# Exploring Efficient Allocation Strategies for NextGenerationEU Funds

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ABSTRACT:

This study develops a multisectoral model to assess the implications of different allocation rules of the NextGenerationEU funds on sectoral and aggregate output, as well as employment levels in Spain. By examining the existing allocation framework established for Spain, we conduct a counterfactual analysis using input-output methodology to simulate the potential outcomes of these variables had the distribution mechanism mirrored that of other EU countries. The findings reveal significant insights for regional economic policy, indicating that alternative allocation strategies can markedly influence economic performance across various sectors. Furthermore, our analysis establishes a ranking of efficient fund distribution mechanisms, providing a framework that can be extrapolated to other regional or local contexts. By shedding light on the complexities of fund allocation, this research equips policymakers with critical insights for optimizing resource deployment to enhance economic outcomes. Ultimately, this study contributes to the broader discourse on effective fund management within the EU, offering a roadmap for future allocations aimed at maximizing benefits across diverse regions.

# Extended abstract

This research explores the implications of different allocation rules for the NextGenerationEU funds on the economic performance of various sectors in Spain, specifically focusing on sectoral and aggregate output as well as employment levels. In light of the European Union's commitment to facilitate recovery from the COVID-19 pandemic, understanding the effectiveness of fund distribution mechanisms is crucial for optimizing the impact of these financial resources.

Utilizing a sophisticated multisectoral model, we analyze the current allocation framework implemented in Spain, which aims to address regional disparities and promote sustainable development. However, we question whether this framework is the most effective compared to the allocation mechanisms used by other EU member states. To investigate this, we conduct a counterfactual analysis using input-output methodology and simulating alternative scenarios where the distribution of funds aligns with the mechanisms employed by other EU countries.

The results of our analysis reveal significant differences in economic outcomes based on the allocation rules applied. We assess how these rules influence both sectoral output and employment levels across various levels. Our findings suggest that certain allocation mechanisms could lead to higher aggregate output and improved employment rates compared to the current distribution method. This emphasizes the need to strategically reconsider the existing fund distribution framework to enhance overall economic performance.

Additionally, this study establishes a ranking of efficient fund allocation strategies based on their effectiveness in promoting economic growth and/or employment. This ranking is not only applicable to Spain but also provides valuable insights for other regions within the EU. Policymakers can leverage this information to formulate targeted strategies aimed at optimizing fund distribution, ultimately leading to better economic outcomes.

The implications of our findings extend beyond economic performance, highlighting the critical role of fund allocation in shaping regional economic trajectories. A comprehensive understanding of how different allocation strategies affect sectoral dynamics enables policymakers to make informed decisions that align with their regional development objectives. This research contributes to the ongoing dialogue on economic recovery in the EU, offering a framework for evaluating fund allocation strategies in various regional contexts.

In conclusion, this study emphasizes the necessity for a nuanced understanding of fund distribution mechanisms and their impact on economic outcomes. The insights derived from this research can guide future policy decisions, fostering a more equitable and effective deployment of NextGenerationEU funds. By maximizing the efficiency of these allocations, regions can better navigate the challenges of economic recovery, promoting a resilient and sustainable economic landscape. Ultimately, this research not only informs policy but also enhances the broader understanding of the complexities associated with fund allocation in the context of regional development within the EU.