

## GREEN ECONOMICS AND NEXT GENERATION EU

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*Stručni članak*

### **Abstract:**

*The relationship between the environment and economic growth defines the concept of sustainable development, which is the basic and general goal of the European Union. In today's global economic crises, the green economy has gained attention as a concept that could overcome the connotation of environmental protection as well as be a new driving force for economic development. The green economy represents the potential development of the future functioning of the planet. It focuses on addressing existential issues regarding the economy, resources, well-being, and health. Green economy can be defined as a modern economy which has a role to ensure sustainable development and at the same time the economic growth of every country while the biggest emphasis is put on the protection of environment. Investments into green economy are very attractive for companies and entrepreneurs.*

**Keywords:** green economy, environmental, green growth, investments.

## INTRODUCTION

Recently, green economy has been significantly developed in Europe with the focus on the transition to more sustainable and low-carbon economy. This includes the implementation of renewable sources of energy as solar and wind energy as well as the support of measures for the increase of energetic efficiency. Green economy is a quite new concept which originated as a reaction for the negative development trends connected to the economy as well as to the environment. Green economy is designed so that it reduces carbon emissions and pollution. Its aim is to support the economic growth and development and at the same time to arrange the use of natural resources for sustainable development. Green economy supports progress in social development and increases employment. Thanks to state and social investments that reduce emissions and pollution of environment, the use of natural resources is stimulated more effectively.

### 1. EUROPEAN GREEN DEAL

European Green Deal represents the plan of European Commission that is focused on ecological transformation of the economy of European Union in favour of sustainable future. The aim is to divide economic growth from the use of sources and to arrange justice of the changes that are being prepared.

European Green Deal represents the plan of European Union which focuses on ecological transformation of economy in EU in the future. One of the main goals of EU is to become climatically neutral until 2050, what means that the economy will consist of zero emissions of greenhouse gases i.e. member states of EU will produce zero emissions of greenhouse gases. EU and public sector of every member state but also entrepreneurship sector have to invest into it dramatically.

Climate change and environmental degradation are an existential threat to Europe and the world. To overcome these challenges, the European Green Deal will transform the EU into a modern, resource-efficient and competitive economy, ensuring:

- no net emissions of greenhouse gases by 2050
- economic growth decoupled from resource use
- no person and no place left behind

The European Green Deal is also our lifeline out of the COVID-19 pandemic. One third of the €1.8 trillion investments from the Next Generation EU Recovery Plan, and the EU's seven-year budget will finance the European Green Deal (European Commission 2023).

The relationship between environment and economic growth uses the expression sustainable development which is the basic and general goal of EU. The European Green Deal will improve the well-being and health of citizens and future generations by providing:

- fresh air, clean water, healthy soil and biodiversity
- renovated, energy efficient buildings
- healthy and affordable food
- more public transport
- cleaner energy and cutting-edge clean technological innovation
- longer lasting products that can be repaired, recycled and re-used
- future-proof jobs and skills training for the transition
- globally competitive and resilient industry (European Commission 2023).

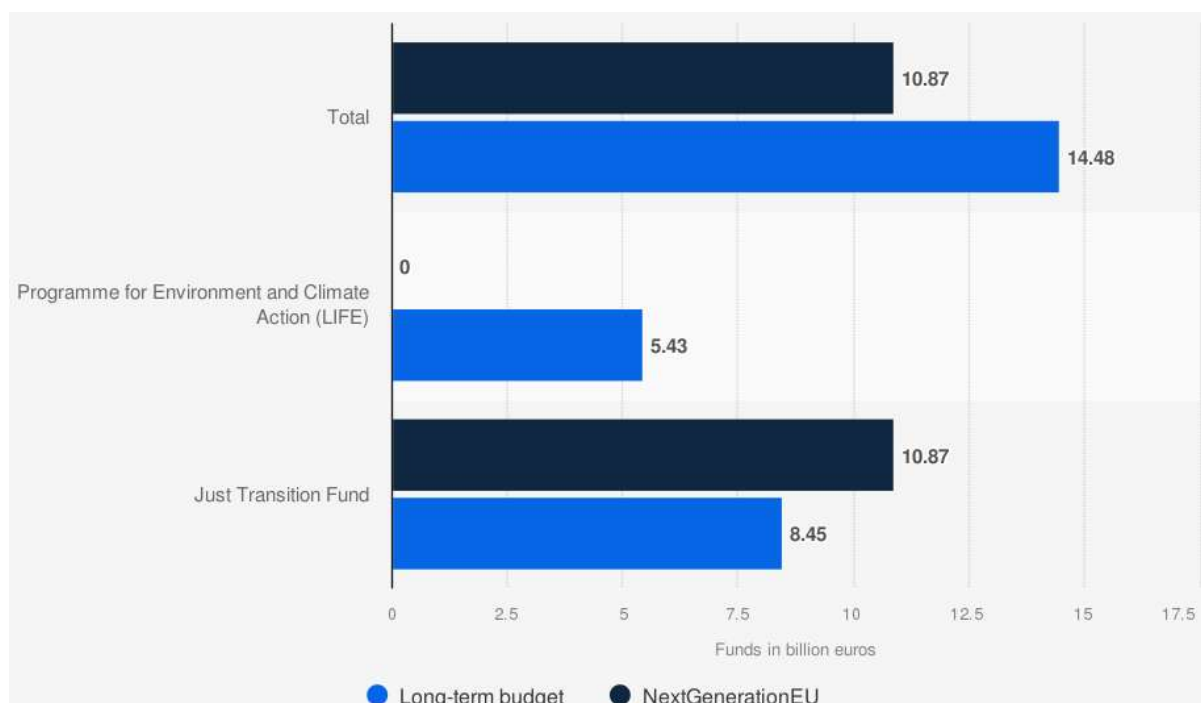
The deal contains various items among which the increase of EU ambitions in the field of climate for years 2030 and 2050 belongs. This will create new opportunities for innovation and investment and jobs, as well as:

- reduce emissions
- create jobs and growth
- address energy poverty
- reduce external energy dependency
- improve our health and wellbeing

At the same time, it will ensure there are opportunities for everyone, supporting vulnerable citizens by tackling inequality and energy poverty, and strengthening the competitiveness of European companies (European Commission 2023).

The main task of European green agenda is faster and more effective development of circular economy mainly in the fields that require sources (building, textile industry, electronics, plastics) and to influence consumers to prefer sustainable products. The subject of the agreement are also energetically difficult fields where transportation and construction and reconstruction of buildings belong to.

**European Union's long-term budget and Next Generation EU for environment and climate action from 2021 to 2027, by fund**



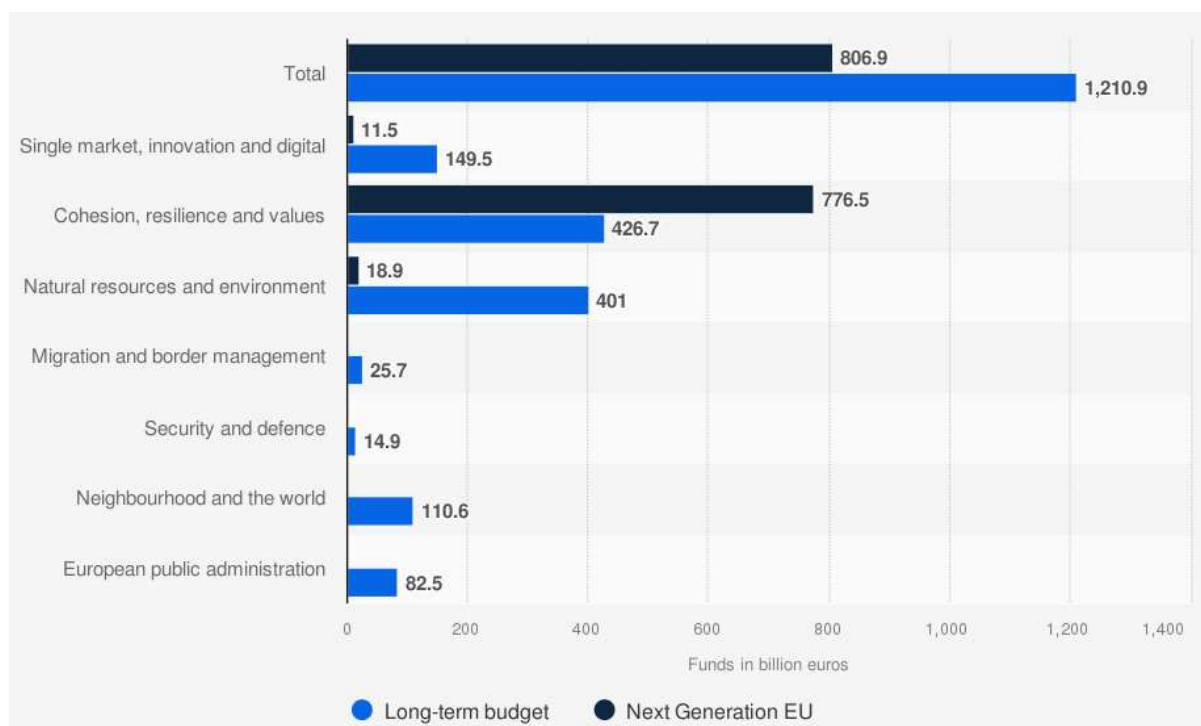
Source: European Commission. (April 29, 2021). European Union's long-term budget and Next Generation EU for environment and climate action from 2021 to 2027, by fund (in billion euros) [Graph]. In Statista. Retrieved August 19, 2023, from <https://www.statista.com/statistics/1244153/eu-long-term-budget-for-environment-and-climate-action/>

The European Union's long-term budget for environmental and climate objectives is approximately 14.4 billion euros. The EU budget under natural resources and environment focus on investing in sustainable agriculture and maritime sectors, along with climate action, environmental protection, food security and rural development.

## 2. EUROPEAN UNION'S BUDGET AND NEXT GENERATION EU FOR 2021 TO 2027

Green economy leads to the improvement of human welfare and social justice while it significantly decreases environmental risks and ecological shortages. The basic principle is excepting of ecology also healthier life of population. This is connected to political targets that are many times ineffective and different. The main aims of green economy are the start of recovery of economy that is interested in the elimination of poverty and the decrease of differences between the rich and poor.

**European Union's long-term budget and Next Generation EU for 2021 to 2027, by type (in billion euros)**



Source: European Commission. (April 29, 2021). European Union's long-term budget and Next Generation EU for 2021 to 2027, by type (in billion euros) [Graph]. In *Statista*. Retrieved August 19, 2023, from <https://www.statista.com/statistics/1244130/eu-long-term-budget-and-next-generation-eu/>

The EU's long-term budget, or the multiannual financial framework (MFF) for the next seven years (2021-2027) is approximately 1.21 trillion euros. The Next Generation EU, a temporary instrument to power the recovery during unforeseen circumstances was 807 billion euros.

### 3. INVESTMENT PLAN FOR SUSTAINABLE EU

Investments in green economy have to be massive and complex. Investment plan of the European Convention about Environment (Investment Plan for sustainable EU) would support public investments by the use of financial tools of EU and would help to arrange private capital. With the aim to enable and support public and private investments necessary for the transition to climatically neutral, green, competitive and inclusive economy, the investment plan according to the European Convention about Environment is going to mobilize money from EU and is going to provide supportive environment. This plan is supplemented by other activities and is built on three pillars.

1. Financing by attracting the long-term capital in the amount of at least 1 trillion Eur during the following 10 years. As European Investment Bank (hereinafter EIB) plays the key role, the budget

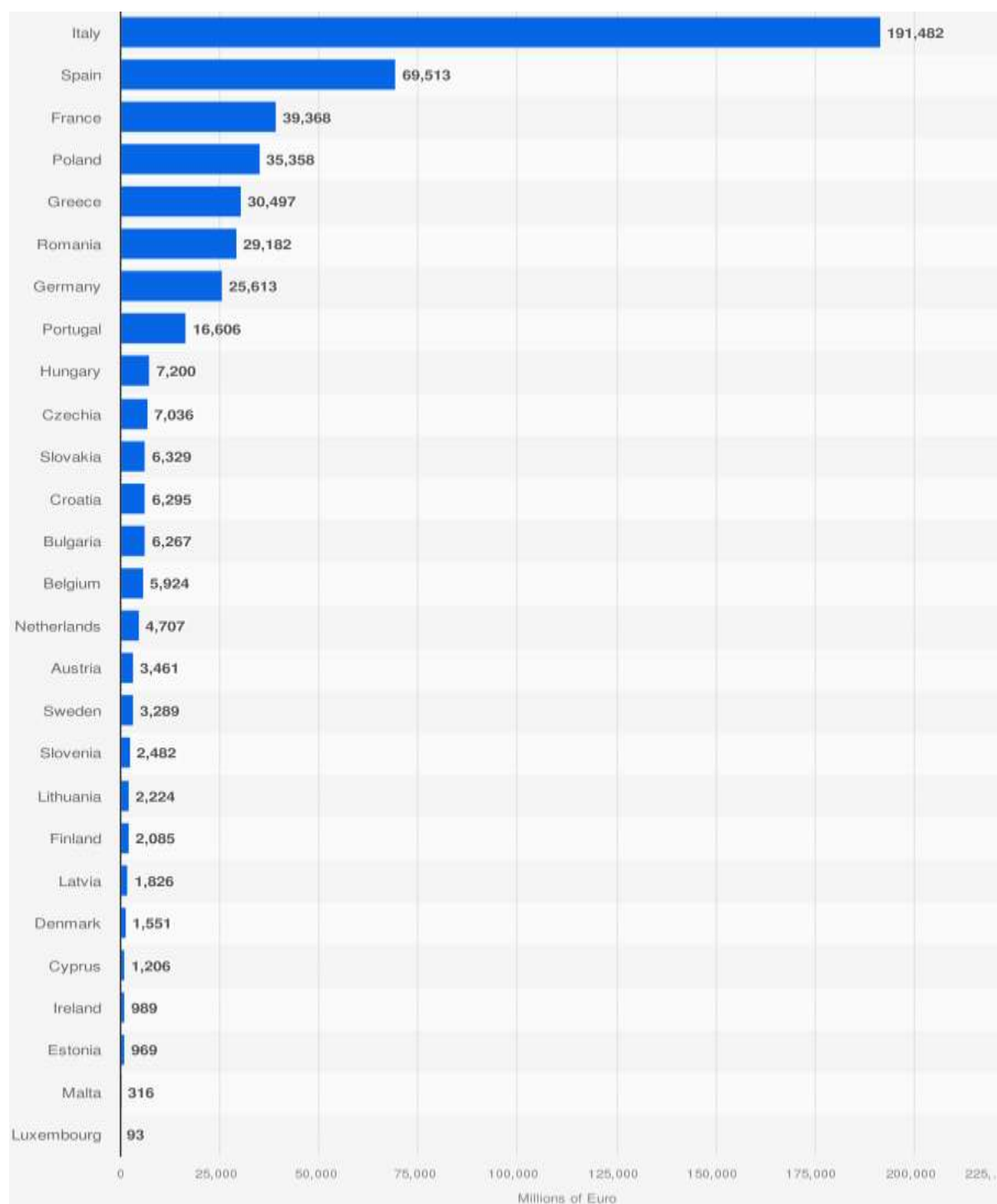
of EU will use the bigger part of costs for climate and environmental initiatives as whenever before, thus attracting private financing.

2. The support in the real world. European Commission (hereinafter EC) will help public sector organizations and project applicants with planning, proposing and realization of sustainable initiatives.

3. The creation of incentives for mobilization and transfer of public and private investments are favourable circumstances. Financial system will focus on sustainable finances thanks to the tools that EU will provide to investors. At the same time, it will support green budgeting and procurement and to propose methods for improving approving processes of state help for regions influenced by the process of fair transformation, thus facilitating sustainable investments of public sector organizations. (European Commission 2023).

**Total funds allocated to European Union member states from the Recovery & Resilience Facility (RRF) to each member state (*in millions of Euro*)**





Source: NGEU Tracker. (February 20, 2023). Total funds allocated to European Union member states from the Recovery & Resilience Facility (RRF) to each member state (in millions of Euro) [Graph]. In *Statista*.

Retrieved August 19, 2023, from <https://www.statista.com/statistics/1367453/next-generation-eu-funds-allocated-eu-member-states/>

The countries which will receive the greatest amount of funds over the course of NextGenEU's lifecycle (2021-2026) are Italy, Spain, and France. These countries were perhaps the worst hit states in the EU by the pandemic, with Italy having been the first hotspot of coronavirus cases in Europe. Due to the exceptional public health measures that were taken to try to stem the spread of the virus, these countries' economies were severely impacted.

## CONCLUSION

Green economy protects ecosystems, biodiversity and tries to contribute to better arrangement of life conditions by means of different economic and socio-economic models. Green financing represents investment opportunities for those who want to invest into projects and activities with the positive influence on environment and at the same time it secures that these projects would be profitable for investors. EU of the future will have the significant share of stimulating financing by green sector that is stated for recovery of economy, reducing carbon emissions, elimination of poverty and degradation of ecosystems.

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