If 2020 was the year of the pandemic, and everyone had to face the crisis and put in action the best possible response and resilience initiatives, 2021 is the year of recovery, from a medical and economic standpoint. Everyone is waiting for vaccines and national economic recovery plans, also leveraging the massive support provided by the European Union, called the Next Generation EU.

NextGen EU is a €750 billion temporary exceptional recovery instrument that will allow the Commission to raise funds on the capital market. It will help repair the immediate economic and social damage brought about by the pandemic, reinforcing the multiannual financial framework for 2021–2027. The centerpiece of Next Generation EU is the Recovery and Resilience Facility, with €672.5 billion in loans and grants available to support reforms and investments undertaken by EU countries.

Member States are working on their recovery and resilience plans to access the funds with the aim to mitigate the economic and social impact of the pandemic and make European economies and societies more sustainable, resilient, and better prepared for the challenges and opportunities of the green and digital transitions. To receive support from the Recovery and Resilience Facility, Member states must prepare National Recovery and Resilience Plans, submitting their plans by April 30, 2021, and these reforms and investments should be implemented by 2026.

"IDC expects that a great proportion, between 20% and 35% depending on the country, of the national Recovery and Resilience plans will be spent on ICT by 2025," says Carla La Croce, senior research analyst, European Customer Insights & Analysis.
While waiting for all countries to finalize their plans, it's already possible to glimpse the key directions national recovery plan reforms and investments will take. IDC analyzed the recovery plans in Europe, understanding how member states allocated their budgets into areas of investments highlighted by the EU. The two areas having a major impact on IT spending must:

1. Support the green transition: At least 37% of resources should contribute to climate actions and environmental sustainability.

2. Foster digital transformation: At least 20% of resources should contribute to the EU's digital transition.

IDC estimates that National Recovery and Resilience plans will lead to approximately €150 billion worth of European digital investments in the next 5 years.

ICT Investments will move along the key trajectories highlighted by the R&RF: power up, CONNECT, modernize, RENOVATE, RECHARGE AND REFUEL, SCALE UP, and RESKILL AND UPSKILL.

These investment areas fit differently in different industries. For example, the SCALE UP area targets data cloud capacities and sustainable processors, thus feeding a cross-vertical horizon, from manufacturing and
professional services to transport and banking. The modernize area, being focused on digitalization and public administration, is more related to the government and healthcare sectors. Meanwhile, the CONNECT area is more focused on investments in the telecommunications industry.

Figure 1

"IDC estimates that National Recovery and Resilience plans will lead to approximately €150 billion worth of European Digital Investments in the next 5 years," says Angela Vacca, senior research manager, European Customer Insights & Analysis.

Digital investment trajectories might vary strongly across countries, and it’s important for European tech landscape stakeholders to consider key regional differences. As an example, here is the case for Germany:

German Recovery and Resilience Plan (GRRP) — €131 Billion total
In view of the significant overlap between the goals of the economic stimulus program and those of the European Recovery and Resilience Facility, the specific measures of the GRRP will concentrate on the following 3 pillars, divided into the 6 areas on the left:

1. The economic stimulus and crisis management package = €78B

2. Future development package = €50B

3. Germany’s responsibilities at European and international level as the largest economy in the EU = €3B

Germany so far is expected to reach 40% investments in green and 40% in digital.
More information can be found in the "Next-Gen EU: Recovery and Resilience Country Plans Steering Digital Investments" report under the IDC European Verticals: Use Cases and Strategies Research Program.

For more information on the IDC European MacroEconomics Center of Excellence Research, please contact Carla La Croce (clacroce@idc.com) or Angela Vacca (avacca@idc.com).

IDC is a subsidiary of IDG, the world’s leading technology media, research, and events company. Additional information can be found at www.idc.com. All product and company names may be trademarks or registered trademarks of their respective holders.

For more information contact:
Carla La Croce (clacroce)
clacroce@idc.com
+39.02.28457.1