Economic impact of the Next Generation EU funds in Andalusia through a dynamic applied general equilibrium model for 2021-2026

Topic: Computable General Equilibrium Modeling and Social Accounting Matrices III (Chair: Mohd Yusof Saari, University Putra Malaysia)
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Due to the fragility of European economies because of COVID-19 and the need to forecast regional performance for the coming years, the European Council agreed on a temporary instrument called Next Generation EU. It includes 72 billion euros in nonrefundable transfers, of which Andalusia expects to receive at least 18%. In response to the injection of Next Generation EU funds in Andalusia at a time when these resources are being distributed among the Autonomous Regions, it is relevant to analyse their trajectory and impact for the period 2021-2026 in accordance with the Recovery and Resilience Plan presented by the Andalusian Regional Government to the National Government, adjusted to include the latest available information.
This research seeks to measure the economic impact of these funds on the productive activities linked to the recovery plan through a dynamic computable general equilibrium model. This model will make it possible to set the recovery path and guide its implementation based on four scenarios that simulate the behaviour of the main regional economic indicators, what makes our simulation novel. DCGE was calibrated with a SAM built for Andalusia-base year 2016. The simulations indicate that the size of the recovery will depend on the amount received and the sectoral allocation given to these funds; the 18% amount would make it possible to recover the fall in GDP presented; however, all the scenarios reflect a positive impact on household income, consumption, and investment, affecting economic growth and social welfare.