Briefing: A single rulebook for EU funds?

Tensions and trade-offs around reform of the EU funding architecture 2028-34

Key take-aways

- Long-standing challenges in fund absorption hinder the effective utilisation of EU funds. As of September 2024, only 5% of the payments from the current MFF cycle had been disbursed, with significant variation across Member States. These absorption challenges include: delays in implementing EU frameworks, overlaps in funding periods, weak governance, political instability, economic constraints like infrastructure deficits, and institutional inefficiencies.
- The proposed reform of the MFF reveals tensions in relation to three main areas that are central to the reform debates:
  - → **Balancing centralisation and decentralisation:** How can the governance of the MFF 2028-34 be designed to improve the coherence and strategic use of EU funds and coordination of the management of EU funds without limiting regional autonomy and local participation, and while ensuring that funding is tailored to specific regional needs and local circumstances?
  - → **Simplified and performance-based funding:** How can simplification of the EU funding structure facilitate access to and effective use of EU funds whist still allowing for flexibility and adjustment to address to the complexity and diversity of regional challenges and approaches?
  - → **Linking investments with reforms:** How can the linkage of financial support to the implementation of structural reforms improve the effectiveness of EU economic governance while driving forward meaningful and long-term policy change in Member States that is underpinned by national ownership? How can such a model promote cross-border projects that do not benefit a single Member State but have European value added?

Contents

Introduction

The purpose of this briefing is to explore the tensions and trade-offs surrounding proposals for a reformed funding architecture in the 2028-34 Multiannual Financial Framework (MFF).

In the context of a reformed funding architecture, we pay particular attention to the absorption challenge of EU funds, examined from multiple perspectives: the complex structure of funds and regulations, the timing associated with them, capacity constraints, and differences in fund management. Additionally, we address the issue of (cohesion) funds not being utilised effectively, posing a distributional challenge.

Absorption challenges, including delays in adopting EU frameworks, weak governance, and institutional inefficiencies, hinder national administrations' ability to utilise EU funds effectively. By mid-September 2024, only 5% of the current 2021-2027 MFF payments had been disbursed, with significant variations across Member States, reflecting administrative delays, early-stage project focus, and backlogs tied to the Recovery and Resilience Facility, which also showed slow and uneven disbursement rates across countries.

In contrast, the Recovery and Resilience Facility has been more efficient in disbursing funds compared to the MFF's cohesion funds, but progress remains slow. At the midpoint of the RRF in 2023, only one third of its allocated funds had been transferred to EU governments.

These issues call for a reform of the current EU funding architecture. Ursula von der Leyen, in her Political Guidelines, has announced plans for reform of the EU's long-term budget. The vision is to create a policy-driven budget, as opposed to one focused on programmes, and to simplify operations and establish country-specific plans that link key reforms with investments. The shift is towards a more nationally-managed fund structure, modelled on the Recovery and Resilience Facility (RRF).

Such a reform brings inherent tensions and trade-offs, explored in this briefing. Centralisation, as seen in the RRF model, offers enhanced coordination and strategic coherence. Decentralisation, exemplified by the Cohesion Funds, better addresses local needs, fosters multi-level governance, and resolves collective action problems. A single rulebook for EU funds could simplify access and standardise processes but risks undermining regional diversity and adaptability, necessitating balanced approaches. Persistent challenges include ensuring the flexible and effective use of funds, reducing administrative burdens, and improving the financing of cross-border projects—areas where the RRF model has fallen short.

The briefing is structured as follows: First, we provide an overview of the current EU funding architecture aimed at supporting social and environmental objectives. This section highlights the diverse rules, unique strengths, and challenges of existing EU funds. Next, a review of the literature offers a structured analysis of the challenges and opportunities associated with proposed reforms to EU funds. These reforms include streamlining and centralising funds, implementing a performance-based distribution mechanism, and linking investments to broader reforms.

1. Overview of current EU funding architecture for social and environmental goals

The following table offers an overview of key EU funds that play a significant role in advancing a just transition and the decarbonisation of EU economies: Cohesion Funds, the Recovery and Resilience Facility (RRF), the Modernisation Fund, and the Social Climate Fund. These funds are compared across several dimensions, including their policy focus (specific versus broad), management level (national versus regional/local), allocation criteria, access and governance mechanisms, as well as their unique strengths and challenges.

As illustrated in the table below, the key dimensions of these various EU funds differ considerably. For instance, the RRF features dedicated spending targets but permits a broad application of its funds. In contrast, the Social Climate Fund has a more focused policy purpose, facilitating targeted use of its resources. However, the size of its budget does not adequately meet the scale of the policy challenges it addresses. Furthermore, a comparison of the different funds highlights the varying rules for accessing and managing the available resources.

Table 1: Overview of various EU funds with social/climate impact along different dimensions

<table>
<tr><th rowspan="2"></th><th rowspan="2">RRF</th><th colspan="4">Cohesion funds</th><th rowspan="2">Modernisation Fund</th><th rowspan="2">Social Climate Fund</th></tr>
<tr><th>European Regional Development Fund (ERDF)</th><th>European Social Fund Plus (EFS+)</th><th>Cohesion Fund</th><th>Just Transition Fund</th></tr>
<tr><td>Purpose</td><td>Recover from the pandemic and strengthen economies</td><td>reducing economic disparities between regions and funnel spending in innovation, competitiveness, climate neutrality, social inclusion</td><td>reducing unemployment, promoting social inclusion and supporting worker training</td><td>Supporting infrastructure investment</td><td>Supporting territories most affected by the transition</td><td>Help 13 low-income countries to modernise their energy system</td><td>Support vulnerable groups most affected by ETS2</td></tr>
<tr><td rowspan="2">Average of total budget</td><td rowspan="2">EUR 723 bn</td><td colspan="4">EUR 392 bn</td><td rowspan="2">EUR 57 bn</td><td rowspan="2">EUR 86 bn</td></tr>
<tr><td>214.27 bn</td><td>95.08 bn</td><td>39.04 bn</td><td>19.68 bn</td></tr>
<tr><td>Average annual budget</td><td>EUR 120 bn</td><td colspan="4">EUR 56 bn</td><td>6 bn</td><td>2.5 bn</td></tr>
<tr><td>Funding source</td><td>NextGenerationEU</td><td colspan="4">MFF</td><td>EU Emissions Trading System (ETS)</td><td>ETS</td></tr>
<tr><td>Funding period</td><td>2020 - 2026</td><td colspan="4">2021 - 2027</td><td>2021 - 2030</td><td>2026 - 2032</td></tr>
<tr><td>Policy focus of the fund</td><td>Spending targets for green (37%) & digital (20%)</td><td>Enhancing competitiveness (PO1) and transitioning to a net-zero, resilient economy (PO2) are key goals. At least 8% of funds go to urban initiatives, 30% to climate goals. Specific targets vary depending on the</td><td>No quantitative targets.
ESF+ will support individuals, regions and Member States in areas of employment, education & skills and social inclusion</td><td>37% of its budget will support climate objectives</td><td>100 % for the Just Transition Mechanism</td><td>Generation and use of energy from renewable sources, Energy efficiency, Energy storage, Modernisation of energy networks, Just transition in carbon-dependent regions</td><td>Support to vulnerable households, Micro-enterprises, Transport users through investments in: Energy efficiency, New heating and cooling systems, Cleaner mobility</td></tr>
</table>

		regional development.[1]					
Allocation key	based on population size, inverted GDP per capita, and the average unemployment rate over the past five years, favoring countries with larger populations, lower GDP per capita, and higher unemployment rates	Commission does not allocate funding to specific regions but only monitors that the national programme follows EU allocation rules on funding across the three categories of regions				The allocation to each member state is based on their share of the total revenues from the auctioning of emission allowances. This share is determined by several factors, including the number of allowances auctioned and specific provisions under the EU ETS Directive	The exact allocation of funds from the EU Social Climate Fund to each Member State will be determined based on their Social Climate Plans. The allocation will depend on several factors, including the specific needs and plans of each Member State to support vulnerable households, micro-enterprises, and transport users affected by the climate transition.
		majority of funding to areas where GDP per capita falls below 75% of the EU average (Redeker et al 2024)	majority of funding to areas where GDP per capita falls below 75% of the EU average[2]	member states with a Gross National Income below 90% of the EU average; no subnational allocation key. For the 2021-2027 period, benefiting countries are Bulgaria, Czechia, Estonia, Greece, Croatia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovakia and Slovenia	funds are allocated to all member states based on factors such as industrial emissions, employment in industry and overall level of development. In a second step, member states identify smaller NUTS-3 level regions most in need		
Management of funds and access	NRRPs	shared responsibility model, wherein the European Commission collaborates with	shared management with the Member States. This means that the ESF+ Managing	shared responsibility between the European Commission and national and	Just Transition Plans	implemented by beneficiary Member States, the European Investment Bank (EIB), and the European Commission. Beneficiary	Member States are required to submit social climate plans until June 2025 outlining measures and investments to address the impact of

[1] More developed regions: 85% to PO1/PO2; Transition regions: 40% to PO1, 30% to PO2; Less developed regions: 25% to PO1, 30% to PO2

		national and regional authorities for programme financing, allowing Member States' administrations to select and manage projects	Authorities in each country will dedicate the money to projects that are run by a range of public and private organisations, thereby responding to the country- and region-specific needs.	regional authorities in Member States. The Member States' administrations choose which projects to finance and take responsibility for day-to-day management		Member States select and implement projects, monitor progress	carbon pricing on vulnerable groups.
Unique strengths	Performance-based; national ownership and accountability, support structural reforms	Regional funds are managed collaboratively, involving input from a wide range of regional and local stakeholders, as well as civil society. Proponents argue that this approach effectively connects European regions and communities directly with the EU, allowing for a more tailored response to diverse local needs.				Targeted transition (focus on 13 MS)	Social equity focus disbursement performance-based
Unique challenge	Lack of flexibility, cumbersome bureaucracy, sluggish absorption of funds	It does not always benefit the right people in the right regions. As one analysis points out: "The richest 30% in recipient regions experience a large and statistically significant boost in income growth. In contrast, the gains for middle-income groups are much smaller, and for poorer households, there is no significant effect at all." (Redeker et al 2024) The local and regional partnership model is also subject to criticism for being overly bureaucratic, which can slow down the administration and absorption of cohesion funds.					Limited impact due to small size

2. Dimensions of the absorption challenge: administrative capacity and complexity, timing and alignment, and effectiveness and efficacy of the usage of EU funds

In this briefing, absorption challenges refer to barriers preventing national administrations from effectively accessing and utilising EU funds to achieve policy goals. These include delays in adopting EU frameworks, overlaps in funding periods, weak governance, political instability, economic constraints such as infrastructure deficits, and institutional inefficiencies like inadequate training and digitalisation (Ciffolilli et al. 2024). Together, these factors result in slow fund absorption, underutilisation, and limited progress towards policy objectives.

Notably, slow absorption and delayed utilisation of allocated resources stands out as a major absorption challenge: For example, by mid-September 2024, only around 5% of EU payments from the current MFF budget cycle had been disbursed, primarily as pre-financing, with significant variations across Member States (Bachtler J, Mendez C and Downes R 2024). Net prefinancing rates varied significantly, reaching nearly 15% in the Netherlands but falling below 3% in Portugal, Croatia, and Spain (European Commission 20204b). This low disbursement rate reflects administrative delays and the early-stage focus on project selection and pipeline development, even as project implementation on the ground is more advanced in terms of funds allocated and reported expenditure. Additionally, the sluggish absorption rate can be partly explained by administrative backlogs tied to the implementation of the Recovery and Resilience Facility (RRF) (Zeitlin, Bokhorst, and Eihmanis 2023).

The Recovery and Resilience Facility progressed more quickly in disbursing funds as compared to the MFF's cohesion funds, with 51% of grants and 25% of loans disbursed in 2024, varying widely across Member States – e.g. 76.6% of total RRF funds in France, 20% in Germany and 0% in Sweden (EPRS 2024). At the mid-point of the RRF in 2023, only one third of the RRF's funds had been transferred to EU governments, highlighting concerns over the timely achievement of milestones. Given the deadline for full disbursement by 2026, there is a significant risk that agreed milestones may not be met, potentially leaving funds underutilised.

There is a historic pattern that absorption starts slowly and accelerates in the final years of programming. For the 2014-2020 period, key EU funds, including the ERDF, CF, ESF, and YEI, had an absorption rate of 52.5% by the end of 2020, but this rose to 94.4% by 2023, excluding REACT-EU funds. Newer EU members like Poland and Estonia had higher absorption rates, while countries like Spain and Italy lagged due to factors such as administrative capacity. Member States typically have access to funds for up to three years into the new budget cycle (Ciffolilli et al. 2024). This sluggish absorption trend that can jeopardise the achievement of programme strategies and adequate project selection, which can lead to unsatisfactory outcomes and diminishing the expected impacts of EU funding.

However, the slow absorption of structural EU funds is not a new challenge—it is a persistent, long-term issue linked to the institutional design of cohesion funds. These funds operate under rules that allow for expenditure up to three years after approval, which inherently makes them less suitable for providing rapid, short-term economic stimulus (Carrión Álvarez 2020). Absorption challenges of EU funds have been a long-standing issue across continuous MFF programmes (Ciffolilli et al. 2024; Katsarova 2013). There is a vast body of literature unpacking sluggish absorption rates, especially in Central and Eastern European countries (Zaman and Cristea 2011; Šumpíková, Pavel, and Klazar 2003).

In the following, we highlight barriers to effective absorption and usage of EU funds from different points of view: The challenges connected to administrative capacity and complexity, the timing and alignment of funds with their specific purposes, and the effectiveness and efficacy of the usage of EU funds.

Overburdened capacities and administrative complexity

Many funds attempt to address an array of goals, resulting in cumbersome regulations and processes that can inhibit effective implementation. According to the mid-term evaluation of the RRF (European Commission 2024a), the magnitude of funds available from both the RRF and cohesion funds have placed significant pressure on the administrative and absorption capacities of certain Member States, particularly in light of the tight deadlines and ambitious targets set for the supported initiatives. In those Member States that receive considerable cohesion funding, managing and coordinating resources from these two distinct instruments can prove to be a complex task, particularly for smaller administrative bodies (European Commission 2024a). Moreover, the risk of double funding necessitates careful monitoring, especially when plans include numerous small measures or cross-border projects. Additional complexities for administrations can arise from the inclusion of many small measures or cross-border projects in the plans.

According to (Ciffolilli et al. 2024), administrative capacity and delivery modes which will be discussed below are among the strongest predictors of absorption. As such, important barriers to effective absorption can include delays in adopting EU legal frameworks, limited government quality and political support, low infrastructure development, and inefficient institutional structures.

Lack of coherence and complementarity among funds

An issue in the implementation of the Cohesion Policy and the RRF is the lack of coherence and complementarity between these funds. Member states are responsible for coordinating with the European Commission to decide which funds to use for specific investments, as double funding is prohibited. While a measure can be funded by both the RRF and Cohesion Policy, the same cost cannot be covered twice, and the RRF cannot fund national co-financing for cohesion projects (European Commission 2024a). To avoid overlap and ensure synergies, member states have implemented various demarcation strategies. These include thematic demarcation, assigning specific sectors to the RRF (e.g., health), territorial demarcation (e.g., rural versus urban areas), beneficiary-based demarcation (e.g., residential versus non-residential energy projects), and temporal demarcation, prioritizing the use of RRF funds before Cohesion Policy funds (ECA 2022; Lopriore 2022). However, despite these efforts, substitution effects have emerged, with member states reallocating funds from Cohesion Policy to the RRF to speed up fund absorption (European Commission 2024a). The simultaneous planning and execution of projects across these instruments has proven challenging for administrations, especially smaller ones, as achieving synergies requires deeper and more strategic coordination and cooperation. The varied procedures and timelines between the funds can exacerbate these difficulties, leading to inefficiencies and a lack of complementarity (Bachtler and Dozhdeva 2021; Ferry and Kah 2021). The increased administrative workload due to RRF funds has not been fully offset by efforts to enhance administrative capacity, raising concerns about the effective and efficient use of both funding streams.

Timing and alignment of fund disbursement

The timing of fund disbursement often fails to align with periods of effective use. At the national level, numerous decisions must be made regarding which fund is appropriate for covering specific projects, resulting in a process that is heavily dependent on localised decision-making. Politically, the dynamics of absorption introduce additional complexities, as the focus on immediate utilisation may conflict with the longer-term orientation encouraged by a multiannual framework. The current MFF, with its seven-year horizon, often feels disconnected from the EU legislative cycle, making it challenging to anticipate future budgetary needs at EU level. This situation underscores the ongoing tension between the need for general funding and the desire for targeted, specific financial support.

Absorbed or effectively used? Distributional effects and inequities in fund benefits

Geographically, absorption rates vary significantly, with some countries, like Poland, Portugal, and Lithuania, showing higher efficiency in fund utilisation, while others, such as Bulgaria, Romania, and Italy, face persistent challenges due to administrative and project management hurdles (European Commission 2024b). These disparities can exacerbate the effectiveness, efficiency, relevance, and coherence of policies, particularly harming the most disadvantaged regions (ECA 2021; Mendez and Bachtler 2024; Ciffolilli et al. 2024).

Additionally, Redeker et al (2024) highlight the inequitable distribution of benefits from these funding mechanisms, particularly within recipient regions. There is evidence that the wealthiest 30% in these areas experience a substantial and statistically significant boost in income growth as a result of fund allocation. In contrast, middle-income groups see only marginal gains, and poorer households often experience no significant effect at all. This disparity highlights shortcomings in the allocation and utilisation of funds intended to support equitable regional development.

The research on the distributional effects raises important questions regarding their efficacy and effectiveness. Often, discussions surrounding funding effectiveness focus primarily on whether resources are used, neglecting the effectiveness of the intended impact. To address these contradictions, several potential solutions have been proposed. One approach involves moving towards performance-based funding, which would tie financial allocations to the actual impact achieved by projects. These solutions will be discussed in the next chapter.

3. The way forward: mapping and discussing reform proposals for the EU funding architecture

The European Commission is currently preparing its proposal for the next Multiannual Financial Framework (MFF) covering the period 2028-2034. Ursula von der Leyen's Political Guidelines provide a clear direction for the upcoming budget: it should be more focused, aligning closely with EU priorities and objectives, and more targeted towards areas where EU action is most needed, delivered in a flexible manner (Von der Leyen 2024). The vision is for a policy-driven budget rather than one centred on programmes, simplifying operations by reducing the number of programmes and creating a country-specific plan that links key reforms with investments. The shift is towards a more nationally managed fund structure, modelled on the Recovery and Resilience Facility (RRF). Alongside this structure, the Commission's proposal also includes a streamlined 'European Competitiveness Fund' to support strategic technologies in Europe and leverage further national, private and institutional financing.

In this chapter, drawing on existing literature, we explore the challenges and opportunities these reform proposals present. Our analysis focuses on striking a balance between centralisation and decentralisation, simplifying funding structures versus maintaining diverse programmes, and the tension between performance-based budgeting and the cohesion funds logic, while examining the connection between investments and reforms.

→ Management of funds: Balancing centralisation and decentralisation

The RRF, created in response to the COVID-19 pandemic, adopts a centralised approach, while Cohesion Policy, a key component of EU regional development, uses a more decentralised model as demonstrated in Table 1. This difference in governance has sparked a debate about balancing national oversight with regional autonomy in managing EU funds.

The benefits of centralisation, as exemplified by the Recovery and Resilience Facility (RRF) model, include enhanced coordination and greater strategic coherence. Arguments in favour of centralisation are that it can enhance coordination between different levels of government and support the development of a cohesive national strategy for managing EU funds. The Recovery and Resilience Facility (RRF) structure, which requires a "single national point of contact" and the creation of National Recovery and Resilience Plans (NRRPs), is designed to streamline decision-making and align strategies more effectively (Bokhorst and Corti 2023; Zeitlin, Bokhorst, and Eihmanis 2023; European Commission 2024). This approach seeks to avoid duplication, simplify implementation, and focus on meeting national objectives.

Additionally, centralisation allows for concentrating expertise and administrative capacity within national institutions, which are often better equipped to manage large-scale funding and complex EU regulations (Zeitlin, Bokhorst, and Eihmanis 2023). Supporters highlight that some regions face challenges in absorbing EU funds under the decentralised Cohesion Policy model. In these cases, centralisation can ensure more efficient fund allocation and management, particularly in countries with weaker regional structures.

National governance structures matter for the efficient implementation of the Facility: A centralised RRF coordination body, typically close to the Prime Minister's office, tends to be correlated with more efficiency in the design and implementation of RRPs. In the case of a decentralised governance structure (for example by the responsible line ministries), coordination bodies are facing more difficulties in ensuring the implementation of Recovery and Resilience Plans vis-à-vis line Ministries (Zeitlin, Bokhorst, and Eihmanis 2023).

While the RRF operates through a centralised framework, it acknowledges the importance of involving sub-national actors in its implementation. However, the limited participation of domestic stakeholders, most notably regional and local authorities, social and civil society partners in the RRF's design and implementation has raised concerns about whether funding decisions truly reflect local needs and priorities (European Commission 2024; Sabato et al. 2023; EUROFOUND 2023; 2022). While the RRF emerged as a crisis response with limited time in the policy design phase, the involvement of stakeholders requires a greater role in the design of the EU funding architecture for the future.

The arguments in favour of decentralisation, as demonstrated by the Cohesion Fund model, include its ability to address local needs effectively, promote multi-level governance, and provide a solution to collective action problems. Ciffolilli et al. (2024) risk that centralisation could lead to reduced role of territories, less funds for lagging behind regions, risk of eroding consensus towards EU institutions. Redeker et al (2024) argue that decentralisation allows regions to tailor EU funding to their specific needs. They believe that a centralised, one-size-fits-all approach cannot adequately address the diverse economic and social conditions across the EU. The Cohesion Policy's focus on multi-level governance, which involves regional and local authorities, is seen as providing greater flexibility and responsiveness to local contexts.

Initial studies on the RRF indicate that social partners and regional actors struggled to engage in the planning process, as consultations were generally insufficient (Carrosio et al. 2022; Miró, Natili, and Schelkle 2023). While the RRF plans may enhance state commitment to reforms, they also limit political flexibility by formalising key elements of a country's economic strategy (Bokhorst and Corti 2023). In this context, it needs to be acknowledged that the centralised and time-pressured decision-making process of the RRF emerged as a crisis response to the COVID-19 pandemic. However, the centralised, time-pressured decision-making process during plan development contrasts with the concept of 'flexible experimentation' (Vanhercke and Verdun 2021), which emphasises adaptability and iterative learning, encouraging lower-level actors to engage in problem-solving and respond to evolving circumstances (Bokhorst and Corti 2023). Additionally, decentralisation is regarded as essential for promoting democratic accountability and fostering local ownership of EU-funded projects (Redeker et al 2024). By involving local authorities, social partners, and civil society in decision-making, decentralisation enhances transparency, legitimacy, and public support for EU initiatives. Critics of the RRF's centralised model warn that excluding these local actors could undermine the effectiveness and impact of EU programmes.

In summary, an RRF-modelled approach could draw valuable lessons from the Cohesion Policy's approach, particularly in terms of stakeholder engagement, fostering local ownership, and ensuring the effective distribution of funds. At the same time, Cohesion Policy could benefit from adopting elements of the RRF's centralised approach, which enhances strategic coherence and simplifies the implementation process (Zeitlin, Bokhorst, and Eihmanis 2023).

→ A common rulebook for simplified and performance-based funding

The European Commission foresees a MFF 2028 – 2034 which is more focused, policy-aligned, and flexible (Ursula von der Leyen, 2024). The idea of simplification is not new and was important in the design of the last MFF cycle when the Commission streamlined eight cohesion policy funds under the European Commission's 2018 Common Provision Regulation (CPR) which integrated simplified cost options, electronic data exchange, and an extended single audit principle (European Parliamentary Research Service, 2018). In the current MFF cycle, experts call for simplification of processes by consolidating existing programmes and funds, reducing the administrative burden, and enabling large and scalable pan-European projects to access larger funding pools (Calatozzolo 2021; Draghi 2024). Such simplification measures follow the RFF model of a single rulebook and performance-based funding. Additionally, the appointment of Commissioner Valdis Dombrovskis with a mandate focused on Implementation and Simplification underscores the EU's commitment to these goals. However, key actors, including the European Court of the Auditors, the President of the European Committee of the Regions, and national ministries have expressed concerns about the risks of following the RRF model over maintaining the diverse purposes of cohesion funds (e.g., the ERDF or EFS+). They raised concerns about increased risk of errors, the undermining of cohesion policy, and the failure to realise the promised reduction in administrative burden and flexibility intended by performance-based and simplified frameworks (Zeitlin et al., 2023; Deconinck, 2024).

Advantages and risks of a common rulebook

Supporters of simplification, followed by the example of the RRF common rulebook, argue that a common rulebook would streamline entry points and application procedures and help standardise conditions across a number of cohesion funds. Zeitlin, Bokhorst, and Eihmanis (2023) highlight that simplification measures, such as simplified cost options and the single audit principle in the 2021-2027 MFF, have significantly reduced administrative burdens for both Member States and beneficiaries, improving fund accessibility—especially for smaller actors. This aligns with EU Better Regulation principles, aimed at reducing red tape to enhance fund absorption and impact (European Commission, SWD, 2021). Simplification is especially relevant given the fragmented EU budget, which spans nearly 50 spending programs which according to Draghi limits access to resources for larger pan-European projects (Draghi 2024, p.60). Additionally, the proposed Competitiveness Fund would consolidate diverse competitiveness programs, integrating research, digital initiatives, space, and innovation funding (Deconinck 2024).

Rigid simplification in EU funding risks undermining regional diversity and adaptability, highlighting the need for balanced approaches to address diverse local challenges effectively. Ciffolilli et al. (2024) warn that rigid simplification risks side-lining regional diversity and specific local needs. Corti et al. (2022) and (Mourlon-Druol, 2024) echo this concern, arguing that a uniform, milestone-driven approach may undermine the adaptability required to meet diverse regional needs, ultimately limiting cohesion policy's effectiveness in addressing localised socioeconomic challenges. The Seal of Excellence exemplifies both the benefits and limits of such simplification: while it accelerates funding for high-quality projects, it may exclude critical local initiatives that do not meet EU-wide criteria, further illustrating the risk of a one-size-fits-all approach (Redeker et al., 2024; Zeitlin et al., 2023).

Performance-based logic

The RRF's performance-based approach ties disbursements to the achievement of pre-defined milestones and targets, contrasting with the traditional cost-based approach used by Cohesion Funds, where reimbursement depends on verifying incurred expenditures. The increased spending conditionality is also significantly driven by mistrust among member states, that in the absence of conditionality EU instruments could result in moral hazard. The performance-based model with central coordination embedded in the European Semester can help to better streamline and coordinate economic policies (Herzig et al. 2023).

The performance-based approach shifts the focus from spending targets to achieving tangible results, delivering effectiveness advantage (Bokhorst and Corti 2023; Fabbrini 2024; Zeitlin, Bokhorst, and Eihmanis 2023). By linking financial incentives to specific policy objectives, the Recovery and Resilience Facility (RRF) encourages member states to prioritise demonstrable outcomes rather than simply ensuring the absorption of allocated budgets (Fabbrini 2024; Zeitlin, Bokhorst, and Eihmanis 2023). This results-oriented approach, combined with a stronger focus on national ownership while also endowing the EU with leverage to shape national policymaking, can foster greater accountability, and lead to a more efficient use of EU funds (Fabbrini 2024).

Both researchers and government officials indicate that the anticipated reduction in administrative burden by the RRF has not materialised. Zeitlin et al. (2023) found that the RRF's intensive milestone tracking often matches the administrative load of cost-based funds, with officials from Latvia and the Netherlands pointing to the continued need for detailed compliance checks, which undercuts expected efficiency gains (European Court of Auditors, 2022; Ciffolilli et al., 2024). The European Court of Auditors highlights that the RRF's milestone-based, upfront funding approach elevates error risks compared to traditional reimbursement models, where costs are verified post-expenditure (Deconinck, 2024). This performance-based system, though intended to simplify funding, can compromise oversight, especially in complex regional projects, as noted by Carrosio et al. (2022).

The RRF's performance-based system requires extensive documentation and verification to assess milestone fulfilment, which can be overly complex and time-consuming, diverting resources away from project implementation and reducing overall efficiency (European Commission 2024; Zeitlin, Bokhorst, and Eihmanis 2023). Critics of the RRF's performance-based system argue that the extensive documentation and verification required for milestone assessment can be overly complex and resource-intensive, potentially diverting attention from project implementation (Zeitlin, Bokhorst, and Eihmanis 2023). Moreover, there is a risk that some member states may opt not to fully engage with the RRF process due to its bureaucratic demands, putting projects and regions at risk of losing essential EU funding. Such disengagement could hinder recovery efforts, particularly in regions that rely heavily on this financial support (EPRS 2024; Ciffolilli et al. 2024). The verification procedures required under the RRF can impose significant bureaucratic burdens, which may hinder effective project implementation. For example, Spain, Portugal, and Belgium have each developed more nuanced approaches to managing the RRF, showing how specific national contexts can temper centralisation. In Spain, the involvement of autonomous regional communities has increased during the implementation phase, with regular sectoral conferences involving both national and regional actors. Portugal has established a national commission, including social partners and civil society representatives, to monitor RRF implementation, though its role remains somewhat unclear. Belgium, with its federal structure, balances regional autonomy with national coherence through close coordination between federal and regional governments (Zeitlin, Bokhorst, and Eihmanis 2023). Simplifying reporting requirements, streamlining assessment processes, and using technology for data collection could help reduce these administrative burdens and refocus resources on more impactful activities.

The RRF's performance-based framework offers little flexibility for later adjustments. The requirement for changes to National Recovery and Resilience Plans (NRRPs) to be discussed with and agreed upon by the Commission has led to a lack of flexibility in adapting to unforeseen circumstances, creating a backlog in reforms and investments, as exemplified by the REPowerEU initiative. While the RRF regulation allows for revisions based on "objective circumstances," the process is stringent and time-consuming. Member States must provide extensive justification for modifications, and the revised plan undergoes a new approval process involving the Commission and the Council (Zeitlin, Bokhorst, and Eihmanis 2023; European Commission 2024; Bokhorst and Corti 2023). This rigidity has caused delays, especially in the context of REPowerEU, which necessitates significant adjustments to existing NRRPs to address the energy crisis and reduce reliance on Russian fossil fuels. For instance, Estonia and Latvia, both heavily impacted by the Ukraine war and inflation, are examples where demonstrating sufficient evidence for modification proposals has been a significant challenge. Furthermore, the Commission's insistence on maintaining the ambition of initial plans, even when faced with cost increases and unforeseen events, adds to the inflexibility and delays (Zeitlin, Bokhorst, and Eihmanis 2023). (Zeitlin, Bokhorst, and Eihmanis 2023) suggest that mechanisms for revising milestones, adjusting targets, and incorporating feedback would make the system more adaptable without compromising its results-oriented nature.

This comparison shows that simplification effectiveness depends on the specific funding mechanisms and the degree of flexibility allowed in the implementation. While supporters of simplification call for a unification of funds, critics raise concern that this would lead to a one-size-fits all and performance-based approach which eventually undermines simplification and cohesion policy objectives.

→ Enhanced effectiveness and efficacy of EU funds by linking investments with reforms

Von der Leyen set out the direction of travel by tasking the EU’s new budget commissioner, Piotr Serafin, with developing “a plan for each country linking key reforms with investments” in his mission letter. The RRF introduces a novel approach to EU governance by directly linking financial support to the implementation of structural reforms outlined in the Country-Specific Recommendations (CSRs), a core aspect of the European Semester process (Zeitlin, Bokhorst, and Eihmanis 2023). This linkage is viewed by some as a significant step towards enhancing the effectiveness of EU economic governance, but it has sparked debate about its ability to drive meaningful policy change.

Benefits of linking investments with reforms

By making financial support contingent on the implementation of agreed reforms, the RRF provides the EU with leverage to encourage member states to tackle persistent policy challenges. This is particularly valuable in areas where progress has been slow, as it incentivises governments to undertake necessary, albeit sometimes unpopular, reforms (European Commission 2024; Schwab 2024). By tying financial support to reforms, national governments are encouraged to prioritise changes that align with the EU's broader economic and social objectives, even when such reforms may face political resistance (Zeitlin, Bokhorst, and Eihmanis 2023). The appeal of significant EU funding helps to accelerate progress in areas where national efforts have been slow or insufficient.

The Recovery and Resilience Facility strengthens the European Semester by linking financial support to reforms, while consolidating EU governance under the Commission's enhanced leadership. The RRF’s direct connection between financial support and structural reforms addresses longstanding criticisms about the European Semester's limited influence on national policymaking. By linking disbursements to the CSRs, member states are given a tangible reason to take the recommendations more seriously and to engage more actively in the European Semester discussions (Zeitlin, Bokhorst, and Eihmanis 2023; European Commission 2024). Internally, the Commission has consolidated control of the RRF and the coordination of the Semester through the newly formed Recovery and Resilience Task Force (RECOVER). This structure was strengthened by integrating the support to Member States’ administrative reforms, the Technical Support Instrument (TSI), which was previously coordinated through DG REFORM. Embedded in the Secretariat-General, RECOVER works closely with the Directorate General for Economic and Financial Affairs (DG ECFIN) and reports directly to President von der Leyen (Vanhercke and Verdun 2021).

Concerns and potential drawbacks

One issue of linking investments with reforms is the risk of superficial compliance, where member states may focus on meeting pre-determined reform milestones to secure EU funding without making lasting policy changes. This could lead to short-term successes but fail to address deeper institutional or political challenges, limiting the long-term impact of the reforms (Zeitlin, Bokhorst, and Eihmanis 2023).

Another concern is the potential erosion of national ownership – however this depends on the national political contexts and design of the reform and investment packages. Tying EU funding to specific reforms may make them appear externally imposed, rather than the result of domestic political debate. This could lead to resistance from national stakeholders, making it difficult to build the political support necessary for successful and sustainable implementation. However, the RRF can also give governments levers to push through domestic reforms, for which they would otherwise face political headwinds, resulting in higher national ownership (Zeitlin, Bokhorst, and Eihmanis 2023).

Moreover, the success of linking RRF funding to CSR implementation depends on the quality of the recommendations. If CSRs are perceived as overly technocratic or detached from national contexts, the reforms they promote are less likely to be effective or sustainable (Zeitlin, Bokhorst, and Eihmanis 2023; European Commission 2024). Reforming the European Semester to foster more inclusive and transparent dialogue with national parliaments, social partners, and civil society would help ensure that CSRs better reflect the needs of individual member states.

The RRF has enhanced cross-border cooperation, but unlocking its full potential requires prioritising such projects in future EU frameworks. The Recovery and Resilience Facility (RRF) has facilitated greater involvement of Member States in multi-country and cross-border projects, particularly in sectors like hydrogen. This increased participation, especially from Central and Eastern European countries, has been made possible by the financial resources provided through the RRF, which have enabled the integration of Important Projects of Common European Interest (IPCEIs) into national programs (Eisl 2022). Without the RRF's support, such involvement would likely have been more limited (Dias, Grigaitė, and Cunha 2021; European Commission 2024). However, (Corti et al. 2022) argue that the full potential of cross-border projects has not been fully realised. They highlight missed opportunities to develop European public goods and strengthen cross-border cooperation. While such projects offer significant potential to enhance Europe's competitiveness, only a small proportion of RRF-supported initiatives have had a meaningful cross-border impact. This is largely due to the complexity of planning and implementing these projects, which involve multiple partners and face challenges such as external disruptions like the war in Ukraine. To address these issues, a mandatory tag for cross-border investments could be used to ensure their prioritisation in the next MFF.

Enhancing the linkage's effectiveness

To improve the effectiveness of this linkage, it is important to assess the broader impact of reform efforts in achieving the desired results, rather than just their formal adoption. Clear, measurable indicators should be developed to reflect the substance of the reforms and their real-world effects. A holistic set of indicators is needed for a comprehensive assessment of the achievement of results. To avoid administrative burden and enhance effectiveness, the choices of indicators should be streamlined across funds for coherence.

Additionally, more flexibility in the RRF's performance-based system could allow for adjustments to reform timelines and targets based on practical experiences and unforeseen challenges (Zeitlin, Bokhorst, and Eihmanis 2023). Moving towards a more dynamic model that prioritises contributions to commonly defined goals as well as learning and continuous improvement, rather than rigid adherence to concrete measures and milestones, would improve the system's adaptability and effectiveness.

Finally, strengthening national ownership and dialogue is key to ensuring the long-term success of reforms. This means moving from mere consultation with national stakeholders to a more participatory dialogue throughout the European Semester (Zeitlin, Bokhorst, and Eihmanis 2023). Encouraging national parliaments to play a more active role in scrutinising and shaping CSRs, involving social partners in designing and implementing reforms, and creating opportunities for civil society input would help build broader support for reforms and enhance their legitimacy.

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