

Special report

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



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OF AUDITORS

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Executive summary

I In February 2021, the EU established the Recovery and Resilience Facility (RRF), amounting to €723.8 billion, with the aim of mitigating the economic impact of the pandemic, for which swift uptake of funding was essential, and making member states' economies more resilient. The RRF is implemented under direct management by the Commission and the member states as beneficiaries and borrowers of funds must ensure that measures under the RRF are implemented in compliance with relevant EU and national law.

II We included this audit in our annual work programme due to the materiality of the amounts involved and the novelty of the RRF's funding model. We examined the RRF's design and implementation to assess whether:

- RRF funds had been disbursed as planned;
- the actions taken by the member states and the Commission have ensured that funds were absorbed as planned; and
- there are inherent risks with regards to absorption and completion of measures in the second half of the RRF's implementation.

III We conclude that the absorption of RRF funds is progressing with some delays, and that there are risks to absorption and to the completion of measures in the second half of the RRF's implementation.

IV The pre-financing of up to 13 % provided for in the legislation allowed more funds to be paid out quickly at the beginning of the RRF; however, absorption faced delays for several reasons. By the end of 2023, the Commission had disbursed around €213 billion in total, including €56.5 billion in the form of pre-financing. By the end of 2023, member states had in total requested €228 billion of the €273 billion that was expected to have been requested based on their operational arrangements. Seven member states, however, had not received any funds for the satisfactory fulfilment of milestones and targets from the RRF by the end of 2023.

V While the reasons for delays vary among member states, the most common ones include changes in external circumstances (such as inflation or supply shortages), underestimation of the time needed to implement measures, uncertainties regarding specific RRF implementation rules (such as the "do no significant harm" principle) and challenges related to the administrative capacity of member states.

VI In October 2023, about half of the funds received had been paid to final recipients. However, not all member states provided complete and consistent information on the current location of RRF funds. In addition, the definition of “final recipient” leaves room for interpretation.

VII Both the Commission and the member states took actions to address the delays; however, it is too early to assess whether they have a positive impact. For example, the member states proposed amendments to their initial recovery and resilience plans and the Commission provided guidance and support to facilitate the implementation of the RRF. However, the impact of the amendments to the recovery and resilience plans remains to be seen, and some member states consider that parts of the guidance leave room for interpretation or are difficult to apply due to the complexity and novelty of the guidance itself.

VIII Member states also took action to increase their administrative capacity, but challenges – namely recruiting the necessary staff – remain. Both the Commission and member states have set up IT systems to monitor implementation progress, but for two of the sampled member states the national systems did not provide sufficient information to identify delays in good time. Furthermore, although the Commission monitored progress through its regular contacts with the member states, it did not systematically ask them to provide information on the actions taken to address delays reported by member states, even though the Commission implements the RRF under direct management and bears ultimate responsibility.

IX We consider that there are risks to timely absorption and the completion of measures in the second half of the RRF’s implementation. More specifically, a significant number of milestones and targets remain to be fulfilled and they may be more difficult to achieve. In addition, the shift from reforms to investments is likely to further increase the risk of delays.

X We also noted that the disbursements of RRF funds to member states do not necessarily reflect the quantity and importance of the milestones and targets included therein. Furthermore, the relationship between amounts received under the RRF and the achievement of milestones and targets differs among member states. As the RRF Regulation does not provide for the possibility of recovering funds related to already fulfilled milestones and targets if measures are not completed, this poses risks as it may result in RRF funding being paid without member states having completed the corresponding measures.

XI Based on these findings, we recommend that the Commission:

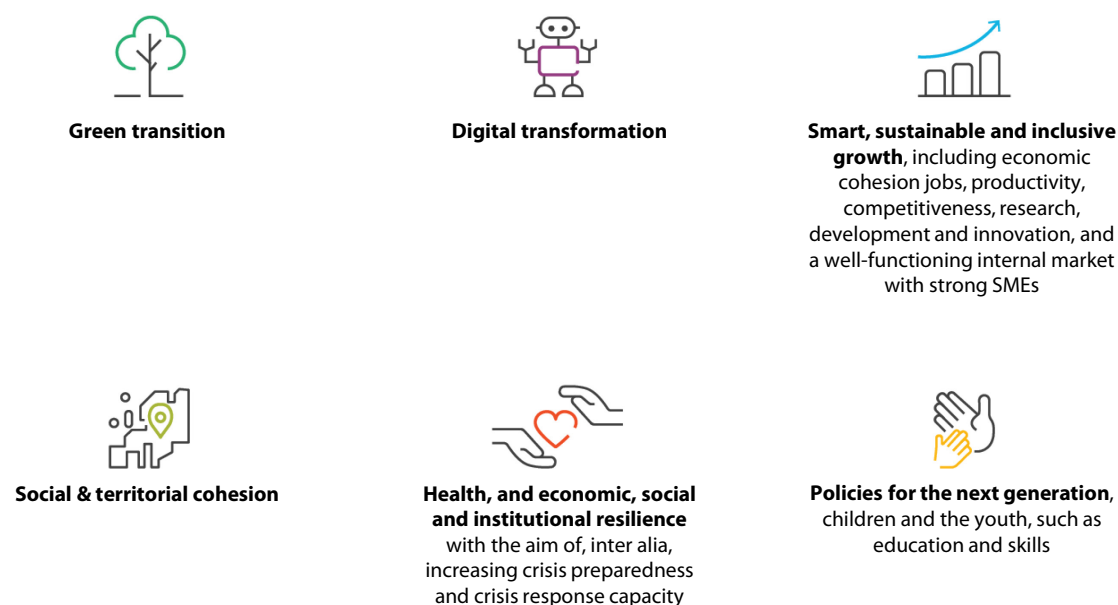
- ensure a consistent application of the definition of “final recipient”;
- provide member states with additional guidance and support;
- monitor and mitigate the risk of non-completion of measures and the financial consequences thereof;
- strengthen the design, with regard to absorption, of future instruments based on financing not linked to costs.

Introduction

01 In response to the COVID-19 pandemic, a recovery fund worth more than €800 billion (in current prices) – Next Generation EU – was set up. Its centrepiece is the Recovery and Resilience Facility (RRF)¹, established in February 2021, with a maximum total value of €723.8 billion (in current prices).

02 The scope of the RRF, as defined in the RRF Regulation², comprises measures (either investments or reforms) under the six priority areas or “pillars” shown in [Figure 1](#). The RRF finances reforms and investments in EU member states that took place from the start of the pandemic in February 2020 up until August 2026³.

Figure 1 – The six pillars



Source: ECA, based on Commission’s Recovery and Resilience Scoreboard.

¹ [Regulation \(EU\) 2021/241](#) of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, referred to in this report as the “RRF Regulation”.

² Article 3 of the [RRF Regulation](#).

³ For examples of reforms and investments funded under the RRF, see [Special Report 21/2022: The Commission’s assessment of national recovery and resilience plans](#), Annex IV.

03 The purpose of the RRF is to mitigate the economic and social impact of the COVID-19 pandemic, for which swift uptake of funding was essential, and make member states' economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. Its objective is therefore twofold – enhancing recovery from the pandemic and improving resilience to future crises.

04 The Commission is ultimately responsible for the implementation of the RRF as it manages the RRF⁴ directly, and the member states as the beneficiaries and borrowers of funds must ensure that measures under the RRF are implemented in compliance with relevant EU and national law.

05 Under the RRF, the Commission can provide financial support of up to **€338.0 billion in grants and up to €385.8 billion in loans**⁵. Each member state is eligible for a certain amount of support, based on a formula (“allocation key”) for grants and a cap for loans⁶.

06 To benefit from this support, member states submitted their **recovery and resilience plans (RRPs)**, to be assessed by the Commission and subsequently approved by the Council in form of **Council Implementing Decisions**⁷. The Commission then agreed **operational arrangements** with each member state, which included the details and technical aspects of implementation, such as an indicative schedule for the payment of instalments, additional interim steps for the achievement of milestones and targets, and arrangements for providing access to underlying data. The RRF Regulation also specifies four circumstances under which a member state may amend its RRP⁸:

⁴ Article 8 of the [RRF Regulation](#).

⁵ These amounts do not include the additional REPowerEU funding.

⁶ Articles 11 and 14(5) of the [RRF Regulation](#).

⁷ Article 20 of the [RRF Regulation](#).

⁸ Article 21 of the [RRF Regulation](#).

- (1) if the maximum financial contribution is updated⁹;
- (2) if milestones and targets are no longer achievable because of objective circumstances;
- (3) if the member state requests loans; and
- (4) when the member state includes its REPowerEU chapter¹⁰ in its RRP, in line with the EU's energy transition plan.

In case of amendments, the Council Implementing Decision and operational arrangements are also amended accordingly.

07 For Council Implementing Decisions adopted by 31 December 2021, member states could request an advance in the form of **pre-financing amounting up to 13 %** of their total grant allocations and, where applicable, of their total loan amounts¹¹. The pre-financing is deducted (“cleared”) proportionally from each subsequent payment. For REPowerEU, member states could receive pre-financing of up to 20 % of their additional funding, subject to the approval of their REPowerEU chapters.

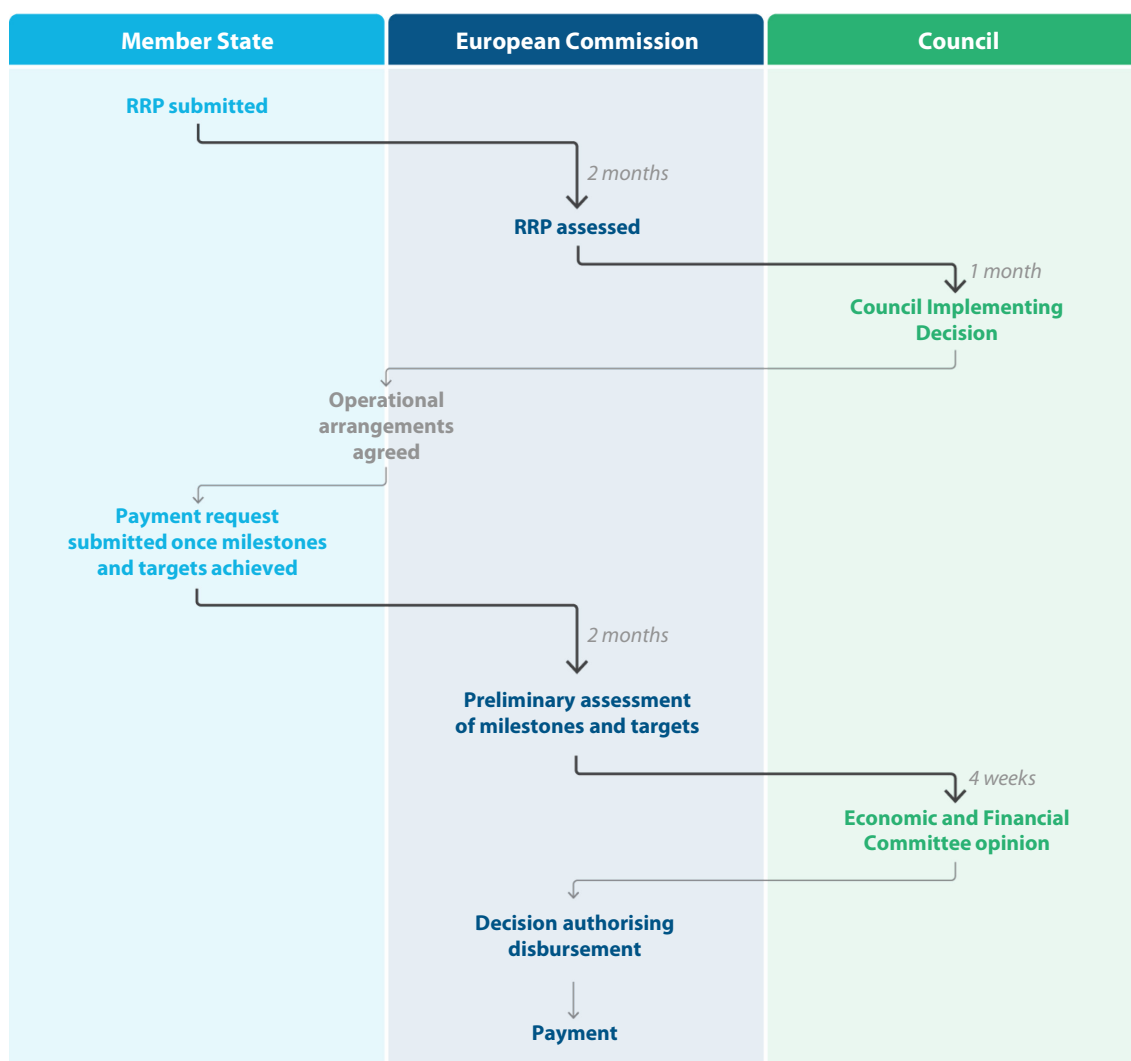
08 The RRF is an instrument based on **“financing not linked to costs”**, meaning that, apart from pre-financing, all payments are based on member states' achievement of relevant milestones and targets. The value of each payment request is not based on the estimated costs of achieving the milestones and targets included therein. **Figure 2** illustrates the steps for requesting funding under the RRF.

⁹ Commission note to the Council and European Parliament of 30 June 2022: [“RRF: Update of the maximum financial contribution”](#).

¹⁰ [Regulation \(EU\) 2023/435](#) amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC.

¹¹ Article 13 of the [RRF Regulation](#).

Figure 2 – RRF implementation process



Source: ECA.

09 Member states can submit up to two **payment requests** per year following the achievement of the related milestones and targets. The Commission then has two months to assess the payment request and verify the satisfactory fulfilment of the underlying milestones and targets. After a positive assessment, the Council's Economic and Financial Committee has 4 weeks to provide an opinion and the Commission adopts a decision through the comitology examination procedure (i.e. involving a committee of representatives from all member states) authorising the disbursement of funds¹².

¹² Article 24(2)-(5) of the RRF Regulation.

Audit scope and approach

10 For the RRF to achieve its twofold objective of recovery and resilience¹³, timely absorption of funds is essential. It helps to avoid bottlenecks in implementing measures towards the end of the implementation period and thereby reduces the risk of inefficient use of funds and of irregularities.

11 In the absence of a clear definition in the RRF Regulation, we define **absorption** as EU funding paid out by the Commission to the member states. In the context of the RRF, member states are the beneficiaries, and funds are paid by the Commission to a member state upon satisfactory fulfilment of milestones and targets. In order to obtain a comprehensive overview, we also looked at the payments to the final recipients, as well as at pre-financings, in this audit.

12 Furthermore, we base our assessment of **timely absorption** on whether member states submitted their payment requests in line with the indicative timetable agreed in their operational arrangements. In addition, we assessed whether there are any significant risks to the completion of measures within the RRF implementation period (February 2020 to August 2026) and thus to the achievement of the RRF's objectives in the long term.

13 We included this audit in our annual work programme due to the materiality of RRF spending and its novelty as a funding instrument. The audit covered the period from the RRF's inception in February 2021 until the end of 2023. This allowed us to assess the status and implementation progress of the measures in the first half of the RRF implementation period and to identify the causes of problems and risks to the timely absorption of funds by member states and, ultimately, to the completion of measures.

14 We examined the RRF's design and implementation to assess whether:

- RRF funds had been disbursed as planned;
- the actions taken by the member states and the Commission had ensured that funds were absorbed as planned;

¹³ Article 4(1) of the [RRF Regulation](#).

- there are inherent risks with regards to absorption and completion of measures in the second half of the RRF's implementation.

15 Our audit work included:

- desk reviews of documents and other publications or information relevant to the absorption of RRF funds;
- a review and analysis of Commission's assessments of RRFs and payment requests for the four member states in our sample (Spain, Italy, Slovakia and Romania), which were selected based on their progress in implementing the RRF, the materiality of the RRF funds allocated to them and the increase in their allocations of EU funds compared to the 2014-2020 multiannual financial framework;
- on-the-spot visits to the sampled member states;
- interviews with authorities in charge of implementing and coordinating RRF activities for the sample of four member states;
- interviews with Commission staff, mainly from the Recovery and Resilience Task Force and the Directorate-General for Economic and Financial Affairs;
- an analysis of the progress of 42 investment measures in the four sampled member states, selected on the basis of their monetary materiality and more advanced stage of implementation;
- surveys addressed to the RRF coordinating and implementing bodies as well as the audit authorities, with the aim of corroborating our audit work on how the design and implementation of the RRF affect timely absorption (see [Annex I](#));
- a review of relevant reports by member states' supreme audit institutions;
- interviews with the RRF coordinating bodies of all member states to ensure a common understanding and the quality of the information provided with regard to the location of funds and final recipients.

16 During our audit, all member states submitted requests for amendments to their RRFs, which were all assessed by the Commission and subsequently approved by the Council. For the member states in our sample, the outcomes of the RRF amendment process on the absorption of RRF funds were taken into account where relevant. However, to allow for comparability of data, the REPowerEU pre-financings paid out to some member states by the end of 2023 lie outside the scope of this audit. In this audit, we did not assess whether RRF reforms and investments are achieving their intended results.

Observations

Pre-financing facilitated the disbursement of funds initially, but RRF absorption is facing delays and does not necessarily mean that funds have reached the final recipients

17 We assessed the disbursement of funds by the Commission, taking into account payment requests submitted by the end of 2023. The assessment was based on data from the initial operational arrangements, the Commission's Recovery and Resilience Scoreboard, and other relevant documents.

Pre-financing facilitated the disbursement of funds initially

18 Under the RRF Regulation, member states whose Council Implementing Decisions were adopted before 31 December 2021 were entitled to pre-financing of up to 13 % of their total financial contribution.

19 The pre-financing initially allowed more funds to be made available quickly and was therefore consistent with the RRF's objective of responding to crisis. By the end of 2023, almost half way through the RRF implementation period, the Commission had disbursed around €213 billion in total to member states (€139 billion in grants and €74 billion in loans), including €56.5 billion in the form of pre-financing¹⁴.

20 Though not conditional on the fulfilment of milestones and targets at the time of payment, pre-financing is nevertheless indirectly linked to their fulfilment insofar as it is cleared proportionally from subsequent payments. By the end of 2023, around €25.6 billion or 45 % of the pre-financing paid had been cleared.

¹⁴ European Commission, [Recovery and Resilience Scoreboard – Disbursements](#), as at 1 February 2024, excluding disbursements related to REPowerEU.

Absorption of RRF funds is progressing but generally faces delays

21 In line with the RRF Regulation¹⁵, the Commission agrees a timeline for submitting payment requests with the member states in their respective operational arrangements. Although indicative, these timelines set out the planned implementation schedule in each member state and thus help to identify delays and the underlying problems and risks in the implementation of the RRF. These timelines therefore form the basis for our assessment of whether the RRF's implementation faces delays.

22 Progress in the implementation of RRFs differs among member states. *Figure 3* gives an overview of the state of play as at the end of 2023.

¹⁵ Article 20(6) and recital 70 of the [RRF Regulation](#).

Figure 3 – Progress in RRF implementation as at end of 2023

● grants
○ loans

	Original RRP / Council Implementing Decision adopted	Pre-financing disbursed	Operational arrangements signed	Number of payment requests submitted	Number of payments received
Austria	☑	☑	☑	●	●
Belgium	☑	☑	☑	●	
Bulgaria	☑		☑	●●	●
Croatia	☑	☑	☑	●●●●	●●●●
Cyprus	☑	☑	☑	●●	●
Czechia	☑	☑	☑	●●●	●
Denmark	☑	☑	☑	●●	●
Estonia	☑	☑	☑	●●	●●
Finland	☑	☑	☑	●	
France	☑	☑	☑	●●	●●
Germany	☑	☑	☑	●	●
Greece	☑	☑	☑	●●● ○○○	●●● ○○○
Hungary	☑				
Ireland	☑		☑	●	
Italy	☑	☑	☑	●●●●● ○○○○○	●●●●● ○○○○○
Latvia	☑	☑	☑	●●	●
Lithuania	☑	☑	☑	●●	●
Luxembourg	☑	☑	☑	●	●
Malta	☑	☑	☑	●●	●
Netherlands	☑				
Poland	☑		☑	● ○	
Portugal	☑	☑	☑	●●●● ○○○○	●●●● ○○○○
Romania	☑	☑	☑	●●● ○○○	●● ○○
Slovakia	☑	☑	☑	●●●●	●●●
Slovenia	☑	☑	☑	●●● ○	●●
Spain	☑	☑	☑	●●●●	●●●
Sweden	☑		☑		

Note: The figure contains only data relating to the initial RRP, and therefore excludes the approved amendments and the REPowerEU pre-financing paid by the end of 2023, which lie outside the scope of this audit.

Source: ECA, based on Commission's Recovery and Resilience Scoreboard.

23 We note that by the end of 2023, almost three years into the RRF's implementation and after almost half of the RRF implementation period had passed, seven member states had not received any funding for the satisfactory fulfilment of milestones and targets:

- two member states (Hungary and Netherlands) had not signed operational arrangements and were therefore not able to submit payment requests or receive RRF funding;
- one member state (Sweden) had signed operational arrangements but not submitted any payment requests;
- four member states (Belgium, Finland, Ireland and Poland) had submitted payment requests but not received the corresponding funding as their requests were still being assessed by the end of 2023.

24 Out of the 104 payment requests for grants and loans indicatively due for submission by the end of 2023, 73 (70 %) had been submitted by that date, and with significant differences across member states (*Figure 4*). In terms of funding, member states had submitted payment requests worth €228 billion instead of the €273 billion initially planned, or around 16 % less. Out of this amount, around €182 billion had been paid to member states for the satisfactory fulfilment of milestones and targets by the end of 2023, including the pre-financing amounts already cleared.

Figure 4 – Proportion of payment requests submitted by the end of 2023, compared to the indicative timelines in the operational arrangements

Croatia	100 %
Czechia	100 %
Denmark	100 %
Germany	100 %
Italy	100 %
Latvia	100 %
Malta	100 %
Portugal	100 %
Slovakia	100 %
Spain	80 %
Romania	75 %
Greece	75 %
EU-27	70 %
Estonia	67 %
France	67 %
Lithuania	67 %
Bulgaria	67 %
Luxembourg	50 %
Slovenia	50 %
Ireland	50 %
Austria	50 %
Finland	50 %
Cyprus	40 %
Poland	25 %
Belgium	25 %
Sweden	0 %
Hungary	0 %
Netherlands	0 %

Source: ECA, based on operational arrangements and Commission's Recovery and Resilience Scoreboard.

25 We note that almost all member states experienced delays in submitting payment requests compared to the indicative timelines in their respective operational arrangements (*Figure 5*). The delays vary considerably, not only in terms of the number of payment requests delayed, ranging from one (Finland and Ireland) to six (Poland, Romania, Slovenia), but also in the length of delay, which ranges from 1 month (Cyprus, first payment) to 12 months (Estonia, first payment).

Figure 5 – Delays in submitting payment requests, compared to indicative timeline



Note: The table does not include Hungary and Netherlands as they have not signed operational arrangements in our audit period and therefore could not submit a payment request by the end of 2023. More recent information on progress in implementing the RRP is available at the Commission's Recovery and Resilience Scoreboard. The figure contains only data relating to the initial RRP, and therefore excludes the approved amendments by the end of 2023, which lie outside the scope of this audit.

Source: ECA, based on operational arrangements and Commission's Recovery and Resilience Scoreboard.

26 *Figure 5* also shows a trend in the timeliness of payment requests in that delays have become more frequent as the RRF's implementation has progressed. Whereas for the first payment 56 % (18 out of 32) of requests were submitted on time, this proportion decreased to 27 % (8 out of 30) for the second payment request and 9.5 % (2 out of 21) for the third. We note, however, that the timeliness of a member state's payment request submissions can only be assessed once its operational arrangements have been adopted, as these include the indicative timetable for payment requests. Therefore, countries may appear in the figure with no delays (for example, Germany) because they signed their operational arrangements later — not necessarily because they are more advanced in their implementation of the RRF. See *Annex II* for an overview of the time needed for relevant assessments.

27 In addition, member states must report twice a year on the progress made in the implementation of their RRFs¹⁶. This biannual reporting is done in the context of the European Semester and includes self-reported data on progress in achieving milestones and targets due in the past and due twelve months into the future. Our analysis of the last two biannual reports submitted by member states shows that the proportion of milestones and targets not completed on time has increased while the proportion of future milestones facing delays has remained unchanged:

- o in the April 2023 report, approximately 18 % of the milestones and targets planned to be achieved had not been completed. This proportion increased to 24 % in the report submitted in October 2023;
- o for future milestones and targets (planned to be completed in the twelve months following the date of reporting), the proportion of milestones and targets reported as facing delays remained unchanged at 16 % in both the April 2023 and October 2023 reports.

Several factors contribute to the delays

28 One of the objectives of this audit was to identify the reasons for delays in absorbing RRF funds. We therefore discussed the reasons for delays with the national authorities during our on-site audit visits and analysed a sample of 42 investments in the four sampled member states to assess which reasons contribute to delays, where applicable. We also included a question in our survey to the RRF coordinating bodies on factors contributing to delays in absorption.

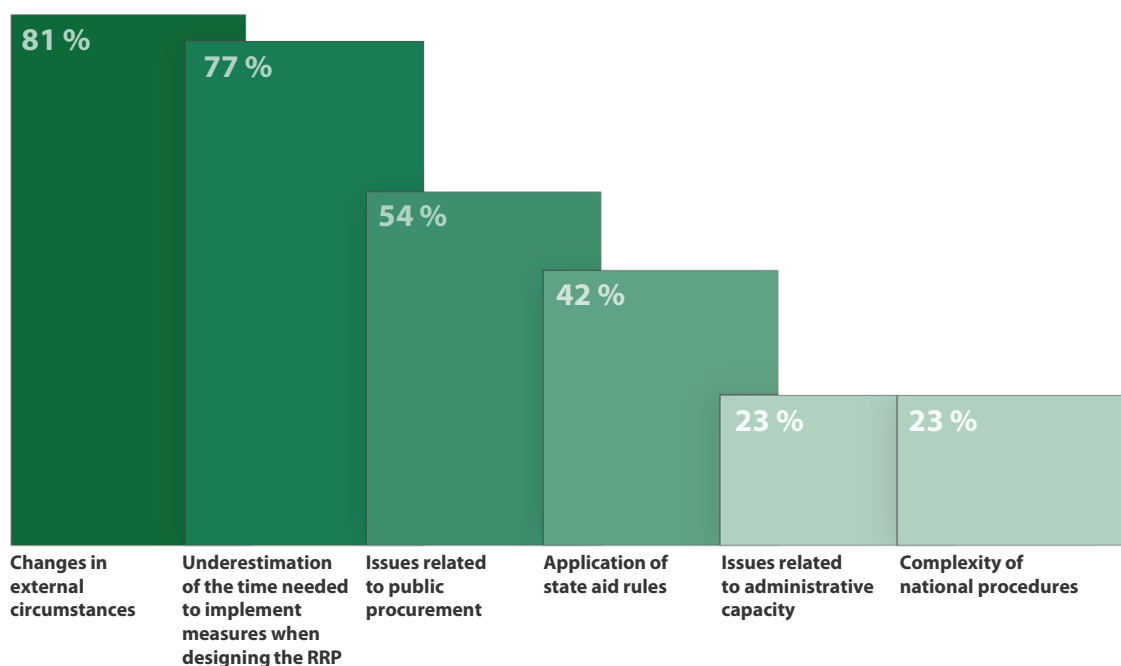
¹⁶ Article 27 of the [RRF Regulation](#).

29 In our analysis, we identified several reasons causing delays in RRP implementation:

- changes in external circumstances, such as increased inflation and supply shortages as well as changes in the political context in the member state for reforms;
- measures not being suited to the RRF's timeframe and underestimation of the time needed to implement them (due to public procurement and state aid rules);
- implementing rules and uncertainties on how they should be applied (the guidance on the 'do no significant harm' principle (DNSH) and the satisfactory fulfilment of milestones and targets);
- issues related to the administrative capacity and complex rules at national level.

30 We noted that the reasons for the delays in RRP implementation vary among member states and differ between reforms and investments. The replies to our survey indicate the most frequent factors contributing to delays in absorption (see [Figure 6](#)).

Figure 6 – Frequency of reasons for delays in achieving milestones and targets



Note: Respondents could provide multiple answers to the question, by selecting options provided in the survey and/or by providing additional reasons.

Source: ECA survey of RRF coordinating bodies.

Changes in external circumstances

31 The Commission’s guidance noted that it was important that milestones and targets remain within the control of the member state and not be conditional on external factors such as the macroeconomic outlook or the evolution of the labour market¹⁷.

32 Since the inception of the RRF early in 2021 the geopolitical landscape has seen substantial changes, especially with the war of aggression against Ukraine since February 2022, which has triggered inflation and record energy prices in the EU.

33 Such developments and their effects (such as less interest from applicants in certain calls for proposals) could not be considered at the time the RRFs were submitted. They nevertheless pose a risk to, or have already had a negative impact on, the timely achievement of certain milestones and targets and therefore the implementation of measures (see [Box 1](#) for examples from our sample of measures).

Box 1

Examples of measures facing challenges due to external circumstances

In Spain, the intermediary target of renovating 231 000 residential dwellings by the end of 2023 was delayed due to lower-than-expected demand for renovation work caused by inflation, and particularly the large increase in raw material prices. During the process to amend its RRF, Spain therefore proposed postponing the intermediary target’s due date by one year but also reducing the total number of renovations to be completed under the measure from 510 000 to 410 000. Following its assessment, the Commission accepted both proposals.

In Italy, the target of notifying the award of all public contracts to build 2 500 rapid recharging stations for electric vehicles by the second quarter of 2023 was delayed as there were no applications for one part of the measure. This was mainly because of shortages of raw materials. Italy subsequently proposed postponing this part of the measure, which was accepted by the Commission.

¹⁷ Commission staff working document “Guidance to member states – Recovery and resilience plans” (SWD(2021) 12 final), part 1/2, p. 34.

RRF timeframe and underestimation of time needed to implement measures

34 The Commission's guidance¹⁸ invited member states to describe in their RRP whether a mature project pipeline existed or what steps would be necessary to create such a pipeline. This was to be done both for the RRP as a whole and for each individual component to specify a clear implementation path, help identify where technical support could be beneficial and ensure absorption.

35 We examined whether the RRPs of the four sampled member states included information on the existence of a mature project pipeline. Furthermore, we assessed whether there were any absorption issues resulting from projects not being mature enough at the start of the RRF or generally not being suited to the RRF's timeframe.

36 During our interviews, the national authorities stated that the information or level of detail to be included in their RRPs on the maturity of project pipelines was not clear, as it was not specified in the Commission's guidance. In the sampled member states' RRPs, such descriptions were limited to, for example:

- for Spain: three out of ten selected measures, noting only that maturity would be a criterion for selecting projects;
- for Italy: five out of the ten selected measures, mentioning only that they had been selected in response to the Commission's guidance to prioritise mature projects.

37 In our discussions, national authorities pointed out that some of the measures included in their RRPs had turned out to be unsuited to the RRF's timeframe. This applies particularly to innovative projects, which are by definition more difficult to plan and more likely to encounter obstacles during implementation (see [Box 2](#) for an example from our sample of measures). In our opinion on the proposal to amend the RRF Regulation to accommodate REPowerEU chapters, we noted that some REPowerEU measures, in particular those addressing long-term objectives, may not be possible to implement within the RRF's timeframe¹⁹.

¹⁸ Commission staff working document "Guidance to member states – Recovery and resilience plans" (SWD(2021) 12 final), part 1/2, pp. 43 and 45.

¹⁹ [Opinion 04/2022](#) concerning the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulation (EU) 2021/1060, Regulation

Box 2

Examples of measures facing challenges due to being unsuited to the RRF's timeframe

Romania's RRP included an investment to construct a hydrogen-ready distribution network. However, during our visit, the Romanian authorities expressed concerns about the investment not being well suited to the RRF's timeframe. The main reasons given were its innovative nature and uncertainties regarding the legal and operational framework, as well as various implementation risks related to technical issues. No progress had been made on this investment at the time of our audit, and the Romanian authorities proposed removing the sub-measure for the construction of the distribution network of renewable gases from the RRP, which the Commission accepted.

The Italian RRP included an investment for the development of offshore electricity generation infrastructure, including experimental technologies that use currents and wave motion to produce clean energy. Following public consultations and further investigations by the Italian authorities, it emerged that the authorisation process for projects benefiting from the measure was incompatible with the RRF implementation period. The Italian authorities therefore proposed removing the measure from the RRP, which the Commission accepted following its assessment.

Issues related to public procurement and application of state aid rules

38 Public procurement and compliance with state aid rules were frequently mentioned by national authorities as reasons for longer-than-expected project implementation. Neither of these factors are new or specific to the RRF. That indicates that the cause of these delays is not the rules themselves but rather underestimation of the time needed to apply them when selecting the measures to be included in the RRFs.

39 Public procurement was one of the areas affected by the changes in the economic environment since the RRFs were prepared. In particular, the increase in prices and shortage of supplies led to procurement procedures having to be adjusted or being unsuccessful for some of the measures in our sample.

(EU) 2021/2115, Directive 2003/87/EC and Decision (EU) 2015/1814 [2022/0164 (COD)], paragraph 7 and 12 - 14.

40 As regards state aid, the RRF Regulation recalls that the general state aid rules apply and that member states should ensure that all reforms and investments included in the RRFs comply with EU state aid rules and follow all state aid procedures²⁰. The Commission published guiding templates to assist member states in the design of the state aid elements of their RRFs and to provide guidance on related aspects of the types of investments expected to be common to most of them²¹.

41 Nevertheless, designing and obtaining approval for state aid schemes proved to be time-consuming and member state authorities frequently underestimated the duration of proceedings with the Commission when they included the measures in their RRFs (see **Box 3** for an example from our sample of measures).

Box 3

Example of a measure facing challenges related to public procurement and state aid

Romania's RRF included an investment to set up plants for producing/ assembling/recycling batteries and photovoltaic cells and panels. The first milestone, planned to be achieved in the third quarter of 2022, was the signing of the related contracts. However, it was only achieved with a delay of more than 8 months.

The Romanian authorities launched the pre-notification procedure in May 2022 for the state aid scheme. This process lasted 7 months. Consequently, the state aid scheme was officially notified to the Commission only in December 2022. The authorities launched the call for proposals for the investment in January 2023, which included a suspension clause since the state aid scheme was not yet in place, and extended the deadline for submitting applications once. The state aid scheme was approved only in February 2023. Our discussions with the Romanian authorities revealed that the uncertainty regarding the validity of the state aid scheme had resulted in a reduced response rate.

²⁰ Recital 8 to the [RRF Regulation](#).

²¹ European Commission, "[Practical guidance to Member states for a swift treatment of State aid notifications in the framework of the Recovery and Resilience Facility](#)".

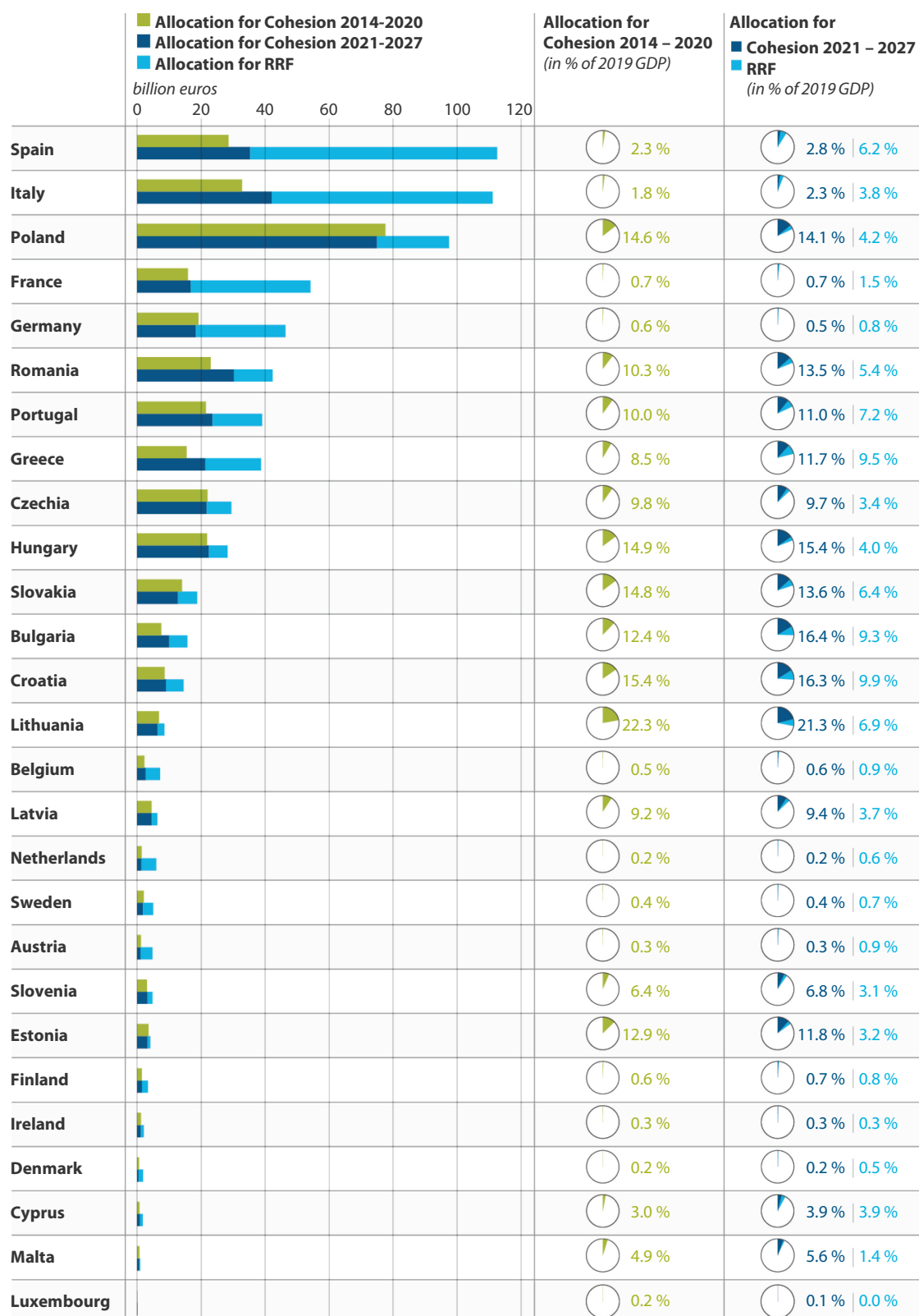
Issues related to administrative capacity

42 The Commission noted²² that it is essential that member states improve their administrative capacities to be able to gain the economic and social benefits of the RRF and other EU funds and contribute to increasing absorption. We therefore examined whether the amounts available to be spent by national administrations in the current financial period may pose risks to absorption.

43 We note that, in some member states, implementing the RRF has resulted in a significant increase in the amounts to be spent, with 14 countries receiving at least twice as much funding for the 2021-2027 period as they did for 2014-2020 (see *Figure 7*).

²² Commission staff working document “Guidance to member states – Recovery and resilience plans” (SWD(2021) 12 final), part 1/2, p. 45.

Figure 7 – Comparison of funding allocated to member states in the 2014-2020 and 2021-2027 periods – cohesion and RRF



Source: ECA, based on the Commission's (The EU's 2021-2027 long-term budget and NextGenerationEU and RRF: Update of the maximum financial contribution), European Parliament's and Eurostat data.

44 Moreover, we concluded in our previous publications that:

- for those member states in which cohesion funding already accounted for a significant share of public investments²³, absorbing significantly more EU funds in the 2021-2027 period with the introduction of the RRF would be particularly challenging²⁴;
- the parallel and delayed implementation of several instruments increases the risk of member states losing out on funding²⁵;
- some of the member states with the lowest absorption in the current programming period were likely to receive substantial support from the RRF²⁶;
- monitoring systems or RRF implementing bodies were in some cases not yet in place at the time the RRFs were approved, which limited the Commission's assessment of their administrative capacity²⁷.

45 Furthermore, 57 % of the RRF coordinating bodies we surveyed considered it likely or very likely that absorbing RRF funds in addition to other EU funds in the 2021-2027 period would be a challenge. The Commission also reported in its mid-term evaluation that some member states had experienced difficulties with the increase in the workload since the inception of the RRF, and that efforts to improve national administrative capacities must therefore continue²⁸.

²³ Bulgaria, Estonia, Croatia, Latvia, Lithuania, Hungary, Poland, Portugal, Romania, and Slovakia.

²⁴ [Review 1/2023](#): EU financing through cohesion policy and the Recovery and Resilience Facility: A comparative analysis, paragraph 53.

²⁵ [Annual reports concerning the financial year 2022](#), Chapter 2: Budgetary and financial management, paragraph 2.65.

²⁶ [Opinion 6/2020](#) concerning the proposal for a regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility (COM(2020) 408), paragraph 32.

²⁷ [Special report 21/2022](#): The Commission's assessment of national recovery and resilience plans, paragraphs 98 - 105.

²⁸ European Commission, "Strengthening the EU through ambitious reforms and investments" (COM(2024) 82 final), p. 15.

46 However, issues related to administrative capacity do not affect all member states equally: around one third of the coordinating bodies surveyed did not consider it a concern. This was particularly true of member states whose RRF funding allocation was low in proportion to their GDP and/or funding under other EU funding instruments. Another reason given in the survey for not considering administrative capacity a concern was that the member states concerned had created specific structures (e.g. dedicated RRF units within national authorities) to facilitate the RRF's implementation.

Uncertainty on how to apply the specific rules for implementing the RRF

47 The RRF Regulation includes a set of specific rules concerning its implementation:

- o the RRF should only support measures that comply with the **DNSH principle**²⁹. The RRF is the first instrument to have DNSH as a condition for funding. The RRF Regulation also states that the Commission should provide technical guidance on how the DNSH principle should apply in the context of the RRF³⁰;
- o the Commission must assess, at the latest within 2 months of receiving a payment request, whether the relevant **milestones and targets** set out in the Council Implementing Decision have been **satisfactorily fulfilled**. The further specifications in the operational arrangements should also be taken into account for this assessment³¹.

48 During our discussions, member state authorities identified the application of the different implementing rules and uncertainty regarding how to apply them as one of the challenges affecting the timely achievement of milestones and targets and therefore absorption.

49 Although the Commission provided technical guidance as well as additional information in informal discussions, applying the DNSH principle was a novelty and national authorities therefore considered the corresponding provisions challenging.

²⁹ Article 5 of the [RRF Regulation](#).

³⁰ European Commission, Technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation ([2021/C 58/01](#)).

³¹ Article 24(3) the [RRF Regulation](#).

50 The Commission suspended its assessment of payment requests to ask for additional information on the fulfilment of milestones and targets from the sampled member states where relevant. Our sample of measures shows that for few of them, interpretations of what constitutes “satisfactory fulfilment of milestones and targets” differed between the Commission and the member states concerned. These differences took additional discussions and time to resolve.

51 While the Commission provided case-by-case clarification on a bilateral basis regarding the satisfactory fulfilment of milestones and targets, written guidance was issued only in February 2023³². Despite this, our survey shows that 65 % of RRF coordinating bodies in the member states agree or strongly agree that the definition of “satisfactorily fulfilment” poses a risk to the timely absorption of funds (see [Annex I](#)).

52 [Box 4](#) provides examples of measures in our sample facing challenges related to the specific rules for implementing the RRF and uncertainty regarding how to apply them.

Box 4

Example of measures facing challenges related to the specific rules for implementing the RRF and uncertainty regarding how to apply them

“Do no significant harm” principle

Italy’s RRP included an investment for the construction of a certain number of kilometres of public transport infrastructure in specified metropolitan areas. During our audit, the Italian authorities raised concerns regarding the timely fulfilment of the measure, one reason being that one of the projects could not comply with the DNSH principle since it was located in a volcanic area. They ultimately requested to modify the measure by removing the specific references to one of the locations where the infrastructure would be developed, and replace the initial target with a milestone to award the contract. The Commission accepted the proposal.

³² European Commission, “Recovery and Resilience Facility: Two years on – A unique instrument at the heart of the EU’s green and digital transformation”, Annex I ([COM\(2023\) 99 final](#)).

Satisfactory fulfilment of milestones and targets

Romania's RRP included an investment to develop combined heat and power generation in district heating systems, with an installed electricity production capacity of at least 300 megawatts (MW). The initial milestone for this measure was the signing of contracts, followed by a target of commissioning 300 MW of capacity.

After submitting a first batch of contracts, the Commission raised concerns on their validity and sufficiency to cover the 300 MW target. Then the Romanian authorities submitted additional contracts, claiming to cover a total capacity of 349 MW. They also claimed that their initial understanding of the milestone had been affected by certain inconsistencies between the English and the Romanian versions of the Council Implementing Decisions and the operational arrangements.

This resulted in the assessment procedure lasting six months, at the end of which the Commission concluded that the milestone had still not been satisfactorily fulfilled, as the Romanian authorities had not provided reasonable assurance that the contracts signed were linked to the country's district heating needs. In addition, the Commission considered that the authorities had not accurately assessed whether the applications met the requirements set in the call. Consequently, it partially suspended the payment concerned.

Disbursed funds have not yet necessarily reached final recipients and the term "final recipient" is not always used consistently

53 In the context of the RRF, funding is considered to be absorbed once it is disbursed to member states, as the beneficiaries of RRF funds. Absorption therefore does not mean that these funds have reached their final recipients (see paragraph [11](#)). However, in order to obtain information on RRF funding that has already reached the real economy, we asked the member states about (i) the proportion of RRF funding disbursed from the national budget to final recipients and (ii) the location of the RRF funding they had received to date from the Commission.

54 In October 2023, we contacted the 22 member states that had received RRF funds to ask them for information about the current location of those funds. Whilst some of them either did not provide this information (three) or provided information which was incomplete or inconsistent (four), for those 15 member states which provided this information, about half of the funds received had reached final recipients.

55 As of March 2023, member states are obliged to publicly disclose and biannually update lists of the 100 final recipients receiving the highest amount of funding for the implementation of measures included in their RRFs³³, with the aim of increasing transparency regarding the use of RRF funds³⁴. The Commission’s guidance defined³⁵ a “final recipient” as the last entity receiving funds that is not a contractor or sub-contractor. In our analysis of these lists, however, we noticed that the interpretation of the term “final recipient” differs among member states for similar measures. For example:

- o for measures related to the provision of financing to businesses, final recipients in some member states’ understanding of the term included institutions granting the funding at national or even EU level (such as the European Investment Bank, the European Investment Fund or the European Bank for Reconstruction and Development), whereas other member states understood it as referring to the businesses receiving the financing;
- o for measures related to energy renovation of public buildings, those recorded as final recipients in some member states were either ministries or cities, and in other member states public energy companies or private businesses;
- o for measures related to the provision of digital devices in education, those recorded as final recipients in some member states were either ministries or cities, and in other member states universities or schools themselves.

56 The national authorities also confirmed in our meetings that the current definition of the final recipient leaves room for interpretation.

³³ Article 25(a) of the [Regulation \(EU\) 2023/435](#) amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC.

³⁴ European Commission, Guidance on Recovery and Resilience Plans in the context of REPowerEU ([2023/C 80/01](#)), p 34.

³⁵ European Commission, Guidance on Recovery and Resilience Plans in the context of REPowerEU ([2023/C 80/01](#)), p 34.

The Commission and member states took actions to facilitate absorption, but it is too early to assess whether they have a positive impact

57 The Commission and the member states took actions to facilitate absorption, which include:

- o amendments to the RRP to address the changes in external circumstances;
- o the Commission's support and guidance to reduce divergent interpretations of implementing rules;
- o measures to increase administrative capacity; and
- o setting up a system to monitor RRF implementation.

58 We analysed whether the measures taken are likely to address the issues identified.

All sampled member states requested amendments to their RRP, but the impact on absorption remains to be seen

59 The RRF Regulation establishes the conditions under which a member state may modify its RRP (see paragraph 06). The Commission's guidance to member states provides further details on when and how member states can request such revisions.

60 For the 42 measures in our sample, we assessed how many of them were subject to amendments, as well as the nature of these amendments (see paragraph 06). We note that 27 of the sampled measures (64 %) were affected by amendments, including 23 on the basis of milestones and targets not being achievable due to "objective circumstances" (Article 21(1) of the RRF Regulation). The amendments mainly concerned lowering targets, postponing the completion of measures or removing measures from the RRP (see [Table 1](#)).

Table 1 – Requested changes to sampled measures

Member state	Number of sampled measures	Number for which amendments requested	Number positively assessed by the Commission	Number for which amendment request based on Article 21	Examples of suggested changes
Italy	10	10	10	10	Change measure description Lower targets Postpone completion Remove measure
Romania	11	4	4	2	Lower targets Remove milestone
Slovakia	11	8	8	7	Lower targets Postpone completion
Spain	10	5	5	4	Lower targets Postpone completion
Total	42	27	27	23	

Source: ECA based on amended RRP.

61 The RRF Regulation does not state clearly what exactly constitutes “objective circumstances” justifying amendments. However, in February 2023, the Commission issued guidance on RRP in the context of REPowerEU³⁶ that provided further clarification on these objective circumstances, as well as examples.

³⁶ European Commission, “Guidance on Recovery and Resilience Plans in the context of REPowerEU” (2023/C 80/01), p. 11 – 12.

62 In general, the member states proposed amendments to RRFs in order to provide a solution for measures which would otherwise no longer be achievable. They may therefore facilitate absorption. However, the Commission's guidance states that the proposed changes should not decrease the overall ambition of the RRFs³⁷, but this aspect was outside the scope of our audit.

63 Furthermore, 58 % of the 26 RRF coordinating bodies that replied to our survey agreed or strongly agreed that further guidance from the Commission on the process and conditions for amending the RRFs would be necessary to ensure timely absorption of funds. Furthermore, only 46 % of them considered that the guidance had been provided in a timely manner.

The Commission provided guidance with regard to the specific rules for implementing the RRF, but it still leaves room for interpretation

Satisfactory fulfilment of milestones and targets and partial payments

64 To facilitate absorption, the Commission provided guidance to member states and facilitated an exchange of good practice amongst member states. On 21 February 2023, the Commission published its framework for assessing the satisfactory fulfilment of milestones and targets and the methodology for the determination of payment suspension³⁸. We noted that the Commission provided the methodology two years after the start of the RRF implementation period and that it leaves room for interpretation, particularly as milestones and targets are often vaguely defined³⁹. Moreover, the decision to reduce payments if certain milestones or targets are not fulfilled remains to some extent a matter of judgement⁴⁰.

³⁷ European Commission, "Guidance on Recovery and Resilience Plans in the context of REPowerEU" (2023/C 80/01), p. 12.

³⁸ European Commission, "Recovery and Resilience Facility: Two years on – A unique instrument at the heart of the EU's green and digital transformation", (COM(2023) 99 final), Annexes I and II.

³⁹ [Special report 21/2022](#): "The Commission's assessment of national recovery and resilience plans – Overall appropriate but implementation risks remain", paragraph 82.

⁴⁰ [Annual reports concerning the financial year 2022](#), chapter 11: Recovery and Resilience Facility, paragraphs 11.19 and 11.37.

65 Furthermore, the methodology states that elements of the operational arrangements (such as the verification mechanism and monitoring steps) should not be regarded as requirements during the assessment, even though – as we have pointed out in previous audit reports – the information provided in the verification mechanism makes the milestones significantly clearer or more measurable in comparison to the descriptions included in the Council Implementing Decisions⁴¹.

66 The results of our survey of RRF coordinating bodies show that their views on whether the guidance was provided in a timely and easily accessible manner, and on whether it would facilitate absorption, were relatively evenly split. However, 61 % of RRF coordinating bodies agreed or strongly agreed that further guidance and information from the Commission was still necessary.

“Do no significant harm” principle

67 As mentioned in paragraph 47, the RRF was the first instrument to introduce the DNSH principle as a condition for funding. The Commission published its technical guidance on the application of the DNSH principle in good time. However, during our audit visits, member state authorities stated that it was challenging to apply due to its complexity, despite the support provided by the Commission.

68 This was also confirmed by the responses to our survey of RRF implementing bodies, with approximately 60 % considering that further guidance on the application of the DNSH principle would be necessary to ensure timely absorption of RRF funds. In September 2023, the Commission published additional guidance on the application of the DNSH principle⁴². It is too early to assess whether it addresses the challenges member states have faced up to now.

⁴¹ [Special report 26/2023](#): “The Recovery and Resilience Facility’s performance monitoring framework – Measuring implementation progress but not sufficient to capture performance”, paragraphs 28 – 29.

⁴² Commission notice [C\(2023\) 6454 final](#): “Technical guidance on the application of ‘do no significant harm’ under the Recovery and Resilience Facility Regulation”.

Member states in our sample took actions to increase administrative capacity, but still face staffing shortages

69 In its guidance on RRP, the Commission pointed out that to ensure effective implementation so that reforms and investments proceed as planned, member states should make efficient use of their resources and ensure that the administrative capacity needed is present⁴³.

70 The member states in our sample envisaged a number of measures to strengthen administrative capacity to implement the RRF. These included recruiting additional staff, providing operational support and simplifying administrative procedures. However, certain challenges remain:

- Spain's RRP included specific reforms to modernise the country's public administration by strengthening its public procurement framework, improving recruitment procedures and developing a system to manage and monitor the implementation of the RRF. However, the completion of some measures was not as quick as expected. These included a reform to strengthen the administration's ability to attract and retain staff, which was finally approved by the Spanish Parliament in December 2023. Furthermore, a report by the Spanish supreme audit institution in April 2023 noted challenges in properly planning human resources and ensuring adequate resources (especially at regional level) to implement the RRF⁴⁴.
- Romania's RRP included a set of reforms to improve the quality of its public administration. Romania fulfilled the milestone on establishing the institutional framework for the RRP and the legal mandate of relevant bodies. There were several proposals to reorganise its RRF coordinating body, including to increase the number of staff involved in managing RRF funds. However, in May 2023 the increase in staff did not match that identified by the RRF coordinating body as being needed to implement the RRF.

⁴³ Commission staff working document "Guidance to member states – Recovery and resilience plans" (SWD(2021) 12 final), part 1/2, p. 45.

⁴⁴ Court of Auditors, Informe de fiscalización sobre las medidas adoptadas en el ámbito autonómico para la implementación del Plan de Recuperación, Transformación y Resiliencia, N.1.515.

- o Italy completed a set of reforms of its public administration, including in relation to recruitment procedures, the establishment of the IT system for monitoring and managing the RRF's implementation and simplification of administrative procedures. It also included a milestone on increasing the administrative capacity of local authorities⁴⁵. However, the Italian supreme audit institution in March 2023 noted challenges relating to high turnover of recruited staff and highlighted that the procedures for implementing the RRF were complex, with many authorities still not having the necessary staff⁴⁶.
- o Slovakia implemented a reform aimed at strengthening administrative capacity at both local and national level. This entailed approving the legal basis establishing the relevant bodies and defining their roles and responsibilities and analysing the organisational set-up of the departments responsible for implementing the RRF. The Slovak audit authority highlighted deficiencies in October 2022 relating to organisational structures and staffing levels, as well as a lack of sufficient guidance at national level, particularly on ensuring proper internal controls⁴⁷.

Member states and the Commission set up systems to monitor implementation progress, but follow-up of delays is not systematic

71 Member states are required to establish, in their RRFs, arrangements for the effective monitoring and implementation of those plans, including the envisaged timetable, milestones and targets, and the related indicators⁴⁸. As noted in our special report on the RRF's performance monitoring framework⁴⁹, member states and the Commission set up IT systems and governance and control structures for the RRF within a short timeframe.

⁴⁵ See also [2022 annual reports](#) on the implementation of the EU budget for the 2022 financial year and on the activities funded by the 9th, 10th and 11th European Development Funds (EDFs) for the 2022 financial year, paragraph 11.33. and box 11.3.

⁴⁶ Court of Auditors, [Relazione sullo stato di attuazione del Piano Nazionale di Ripresa e Resilienza \(PNRR\)](#).

⁴⁷ National Implementation and Coordination Authority (NIKA), Summary of audits pursuant to Article 22(2)(c) of Regulation (EU) 2021/241 and Annex III to the financing agreement, October 2022.

⁴⁸ Article 18(4)(p) and 19(3)h of the [RRF Regulation](#).

⁴⁹ [Special report 26/2023](#): "The Recovery and Resilience Facility's performance monitoring framework – Measuring implementation progress but not sufficient to capture performance", paragraphs 54-57.

72 Our survey of RRF coordinating bodies illustrates that member states took different approaches in designing their IT systems for monitoring implementation. The survey results demonstrate, in most cases, the IT systems' ability to monitor the fulfilment of milestones and targets at any given point, both for the member state as a whole and for final recipients. Of the four member states we sampled, however, this was not the case for Romania and Slovakia, as their monitoring systems could not provide such detailed breakdowns. In addition, Romania's IT system was not used by all the implementing ministries and therefore did not include comprehensive information on implementation. As a result, the RRF coordinating body did not always have timely information on the progress of the measures concerned, which would allow it to remedy any delays and facilitate absorption. At the time of our audit, both member states were in the process of establishing new monitoring systems.

73 In addition, around half of the respondents to our survey indicated that their monitoring systems did not include an "early warning system" to notify them of delays in progress towards milestones or targets in advance of their due dates or to flag the reversal of previously achieved milestones or targets. For the detailed results of our survey regarding the monitoring systems, see [Annex III](#).

74 The RRF Regulation⁵⁰ requires member states to report twice a year on their progress in implementing their RRFs. The purpose of this reporting is to provide a comprehensive stocktake of the implementation of all plans, and to allow the Commission to identify potential risks to be addressed with member states. In our analysis of biannual reports submitted by member states, we found that not all of them systematically provided comprehensive information about the reasons for delays in achieving milestones and targets. Instead, this information is in many cases limited to general descriptions of steps taken. Furthermore, the Commission also noted that member states' reporting on progress towards milestones and targets was sometimes incorrect.

75 Incomplete and inaccurate information limits what the Commission can do to address the underlying causes of delays in a timely manner and mitigate the resulting risks to absorption. While the Commission is in regular contact with the member states, it does not systematically ask member states to provide information on the actions taken to address delays or challenges faced in achieving milestones and targets, even though the Commission implements the RRF under direct management and bears ultimate responsibility.

⁵⁰ Article 27 of the [RRF Regulation](#).

The design of the RRF entails risks to absorption and the completion of measures by 31 August 2026

76 One of the objectives of this audit was to highlight, at an early stage, any risks to the implementation of the RRF within the regulatory timeframe and thus to the achievement of the RRF's objectives in the long term. We therefore analysed whether there are any risks to absorption in the second half of the implementation period. In our analysis, we paid particular attention to risks to the completion of measures as these are a key element in achieving the RRF's objectives. We also assessed whether the disbursements of funds reflect progress in achieving milestones and targets.

The quantity and nature of outstanding milestones and targets poses risks to absorption and the completion of measures

77 In line with the RRF Regulation, national RRFs set out, among other things, milestones, targets and a timetable for the implementation of the reforms, and investments to be completed by 31 August 2026⁵¹. In addition, the Council Implementing Decisions for each member state includes an indicative date for the fulfilment of each milestone and target.

The significant number of milestones and targets to be achieved in the second half of the implementation period poses risks to absorption and the completion of measures

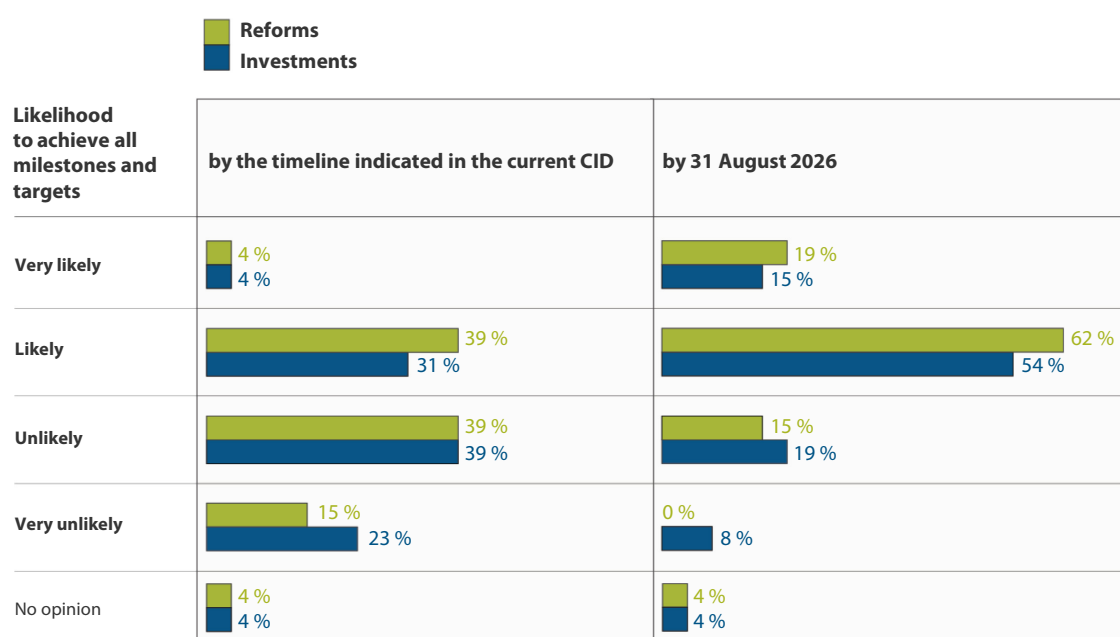
78 We analysed the distribution of milestones and targets over time and, in particular, the proportion of milestones and targets still to be achieved in the second half of the RRF's implementation period.

79 The number of milestones and targets to be achieved is not distributed evenly over the RRF implementation period. The 73 payment requests submitted by the end of 2023 included 1 750 milestones and targets – only around 28 % of the 6 234 milestones and targets envisaged in the initial Council Implementing Decisions. The challenges and delays faced by member states in fulfilling their milestones and targets by the dates indicated in the Council Implementing Decisions, even at the beginning of the RRF (see paragraph 27), mean there is a risk to absorption and that measures will not be completed as planned, given the expected cumulative effect of these delays.

⁵¹ Article 18 of the [RRF Regulation](#).

80 To complement our analysis, our survey included questions about the likelihood of milestones and targets being achieved by the date indicated in their Council implementing Decision and of measures being completed by the end of the RRF implementation period (*Figure 8*). We note that only two member states considered that all investment milestones and targets were likely to be achieved by the date indicated in the Council Implementing Decision.

Figure 8 – Likelihood of achieving milestones and targets as planned



Source: ECA survey of RRF coordinating bodies.

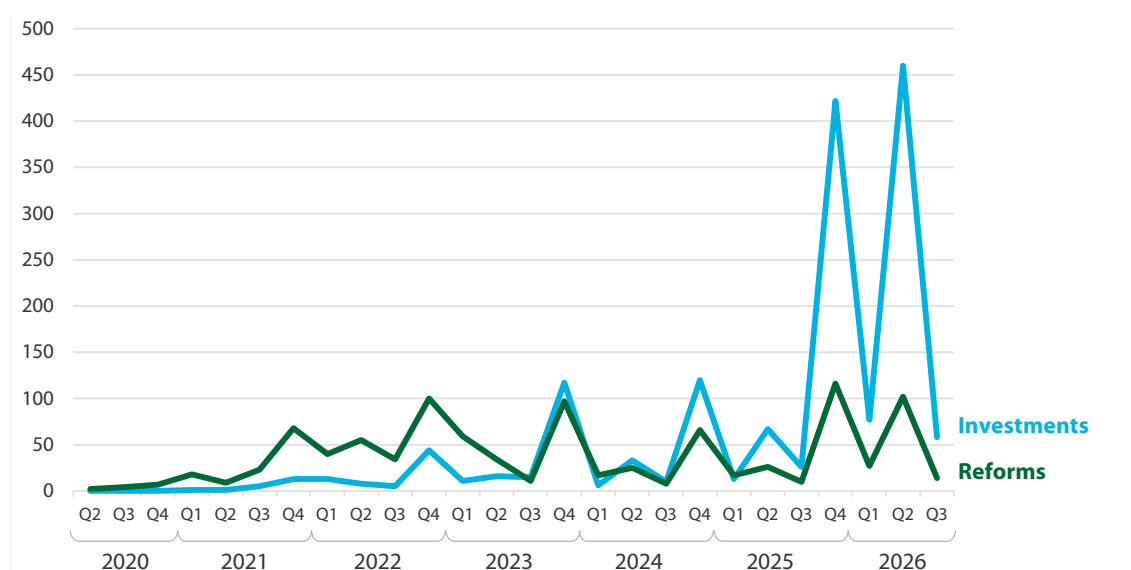
Shift from reforms to investments and reaching the final stage of implementation increase the risk of delays

81 The initial RRFs included 2 530 measures, of which 1 541 were investments and 989 reforms. Most member states decided to implement reforms first, as they were often important to facilitate the efficient and effective implementation of investments⁵², which in most cases come second, as confirmed by the Commission⁵³ (see *Figure 9*).

⁵² Commission staff working document “Guidance to member states – Recovery and resilience plans” (SWD(2021) 12 final), part 1/2, p. 15.

⁵³ European Commission, Strengthening the EU through ambitious reforms and investments (COM(2024) 82 final), p. 4.

Figure 9 – Number of reforms and investments due to be completed per quarter, 2020-2026



Source: ECA, based on Commission's FENIX database.

82 Member states planned to complete milestones and targets related to 39 % of all investments and 14 % of all envisaged reforms in 2026, during the last eight months of the RRF implementation period. An analysis of individual member states reveals that 16 of them planned to complete milestones and targets related to at least 30 % of their investments only in 2026, ranging from 30 % in the case of Spain to 62 % in the case of Italy and 70 % in the case of Poland (see [Annex IV](#)).

83 Investments, and particularly infrastructure investments, can be rather complex in nature and are generally more sensitive to delays caused by external circumstances, which lie outside the member states' control. As a result, the backloading of investments is likely to further increase the risk of delays and absorption slowing down. When presenting the mid-term evaluation, the Commission acknowledged that the second half of the RRF's implementation will be more challenging than the first, as investments reach a critical stage in their implementation⁵⁴.

84 We note, furthermore, that at the beginning of the RRF, milestones and targets related to early stages of implementation (such as the adoption of laws, the publication of calls for proposals or tenders, or the selection of projects), whereas those in the second half of the RRF implementation period are often more complex

⁵⁴ European Commission, [Statements by Executive Vice-President Dombrovskis and Commissioner Gentiloni at the press conference on the mid-term evaluation of the Recovery and Resilience Facility](#), 21 February 2024.

and challenging in nature as they refer to the final stages of implementation (such as the completion of infrastructure investments or reforms, or sometimes even the results of these).

85 More importantly, the milestones and targets in the second half of the RRF implementation period are often more closely linked to the completion of measures and the achievement of objectives. Not achieving these milestones or targets therefore may pose risk to the absorption and completion of the measures concerned.

Table 2 shows examples of the difference between the penultimate and final milestones/targets for some measures in the sampled member states.

Table 2 – Examples of the difference between penultimate and final milestones/targets in the sampled member states

Member State	Description of measure	Penultimate milestone/target	Final milestone/target included in last payment request
Italy	Production of hydrogen on brownfield sites	Award of the projects for the production of hydrogen in abandoned industrial areas. Q1/2023	Complete at least 10 projects for the production of hydrogen in abandoned industrial areas of an average capacity of at least 1-5 MW each. Q2/2026
Romania	Integrated flood risk mitigation systems in forest river basins	The project design for the modernisation works for flood protection shall be adopted . Q1/2023	The project for modernisation of flood protection shall be completed . Q2/2026
Slovakia	Increase in the performance of Slovak higher education institutions – Reform 5: Concentration of excellent educational and research capacities	Start bringing together universities into larger units. Q4/2021	The completion of the process of merging research units Q2/2026

Member State	Description of measure	Penultimate milestone/target	Final milestone/target included in last payment request
Spain	Energy Rehabilitation of Buildings Programme	Award of renovations for residential dwellings and non-residential buildings, achieving on average at least a 30 % primary energy demand reduction. Q4/2023	Completion of renovations for residential dwellings and non-residential buildings, achieving on average at least a 30 % primary energy demand reduction. Q2/2026

Source: ECA, based on the Council Implementing Decisions.

Disbursements do not necessarily reflect the quantity and importance of milestones and targets included

















































































































86 In general, disbursement of funding should reflect progress in achieving milestones and targets⁵⁵. All payments after the initial pre-financing payment are based on the achievement of milestones and targets included in the corresponding payment request. The amount of each payment and the milestones and targets to be fulfilled in order to receive it are defined in the Council Implementing Decisions.

87 The payment profiles are a result of negotiations with the member state concerned. While taking into account the quantity and importance of milestones and targets⁵⁶, the payment profiles do not necessarily reflect them. By the end of 2023, the Commission had disbursed 37 % of the total RRF allocation (grants and loans) in return for the satisfactory fulfilment of 19 % of all milestones and targets, taking into account pre-financing amounts already cleared (see [Figure 10](#)).

⁵⁵ Commission staff working document “Guidance to member states – Recovery and resilience plans” (SWD(2021) 12 final), part 1/2, p. 35.

⁵⁶ [Special report 21/2022](#): The Commission’s assessment of national recovery and resilience plans, paragraph 73.

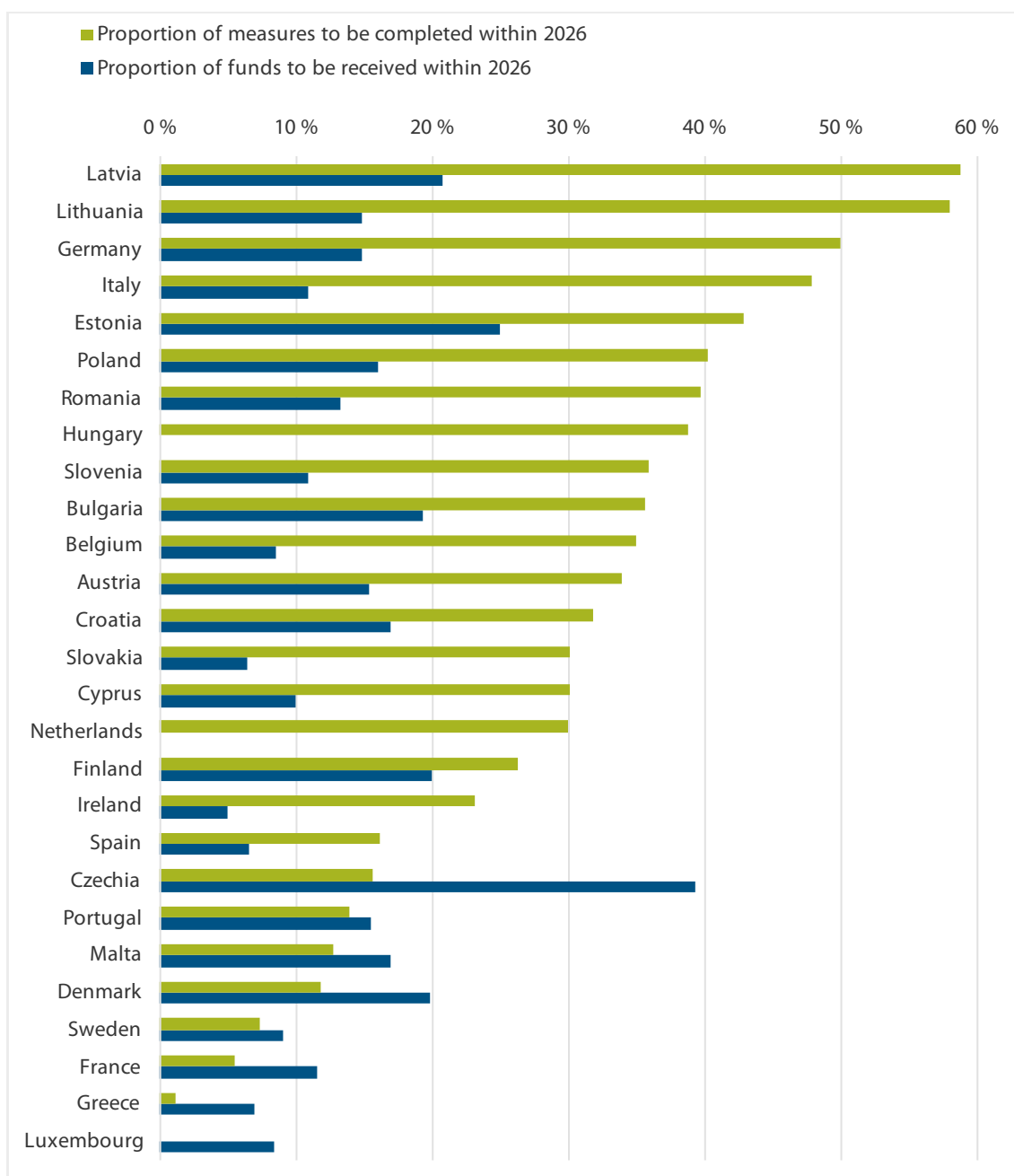
Figure 10 – RRF disbursements for the satisfactory fulfilment of milestones and targets by the end of 2023

	Proportion of funding disbursed	Proportion of satisfactorily fulfilled milestones and targets	Total number of milestones and targets	M&T satisfactorily fulfilled by Q4 2023
France	 59 %	 53 %	 175	 93
Portugal	 48 %	 28 %	 341	 96
Spain	 46 %	 29 %	 416	 121
Italy	 46 %	 34 %	 525	 178
Greece	 40 %	 26 %	 331	 87
Croatia	 38 %	 28 %	 371	 104
EU-27	 37 %	 19 %	 2 159	 679
Slovakia	 33 %	 30 %	 196	 58
Luxembourg	 32 %	 41 %	 63	 26
Estonia	 30 %	 23 %	 124	 29
Lithuania	 29 %	 16 %	 191	 31
Slovenia	 24 %	 31 %	 209	 64
Austria	 23 %	 26 %	 171	 44
Denmark	 22 %	 32 %	 77	 25
Bulgaria	 22 %	 6 %	 346	 22
Romania	 21 %	 14 %	 507	 70
Malta	 19 %	 14 %	 138	 19
Germany	 17 %	 28 %	 129	 36
Czechia	 15 %	 15 %	 244	 37
Latvia	 12 %	 4 %	 214	 9
Cyprus	 8 %	 5 %	 271	 14
Belgium	 0 %	 0 %	 210	 0
Finland	 0 %	 0 %	 140	 0
Hungary	 0 %	 0 %	 270	 0
Ireland	 0 %	 0 %	 109	 0
Netherlands	 0 %	 0 %	 127	 0
Poland	 0 %	 0 %	 283	 0
Sweden	 0 %	 0 %	 56	 0

Source: ECA based on the operational arrangements and the Commission's Recovery and Resilience Scoreboard.

88 Furthermore, several member states will need to complete more than 50 % of their measures in 2026 while most of them will receive less than 20 % of their total funding in order to do so (see [Figure 11](#)).

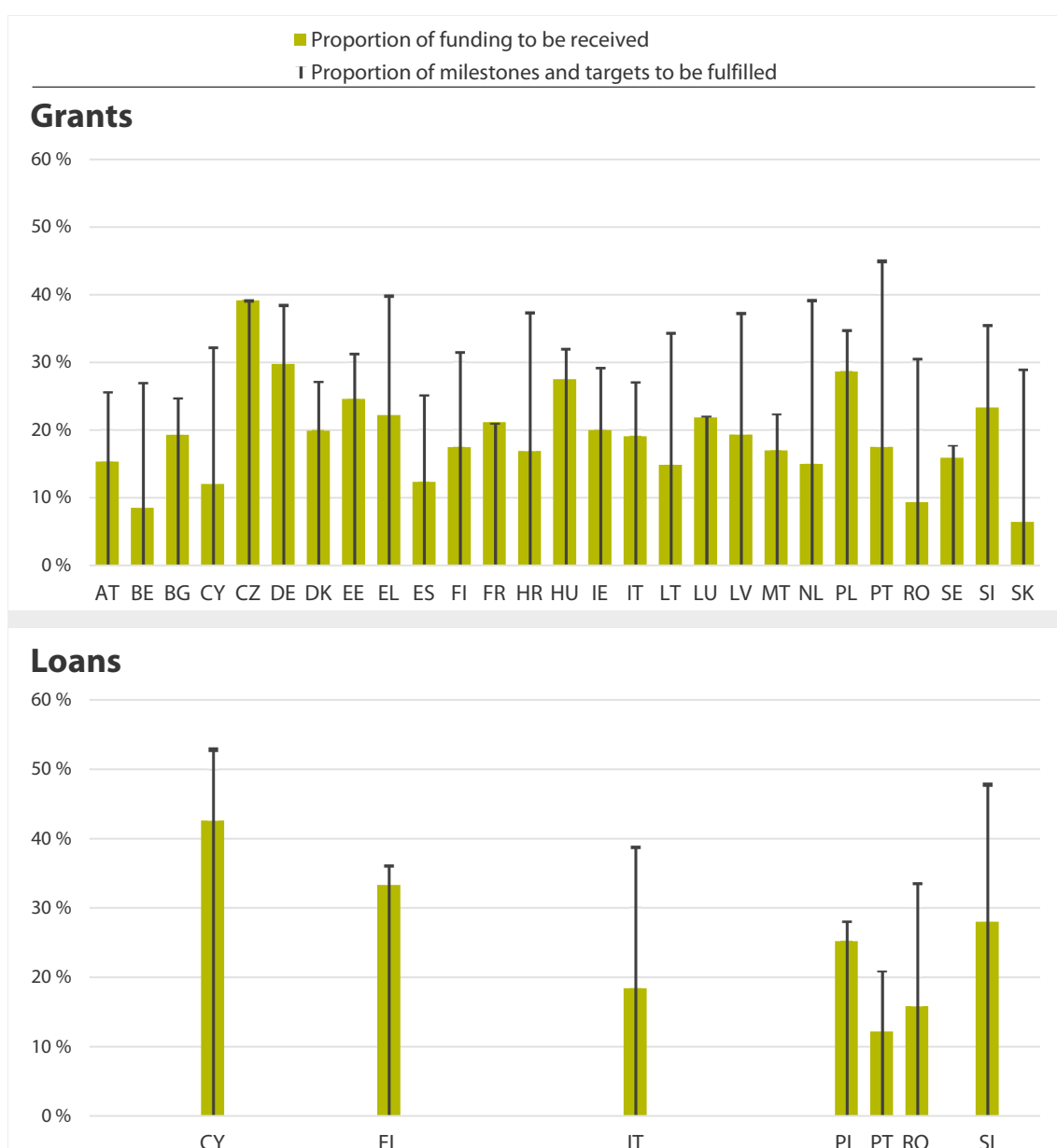
Figure 11 – Proportion of measures with milestones and targets to be fulfilled vs proportion of funds to be received within 2026



Source: ECA, based on the Fenix database.

89 In addition, the relationship between disbursements received and the milestones and targets achieved differs considerably among member states (see paragraph 86). For example, the last two payment requests for Portugal represent 18 % of the country’s total RRF funding but will require the fulfilment of 45 % of all milestones and targets included in its RRP. This relationship is similar in the case of, for example, the Netherlands (15 % of funding versus 39 % of milestones and targets), Slovakia (6 % versus 29 %), Romania (9 % versus 31 %) and Croatia (17 % versus 38 %) (see Figure 12).

Figure 12 – Analysis of penultimate and final payment request



Source: ECA, based on the Council Implementing Decisions.

90 The fact that the RRF is designed in such a way that disbursements do not necessarily reflect the quantity and importance of milestones and targets may result in the risk of a significant proportion of RRF funding being paid without member states having completed the corresponding measures. According to the RRF Regulation, RRFs set out, among other things, a timetable for the implementation of the reforms and investments to be completed by 31 August 2026⁵⁷. We note however that the RRF Regulation does not provide for the possibility of recovering funds related to already fulfilled milestones and targets if measures are not completed. This poses a risk to the achievement of RRF's objectives and therefore the EU's financial interests in the event of those member states not completing the agreed measures.

⁵⁷ Article 18(4)i of the [RRF Regulation](#).

Conclusions and recommendations

91 We conclude that, in the early stages of the implementation of the Recovery and Resilience Facility (RRF), pre-financing facilitated the disbursement of funds. However, the absorption of funds subsequently faced delays for various reasons. We found that although the Commission and the member states reacted to these delays, there remain risks to absorption and to the completion of measures in the second half of RRF's implementation.

92 The pre-financing of up to 13 % provided for in the legislation was justified in light of the crisis in which the RRF arose and allowed funds to be disbursed quickly to most member states (see paragraphs [18-19](#)). We found however that, while a swift uptake of RRF funding was essential to recover from the crisis, absorption of funds in the first half of the RRF implementation period generally faced delays. By December 2023, the number of payment requests submitted to the Commission was considerably lower than planned in the operational arrangements. However, the delays varied among member states in terms of the number of payment requests submitted, the funding requested and milestones and targets achieved, and also in terms of the length of delays (see paragraphs [21-27](#)).

93 Several factors contributed to delays, including external factors such as price increases and supply shortages, as well as the time needed to implement measures – especially for innovative or large infrastructure projects – having been underestimated at the time they were selected for inclusion in the recovery and resilience plans. Moreover, certain RRF implementation rules, and differing interpretations regarding how to apply them, increased the time needed to implement measures (see paragraphs [28-52](#)).

94 Furthermore, almost half of the RRF funds disbursed to the 15 member states that provided the respective information, have not yet reached final recipients. In addition, the other seven member states that received funds did not provide complete and consistent information on the current location of these funds. Furthermore, the definition of the term “final recipient” leaves room for interpretation, and was applied differently for similar measures (see paragraphs [53-56](#)).

Recommendation 1 – Ensure a consistent application of the definition of “final recipient”

The Commission should ensure that member states have a common understanding of what constitutes a “final recipient” and apply it consistently.

Target implementation date: 2024.

95 Both the Commission and the member states took some measures to facilitate absorption, but risks remain. The amendments made to the recovery and resilience plans, while offering the opportunity to overcome issues identified during implementation, should not decrease the overall ambition of the recovery and resilience plans. The extent to which these amendments will influence absorption remains to be seen (see paragraphs [57-63](#)).

96 The Commission published the methodology for assessing the satisfactory fulfilment of milestones and targets two years after the start of the RRF implementation period. However, uncertainties remain regarding the reduction of payments for failure to fulfil certain milestones or targets, as the methodology leaves room for different interpretations. Guidance on the application of the “do no significant harm” principle was provided in good time but national authorities found it challenging to apply due to its complexity and novelty (see paragraphs [64-68](#)).

97 The member states also took action to enhance their administrative capacity, in particular through the recruitment of additional staff, but did not fully address the challenges (see paragraphs [69-70](#)). The Commission and member states set up systems to monitor the RRF’s implementation but the information provided was sometimes incomplete. While the Commission is in regular contact with the member states, it does not systematically ask them to provide information on the actions taken to address delays, even though the Commission implements the RRF under direct management and bears ultimate responsibility. (see paragraphs [71-75](#)).

Recommendation 2 – Provide member states with additional guidance and support

The Commission should provide additional support and guidance, where necessary, to address any remaining uncertainties in the areas identified by member states.

Target implementation date: 2024

98 In the second half of the RRF implementation period, the quantity and nature of the milestones and targets to be achieved, as well as the shift from reforms to investments, are likely to pose additional challenges to the timely absorption of funds. Given the delays already faced by the end of 2023, we consider there is a risk that not all planned measures will be completed within the RRF's implementation timeframe (see paragraphs [78-85](#)).

Recommendation 3 – Monitor and mitigate the risk of non-completion of measures and the financial consequences thereof

The Commission should in cooperation with member states:

- (a) identify the measures most at risk of not being completed by 31 August 2026;
- (b) systematically follow up these measures and agree on actions to overcome the delays;
- (c) mitigate the risk of funding non-completed measures.

Target implementation date: 2024.

99 We also found that the amount of funds received by member states does not necessarily reflect the quantity and importance of the achieved milestones and targets. In addition, the relationship between funding and the achievement of milestones and targets differs among member states. This may result in a significant proportion of funds being paid out for measures that may not be completed. This poses risks as the RRF Regulation does not provide the possibility of recovering funds related to already fulfilled milestones and targets if measures are not completed (see paragraphs [86-90](#)).

Recommendation 4 – Strengthen the design, with regard to absorption, of future instruments based on financing not linked to costs

If the Commission designs instruments based on financing not linked to costs, it should:

- (a) ensure a close link between disbursements and progress in achieving objectives;
- (b) address the absence of the possibility to recover funds if measures are not completed.

Target implementation date: when designing instruments based on financing not linked to costs.

This report was adopted by Chamber IV, headed by Mr Michails Kozlovs, Member of the Court of Auditors, in Luxembourg on 4 July 2024.

For the Court of Auditors

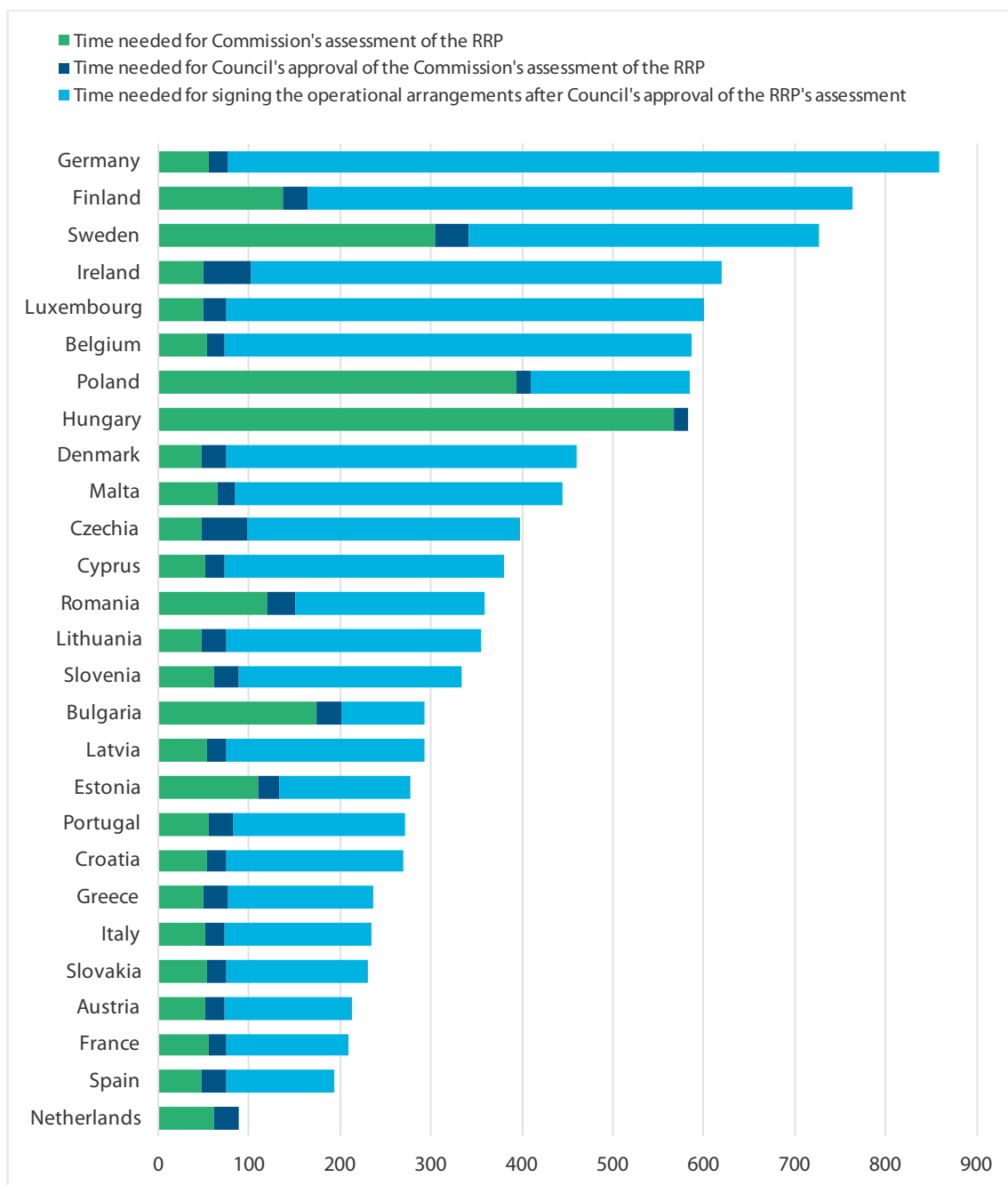
Tony Murphy
President

Annexes

Annex I – Main information on ECA’s surveys to member states

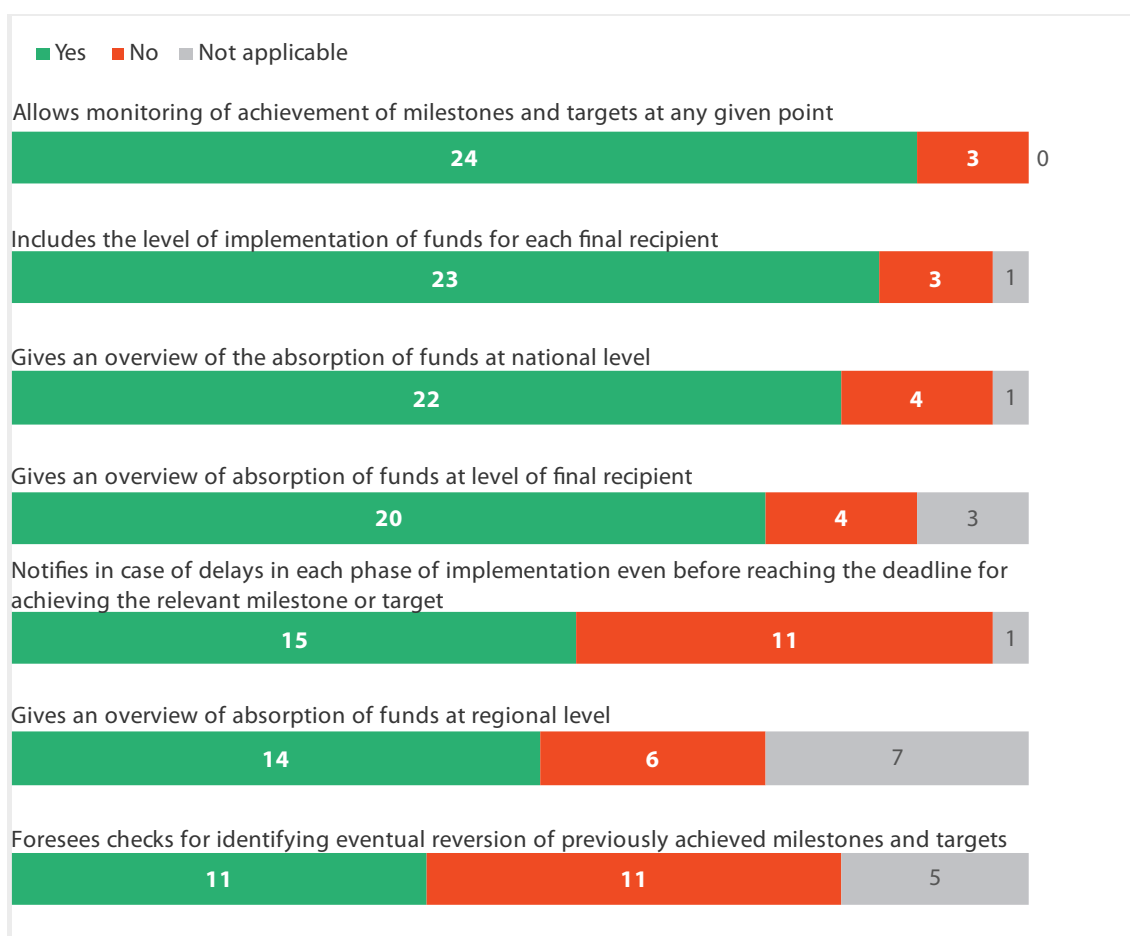
Addressees	Topic	Sample	Period	Response rate
RRF coordinating bodies	Absorption in general	27 member states	April – June 2023	96 %
RRF implementing bodies		20 member states for which we obtained relevant contacts		61 %
Audit authorities		27 member states		70 %

Annex II – Procedural steps and time (in days) needed to fulfil



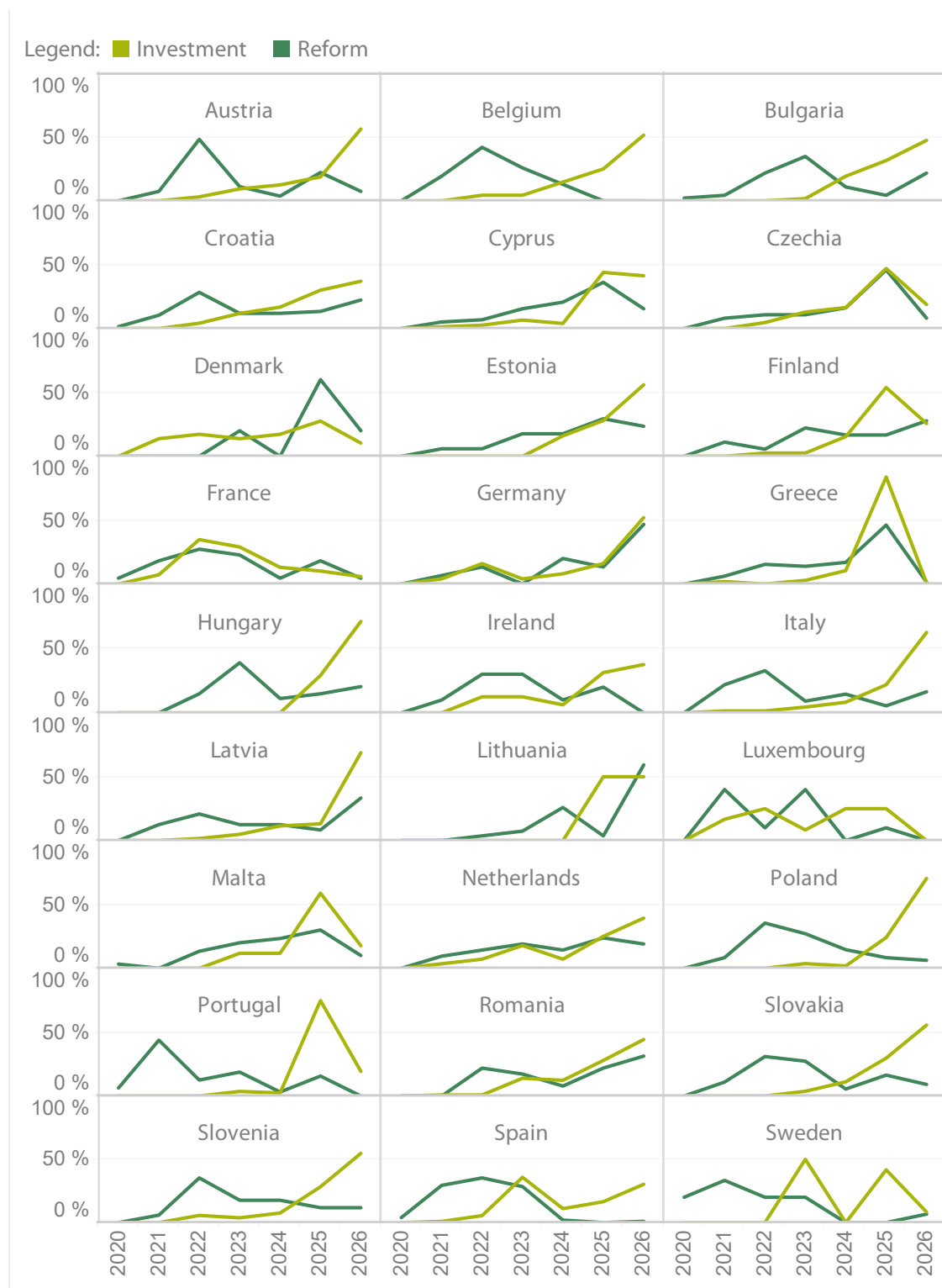
Source: ECA, based on Commission's Recovery and Resilience Scoreboard.

Annex III – Functionalities of national IT monitoring systems for tracking absorption of RRF funds at national level



Source: ECA survey of RRF coordinating bodies.

Annex IV – Percentage of reforms and investments to be completed per year, by member state



Source: ECA, based on the Fenix database.

Abbreviations

DNSH: Do no significant harm

RRF: Recovery and Resilience Facility

RRP: Recovery and resilience plan

Glossary

Absorption: Extent to which member states have received RRF funding from the Commission for the satisfactory fulfilment of milestones and targets.

Cohesion Fund: EU fund for reducing economic and social disparities in the EU by funding investments in member states where the gross national income per inhabitant is less than 90 % of the EU average.

Do no significant harm: Principle that investment measures should have no major detrimental environmental impact.

Effectiveness: Extent to which the objectives pursued are achieved through the activities undertaken.

European Semester: Annual cycle which provides a framework for coordinating the economic policies of EU member states and monitoring progress.

Final recipient: Person or legal entity that receives RRF funds to implement a measure included in a member state's recovery and resilience plan.

Investment: An expenditure on an activity, project, or other action within the scope of the Regulation that is expected to bring beneficial results to society, the economy and/or the environment.

Milestone: Qualitative measure of progress towards the achievement of a reform or investment.

Monitoring: Systematically observing and checking progress, partly by means of indicators, towards the achievement of an objective.

Operational arrangement: Agreement between the Commission and a member state on technical matters relating to the implementation of its recovery and resilience plan.

Performance: Measure of how well an EU-funded action, project or programme has met its objectives and provides value for money.

Recovery and Resilience Facility: The EU's financial support mechanism to mitigate the economic and social impact of the COVID-19 pandemic, stimulate recovery and meet the challenges of a greener and more digital future.

Recovery and resilience plan: Document setting out a member state's intended reforms and investments under the Recovery and Resilience Facility.

Reform: An action or process of making changes and improvements with significant impact on long lasting effects on the functioning of a market or policy, the functioning or structures of an institution or administration, or on progress to relevant policy objectives, such as growth and jobs, resilience and the twin transitions.

Result: Immediate effect of a project or programme upon its completion, such as the improved employability of course participants or improved accessibility following the construction of a new road.

Target: Quantitative measure of a member state's progress towards the achievement of a reform or an investment.

Replies of the Commission

<https://www.eca.europa.eu/en/publications/sr-2024-13>

Timeline

<https://www.eca.europa.eu/en/publications/sr-2024-13>

Audit team

The ECA's special reports set out the results of its audits of EU policies and programmes, or of management-related topics from specific budgetary areas. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was carried out by Audit Chamber IV Regulation of markets and competitive economy, headed by ECA Member Mihails Kozlovs. The audit was led by ECA Member Ivana Maletić, supported by Sandra Diering, Head of Private Office and Tea Vlanić, Private Office Attaché; Juan Ignacio Gonzalez Bastero, Principal Manager; Giorgos Tsikkos, Head of Task; Felipe Andres Miguelez, Sorana Rotta and Valentina-Adriana Visan, Auditors. Michael Pyper provided linguistic support. Alexandra-Elena Mazilu provided graphical support.



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The Recovery and Resilience Facility (RRF), amounting to €724 billion, was set up in response to the COVID-19 pandemic.

We audited the absorption of RRF funds and concluded that it is progressing with delays.

Whilst the Commission and member states took actions to address these delays, risks remain regarding the completion of measures and therefore the achievement of the RRF's objectives.

We found that the RRF Regulation does not provide for the possibility of recovering funds if measures are not completed and that the disbursements to member states do not necessarily reflect the quantity and importance of the achieved milestones and targets.

We recommend, among others, that the Commission provides additional guidance where needed, monitors non-completion of measures and strengthens the design of future similar instruments regarding absorption.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.



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