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literature, with the Support to mitigate Unemployment Risks in an Emergency (SURE) instrument used as a supplementary historical reference.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