Recovery and Resilience Facility: State of play and way forward

European Implementation Assessment

IN-DEPTH ANALYSIS

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This paper has been drafted to assist the European Parliament's Committees on Economic and Monetary Affairs (ECON) and on Budgets (BUDG) in the context of their work on an implementation report on the Recovery and Resilience Facility. Based on publicly available information, it provides a literature review of EU reports and academic papers on the state of play of the implementation of the Recovery and Resilience Facility. It also summarises the main topics of recent parliamentary resolutions and questions.

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Executive summary

Almost four years after the Regulation establishing the Recovery and Resilience Facility (RRF) entered into application, the European Parliament's Committees on Economic and Monetary Affairs (ECON) and on Budgets (BUDG) decided to draft a joint report to express Parliament's views on the implementation of the RRF and its priorities for the future. This European implementation assessment (EIA) seeks to provide input to the committees' implementation report and offers an overview of selected publicly available information (EU reports and academic papers) on RRF implementation. The first part provides a summary of the Commission's mid-term evaluation and the latest annual report on RRF implementation. The selection of topics for the literature review in the second part of the EIA has been tailored to the needs of the committees. The EIA also summarises the main themes of parliamentary resolutions and questions on the subject adopted in recent years.

The RRF is the central part of the Next Generation EU recovery instrument, designed to help Member States recover from the COVID-19 pandemic and become more resilient. Launched in 2021, the RRF is a performance-based instrument that provides financial support for pre-agreed reforms and investments embedded in the individual national recovery and resilience plans (NRRPs) that Member States needed to develop to benefit from RRF funding. The facility has already been adapted in response to new challenges, such as the energy crisis following Russia's full-scale invasion of Ukraine, by supporting initiatives like the REPowerEU plan introduced to diversify energy supplies and support the green transition. The RRF will run until 2026.

The RRF totals €650 billion, consisting of €359 billion in grants and €291 billion in loans. The initial maximum amount available under the RRF was higher (€723 billion without the REPowerEU grants), but almost €95 billion in loans remained unclaimed by Member States, permanently reducing the size of the facility. To secure the aforesaid resources, the European Commission borrows on capital markets, enjoying favourable borrowing conditions due to the EU's strong credit rating. The repayment of the borrowed funds will start in 2028 and will last until 2058. The grant part and its borrowing costs will be repaid by the EU budget, while the loan part and its borrowing costs will be repaid directly by the Member States that requested them.

In February 2024, the Commission published the mid-term evaluation of the RRF. The Commission's mid-term review – based on an independent study – assesses the relevance, effectiveness, efficiency, EU added value and coherence of the RRF, highlighting key insights into its performance during the first half of its cycle. The review noted that it was too early to assess the RRF's impacts in full owing to the delayed effects of the reforms and the multiannual nature of many of the investments planned for completion by 2025 to 2026. However, the findings are positive regarding the RRF's financial support for Member States during the COVID-19 crisis and Russia's full-scale invasion of Ukraine and the subsequent energy crisis. The evaluation also highlights the innovative combination of financing reforms and investments and the performance-based approach – linking disbursements to tangible results – as strengths. The review identifies several challenges, such as demanding reporting requirements for Member States and complexity. Following the mid-term evaluation, the European Commission took steps to simplify and improve RRF implementation, also updating its guidance so as to cut red tape and facilitate revisions of the NRRPs.

According to the RRF Regulation, the European Commission is obliged to report annually to the European Parliament and the Council on the RRF's implementation. In October 2024, the Commission published the third annual report on RRF implementation. According to this report, the RRF is advancing in its efforts to help EU companies leverage the opportunities of the twin green and digital transition, while also enhancing economic, social and institutional resilience, with good progress observed in these areas.

Implementation of the NRRPs has faced delays, resulting in uneven absorption rates across the EU. As of 31 December 2024, €306.1 billion had been disbursed, with an overall absorption rate of 47.1 %, although significant disparities remained. According to the literature review carried out for this EIA, the obstacles to more rapid absorption rates include administrative capacity constraints, procedural hurdles and external economic shocks. Efforts to accelerate absorption have been made, yet challenges persist, particularly in meeting milestones and targets within the set timeframe (31 August 2026 at the latest). On a positive note, the RRF has strengthened the implementation of country-specific recommendations (CSRs) in the context of the European Semester, which had previously seen low compliance rates, and has supported public finances by funding key investments and reforms. However, the concentration of milestones and targets at the end of the implementation period poses a risk to full absorption and raises concerns about the facility's long-term economic impact.

The implementation of the NRRPs has remained highly centralised, limiting the role of stakeholders such as local and regional authorities despite their key competencies. While minor improvements in involvement were noted, most stakeholders were merely informed rather than actively engaged. By contrast, the Ukraine Facility, which was established later based on the experience with RRF, ensures structured consultation and continuous stakeholder involvement, and offers a model for future EU funding. As discussions on the post-2027 multiannual financial framework progress, adopting stronger multi-level governance and oversight mechanisms will be crucial to enhancing the effectiveness and legitimacy of future recovery instruments.

The RRF Regulation features a number of provisions that focus on transparency and accountability, including reporting requirements by the Commission and the Member States. The European Parliament scrutinises the Commission's work, and thus holds the EU executive democratically accountable. It does so through the recovery and resilience dialogues, which occur roughly four times a year and cover a wide range of RRF topics, and through the annual discharge procedure, which looks into how the EU resources have been spent.

Member States report to the Commission on the progress made in implementing their recovery plans biannually via the European Semester and by submitting payment requests. The Commission publishes the data on implementation of the facility on a dedicated webpage (the RRF Scoreboard), and issues annual and other reports on the state of play regarding implementation of the RRF.

Furthermore, in the amended RRF Regulation, Parliament managed to enhance transparency further by introducing an obligation to publish the list of the 100 largest final beneficiaries of the RRF funds in each Member State. While this has improved the overall transparency of RRF spending, some challenges persist, including the definition of final beneficiaries. Transparency in the implementation of the RRF will likely contribute to determining the overall success of the Next Generation EU recovery instrument.

Table of frequently used abbreviations and acronyms

BUDG	Committee on Budgets
Commission	European Commission
CSR	country-specific recommendation
DG	Directorate-General
EC	European Commission
ECA	European Court of Auditors
ECON	Committee on Economic and Monetary Affairs
EIA	European implementation assessment
EP	European Parliament
EPRS	European Parliamentary Research Service
EU	European Union
EUR	euro
INI	own-initiative procedure
LRA	local and regional authorities
NGEU	Next Generation EU
NRRP	national recovery and resilience plan
RRD	recovery and resilience dialogue
RRF	Recovery and Resilience Facility
RSP	resolution on topical subjects

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1. Background

The Recovery and Resilience Facility, established by **Regulation (EU) 2021/241**[1] of 12 February 2021 (RRF Regulation), is the centrepiece of Next Generation EU (NGEU), the EU response to mitigate the economic and social impact of the pandemic and to emerge stronger from the crisis.[2] The RRF was established as a novel, demand-driven, **performance-based instrument**, which offers direct financial support to Member States in exchange for implementing a blend of reforms and investments. It is also a temporary, one-off instrument, with a limited implementation period (2021-2026).

The RRF is centred around six policy pillars:[3] (i) green transition; (ii) digital transformation; (iii) smart, sustainable and inclusive growth; (iv) social and territorial cohesion; (v) health and economic, social and institutional resilience; and (vi) policies for the next generation. Each Member State is required to allocate at least 37 % and 20 % respectively of RRF funds to projects that support the green and digital transitions. Additionally, the RRF helps implement the European Pillar of Social Rights, which forms a part of the RRF's overarching objective.

The RRF introduces two particularly innovative features. First, it integrates **financial support** for both investments and reforms, offering financial incentives to Member States to implement key reforms identified through the European Semester.[4] Second, as a performance-based instrument, it allocates funds based on progress towards achieving tangible results, specifically the fulfilment of milestones and targets associated with agreed reforms and investments outlined in each **national recovery and resilience plan** (NRRP).[5] RRF disbursements depend on satisfactorily meeting these milestones and targets, which Member States must demonstrate with sufficient evidence when requesting payments from the European Commission.

In addition to payment requests to the Commission, reporting on progress in implementing the RRF is also done when Member States report on common indicators (14)[6] in the context of the European Semester. The overall state of RRF implementation can be tracked on the **RRF Scoreboard**,[7] which the Commission developed to increase transparency of RRF spending as required by the RRF Regulation. The Commission also publishes annual reports to the European Parliament and the Council on RRF execution.

The RRF's total volume is approximately €650 billion, consisting of €359 billion in grants and €291 billion in loans. The initial maximum amount available under the RRF was €723 billion (or €744 billion with REPowerEU).[8] The additional €21 billion in REPowerEU grants are intended for projects that can secure independence from Russia's fossil fuels and speed up the green transition.

1 Regulation of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.

2 See A. D'Alfonso, Next Generation EU: A European instrument to counter the impact of the coronavirus pandemic, EPRS, European Parliament, July 2020.

3 See A. D'Alfonso, A. Dobreva, K. Kowald, M. Mileusnic, S. Mazur, T. Peters, M. Pari and S. Toft, Budgetary Outlook for the European Union 2024, EPRS, European Parliament, May 2024.

4 See European Semester, European Commission.

5 See National Recovery and Resilience Plans: Latest state of play, EPRS, European Parliament.

6 Indicators reflect the progress in implementing the recovery and resilience plans. Member States gather data on these common indicators and report their figures to the European Commission twice annually, by the end of February and the end of August.

7 See Recovery and Resilience Scoreboard, European Commission.

8 See REPowerEU, European Commission.

Yet, almost €95 billion in loans remain uncalled for, which has permanently reduced the size of the RRF. To receive financial support from the facility, Member States should implement reforms and investments gradually by 31 August 2026. As of 31 December 2024, the Commission had disbursed over €306 billion[9] of RRF resources to EU countries.

2. European Commission mid-term evaluation and 2024 annual report

The **mid-term evaluation**[10] of the RRF was published on 21 February 2024, with the aim of providing an assessment of the RRF's progress in achieving its objectives at the halfway mark. The review was mainly founded on a study carried out externally by an independent contractor to guarantee an impartial evaluation. The mid-term evaluation addresses the evaluation requirements outlined in Article 32(2) of the RRF Regulation, and the five evaluation criteria specified in the European Commission's Better Regulation Guidelines[11] and Inter-institutional Agreement on Better Law-Making, specifically: (i) the extent to which the RRF's objectives have been achieved or progress has been made since the implementation period began (**effectiveness**); (ii) a comparison of the facility's costs and benefits, including any unnecessary administrative burden and complexity (**efficiency**); (iii) the ongoing relevance of the RRF in relation to its objectives, needs, and emerging challenges (**relevance**); (iv) the interaction between the RRF and other Union policies and instruments (**coherence**); and (v) whether the RRF produces outcomes that surpass those achievable through the independent actions of individual Member States (**EU added value**). The **third annual report**[12] on RRF implementation was published on 10 October 2024. It provides an overview of disbursements, NRRP revisions and updated information on progress towards milestones and targets. It also addresses ongoing challenges and developments in the RRF's implementation, complementing the findings of the RRF mid-term evaluation. The content of both Commission documents will be presented in the following sections according to the five evaluation criteria.[13]

2.1. Effectiveness

Progress toward specific objectives. The specific objective of the RRF is 'to provide Member States with financial support with a view to achieving the milestones and targets of reforms and investments as set out in their recovery and resilience plans' (Article 4(2) of the RRF Regulation). The milestones and targets represent the steps in implementing reforms and investments and tangible progress towards the achievement of specific (and general) objectives of the RRF. As observed in the mid-term evaluation, most investments are planned for completion by 2025/2026, making it premature to conduct a full **impact evaluation**. Up-to-date information largely covers financial support disbursed and successfully fulfilled milestones and targets, as verified by the Commission, or reported as completed by Member States.

9 See Recovery and Resilience Facility infographics, EPRS, European Parliament.

10 European Commission, Mid-term evaluation of the Recovery and Resilience Facility, SWD(2024) 70, 2024.

11 European Commission, Better Regulation Guidelines, SWD(2021) 305, 2021.

12 European Commission, Recovery and Resilience Facility Annual Report 2024, COM(2024) 474, 2024.

13 The information provided in this section regarding disbursements and progress in milestones and targets is based on the European Commission's annual report, which covers developments in the implementation of the RRF up to 31 August 2024. Data on common indicators is sourced from the Recovery and Resilience Scoreboard, which was updated in November 2024.

According to the Commission's annual report, by 31 August 2024 85 % of the milestones and targets that were due by the first quarter of 2024 had been either assessed as satisfactorily fulfilled by the Commission or reported as completed by Member States. Additionally, over 40 % of the **RRF funds** had been disbursed to Member States, with 48 % of grants and over 30 % of loans distributed, totalling **€265.4 billion**. Disbursements included pre-financing and payments upon achieving milestones, with €170.8 billion in non-repayable support and €94.6 billion in loans.

Based on the Commission's annual report, the pace of disbursement increased in the latter half of 2023, aided by the introduction of partial payment suspension,[14] which provides Member States with more flexibility in receiving funds.[15] The RRF also supported REPowerEU initiatives, with €10.4 billion in pre-financing provided to Member States for energy diversification and green transition efforts. By August 2024, all NRRPs had been updated at least once, with 26 Member States including REPowerEU chapters and 11 making additional targeted revisions. As a result, the total financial envelope of the RRF now amounts to €650 billion, comprising €359 billion in non-repayable support and €291 billion in loans. Furthermore, the Commission continued to fund Member States' NRRPs through EU bonds, making the European Union one of the largest issuers of euro-denominated debt. According to the Commission's annual report, by 2024 €531.4 billion in EU bonds were outstanding,[16] including €60.2 billion in green bonds supporting sustainable projects (for example, in energy efficiency and clean transport).

Progress toward general objectives. The RRF is designed to enhance the **EU's economic, social and territorial cohesion** through four main objectives:

1. **Improving the resilience, crisis preparedness, adjustment capacity and growth potential of Member States**: The RRF supports a wide range of measures aimed at enhancing Member States' resilience, crisis preparedness, growth potential and strategic autonomy.
    - **Smart, sustainable and inclusive growth** (Pillar 3): The NRRPs include 1 700 measures totalling over **€332 billion**,[17] covering areas like business competitiveness, SME support, R&D, innovation and the cultural sector. Significant progress has been made by Member States in this area. Specifically, according to the Commission's annual report, with 1 346 out of 3 305 milestones and targets reported as completed by Member States or assessed as fulfilled by the Commission by 31 August 2024. This corresponds to a progress rate of approximately 41 %, including 23 % 'assessed in payment requests'. The latest available figures indicate that over **three million enterprises** and **85 000 researchers** have been supported by the RRF.

[14] V. Lilyanova, Payment suspension methodology for the Recovery and Resilience Facility, EPRS, European Parliament, May 2023.

[15] The partial payment methodology allows the Commission to disburse funds to Member States even when a few milestones or targets are not fully met. According to Article 24(8) of the RRF Regulation, Member States have six months to address these issues after a partial suspension decision. After this period, the Commission reassesses the situation: if the relevant milestones or targets are fulfilled, the suspension is lifted; otherwise, the Member State's financial allocation is reduced.

[16] The European Commission raises funds on international capital markets on behalf of the EU and distributes these funds to Member States and third countries through various borrowing programmes. Since January 2023, the Commission has shifted to issuing unified EU bonds instead of programme-specific bonds. In 2024, the Commission continued its unified funding approach by issuing EU bonds and directing the proceeds into a central pool to finance various EU policy programmes. The funds obtained will primarily be allocated to fulfil payments associated with Next Generation EU, particularly the RRF.

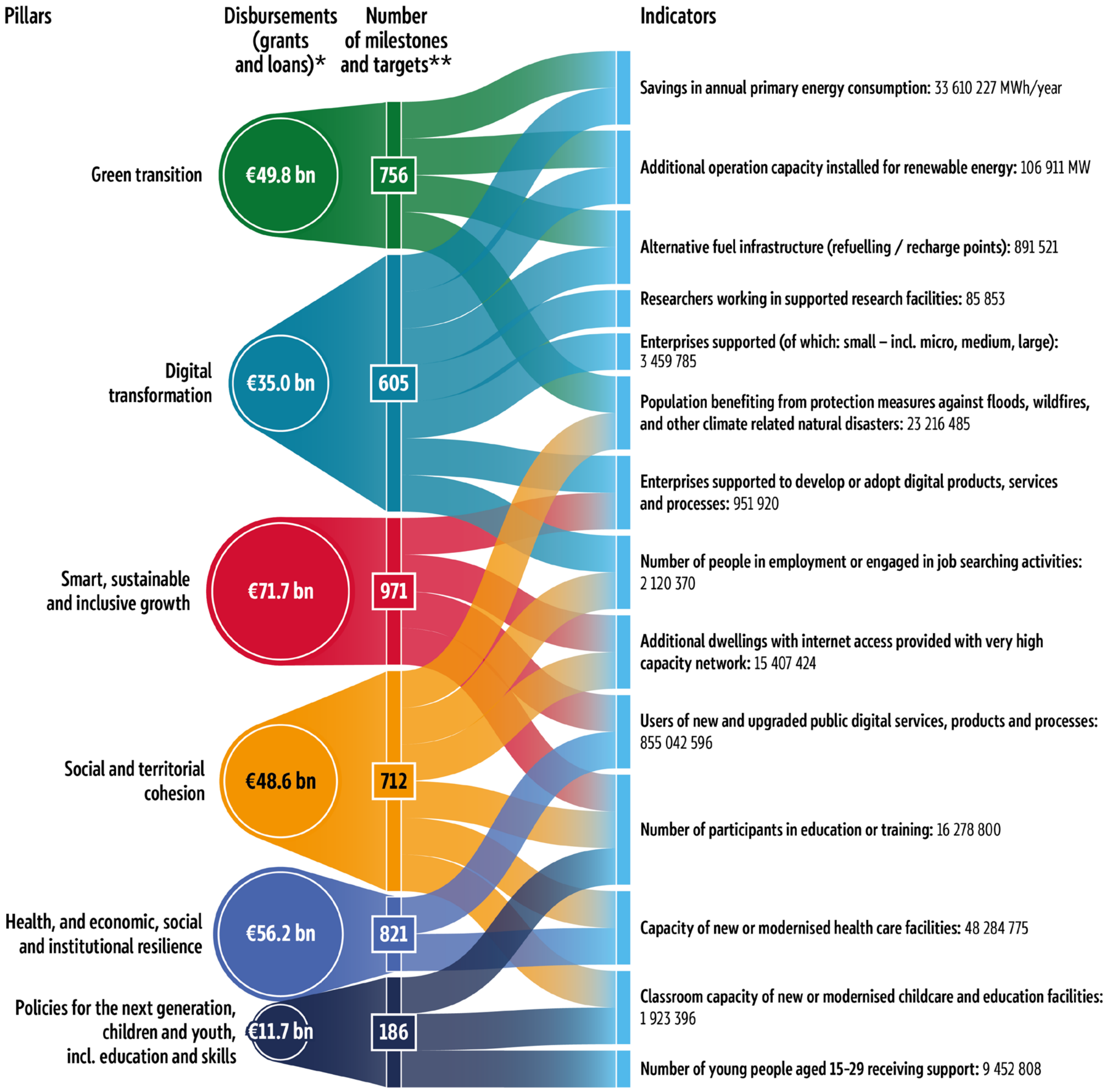
[17] A single measure can contribute to more than one pillar, resulting in the combined amounts for each pillar exceeding the total resources allocated to the NRRPs.

- **Health, and economic, social and institutional resilience** (Pillar 5): The NRRPs include over 1 200 measures worth approximately **€88.5 billion**, addressing areas such as healthcare, effectiveness of judicial systems, and anti-money-laundering. Based on the Commission's annual report, this pillar has seen the most progress, with 46 % of its 2 503 milestones and targets reported as completed by Member States or assessed as fulfilled by the Commission, including 27 % assessed in payment requests, by 31 August 2024. Latest available figures show improvements in healthcare capacity (in terms of yearly maximum number of patients who can be treated in hospitals, clinics, outpatient care centres, or specialised care centres per year), with new or modernised healthcare facilities providing **a capacity equivalent to 48.3 million patients**.

2. **Mitigating the social and economic impact of crises, with a focus on women, by supporting the European Pillar of Social Rights**: The RRF aims to mitigate the social and economic impacts of the COVID-19 crisis, with a specific focus on gender equality and the effects on women.
    - **Social and territorial cohesion** (Pillar 4): Numerous measures have been included by Member States in their NRRPs to support social and territorial cohesion, such as those dedicated to labour market access, social protection and inclusion, and territorial infrastructure and services. The 27 NRRPs allocate approximately **€261.2 billion** to this pillar. According to the Commission's annual report, overall progress is good, with 1 064 of the 2 888 milestones and targets reported as completed by Member States or assessed as fulfilled by the Commission by 31 August 2024. This represents a 37 % progress rate, including 20 % assessed in payment requests. Based on the most recent figures available, over **16.3 million people** have participated in education or training with support received from the RRF and over **2.1 million people** have either found employment or engaged in job searching activities.
    - **Policies for the next generation, children and youth, such as education and skills** (Pillar 6): Measures targeting the next generation, children and youth in the NRRPs focus on early childhood education and care, education and training, and youth employment support. The NRRPs allocate approximately **€56.4 billion** to this pillar. Based on the Commission's annual report, tangible progress has been made by Member States, with 259 of 665 milestones and targets reported as completed by Member States or assessed as fulfilled by the Commission by 31 August 2024. This indicates a progress rate of 39 %, including 21 % assessed in payment requests. The latest available figures indicate that over 9.4 million young people aged 15–29 received support via the RRF. Another positive reported outcome is increased classroom capacities, benefiting childcare and education facilities.
    - **Gender equality**: The NRRPs dedicate 136 (sub) measures to gender equality, worth a total of **€22.0 billion**. These figures exclude the contributions of other reforms that might not initially be seen as policies addressing gender equality, but whose implementation can nevertheless have a positive impact. According to the Commission's annual report, 102 of the 253 milestones and targets with a focus on gender equality were reported as completed by Member States or assessed as fulfilled by the Commission by 31 August 2024, with a progress rate of 40 %, including 22 % positively assessed in payment requests.

3. **Green transition** (Pillar 1): The RRF supports the green transition with significant funding for sustainable mobility, energy efficiency and renewable energy. With the adoption of the REPowerEU chapters, over **€346 billion** has been allocated to green transition measures, representing over 50 % of Member States' total allocation. According to the Commission's annual report, 1 080 out of 3 214 milestones and targets related to the **green transition** are already reported as completed by Member States or assessed as fulfilled by the Commission. This corresponds to a progress rate of 34 %, including 19 % assessed in payment requests. Although the full impact of the RRF on the green transition will take time to materialise, the latest available figures indicate that approximately **34 million megawatt hours (MWh)** of savings in annual energy consumption had been achieved with the support of the RRF. In addition, **106 911 megawatts** of new renewable capacity have been achieved, and **891 521 clean vehicle refuelling points** have been installed.
4. **Digital transition** (Pillar 2): The RRF supports the EU's digital transformation through various measures, including deploying digital infrastructures, enhancing digital skills, and digitising enterprises and public services. Member States have exceeded the RRF Regulation's 20 % digital expenditure target (which does not apply to the REPowerEU chapters), allocating a total of **€166.2 billion** to digital initiatives. According to the Commission's annual report, Member States have advanced in implementing measures for the **digital transition**. Specifically, 877 out of 2 464 milestones and targets were reported as completed by Member States or assessed as fulfilled by the Commission by 31 August 2024. This indicates a progress rate of 35 %, including 19 % assessed in payment requests. The latest figures indicate positive outcomes that include improved internet access for **15 million dwellings** and nearly **855 million users** of upgraded public digital services.

Figure 1 – Disbursements, milestones and targets assessed as achieved per pillar, and state of play of indicators (as of 31 December 2024)



*A single milestone or target can contribute to more than one pillar, resulting in the combined number of milestones and targets for each pillar exceeding the total number of milestones and targets linked to the NRRPs. The same applies to amounts disbursed.
**The number of milestones and targets refer to those assessed as fulfilled by the Commission.

Data source: Recovery and Resilience Scoreboard.

2.2. Efficiency

The mid-term evaluation highlights that the **performance-based** nature of the RRF, which ties financing to outcomes rather than costs, has incentivised strong commitments from Member States to meet agreed measures within specific timeframes. However, the RRF's demanding reporting requirements – including the need to report on milestones, targets, audits and common indicators – have been seen as burdensome by Member States, prompting calls for simplification. In response to the findings from the RRF mid-term evaluation, on 19 July 2024, the Commission released updated guidance[18] on NRRPs, introducing simplifications for implementing the RRF.

According to the mid-term evaluation, the **governance** structure of the RRF within Member States significantly impacts efficiency when it comes to implementing NRRPs. Centralised decision-making, particularly involving the Prime Minister's office, tends to enhance implementation efficiency by providing greater political ownership and steering capacity, especially for reforms. Furthermore, the involvement of **social partners and local/regional stakeholders** is crucial for efficient implementation. According to the mid-term evaluation, differing levels of involvement by sub-national authorities in NRRP implementation affects the efficiency of plans, particularly regarding investments, and lead to implementation challenges, especially for those carried out primarily at sub-national level.

The mid-term evaluation also emphasises that the RRF has introduced 'entry costs' for Member States' administrations which depend on factors like plan size and investment measures, with smaller plans often incurring relatively higher costs. According to the mid-term evaluation, the RRF's implementation has been a 'learning-by-doing' experience, with variations in administrative costs influenced by data availability and national governance choices. Some countries adapted existing structures to manage the RRF, while others created new ones. Finally, the complexity of modifying NRRPs, requiring Council approval for any change, has also been viewed as burdensome by Member States, reducing the efficiency of the performance-based approach.

2.3. Coherence

The RRF is designed to align with key **EU policy areas**, as outlined in its six pillars. This alignment ensures that the RRF is coherent with important EU policies across various domains, including green initiatives, digital transformation, social policies and the rule of law. According to the mid-term evaluation, the RRF is well aligned with the **European Semester**, which provided a framework for preparing NRRPs. NRRPs must address key challenges identified in the country-specific recommendations (CSRs).[19] The interaction between the RRF and the European Semester is considered mutually beneficial: the Semester supports preparation of NRRPs, while the RRF helps implement Semester recommendations. This synergy has helped governments overcome domestic resistance to reforms.

The RRF Regulation also encourages synergies with the Technical Support Instrument[20] by allowing Member States to allocate up to 4 % of their RRF funds to technical support for implementing NRRPs. Both instruments share the same policy objectives, evident in their common assessment criteria, such as the relevance of CSRs. This alignment is further demonstrated by the over 400 TSI projects connected to the preparation or implementation of NRRPs.

Furthermore, the parallel implementation of the RRF and **cohesion policy** programmes required Member States to strategically coordinate with the European Commission on funding decisions.

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[18] European Commission, Guidance on recovery and resilience plans, C/2024/4618, 2024.

[19] CSRs are part of the European Semester, the EU's annual cycle of economic and fiscal policy coordination. Annually, the European Commission reviews the economic and social policies of each EU Member State and offers customised guidance on critical issues that require attention. These recommendations aim to guide national policy reforms and investments to support economic growth, employment and sustainable public finances. CSRs cover a range of areas, including fiscal policy, and structural reforms.

[20] The Technical Support Instrument is an EU programme that provides customised technical expertise to help EU Member States design and implement reforms, throughout all stages of reforms. The TSI covers various policy areas, including climate action, digital transition and health, and assists with NRRPs under the RRF.

While double funding is prohibited, measures can be financed by both instruments if costs are not duplicated. To ensure synergies and avoid overlaps, Member States adopted four **demarcation approaches**: thematic, territorial, beneficiary type, and temporal. Thematic demarcation was most common, but some substitution effects between RRF and cohesion policy have been observed, particularly in shifting projects from cohesion policy to RRF due to prioritisation and perceived lower administrative burdens. Member States have used the two tools to complement different aspects of the same investment or to support sequential policy interventions. While evidence of synergies is limited so far, they are expected to increase as RRF implementation progresses.

Finally, the NRRPs were also aligned with Member States' **national recovery strategies**, either building on existing post-pandemic plans, or serving as strategic recovery plans for those without pre-existing plans. Indeed, the short drafting period[21] for the NRRPs and the medium-term implementation horizon of the RRF (until 31 August 2026 for the achievement of milestones and targets) enabled the development of plans that were consistent with existing or planned investments and reforms in Member States.

2.4. Added value

The RRF is a significant **EU financial instrument**, providing up to €650 billion in support from 2021 to 2026, aiming to bolster economic recovery and convergence across Member States post-COVID-19. The mid-term evaluation highlighted how its impact varies by country, depending on their specific situations and, among other factors, on the size of the RRF allocation as a share of national **GDP** and pre-existing investment plans. In particular, in Member States where the RRF represents a significant share of GDP, it offered extra fiscal capacity to carry out investments that might not have occurred otherwise. According to the mid-term evaluation, the RRF provided significant funding to advance EU policies, with a focus on the green and digital transitions. It has helped speed up the implementation of long-standing and politically challenging reforms, particularly those identified as critical by the Council through CSRs in the European Semester. These reforms, such as the rule of law and structural changes, might not have progressed without the RRF, demonstrating EU added value. Examples include long-term care reform in Slovenia and reform of regulated professions in Portugal.

The simultaneous implementation of reforms across Member States created additional impact and economic benefits. The RRF introduced a new dimension to EU funding by making investment financing conditional on reform implementation, filling a gap in existing EU funding instruments like cohesion policy, which does not typically finance structural reforms. The facility is also expected to generate positive **spillover effects** across the EU, especially through intra-EU trade, multi-country and cross-border projects. According to the RRF mid-term evaluation, Member States were encouraged to consider such projects, which reflect common priorities of several Member States and are aligned with the objective of promoting further integration and cooperation within the EU. The importance of multi-country projects has been strengthened in the amendment of the RRF Regulation. This includes an additional assessment criterion placing a strong cross-border or multi-country focus on all measures introduced under the REPowerEU chapter. The evaluation highlights that the RRF has enabled participation in these projects, particularly in areas like hydrogen, microelectronics, cloud technologies and digital innovation.

[21] While the RRF Regulation was adopted in February 2021, Member States were encouraged to submit their national recovery plans by 30 April 2021.

2.5. Relevance

The RRF aligns Member States' reforms and investments with both national needs and EU priorities, particularly supporting the green and digital transitions. The mid-term evaluation highlighted that the RRF remains relevant amid evolving challenges like Russia's invasion of Ukraine, high inflation and the energy crisis, thanks to its adaptability and amendments like **REPowerEU**. By late 2022 and 2023, all 27 Member States had submitted revised NRRPs, utilising the various options provided by the RRF Regulation for amendments, such as objective circumstances, additional loans, and updates to the maximum financial contribution. According to the mid-term evaluation, the RRF's allocation key ensured funds support economic convergence, benefiting countries most in need.

However, while the RRF's objectives are broadly supported, the process to amend NRRPs is seen as cumbersome and inflexible by Member States compared to other EU instruments. The procedure does not differentiate between minor and major adjustments, causing delays. Furthermore, the RRF mid-term evaluation underscored that, due to the instrument's time-limited nature, there were constraints in choosing investments for the NRRPs. The 2026 deadline restricts the types of investments that can be included, as it excludes those needing more time for implementation, particularly affecting the ambitions of the REPowerEU chapters focused on renewable energy.

Finally, the evaluation emphasises that, while the **RRF loans** were relevant for many Member States, they were not for others. The decision by Member States to apply for RRF loans was influenced by a combination of financial and non-financial factors. Reasons for applying included facing higher market interest rates compared to EU rates, reductions in non-repayable RRF support, and the need to maintain project continuity. Other considerations included the health of public finances, inflation concerns, the administrative burden, and the scale of planned projects. Conversely, some Member States did not apply for RRF loans due to more favourable market financing conditions, sufficient non-repayable support, or concerns about adding to inflationary pressures. The mid-term evaluation highlights that, despite these variations, RRF loans are expected to provide a positive **return on investment** (ROI) for all requesting Member States, with estimates ranging from 2 % to 38 %.[22]

3. Literature review of key topics

3.1. RRF financial elements: Resources, borrowing operations and repayment

The size of the RRF envelope amounts to **€650 billion** (current prices) in repayable (loans) and non-repayable (grants) support to Member States. The available resources were intended to help Member States address primarily the consequences of the socio-economic shock of the pandemic and, later on, of the energy and cost of living crises, while fostering the green and digital transitions. The breakdown of funds favours grant support, with €359 billion (including €21 billion in REPowerEU grants) compared to €291 billion in loans.[23] However, the total amount of the planned RRF support is now lower than the maximum amount available of €723 billion (or €744 billion with REPowerEU)

[22] European Commission's calculations based on available data on NGEU versus sovereign cost of funding.

[23] Should the loan allocation have been utilised in full, the breakdown of RRF resources would have favoured loans over grants as initially envisaged by the RRF Regulation.

as stipulated in the RRF Regulation. This is due to the lesser uptake of RRF loans by Member States, which resulted in permanently reducing the repayable allocation by almost €95 billion; the legal deadline for requesting RRF loans was 31 August 2023.

The reasons for not utilising the loan allocation varies between countries (see earlier section on the RRF mid-term evaluation).[24] Nevertheless, one possible explanation, as evidenced in the literature, lies in the fact that RRF loans – contrary to RRF grants that have been requested in full – constitute national public debt, and Member States may have been reluctant to increase it further, especially those countries with already limited fiscal space.[25] Other reasons for not requesting loans include better borrowing conditions for certain Member States compared to the conditions that the EU could obtain on capital markets.

The largest EU financial envelope to date

The Recovery and Resilience Facility (RRF) is the central spending tool of the €809 billion **Next Generation EU** (NGEU) recovery instrument, introduced to tackle the socio-economic ramifications of the COVID-19 crisis and challenges of the twin transitions. The maximum RRF allocation represents almost 90 % of the entire NGEU envelope, while the remaining amounts top up six EU budgetary instruments under the 2021-2027 multiannual financial framework (MFF): ReactEU, the Just Transition Fund, the Rural Development Fund, InvestEU, Horizon Europe and RescEU.

Following the introduction of the **REPowerEU** plan, launched in 2023 to secure energy independence from Russian fossil fuels and to speed up the green transition, the RRF has been boosted with an additional €21 billion in non-repayable support. This amount is financed through a share of revenues from the Emissions Trading System (so far, around €19 billion out of €20 billion available) and from voluntary transfers by Member States from the Brexit Adjustment Reserve (€2 billion).

Source: EPRS, European Parliament.

As previously mentioned, to benefit from RRF funding Member States needed to develop their individual NRRPs, outlining ambitious reform and investment measures that significantly address CSRs issued in the context of the European Semester, as well as a set of commonly identified EU challenges.[26] If countries failed to address these CSRs, the EU would withhold RRF resources from them. This type of conditionality (also known as **'cash for reforms'**) is a novelty in EU finances that has given the EU, for the first time, significant leverage when pushing for the achievement of its principles and policies. The relevant literature suggests that, at the same time, this approach may further boost national ownership by central governments, as Member States are free to decide which recommendations to address and how to do it.[27]

Another novelty in the RRF governance is the **performance-based method** on which the facility is based. Measures embedded in the individual NRRPs are divided into qualitative and quantitative

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24 Fourteen Member States did not request RRF loans: Austria, Bulgaria, Denmark, Estonia, Finland, France, Germany, Ireland, Latvia, Luxembourg, Malta, the Netherlands, Slovakia and Sweden. Before the amendment of the RRF Regulation that also envisaged REPowerEU financing, the number of countries not considering RRF loans was even higher.

25 See: É. Bassot, Ten issues to watch in 2023, EPRS, European Parliament, January 2023; M. Mileusnic, 'Fiscal policy shifts: towards more integration?', Economic research-Ekonomska istraživanja, Vol. 36(2), Taylor & Francis Online, 2022, pp. 1-21.

26 Additionally, the measures presented in the individual NRRPs need to contribute to green and digital objectives (at least 37 % and 20 % of the total planned expenditure respectively). The digital target does not apply to REPowerEU chapters.

27 See: G. Mahieu, P. Brans and D. Schulz, 'The Recovery and Resilience Facility Under Next Generation EU: A Breakthrough in Economic Policy Coordination and Policy Programming', AJIL Unbound, Vol. 118, Cambridge University Press, 2024, pp. 144-150; J. Zeitlin, D. Bokhorst and E. Eihmanis, 'Governing the European Union's recovery and resilience facility: National ownership and performance-based financing in theory and practice', Regulation and Governance, Wiley, 2024, pp. 1-21.

implementation steps (or milestones and targets respectively), which, once achieved, are included in the countries' payment requests to the European Commission. After a positive assessment by the Commission and the subsequent confirmation by the Council, the RRF resources can be disbursed to the Member State requesting them. Should the Commission deem that not all milestones and targets have been satisfactorily fulfilled, a partial payment can be made in accordance with the payment suspension methodology.

The performance-based approach of the RFF has thus far received mixed reviews. On the one hand, such an approach may lead to diffusion of ownership throughout the polity, meaning that certain domestic actors (other than the central government whose ownership increases in relation to the CSRs) responsible for the implementation of reforms and investments may not be sufficiently involved in the RRF process (e.g. local governments).[28] Additionally, the definition of milestones and targets differs significantly across the NRRPs, thus hindering comparability between countries. This is due to the fact that the RRF Regulation has prioritised measuring progress towards the achievement of milestones and targets, instead of capturing far-reaching and enduring effects of reforms and investments through them.[29]

On the other hand, experiencing a shift towards more effective public spending, enhanced predictability and accountability, and frontloading of reforms during the implementation of the NRRPs have been seen as positive aspects of the performance-based method.[30] Moreover, performance-based funding, combined with the conditionality mechanism to implement structural reforms in Member States, could possibly contribute to a more **policy-driven budget**[31] under the next MFF, according to a discussion paper by the European Centre for Development Policy Management.[32] As a policy-driven budget focuses on concrete outcomes of public spending, it prioritises implementation and delivery, including the appraisal, monitoring and evaluation of policy outcomes[33] – most of which characteristics apply to the performance-based RRF. Such a budget would be better aligned with the EU's competitiveness and sustainability goals, but would still risk over-centralisation, increased bureaucracy and questionable effectiveness.[34]

In order to obtain the financial means to fund the individual recovery plans, the Commission borrows on capital markets. **EU-level borrowing** is not a novelty, as borrowing instruments date back to 1952, when the European Coal and Steel Community Loan Facility was established. However, with the introduction of NGEU, the scale of borrowing operations has become unprecedented, amounting to €160 billion per year on average, and involving the issuance of EU bonds (medium and long-term instrument) and EU bills (short-term instrument).[35] For 2025, issuances on financial markets must

[28] See: D. Bokhorst and F. Corti, 'Governing Europe's Recovery and Resilience Facility: Between Discipline and Discretion', Government and Opposition, Vol. 59(3), Cambridge University Press, 2024, pp. 718-734; S. Ladi, D. Tsarouhas and P. Copeland, 'Negotiating the recovery and resilience facility: the emergence of coordinative conditionality', Comparative European Politics, Springer Nature Link, 2024, pp. 1-22.

[29] I. Begg, F. Corti and A. Liscai, Performance Framework for the EU Budget: Concepts and practices, Policy Department for Budgetary Affairs, European Parliament, March 2024.

[30] G. Mahieu, P. Brans and D. Schulz, op. cit., 2024.

[31] In the political guidelines for the European Commission 2024-2029, President Ursula von der Leyen announced the departure from a programme-based to a policy-based budget for the next MFF.

[32] ECDPM, The multiannual financial framework after 2027: Financing the EU's global ambitions, 2024.

[33] G. Benedetto and S. Milio, *European Union Budget Reform: Institutions, Policy and Economic Crisis*, Palgrave Macmillan, 2012.

[34] ECDPM, op. cit., 2024.

[35] With €60.2 billion issued as of 1 August 2024, NGEU green bonds have seen a 36.2 % increase compared to the previous year. For more information on the Commission's borrowing operations, see: European Commission, NextGenerationEU, website.

not exceed €60 billion and €170 billion for short- and long-term borrowing respectively. The cap on issuances is expected to cover the planned disbursements in a given year; Member States can submit a maximum of two payment requests to the Commission annually.

The estimated cost of NGEU borrowing

A briefing from October 2023 for the BUDG committee estimating the EU's borrowing costs showed that yearly interest relative to RRF grants and borne by the EU budget could increase in the next few years to almost €11 billion. The total costs over the entire lifespan of the NGEU borrowing scheme could amount to roughly €222 billion (in addition to the repayment of the principal amount).

Another study, focused on EU debt liabilities that was delivered to the BUDG committee in 2024, showed that interest payments on NGEU grants-related borrowing during the 2021-2027 MFF is expected to reach €28 billion. It also showed that, for the 2028-2034 MFF, interest payments and principal repayments are projected to amount to between EUR €140 billion and €168 billion.

Source: DG IPOL, European Parliament.

The Commission is borrowing on behalf of the EU while enjoying the EU's high credit rating and consequently benefiting from favourable conditions. One part of the borrowed resources is directed to the EU budget to finance RRF grants. The other part is given directly to Member States in the form of RRF loans. The benefit of the Commission's borrowing is reflected in related interest rates on loans, which are lower than what most Member States could obtain on their own due to their lower credit ratings. Interest rates, in particular, reflect the market conditions at the time of the Commission's operations on the capital markets. High inflation in recent years has prompted the European Central Bank to increase its interest rates, which, in turn, had a significant impact on the cost of RRF financing.[36] As interest rates remain highly volatile, it is difficult to make precise estimates. To address the issue of rising borrowing costs, the EU adopted a three-step mechanism to be used in situations of unforeseen expenditure hikes and a new flexibility instrument to provide clarity regarding the budgetary mechanisms for the financing of NGEU-related costs.

RRF grants are financed by the EU budget, and **repayment** of the resources borrowed to finance them is a joint obligation (liability) of the EU through its own resources. While the EU budget is already repaying borrowing costs for grants, repayment of the principal amount will start in 2028 and will last until 2058. The current system of EU own resources includes customs duties, Member States' contributions based on value added tax and gross national income (GNI), and a resource based on non-recycled plastic packaging waste. To help repay the grant part of the RRF, in December 2021 and June 2023 the Commission proposed the next basket of own resources.[37] It includes an own resource based on revenues from the Emissions Trading System and the carbon border adjustment mechanism, and a temporary statistical own resource on company profits.[38] Another own resource, based on the share of residual profits from multinationals and to be reallocated to Member States, is envisaged if an OECD/G20 agreement is reached on international tax reform. The Commission proposal has already received the endorsement of the European Parliament and is now pending negotiations in the Council.

[36] G. Claeys, C. McCaffrey and L. Welslau, The rising cost of European Union borrowing and what to do about it, Policy Department for Budgetary Affairs, European Parliament, May 2023; Z. Darvas and C. McCaffrey, Management of debt liabilities in the EU budget under the post-2027 MFF, Policy Department for Budgetary Affairs, European Parliament, October 2024.

[37] The Commission's first proposal containing three new sources of revenue for the EU budget was introduced in December 2021.

[38] The proposed statistical own resource is possibly to be replaced by a contribution from Business in Europe: Framework for Income Taxation (BEFIT), once it has been officially proposed by the Commission and unanimously agreed by all Member States.

Own resources come with two important ceilings[39] – the own resources ceiling for payments and the actual payment ceiling in the MFF. The former ceiling in particular defines the maximum amount of own resources the Commission can gather from Member States in any given year to finance EU expenditure. The difference between these two ceilings is known as the budgetary headroom, which is a guarantee that all financial obligations of the EU will be met. To finance NGEU specifically, being a one-off instrument, the own resources ceiling has been temporarily raised to 2 % of the EU's GNI until 2058, which represents a 0.6 percentage point increase from the permanent ceiling of 1.4 % of EU GNI used to finance traditional MFF programmes. While the EU's promptness in obtaining new resources to keep its economy healthy following the shock of the pandemic has been praised, evidence in the literature points to the fact that an autonomous EU power to tax – combined with greater involvement of the European Parliament – is still needed.[40]

As opposed to RRF grants, the loan component of the facility does not require repayment via the EU budget. RRF loans are already included in the national debt-to-GDP ratio of individual Member States, and are to be repaid directly by the countries that requested them. Only in the unlikely event of a Member State defaulting would a loan repayment fall back on the EU budget, which provides a guarantee through the budgetary headroom.

3.2. RRF payment requests and absorption rates

The payment structure under the RRF Regulation allowed for pre-financing of up to 13 % of the initial allocation for Member States whose Council implementing decisions were adopted before December 2021. This ensured that funds could be disbursed quickly at the start of the RRF, effectively supporting the recovery after the COVID-19 crisis. In total, €56.6 billion has been disbursed to all Member States except Bulgaria, Ireland, Hungary, the Netherlands and Sweden. Additionally, 20 % pre-financing for the new REPowerEU chapter, amounting to €10.4 billion was disbursed between 2023 and 2024. Bulgaria, Germany, Ireland, Luxembourg, the Netherlands and Sweden have not received REPowerEU pre-financing.

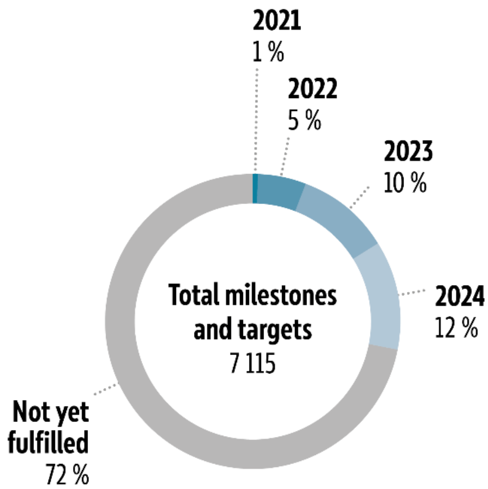
For regular payments based on the achievement of milestones and targets, the Commission has, as of 31 December 2024, disbursed €156.7 billion in grants and €82.5 billion in loans, bringing total RRF payments – including pre-financing – to **€306.1 billion**. To date, Hungary and Sweden remain the only Member States that have not received any regular payments, with Hungary yet to submit a first payment request. Regular payments disbursed so far have been conditional on successful implementation of **1 998 milestones and targets** (28 % of the total envisaged milestones and targets). Figure 2 below summarises how implementation of milestones and targets has evolved each year in relation to payments disbursed.

[39] A. D'Alfonso, Own resources of the European Union. Reforming the EU's financing system, EPRS, European Parliament, June 2021.

[40] The European Parliament is excluded from the procedure for adopting own resources, which requires ratification by national parliaments instead. For more information, see: G. Bizioli, A Hamiltonian Moment for EU Taxation?, Intertax, Vol. 52, Issue 11, Kluwer Law Online, 2024, pp. 705-712; N. Groenendijk, Revenue Capacity of the EU: Taxes, Tax Sharing, and Resource Pooling, Politics and Governance, Vol. 11(4), Cogitatio, 2023; pp. 6-16; and R. García Antón, Mirroring Comparative Fiscal Federalism to Design the EU Revenue Side, Intertax, Vol. 52, Issue 11, Kluwer Law Online, 2024, pp. 684-704.

By the end of 2024, the Commission was in the process of assessing further payment requests from 21 Member States for a total value of €63.8 billion. If it assesses that the related milestones and targets have been fulfilled satisfactorily, the total funds disbursed will increase to **€370 billion**.

Figure 2 – Percentage of milestones and targets assessed as completed by year of related payment (as of 31 December 2024)



Source: EPRS, based on RRF Scoreboard.

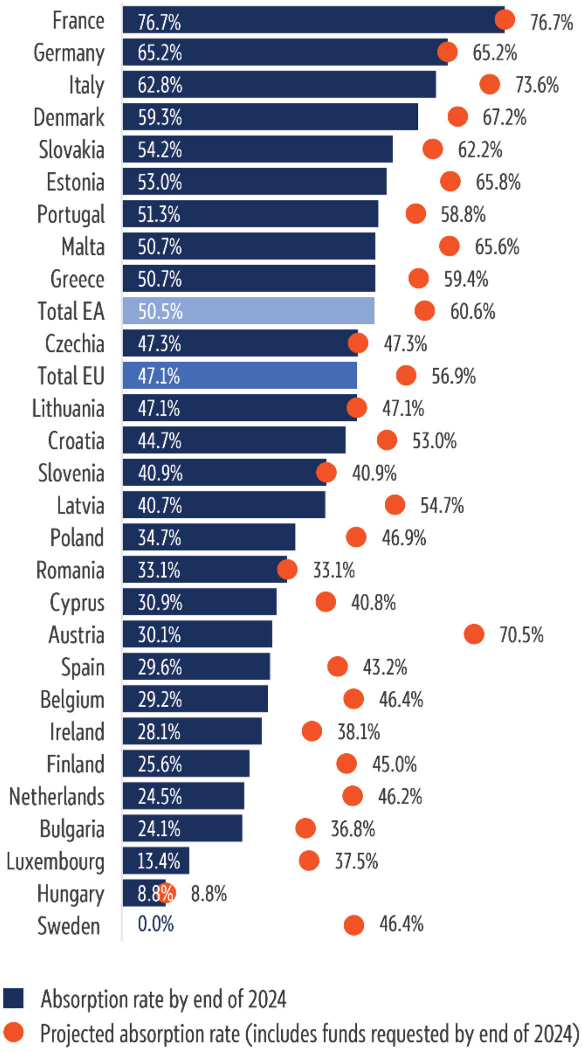
The **absorption rate** of funds represents the ratio of disbursed funds to the total allocated amount. By the end of 2024, the overall absorption rate of RRF funds (including both grants and loans) reached **47.1 %**, equating to nearly half of the total available funds. In the euro area, the absorption rate was slightly higher, at 50.5 %. When taking into account resources requested through payment requests still under assessment at the end of 2024, the overall projected absorption rate would rise to **56.9 %** (with the euro area reaching 60.6 %) if all these requests are positively assessed.

Figure 3 below illustrates **absorption rates and projected absorption rates** across Member States. The highest absorption rates so far have been recorded in France (76.7 %), Germany (65.2 %) and Italy (62.8 %). Conversely, the lowest absorption rates have been observed in Sweden (0 %),[41] as it has not yet received any funds, followed by Hungary[42] (8.8 %) and Luxembourg (13.4 %). Assuming the Commission's evaluation of pending payment requests is positive, the highest projected absorption rates will be in France (76.7 %), Italy (73.6 %) and Austria (70.5 %), while the lowest projected absorption rates will be in Bulgaria (36.8 %), Romania (33.1 %) and Hungary (8.8 %).

41 Sweden submitted a first payment request of €1.6 billion on 20 December 2024.

42 Hungary has not yet submitted any payment requests and has received only pre-financing for its REPowerEU chapter.

Figure 3 – Absorption rates by Member State



Source: EPRS, based on RRF Scoreboard data.

3.2.1. Assessment of the speed of NRRP implementation and RRF fund absorption

As part of the 2025 European Semester autumn package, the Commission concludes in its 2025 report on the euro area[43] that the implementation of the RRF in the euro area **accelerated in 2024 after some delays in 2023**. The employers' views paper[44] of October 2024 points out slow disbursement and implementation rates and notes that the proportion of Business Europe Federation members who are dissatisfied with the implementation of the plan has grown from 29 % following the RRF's launch to 42 %.

[43] European Commission, Commission Staff Working Document: 2025 Report on the euro area, SWD(2024) 704 final, 2024.

[44] BusinessEurope et al., Joint Employers' Contribution: Consultations on the Annual Sustainable Growth Strategy 2025, October 2024.

Within the framework of the 2024 European Semester spring package, CSRs[45] highlighted **varying levels of progress in the absorption of RRF funds** and the implementation of plans across Member States. Hungary and Sweden were urged to significantly accelerate implementation given prolonged delays. Meanwhile, Belgium, Bulgaria, Germany,[46] the Netherlands and Romania were also advised to speed up their efforts substantially. Additionally, Austria, Croatia, Cyprus, Czechia, Finland, Greece, Ireland, Italy, Lithuania, Poland, Portugal, Slovakia, Slovenia and Spain were encouraged to address relevant challenges to ensure the continued, swift and effective execution of their plans. Finally, Denmark, Estonia, France, Latvia, Luxembourg[47] and Malta were recommended to maintain their current pace of swift and effective implementation. [48]

A recent ECB paper[49] (Bańkowski et al., 2024) concludes that, in each of the years between 2021 and 2023, there was significant **under-execution of RRF-funded expenditure** in most euro area countries compared with the original plans. The article highlights that, by early September 2024, a third of all the payment requests under euro area countries' NRRPs (or their corresponding operational arrangements) had been submitted, compared to around 50 % in the indicative timeline. The authors conclude that submission delays have emerged and worsened over time.

Bańkowski et al. further stress that this pattern can be observed both when looking at the original NRRPs or the more back-loaded revised NRRPs, arguing that the delays reflect substantive challenges in implementing NRRPs' milestones and targets and pose risks to the achievement of the RRF's policy objectives. The article shows that **implementation delays** are evident across nearly all euro area countries to a varied extent and that there are up to 23 quarters of cumulative delay in submitting a payment request. Some countries have also experienced disbursement delays when, for instance, the payment request is accompanied with insufficient documentation. Disbursement delays are generally shorter than submission delays, but are particularly pronounced for Italy.

The ECB paper highlights that the implementation of RRF-linked structural reforms has advanced significantly, with euro area countries fulfilling 730 out of 1 700 milestones and targets by early September 2024, achieving more than 40 % of all the planned reforms. However, the percentage of **fulfilled reform-related milestones** is well below 50 % in many euro area countries. The authors point out that only a few countries have implemented more than 50 % of their reform-related milestones and targets. In addition, they note that, in some of these more advanced countries (such as France and Spain), the measures include reforms that had already been implemented before the NRRP was submitted, which raises some questions in terms of their 'additionality'. On a more positive note, early evidence suggests **tentatively positive economic effects** from some reforms, such as judicial improvements in Italy reducing case backlogs. The RRF has also strengthened compliance with CSRs, which previously had low implementation rates. By requiring Member States

[45] Council of the EU, European Semester 2024: Council agrees on country-specific recommendations, Press release, 16 July 2024

[46] In the 2024 country report, Germany was warned it would face significant delays and the Council urged it to significantly accelerate the implementation of the plan. Germany submitted a second payment request of €13.5 billion in September 2024, and on 23 December 2024 this payment was disbursed, significantly increasing the absorption rate of RRF funds in the country.

[47] In the 2024 country report and in the 2024 Council CSR, Luxembourg's plan was considered well underway and the absorption rate of the RRF funds was 39 %. However, the plan was subsequently revised with the inclusion of the REPowerEU chapter that was endowed with additional grants. This increased the overall value of the plan to €241 million, thus reducing the absorption rate to 13.4 %.

[48] A. D'Alfonso, M. Höflmayr and G. Sabbati, Economic outlook quarterly: A crucial phase for Next Generation EU, EPRS, September 2024.

[49] K. Bańkowski, M. Freier, P. Jacquinot, A. Mandra, M. Pisani, M. Ratto and A. Ristiniemi, Four years into Next Generation EU: what impact on the euro area economy?, ECB Occasional Paper Series No. 362, European Central Bank, 2024.

to address all or a significant subset of CSRs in their NRRPs, the RRF has **significantly improved non-fiscal CSR implementation**, exceeding poor implementation trends before the RRF. This suggests that the RRF and its design have been instrumental in incentivising key structural reforms aligned with the CSRs across the euro area.

Similarly, in a special report[50] analysing the data up to the end of 2023, the European Court of Auditors (ECA) concludes that the absorption of RRF funds is progressing with some delays. Nearly all Member States have faced delays in submitting payment requests compared to the indicative timelines in their operational arrangements, with delays ranging from one request (Finland, Ireland) to six (Poland, Romania, Slovenia) and durations varying from 1 month (Cyprus) to 12 months (Estonia). The report highlights that delays have become more frequent over time. While 56 % of first payment requests were submitted on time, this dropped to 27 % for the second and 9.5 % for the third. Additionally, Member States report biannually on NRRP progress as part of the European Semester, providing self-reported data on completed and upcoming milestones. Analysis of the April and October 2023 reports shows that the share of milestones and targets that were initially planned to be completed but remained unfulfilled increased from 18 % in April to 24 % in October. Meanwhile, the proportion of future milestones facing delays remained steady at 16 % in both reports, indicating persistent challenges in completing milestone and targets on time and in timely RRF fund absorption.

3.2.2. Drivers of absorption delays

The 2024 CSRs highlighted the issue of **insufficient administrative capacity**, which hampers the absorption of RRF funds and the implementation of NRRPs in many Member States (Bulgaria, Croatia, Cyprus, Czechia, Greece, Ireland, Italy, Poland, Portugal, Romania, Slovakia, Slovenia and Spain). To address this, the CSRs called for measures to strengthen administrative capacity, ensure effective governance and improve coordination across different levels of government. Additionally, digitalised and streamlined procedures were identified as important measures to accelerate fund disbursement, including for final beneficiaries. Moreover, the Council proposed measures to enhance skills and retain talent in public administrations, alongside simplifying permitting procedures and improving procurement processes.

Furthermore, to ensure sufficient absorption capacity, for some Member States the Council called for special attention regarding the **high concentration of investments towards the end** of the plans (e.g. Croatia, Italy, Spain) and **timely submission of payment requests** (e.g. Finland, Austria), while Hungary was also recommended to take **measures** to ensure protection of EU **financial interests**. All the Member States were also recommended to systematically involve local and regional authorities, social partners, civil society and other relevant stakeholders in the implementation of the NRRPs.

[50] European Court of Auditors, Absorption of funds from the Recovery and Resilience Facility: Progressing with delays and risks remain regarding the completion of measures and therefore the achievement of RRF objectives, Special Report No. 13, 2024.

In its special report, the ECA also assessed the factors contributing to delays in absorbing RRF funds, based on a sample audit of four Member States. According to their report and the results of their survey, while the reasons for delays vary among Member States and differ between reforms and investments, the most common ones are as follows.

- Changes in external circumstances
  These include **increased inflation**, **supply shortages** or **changes in the political context for reforms** in the Member State. Since the RRF's launch in 2021, geopolitical shifts, not least Russia's illegal and unjustified war of aggression against Ukraine, have driven inflation and record energy prices. These unforeseen factors, including reduced interest in certain funding calls, have already affected or risk delaying milestones, targets, and therefore implementation of measures.
- Underestimation of the time needed to implement measures
  The Commission's guidance[51] asked Member States to assess **project maturity** in their NRRPs or outline steps to establish a pipeline for efficient implementation and fund absorption. However, the ECA assessment of four sampled Member States[52] found the required level of detail regarding project maturity unclear, resulting in limited references to that criterion. National authorities also pointed out that certain measures, particularly **innovative projects**, faced difficulties aligning with the RRF's timeframe, leading to implementation delays. Similar concerns apply to **REPowerEU measures**, where long-term objectives may exceed the RRF's implementation period, posing further risks to timely fund absorption and project completion.
- Challenges relating to public procurement and State aid rules
  Procurement processes were particularly complicated by economic shifts, including high inflation and supply shortages, which forced adjustments to procurement procedures or resulted in unsuccessful tenders. Similarly, while the RRF Regulation reaffirmed the application of EU **State aid rules**, and the Commission provided guidance[53] to support Member States, the design and approval of State aid schemes proved time-consuming, leading to delays in the implementation of NRRP measures.
- Challenges relating to the administrative capacity of Member States and the administrative and regulatory burden at national level
  The implementation of the NRRPs has significantly increased the volume of funds to be absorbed simultaneously in several Member States.[54] The Commission's mid-term evaluation confirmed that some Member States were struggling with the related increase in workload, highlighting the need to strengthen national administrative capacity. However, administrative challenges vary across Member States – about a third of surveyed bodies did not see administrative capacity as a concern.[55]

[51] European Commission, Commission Staff Working Document: Guidance to Member States – Recovery and Resilience Plans, SWD(2021) 12 final, 2021.

[52] Spain, Italy, Slovakia and Romania.

[53] European Commission, Practical guidance to Member States for State aid notifications under the Recovery and Resilience Facility, 2021.

[54] In fact, with the RRF funding, 14 countries receive more than double their 2014-2020 EU funding for the 2021-2027 period. This has posed challenges, particularly for countries where cohesion funding already represented a large share of public investment (e.g. Bulgaria, Estonia, Croatia) and for low-absorption Member States receiving substantial RRF support

[55] Particularly in countries where RRF allocations were smaller relative to GDP or where dedicated RRF units were set up within national authorities to facilitate RRF implementation.

- Uncertainties regarding specific RRF implementation rules
  Despite the fact that the Commission provided technical guidance,[56] the novel condition of the **DNSH principle**[57] made its implementation particularly challenging for national authorities. Additionally, differences in interpretation between the Commission and Member States on what constitutes 'satisfactory fulfilment' of milestones and targets led to delays in processing payment requests.[58]

The above-mentioned ECB paper also discusses the reasons for the under-execution of RRF-funded expenditure in most euro area countries up until 2023. The authors conclude that the delayed implementation of NRRPs is driven primarily by **limited administrative capacity** and a **sequence of shocks** that resulted in **supply-side bottlenecks** and downscaling of procurement contracts resulting from higher than expected inflation. The article highlights that euro area countries with a combination of relatively **weak administrative capacity** and a **large RRF allocation** have generally experienced the most significant implementation delays. Supply-side bottlenecks, particularly supply chain disruptions, have also posed major challenges, especially for investment-related measures exacerbated by Russia's war of aggression against Ukraine. The authors further explain that these challenges have manifested themselves in various ways, including shortages of critical inputs due to ongoing supply chain disruptions and mismatches in the labour market owing to the departure of workers from the labour force and inter-sectoral reallocation.

3.2.3. Action to address the delays and evolution of external circumstances

In their report, the ECA highlight that the European Commission and Member States have taken various measures to facilitate the absorption of RRF funds and to address the delays, **including amendments to NRRPs, enhanced guidance on implementation rules, efforts to strengthen administrative capacity, and the establishment of monitoring systems**. However, the overall effectiveness of these actions remains to be seen.

The report points out that many Member States requested amendments to their NRRPs to adjust targets, postpone completion dates, or remove measures due to objective circumstances. Yet, the definition of 'objective circumstances' justifying amendments remained unclear and, although the Commission later issued guidance,[59] 58 % of RRF coordinating bodies still saw a need for further clarification.

The ECA also explains that Member States took steps to **improve administrative capacity**, including staff recruitment and process-related simplifications. However, persistent labour shortages and high turnover remained obstacles, particularly in Spain, Romania, Italy and Slovakia. While both the Commission and the Member States established **IT monitoring systems**, some lacked detailed tracking capabilities, and half of the surveyed Member States had **no early warning system** for delays. Moreover, biannual reports to the Commission lacked comprehensive details on the causes of delays, limiting the EU's ability to mitigate risks to fund absorption. Ensuring efficient implementation and full utilisation of RRF funds will require continued improvements in administrative capacity, enhanced monitoring mechanisms, and clearer guidance from the

56 European Commission, Technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation, Commission Notice C/2023/111, 2023.

57 Funded measures by RRF must comply with the 'do no significant harm' (DNSH) principle as the first EU instrument to include this as a funding condition.

58 Although the Commission provided case-by-case clarifications, formal written guidance was only issued in February 2023. As a result, 65 % of surveyed RRF coordinating bodies agreed that the definition of satisfactory fulfilment posed a risk to the timely absorption of funds.

59 European Commission, Guidance on Recovery and Resilience Plans in the context of REPowerEU, OJ C 80/01, 2023.

Commission, even though the Commission implements the RRF under direct management and bears ultimate responsibility.

The ECB paper mentions that the supply bottlenecks started to improve, while modifications of the NRRPs had temporarily absorbed administrative capacity, most notably in 2023.

3.2.4. Future of RRF absorption and related risks

According to the 2024 Autumn Economic Forecast,[60] NGEU and the RRF are expected to **mitigate the impact of fiscal consolidation**, providing **support for public investment**, if their implementation is not delayed.[61] The future of RRF funds absorption might be influenced by external economic circumstances. The Commission's forecast projects GDP growth at 1.5 % in the EU and 1.3 % in the euro area in 2025, with a modest recovery to 1.8 % and 1.6 % in 2026, reflecting weaker external demand and tighter financing conditions that could **constrain investment**[62] and **delay RRF-funded projects**. Additionally, the latest data suggest that **supply bottlenecks remain a risk**.[63] After headline inflation fell sharply from 2023 to 2024 in both the euro area and the EU, the forecast suggests a more gradual disinflation path in the following years, with inflation expected to reach 2.1 % in the euro area and 2.4 % in the EU by 2025, and 1.9 % and 2.0 % respectively by 2026. This sustained **decline in inflation** is expected to **ease cost pressures** on RRF-funded projects. However, the broader **economic risks**, which tilt largely to the **downside**, plus geopolitical instability and continued vulnerability in energy security, could **challenge RRF fund absorption**.

The ECA report highlighted that the **concentration of milestones and targets** in the **second half of the RRF implementation period** poses a significant risk to absorption and measure completion. The distribution of milestones and targets is highly uneven, with only 1 750 of the 6 234 (28 %) milestones and targets planned at the time included in the 73 payment requests submitted by the end of 2023. Furthermore, survey results indicate that only two Member States believe they will achieve all investment-related milestones and targets within the timeframe set by the Council implementing decision. **The shift from reforms to investments** in later stages of implementation adds to the challenge, as investments – especially infrastructure projects – tend to be complex and more vulnerable to external delays. This back-loading of investments increases the risk of further delays and slower absorption. More critically, milestones and targets in the latter half of the implementation period are often directly tied to the **completion of measures** and the achievement of RRF objectives. Failing to meet these milestones could jeopardise fund absorption and the successful delivery of planned measures. Lastly, according to the report, the disbursement of RRF funds to Member States does not always correspond to the quantity or significance of the milestones and targets achieved. Moreover, the relationship between the funds received and milestone completion varies across Member States.

The ECB article reminds readers that, to ensure the full effectiveness of the RRF, it is crucial that implementation is both **complete** and of **high quality**. There is a risk that its impact could be weakened if Member States fail to meet all agreed milestones and targets by August 2026, reducing the macroeconomic benefits of the RRF by the extent of the missed deliverables. However, the

60 European Commission, European Economic Forecast – Autumn 2024, Institutional Paper 296, November 2024.

61 See also: A. D'Alfonso, M. Höflmayr and G. Sabbati, Economic Outlook Quarterly: A story of contrasts, EPRS, European Parliament, November 2024.

62 In 2024, investment contracted by more than 2.5 % in the first half of the year in a broad-based way, also due to increased uncertainty and a weaker business environment.

63 See an evaluation by the World Economic Forum. Moreover, the latest S&P Global Sector PMI® data shows that 9 out of 21 monitored sectors experienced a decline in output in the final month of the year – the highest number since October 2023.

authors warn against focusing only on speed in implementation, as Member States must also maintain quality of implementation, ensuring that reforms are not rushed or reduced to a mere 'box-ticking' exercise, where formal compliance is achieved without delivering the intended economic impact. Member States are also invited to make greater use of the EU's Technical Support Instrument to access external expertise and temporarily enhance administrative capacity.

3.3. Transparency in RRF implementation

Transparency in implementing the RRF will likely contribute to determining the overall success of the Next Generation EU recovery instrument as it promotes good governance and increases trust in policy-making.[64] This is particularly important due to the unprecedented size of the RRF, a relatively short timeframe for the implementation of measures embedded in the recovery plans, and the RRF's design novelties such as the performance-based approach. The pre-condition for enhanced transparency – in general and especially in the RRF process – is **timely provision of information**. The Commission, who directly manages the facility and has overall responsibility for its implementation, also publishes information on RRF execution (see more details below). This, in turn, allows the European Parliament to scrutinise the Commission's work and to make adequate accountability claims towards the Commission in order to preserve democratic legitimacy.

The RRF Regulation features a number of provisions that focus on transparency and accountability (Chapters V to VII). In particular, Article 25 of the RRF Regulation calls for enhanced transparency throughout the entire RRF process – from the adoption of the NRRPs to their implementation – to be achieved through active engagement of the Commission, the Council and the Parliament. The Regulation also gives Parliament scrutiny powers, notably through the **recovery and resilience dialogues** (RRDs, Article 26) between Parliament and the Commission. The RRDs are expected to take place every two months as stated in the Regulation, but their actual frequency has been lower. As of January 2025, the two institutions have had 15 dialogues, meeting on average roughly four times per year.[65] The exchanges reflect the wide array of topics covered by Article 26, and range from – to give a few examples – RRF Regulation amendments and the Commission's assessment of the NRRPs, to Member States' compliance with transparency requirements, the fulfilment of milestones and targets, and the disbursement of payments.

Nevertheless, some criticism of Parliament's role and powers in scrutinising the Commission's work on the RRF emerged in the literature. While Parliament and the Council were co-legislators for the RRF Regulation, including establishing the RRDs as a soft accountability mechanism, Parliament does not have any decision-making powers on the implementation of the facility (e.g. confirming the Commission's assessment of the payment requests made by Member States) and the adoption of the NRRPs.[66]

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64 See: M. Mileusnic, Transparency in the implementation of the Recovery and Resilience Facility, EPRS, European Parliament, September 2023.

65 There were four recovery and resilience dialogues in 2021, four in 2022, five in 2023 and two in 2024. The absence of dialogues in the second half of 2024 was due to the European Parliament elections and the formation of the 2024-2029 European Commission. The next RRD (the 16th) is scheduled for February 2025.

66 See: E. Gianna, Fight or flight? Explaining the role of the European Parliament in the establishment of the Recovery and Resilience Facility, Journal of European Public Policy, Vol. 32(1), Taylor&Francis Online, 2025, pp. 152-183; and Swedish Institute for European Policy Studies, The recovery and resilience facility: Too complex a governance system for meaningful accountability?, 2023.

Being one arm of the EU's budgetary authority, this has placed Parliament on an uneven footing with the Council (the other arm of the budgetary authority). In addition, the RRDs have also been predominantly directed towards EU-level topics, do not envisage follow-up questions to Commissioners, and lack the involvement of Member States (in charge of implementing the NRRPs) and the Council.[67] Finally, the RRF is subject to the annual discharge procedure[68] through which Parliament holds the Commission to account on how the EU's annual budget has been used. This ex-post democratic oversight at political level represents a hard scrutiny mechanism in comparison to the RRDs.

2024 Confirmation hearings

In June 2024, the European Parliament elections took place, followed by the establishment of the 2024-2029 European Commission (in December 2024).

The Commissioner-designate hearings that preceded the confirmation of the Commission featured the topic of the RRF to varying degrees. The discourse on the RRF/NGEU was significant for three portfolios: Economy and Productivity, Implementation and Simplification; Cohesion and Reforms; and Budget, Anti-Fraud and Public Administration. RRF topics did not feature prominently in the hearings for 10 other portfolios ranging from Agriculture to Democracy, Justice and the Rule of Law, while the remaining 13 portfolios (e.g. Internal Affairs and Migration) did not cover the RRF at all.

The questioning of the Commissioners-designate reflected the style of the recovery and resilience dialogues, and brought additional insights into the RRF process, thus contributing to enhanced transparency.

Data source: EPRS, European Parliament.

As the availability of well-timed information on RRF execution is the backbone of enhanced transparency, the RRF Regulation mandates regular **reporting** by the Commission via the Recovery and Resilience Scoreboard[69] (Article 30). In the context of the European Semester, Member States report twice a year to the Commission on the implementation of their individual NRRPs (Article 27, RRF Regulation). The countries report on 14 indicators reflecting the objectives of the RRF, and provide data on RRF-financed expenditure.[70] This information is then fed into the Scoreboard. The Scoreboard also contains the list of the 100 largest final beneficiaries of RRF funding in each Member State. This requirement is reflected in Article 25a of the amended RRF Regulation (REPowerEU) and it is considered a significant win for the European Parliament in the quest for more transparency during the negotiations that led to the amended RRF Regulation. In addition, on a separate website, the Commission displays an interactive map[71] of RRF-funded projects in EU countries, thus boosting transparency further.

Besides this, the Commission is obliged to deliver annual reports on RRF implementation (Article 31, RRF Regulation) to the Parliament and the Council. Thus far, the Commission has published three annual reports. They show that the implementation status[72] has evolved over the years, from being 'firmly under way' in 2022, reaching 'broadly on track' status in 2023, to recognising 'acceleration' in implementation in 2024. In addition, the Commission published its RRF review report in 2022 and

67 E. Bressanelli, N. Chelotti and M. Nebbiai, The Recovery and Resilience Dialogues: Cheap Talk or Effective Oversight?, Politics and Governance, Vol. 11(4), Cogitatio, 2023, pp.297-310.

68 See: A. D'Alfonso, Discharge procedure for the EU Budget. Political scrutiny of budgetary implementation, EPRS, European Parliament, May 2020.

69 European Commission, Recovery and Resilience Scoreboard, website.

70 The reporting requirements stem from two delegated regulations supplementing the RRF Regulation: Delegated Regulation 2021/2106 (indicators) and Delegated Regulation 2021/2105 (RRF-financed expenditure).

71 European Commission, The Recovery and Resilience Facility, website.

72 See: V. Lilyanova, Recovery and Resilience Facility implementation. Overview of European Commission annual reports, EPRS, European Parliament, December 2024.

the independent mid-term evaluation of the facility (see earlier sections), both required by the RRF Regulation (Article 16 and Article 32 respectively).

Two reporting obligations by the Commission are still pending. They include a report reviewing the application of Article 10 on measures linking the facility to sound economic governance (by 31 December 2024), and an independent ex post evaluation report (by 31 December 2028) as per Article 32 of the RRF Regulation. Moreover, an expert group is also tracking the implementation of the RRF informally. The group consists of the Commission and the Member States, and serves as a forum for the exchange of views on crosscutting aspects that arise during the implementation of the facility. So far, the group has met 29 times (the last meeting was held on 23 October 2024). These meetings are closed to the public but their agendas and minutes are published regularly, which contributes to boosting the transparency of RRF implementation (despite it not being among the group's goals).

3.4. Stakeholder involvement in the NRRPs

A 2024 consultation carried out by the Council of European Municipalities and Regions (CEMR) and the European Committee of the Regions (CoR)[73] highlights the persistent centralisation of the RRF, with **national governments** maintaining **tight control** over the planning, implementation and monitoring of the NRRPs. This is despite the fact that local and regional authorities (LRAs) possess the key competences (such as supporting the green transition and digital transformation, promoting economic, social and territorial cohesion, and improving resilience) for the majority of priorities outlined as objectives in the RRF Regulation. Achieving these objectives requires a **collaborative, multi-level governance approach**, where municipalities and regions have a meaningful role in shaping the investments and reforms they are responsible for implementing.

Despite repeated concerns across the EU about the **inadequate involvement of local and regional governments** in the design and implementation of the RRF, the third CoR-CEMR survey indicates **little to no progress** in this field. Even though the regulatory adjustments introduced through REPowerEU were supposed to enhance stakeholder involvement, LRAs remain largely excluded from meaningful participation, with most being merely informed or consulted with minimal impact.

More specifically, the results of the consultation regarding the implementation of the NRRPs show a slight increase in respondents reporting impactful involvement compared to the previous survey (most likely as a result of the longer implementation period). However, this improvement is overshadowed by a significant rise in the number of respondents stating that they are merely being informed, rather than actively engaged. This limited involvement is further emphasised by the **limited engagement of LRAs in the monitoring of or reporting** on the plans. A majority of respondents indicated either no involvement at all in reporting on the NRRP's progress (12 out of 36 respondents) or merely being informed of its progress (13 out of 36 respondents).

The consultations also identified that the main barriers to LRA engagement stem from national governments' reluctance to include them or the absence of an appropriate framework for meaningful participation. The authors conclude that the **current European regulatory framework** for the RRF **is inadequate in ensuring effective stakeholder involvement**, which is crucial for aligning recovery plans with local priorities. As the Commission and co-legislators consider the **post-2027 MFF regulatory framework**, a comprehensive assessment of the RRF's successes and shortcomings is

[73] Council of European Municipalities and Regions (CEMR) and European Committee of the Regions (CoR), Implementation of the Recovery and Resilience Facility at Local and Regional Level: Results of the CoR-CEMR Targeted Consultation, 12 April 2024.

essential. **New tools** should prioritise **stronger multi-level governance**, ensuring that LRAs are not just passive recipients but active partners in shaping and implementing recovery strategies. Strengthening ownership at all levels will be critical for enhancing the long-term effectiveness and legitimacy of EU funding.

Similarly, within the 2025 autumn European Semester, the 'employer views' report calls on the Commission to further **encourage Member States** to **actively engage national social partners in the implementation of NRRPs** and other labour market reform processes. Such engagement facilitates the joint identification of challenges and the development of better-targeted policy solutions, taking into account sectoral, regional and local dimensions. Additionally, it strengthens ownership of the economic and social policy agenda and allows for timely adjustments whenever necessary.

When comparing the RRF Regulation with the subsequently adopted Ukraine Facility Regulation,[74] the latter appears to **enhance stakeholder involvement** by introducing a more structured, transparent and accountable consultation process. While the RRF required only **a summary of consultations conducted** in accordance with national legal frameworks, the Ukraine Facility mandates a detailed explanation of consultations on both its preparation and its implementation.

In line with the principle of inclusive partnership, the Commission is required to strive to ensure, as appropriate, that all **relevant stakeholders are allowed to participate in shaping the design and implementation of activities eligible for funding** under the facility and in the related **monitoring, scrutiny and evaluation processes**, as relevant.

For instance, the Ukraine Facility also introduces **direct civil society participation in monitoring and oversight**, allowing non-governmental organisations to report irregularities directly to the Commission and provide continuous feedback on implementation. This contrasts with the more flexible, Member State-driven consultation approach of the RRF, where the depth and impact of stakeholder engagement varied significantly.

Overall, while the RRF established the principle of stakeholder consultation, the Ukraine Facility operationalises it more effectively, embedding regular engagement, democratic oversight and robust accountability mechanisms into the entire process.

4. The European Parliament

4.1. Parliament's position

Since 2020, the European Parliament has addressed issues related to the RRF in many resolutions. Most of these resolutions took the form of own-initiative resolutions (INI), others were resolutions on topical subjects (RSP), adopted following a debate in plenary requested by a political group. This section provides a summary of selected topics raised in the resolutions.

Among the recurrent topics in these resolutions is **Parliament's role** in the scrutiny of the RRF. This became clear already in July 2020 in a resolution on the conclusions of an extraordinary European Council meeting.[75] In this resolution, Parliament recalled 'that the legal basis chosen to set up the

[74] European Union, Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility, OJ L 2024/792, 29 February 2024.

[75] European Parliament, Resolution of 23 July 2020 on the conclusions of the extraordinary European Council meeting of 17-21 July 2020.

recovery instrument does not give a formal role to elected Members of the European Parliament'. The RRDs introduced in Article 26 of the RRF Regulation (see also section 1.2.3) are an important tool for Parliament in this context.

Since the start of the RRF's implementation, Parliament stressed the importance of **transparency** as a key factor in the monitoring and control systems of the NRRPs. In its first RRF implementation report, Parliament called on Member States 'to provide detailed, transparent and timely information to the Commission in order to ensure effective reporting of the impact of the RRF'.[76] In the same resolution, Parliament also asked 'the Commission and the Member States to publish periodically up-to-date data on final beneficiaries and on transferred funds, for the sake of public trust and transparency'. Since the 2023 amendment to the RRF Regulation (to include a REPowerEU chapter in the NRRPs), all Member State are asked to create a public portal containing data on the 100 final recipients receiving the highest amount of funding for the implementation of measures under the facility (Article 25a). However, in 2024 Parliament regretted that 'the Commission does not request that Member States provide information on the final beneficiary or recipient of RRF funding and chose to require Member States to provide information only about "second-level recipients"'.[77]

Parliament's emphasis on the **detection and correction of conflicts of interest, corruption and fraud** is closely linked to calls for transparency in RRF implementation. In 2021, Parliament called 'on the Commission and the Member States to include in their respective anti-corruption strategies targeted measures dedicated to spending public money in times of crisis', among them the RRF.[78] In 2022, Parliament recalled that 'the RRF is bound to conditions that guarantee transparent use of the money and that it should prevent corruption or fraud, double funding or conflicts of interest'.[79]

Parliament emphasised also the importance of **stakeholder involvement** in the implementation phase of the NRRPs. In May 2021, Parliament asked for the input of LRAs, social partners, civil society organisations, youth organisations and other relevant stakeholders to be reflected in the plans.[80] A similar call was adopted in a resolution in June 2021.[81]

In its annual resolutions on the **European Semester**, Parliament stressed repeatedly the link with the RRF and highlighted that the NRRPs should address the CSRs issued in the European Semester. In 2022, Parliament also called on Member States to use the RRF 'to transform their economies and make them sustainable, more competitive and more resilient to future shocks'.[82] More recently, this call was reiterated in a 2024 resolution on the European Semester.[83]

[76] European Parliament, Resolution of 23 June 2022 on the implementation of the Recovery and Resilience Facility.

[77] European Parliament, Resolution of 18 January 2024 on the protection of the European Union's financial interests – combating fraud – annual report 2022.

[78] European Parliament, Resolution of 15 December 2021 on the evaluation of preventive measures for avoiding corruption, irregular spending and misuse of EU and national funds in case of emergency funds and crisis-related spending areas.

[79] European Parliament, Resolution of 24 March 2022 on MFF 2021-2027: fight against oligarch structures, protection of EU funds from fraud and conflict of interest.

[80] European Parliament, Resolution of 20 May 2021 on the right of information of the Parliament regarding the ongoing assessment of the national recovery and resilience plans.

[81] European Parliament, Resolution of 10 June 2021 on the views of Parliament on the ongoing assessment by the Commission and the Council of the national recovery and resilience plans.

[82] European Parliament, Resolution of 10 March 2022 on the European Semester for economic policy coordination: annual sustainable growth survey 2022.

[83] European Parliament, Resolution of 13 March 2024 on the European Semester for economic policy coordination 2024.

In addition, Parliament highlighted the importance of RRF funding for **sectoral policies**. For example, Member States' limited absorption capacities due to competition between the 2021-2027 cohesion funds and the RRF was raised in a 2023 resolution on large **transport infrastructure** projects in the EU.[84] As one of the sectors hit during the COVID-19 pandemic, Parliament asked Member States to support their **cultural and creative sectors and industries**, among other things by earmarking at least 2 % of the budget envelope of the RRF for culture.[85] Similarly, Parliament recommended that 10 % of NRRPs should go to **education** and asked the Commission to evaluate the projects and reforms related to education, young people and the cultural and creative sectors implemented by Member States from the RRF.[86] Finally, the use of RRF funding to finance access to decent and **affordable housing** was highlighted in a 2021 resolution.[87]

4.2. Members' questions

Even before its entry into force on 19 February 2021, the RRF was the subject of dozens of parliamentary questions posed by MEPs to the Commission. The following section addresses key topics and selected questions put forward by MEPs during the ninth and the beginning of the tenth parliamentary term.

Questions were identified through a keyword search for *RRF* and *Recovery and Resilience Facility* in the *Questions for Written Answers* section of the European Parliament's public register of documents, starting from 2020. Around 200 questions directly addressing the RRF were selected after reviewing titles and the full text of around 1 600 questions. A balanced approach was taken to ensure representation across topics and groups, leading to the identification of the following categories and themes. Figure 4 shows the most frequently used words in the text of selected parliamentary questions.

84 European Parliament, Resolution of 13 June 2023 on large transport infrastructure projects in the EU – implementation of projects and monitoring and control of EU funds.

85 European Parliament, Resolution of 20 October 2021 on the situation of artists and the cultural recovery in the EU.

86 European Parliament, Resolution of 13 September 2022 on the impact of COVID-19 closures of educational, cultural, youth and sports activities on children and young people in the EU.

87 European Parliament, Resolution of 21 January 2021 on access to decent and affordable housing for all.

Figure 4 – Words most frequently used in selected parliamentary questions

Data source: Selected parliamentary questions on the RRF, 2020 to 2024.

Financial matters

Unsurprisingly, towards the beginning of the observed period in 2020 and 2021 several parliamentary questions addressed the significant increase in the EU's **joint borrowing and debt**. Members voiced concerns about the permanence of joint borrowing, debt-financed transfers, and the effects on the stability of the economic and monetary union, e.g. E-001408/2021 posed by Charlie Weimers (ECR, Sweden) and E-003041/2021 by ECR and ID.

Many questions by MEPs concerned the **financing structure of the RRF**. An example is E-003126/2021, posed by Nuno Melo (EPP, Portugal), who expressed concerns about Europe's post-pandemic recovery relying on international investors. He asked the Commission to evaluate the likelihood of a boycott scenario. In her August 2021 reply, Commissioner Mairead McGuinness stated that there was no indication of such a risk. She noted that the first three issuances of Commission bonds under the Next Generation EU instrument had attracted significant interest from investors in Europe and globally, resulting in 'very favourable pricing conditions'. However, she also acknowledged that investor demand could fluctuate over time.

Allocation, distribution and absorption

Another set of parliamentary questions focused on the **allocation of funds and the independence of distribution entities.** Marek Belka (S&D, Poland) raised questions E-002407/2021 and E-003045/2022 asking the Commission about the fairness of distributing grants and loans, particularly the division between central and local governments in Poland. He also questioned the assessment of political bias and whether **non-governmental stakeholders** had been consulted. Moritz Körner (Renew, Germany) made a similar inquiry in E-002749/2023, in this instance for the Hungarian government. Additionally, two cross-party questions, E-002511/2021 and E-002871/2021, addressed the independence of courts in Poland and the protection of the EU budget.

The **ECA's special report on** Absorption of funds from the Recovery and Resilience Facility (14/2024), released in September 2024**,** prompted multiple questions from MEPs about low absorption rates in sectors such as civil protection and climate adaptation, such as E-001532/2024 (Sakis Arnaoutoglou, Yannis Maniatis, Nikos Papandreou, all S&D, Greece).

A cross-party question E-002147/2023 (S&D and the Greens/EFA) highlighted the limited allocation of 1.6 % for gender equality in Italy's NRRP. The question sought clarification on the availability of gender-disaggregated data and guidance on monitoring gender impacts beyond the existing Regulations (2021/21051 and 2021/2106). The Commission responded that such information is published on the Recovery and Resilience Scoreboard.

Finally, two cross-party questions (E-004579/2021 and E-000591/2022) with the participation of all groups (except ID) raised questions regarding RRF funding for the **cultural sector**. These questions pointed to the limited inclusion of culture in NRRPs, with only 14 Member States addressing culture in their plans, while Parliament had called for at least 2 % of the RRF budget to be earmarked for culture.

Monitoring, accountability and transparency

As of 2023, Members were growing more interested in **monitoring of and data on RRF beneficiaries**.

In E-002458/2023, Eva Maria Poptcheva (Renew, Spain) expressed concerns about 13 Member States failing to publish the list of the 100 largest final beneficiaries of the RRF, a key transparency requirement secured by the European Parliament. She referred to a prior inquiry made to Commissioner Paolo Gentiloni on 12 July 2023 and asked what specific measures the Commission is taking to enforce this obligation. Similarly, in E-000662/2023 Dimitrios Papadimoulis (The Left, Greece) raised concerns about the publication of this information following the introduction of Article 25a in Regulation (EU) 2023/435, which requires Member States to create public portals with data on the largest recipients. According to the Commission's answer in November 2023, 19 Member States had provided the lists. The Commission also suggested aligning the timing of data updates with the existing bi-annual reporting schedule.

The **ECA's special report on** Green transition – Unclear contribution from the Recovery and Resilience Facility (14/2024), published in September 2024, led to several parliamentary questions addressing the management and **expenditure related to the green transition**. These included E-001826/2024 from ECR MEPs from Sweden, E-002436/2024 from Ana Miranda Paz (Greens/EFA, Spain) and E-002577/2024 by Mathilde Androuët (PfE, France).

Implementation of the NRRPs in Member States

In question E-003671/2023, Isabel Benjumea Benjumea (EPP, Spain) raised issues about the low level of implementation of the RRF in Spain. The Commission responded in March 2024, noting that Spain had recently shared detailed information, with a fourth progress report published in December 2023.

A substantial number of questions focused on specific sectors and projects, particularly regarding their eligibility for RRF funding. In E-001632/2022, Greens/EFA MEPs from Italy asked about Italy's government's use of simplified Environmental Impact Assessment (EIA) procedures for a military base in Coltano (Pisa) financed by RRF funding. Vice-President Dombrovskis, on behalf of the Commission clarified that, under Article 1(3) of the Environmental Impact Assessment Directive, Member States may choose not to apply the directive to projects 'having defence as their sole purpose'. Another project was addressed in E-001108/2023, where Renew MEPs from multiple countries questioned the Commission's delay in disbursing €19 billion in funds to Italy. This was linked to plans to use RRF funds for football stadiums in Venice and Florence. In July 2023, the Commission responded that the extended assessment period for Italy's third payment request had been agreed upon with the Italian authorities to finalise technical work, and was not directly caused by the two stadium projects that had been removed from the list of projects.

5. Conclusions

Economic growth and long-term impact: The RRF has promoted sustainable economic growth, but its potential has not been fully exploited.

- The RRF, with its financial firepower of €650 billion, has been a key instrument in the EU's response to the COVID-19 pandemic and the energy and cost of living crises, providing substantial financial support to promote economic recovery and resilience.
- The RRF's large size and its rapid deployment, including through pre-financing, provided immediate fiscal space to and reduced bond spreads between Member States, sustaining public investment in the EU, especially for lower-income countries.
- RRF resources are obtained through unparalleled EU borrowing on capital markets, with repayment due between 2028 and 2058. Despite rising borrowing costs (up to €28 billion for the 2021-2027 period according to some projections), precise estimates are not possible. Certain mechanisms – putting in place a procedure to cover higher than initially planned borrowing costs – were nonetheless introduced during the MFF mid-term revision.
- In contrast to the fully used RRF grant allocation, almost €95 billion in RRF loans were not requested by Member States, thus permanently reducing the size of the RRF. This possibly shows countries' preference for common EU debt in funding EU priorities as opposed to increasing national debt levels via additional loans.

Reforms, investments and impact: The RRF is supporting key reforms and investments in Member States aligned with EU priorities but challenges remain in measuring their impact.

- The RRF aligns Member State policies with EU priorities, such as the green and digital transitions, enhancing the coherence of EU policies and spending.
- By linking funding to the implementation of key reforms, the RRF has incentivised significant progress in carrying out structural reforms and fulfilling CSRs.
- Some of the main RRF features – the performance-based approach and 'cash for reforms' tactic – underpin the idea of a more policy-driven budget under the next MFF.
- The way milestones and targets have been defined across NRRPs varies considerably, inhibiting adequate follow-up of the plans' implementation and comparisons between countries. Milestones and targets should have measured the lasting impact of investments and reforms, instead of merely focusing on their achievement.
- Common indicators supplement data on milestones and targets, but lack comprehensive coverage and final target values.

Allocation and absorption of funds: By combining reforms and investments, Member States can make recovery plans more coherent. The RRF has supported economic recovery and is helping to address long-standing policy challenges. However, the time needed for the implementation of envisaged measures may bring about difficulties in absorbing funds fully by the final RRF deadline.

- The pre-financing mechanism under the RRF facilitated swift initial disbursements, supporting economic recovery. Despite challenges, the RRF has played a crucial role in supporting public finances, while significantly improving the implementation of structural reforms.

- Regular payments depend on the achievement of milestones and targets, in line with the results-based approach. The overall absorption rate reached 47.1 % by the end of 2024, with a projected increase to 56.9 % based on the outstanding payment requests. However, delays in payments and under-execution of RRF-funded expenditure indicate bottlenecks in absorption and require accelerated efforts.
- The concentration of milestones and targets, particularly for investments, in the second half of the RRF period poses a significant risk to full absorption, as investments require longer implementation times.
- Insufficient administrative capacity, complex procurement processes, external circumstances (e.g. high inflation), unclear rules and regulatory burdens, among other factors, have hindered the pace of fund absorption.
- Strengthened monitoring mechanisms, increased administrative capacity and further guidance from the Commission will be critical in addressing absorption delays, ensuring quality and mitigating financial risks.

Transparency and accountability: While the performance-based nature of the RRF has contributed to predictability and accountability in public spending, there is room for improvement in terms of transparency and stakeholder involvement.

- The RRF's performance-based funding enhances predictability and accountability in public spending but also imposes high administrative demands, with specific milestones and targets to be achieved.
- The RRF Regulation establishes several transparency and accountability requirements, as well as placing reporting obligations on the Commission and Member States in relation to RRF implementation. However, Parliament has called for their reinforcement, including through the publication of up-to-date data on final beneficiaries. Strengthened monitoring mechanisms are likely to increase public trust that the RRF is being implemented properly.
- Reporting obligations, through annual reports and common indicators, demand significant effort at all levels of governance, but ultimately enhance transparency and enable timely communication on progress.
- The recovery and resilience dialogues between the Parliament and the Commission remain a soft accountability mechanism predominantly directed towards EU-level topics. They do not envisage follow-up questions to Commissioners, and lack the involvement of Member States (in charge of implementing NRRPs) and the Council.
- A revised framework should prioritise stronger multi-level governance, ensuring that local and regional authorities and other stakeholders are not just passive recipients, but active partners in shaping and implementing recovery strategies. Strengthening ownership at all levels of governance will be critical when it comes to enhancing the long-term effectiveness and legitimacy of EU recovery funding.

This paper has been drafted to assist the European Parliament's Committees on Economic and Monetary Affairs (ECON) and on Budgets (BUDG) in the context of their work on an implementation report on the Recovery and Resilience Facility. Based on publicly available information, it provides a literature review of EU reports and academic papers on the state of play of the implementation of the Recovery and Resilience Facility. It also summarises the main topics of recent parliamentary resolutions and questions.

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