investment plans with procurement and industrial eligibility requirements. These arrangements give the Commission assessment and oversight responsibilities that differ across instruments. The policy functions of these instruments encompass convergence, recovery and strategic investment, including the green and digital transitions and defence.

In relation to the *third research question*, the analysis suggests that the extension of the borrowing-based governance logic beyond the recovery domain may indicate emerging

institutional path dependency. The replication of core design features of NextGenerationEU in sectoral instruments such as SAFE indicates that these mechanisms may serve as templates for future EU-level financial interventions in areas exposed to systemic shocks. This interpretation remains conditional on evidence of self-reinforcement and the costs of reversal.

Taken together, these findings provide an answer to the *main research question*. They suggest that the Union is currently navigating a state of institutional hybridity. While the instruments retain temporary legal mandates, their scale and the reuse of financing arrangements suggest institutional changes that may outlast individual programmes. These findings support the possibility of a more durable common fiscal capacity, but do not demonstrate its permanence or the irreversibility of the changes observed.

These findings have significant implications for the future of European integration. The comparison suggests that financing arrangements can be reused across policy domains while governance and conditionality remain instrument-specific. This distinction is the study's principal contribution to debates on the durability of EU common borrowing. Future borrowing authorisations should specify repayment arrangements and oversight responsibilities. The Commission's proposal for the MFF 2028–2034 provides a prospective test of how common financing capabilities and NGEU repayment can be accommodated alongside regular budget priorities (European Commission, 2025a).

Several limitations of this study must be acknowledged. First, the research relies primarily on an analytical and qualitative assessment of legal texts, policy documents, and early implementation reports. As the NGEU and SAFE instruments are still in the execution phase, it is premature to offer a definitive econometric evaluation of their long-term impact on economic convergence or fiscal sustainability. Second, the analysis is constrained by the fluid nature of the current geopolitical environment; the ultimate replicability of the SAFE model will depend heavily on the evolving security landscape and the political will of Member States, which may shift significantly in upcoming electoral cycles. Third, the purposive selection of three principal financing arrangements limits the generalisability of the findings to the wider range of EU borrowing programmes.

Future research should therefore focus on empirical evaluations of the "performance-based" conditionality model to determine if it genuinely enhances reform ownership compared to traditional conditionality. Additionally, as the repayment phase of the NGEU debt approaches, further study will be required to analyse the political economy of introducing new own resources, which will be an important test of whether this solidarity paradigm can be institutionalised as a permanent feature of the European project. Future research could also compare RRF and cohesion policy payments across Member States, accounting for differences in payment rules, implementation calendars and administrative capacity.

Acknowledgements*: During the preparation of this work, the authors utilised ChatGPT 5.5 to enhance readability and language clarity. Following the use of this tool, the authors meticulously reviewed and revised the content as necessary and assume full responsibility for the final content of the publication.*

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