

Paulina Pacula: Five years ago, in response to the economic shock caused by the COVID-19 pandemic, the European Union took an unprecedented step. It borrowed jointly on financial markets on a massive scale to finance national reforms and investments through NextGenerationEU.

To give you a sense of the scale, NextGenerationEU amounted to €750 billion, equivalent to roughly 70 percent of the EU's entire seven-year budget for 2021–2027, which stood at just over €1 trillion.

At the heart of the programme was the Recovery and Resilience Facility, or RRF, implemented through national recovery and resilience plans.

It was designed not simply as another EU funding programme, but as an instrument that would both stimulate the post-pandemic recovery and transform European economies.

The RRF was also innovative in its design. Rather than reimbursing countries for costs incurred, payments were linked to the achievement of agreed milestones and targets.

The objectives were ambitious: stronger economic growth, job creation, greater economic and social resilience, faster green and digital transitions, stronger social and territorial cohesion, and reforms addressing long-standing structural weaknesses in individual member states.

At least 37 percent of national plans had to support climate objectives and at least 20 percent digitalisation.

Now, as the programme reaches the end of its implementation phase, we want to look back at what happened in our countries and answer a fundamental question: did it work? Did the RRF deliver? And was it worth it?

To answer these questions and reflect on the RRF's real impact, we invited Dr Cinzia Alcidi, Head of Economic Policy and Head of the Jobs and Skills Unit at the Centre for European Policy Studies, to join us on the LensEU podcast.

But before we move to the discussion with our expert, let's hear an RRF case study. Our colleague Irena Frlan Gašparović from the Croatian media outlet Telegram will walk us through how the impact of the RRF is perceived in Croatia.

Irena Frlan Gašparović: Hi everyone. My name is Irena Frlan Gašparović. I'm a journalist working for the Croatian media outlet Telegram.

So the question today is: was it worth it? Thanks to the Recovery and Resilience Facility, are we truly better prepared for new crises and more resilient to them?

Croatia received a massive amount of money from the RRF, an amount that at the time was equivalent to 12 percent of our GDP.

If you listen to the ruling party, it was all thanks to the successful negotiations led by the prime minister in Brussels. The reality is a bit more ordinary.

The Croatian economy is heavily dependent on tourism, meaning that the COVID-19 pandemic hit us hard in economic terms. That is where the European billions came from.

Those billions were meant, among other things, to transform the Croatian economy so that we would not be equally exposed in the event of a future crisis.

That did not happen. At least not enough.

Five years later, our economy still largely depends on tourism, and our tourism still depends on the sun and the sea, leaving it exposed to the risks of climate change and developments in the global economy.

On top of that, prominent economists warn that our labour productivity is generally declining, which means that the technological modernisation of the economy has failed to materialise.

We also hoped that, with the help of this fund, major public systems could undergo a transformation.

That did not happen either.

This is especially true of public healthcare, which was supposed to become more efficient and financially sustainable. Yet hospital debts continue to pile up.

People complain that they still wait too long for medical procedures. In some parts of the country, there is still a shortage of doctors.

A recent case on an Adriatic island confirmed that sometimes it is difficult to obtain even basic emergency medical care.

This is not how I imagine resilience to crises.

We do not have enough time here to go through all the reforms and projects that were successfully implemented. Of course, there are such projects, including major investment in the LNG terminal on the island of Krk.

Nor do we have time to discuss all the initiatives that failed.

But I will mention one more reform that was extremely important and yet unsuccessful.

Croatia has 127 towns and 428 municipalities. For years, experts have warned that this is unsustainable for such a small country.

Had there been the political will, the RRF could have helped reduce their number.

But it seems that the ruling party never truly wanted municipalities to be abolished or merged, because that would of course mean that local politicians would lose their positions.

The reform therefore turned into a smokescreen: a so-called functional merger, meaning that the government pays municipalities to perform certain tasks together.

The tragedy — or comedy — is that some of them have already been doing exactly that for the past 10, 15 or even 30 years.

So, to return to the question from the beginning: was it worth it? Are we better prepared for a future crisis? Will we be more resilient when it comes?

Unfortunately, my impression is that we got less than we expected, or at least less than we had hoped for.

Paulina Pacuła: That is the Croatian perspective, and it does not sound particularly optimistic.

But the picture is not equally disappointing across Europe.

A recent analysis by the Jacques Delors Institute points to the remarkable post-pandemic performance of four southern European economies — Spain, Portugal, Greece and Italy — which were also among the biggest beneficiaries of the RRF relative to the size of their economies.

These countries were hit particularly hard by the pandemic, with GDP falling by almost 10 percent on average in 2020.

But they then experienced a strong rebound.

By 2025, Spain, Portugal and Greece were all growing faster than the EU average, while Portugal and Greece were also growing faster than they had before the pandemic.

Investment appears to have been an important part of that recovery.

Spain recorded a 5 percent increase in labour productivity between 2021 and 2022, while Greece and Portugal saw gains of around 4 and 5 percent respectively.

And that is not all.

Their public finances improved as well.

Between 2021 and 2025, the debt-to-GDP ratio fell substantially in Spain, Greece and Portugal: by around 14 percentage points in Spain, 21 points in Greece and 26 points in Portugal.

Moving to another part of Europe, Poland also appears to have benefited significantly from the RRF, although its case is somewhat different because access to the funds was delayed by almost two years due to rule-of-law issues.

According to the current Polish government, investment financed through the National Recovery and Resilience Plan has added around 1.5 percent to Poland's GDP.

The programme, worth around 240 billion zlotys, has financed investments ranging from railways, public transport and high-speed internet to hospitals, childcare and major energy projects.

So we have this rather critical Croatian experience on the one hand, and much more positive economic evidence from parts of southern Europe and Poland on the other.

And now let's move to our guest, Dr Cinzia Alcidi, Head of Economic Policy and Head of the Jobs and Skills Unit at the Centre for European Policy Studies.

Hello, Cinzia. Welcome to the LensEU podcast.

Cinzia Alcidi: Hi. Thanks for having me.

Paulina Pacuła: Cinzia, five years on, what can we actually say about the RRF? Did it deliver?

And how much of the stronger economic performance we see in countries such as Spain, Portugal, Greece or Poland can genuinely be attributed to the Recovery Fund?

Cinzia Alcidi: Let me start by saying that this may seem like an obvious question, but it is actually very difficult to answer.

The main reason is that there has been quite a lot of heterogeneity across countries, even though the RRF was a single package.

It is not that every country received the same amount of money. Countries were in different positions and had different capacities to use the money.

It is still too early to have exact figures on the impact.

Until the end of September, it was still possible to request payments, and payments can be disbursed until the end of the year.

So the programme is not fully closed yet, and it will take some time to make a proper assessment.

Another thing to consider is that over the last five years, between the beginning and the end of the RRF, many things have happened.

We had the start of the war in Ukraine, the energy crisis and high inflation.

There are many factors that played a role in determining the final impact.

Of course, there are already some estimates.

Some institutions, including the European Commission, have produced model-based estimates suggesting an impact on growth in the range of 0.3 to 0.8 percent.

Paulina Pacuła: Per year or overall?

Cinzia Alcidi: Annually.

Paulina Pacuła: So can we say that the RRF may have added around 0.3 to 0.8 percent to economic growth each year across European economies?

Cinzia Alcidi: On average, yes.

For example, the IMF made a rough, back-of-the-envelope calculation for 2025, so for one specific year.

The estimates are around half a percentage point in some countries.

Again, these are rough calculations, but the order of magnitude is less than 1 percent per year.

Paulina Pacuła: Would you say that is a lot?

On the one hand, we have €750 billion, and on the other hand we have less than 1 percent of GDP growth.

Cinzia Alcidi: Let's make some calculations, because I think your point is very valid.

Not all of this very large package was actually used.

The amount disbursed is smaller: around €570 billion.

If you divide that over five years, it is a little more than €100 billion every year for the entire European economy.

The total GDP of the EU is around €18 trillion.

So roughly €110 billion every year corresponds to around 0.6 percent of total EU GDP.

One simple question is therefore: if I spend 0.6 percent of GDP every year, I would expect at least that much in additional growth, and hopefully a little more.

And we are roughly around that level.

As we said earlier, in some countries the impact has been greater, in others perhaps smaller. But the distribution of the money was not even either.

Another interesting point is that very little money was disbursed during the first two years of the RRF.

So perhaps we will see more of the impact towards the end of the programme, because expenditure was more concentrated in the later period.

There are also other channels through which the RRF affected the economy.

One thing that is quite well documented in economics is that the introduction of the RRF significantly reduced borrowing costs for many member states.

That can also be considered a source of positive economic impact.

So there are different channels through which the RRF is likely to have affected the economy.

GDP growth is one of them, but there are also more indirect channels. They are not easy to estimate, but they have been explored.

Paulina Pacuła: From the perspective of an average citizen, I think another interesting way of looking at the impact of the RRF is to ask what kind of crisis we may have managed to avoid because of it.

Is there a risk that we would have faced a much more severe economic crisis if this experiment had not been undertaken?

Cinzia Alcidi: I think that is a very fair question.

In practice, if you want to make a proper assessment of the impact of the RRF, that is the benchmark we should consider: the counterfactual.

The economy was completely blocked, and we know that in some countries the impact on GDP was in the order of minus 10 percent.

The first response was really at national level, and we know how important that was.

The European response came on top of the national response, both to reassure everyone that the EU was united in a very difficult situation and to provide relief to member states and their public finances.

If you look at the pattern of economic growth since COVID, the recovery was quite astonishing.

We had this very large fall in GDP in 2020, and then in 2021 the recovery was extremely steep.

The problem was that just as the economy was beginning to return to something like normality, we experienced another major shock.

Then came the war in Ukraine and the energy crisis, which was a very significant hit.

Many countries managed to achieve this V-shaped pattern of growth, where you have a deep fall that is not very persistent, and then you return relatively quickly to the previous trajectory.

It was complex. I do not want to oversimplify.

But I think it is important to recognise that the recovery was quite fast.

At the same time, it is very difficult to disentangle the effects of the RRF from those of the additional shocks that occurred during its implementation.

Paulina Pacuła: The RRF was not only about supporting economic growth and helping Europe avoid the worst of the crisis.

A large part of the money was supposed to support a longer-term transformation of European economies: the green transition, decarbonisation and digitalisation.

What can we already say about its impact in these areas?

Cinzia Alcidi: Again, this may take some time, but we already have some evidence.

In the original regulation, there was a target that at least 37 percent of expenditure should support the climate transition and 20 percent digitalisation.

We know that the climate threshold was exceeded.

I believe more than 40 percent was ultimately devoted to expenditure or investment related to the green transition.

But what is the impact of this spending?

Across countries, we see a lot of investment in improving energy efficiency: investment in buildings, vehicle charging stations for electric cars and railways, for example.

It is clear that the impact may come over time, because much of this investment will remain in place for years.

Some of the effects will come through reduced dependence on fossil fuels.

Others will come in the form of lower emissions, which are much harder to quantify.

In the digital field, quite a lot of money was spent on connectivity infrastructure, such as 5G or improving household connectivity.

Again, the question is: what is the return?

If I am a household living in the countryside and I did not previously have proper internet access, but now I do, what is the economic impact?

That is not obvious to quantify.

Of course, not all this expenditure is automatically going to improve the individual situation of every European citizen.

I do not want to be naive about that.

In the end, we will have to assess specific projects and look at how the money was spent in order to get a clearer idea of its impact on the economy and on society.

Paulina Pacula: It is also important to mention that the RRF, and this whole idea of common European borrowing, remains controversial.

It is heavily criticised, especially by anti-EU and far-right political forces.

Politicians from these parties argue that common EU debt takes power away from member states, leaves future generations with the bill and even pushes the EU beyond what is allowed under the treaties.

Is this kind of common borrowing fully permitted under the existing EU treaties?

Cinzia Alcidì: Two things are important here.

Under the treaties, we have an EU budget, and the ordinary EU budget is designed in such a way that you cannot borrow.

You have resources available, and you can spend only those resources.

However, when the pandemic erupted, the urgency and severity of the crisis were considered so great that something additional was needed.

The member states — the individual governments — agreed to joint liability and to guarantee common EU borrowing.

That was based on the willingness and the authority of democratically elected governments to agree to such a measure.

So it was not outside the treaties.

But it was different from the ordinary EU budget, under which borrowing is not permitted in this way.

There was a treaty basis for the RRF, and it was structured in a way consistent with EU law.

The legal basis included Article 122 of the treaty, which allows member states to act together in exceptional circumstances in pursuit of common EU objectives.

Paulina Pacula: That is also very interesting, and I wanted to ask you about the historical context of the RRF.

Would it be fair to say that, in a way, the idea behind the RRF also reflects lessons learned from the previous economic crisis in Europe — the financial and euro-area debt crisis of roughly 2008 to 2013?

Back then, the so-called Troika — the European Commission, the European Central Bank and the International Monetary Fund — relied heavily on austerity measures in countries receiving financial assistance.

That approach was later criticised for weakening economies that were already struggling and delaying their recovery.

Now we see that the RRF is based on a completely different paradigm.

Cinzia Alcidi: Yes, indeed. I think your question is extremely relevant.

If we compare the two major shocks — the financial crisis and COVID — the reactions were completely different.

After the financial crisis, the response that was imposed was essentially fiscal consolidation: cutting expenditure.

After COVID, the response was actually to increase expenditure.

So it was completely different.

To give you a specific example, after the financial crisis we introduced a new system of fiscal rules that became tougher and much stricter in terms of governments' ability to spend.

During COVID, we had a full relaxation of those rules.

The escape clause was activated, fiscal rules were suspended, and countries were free to spend as much as necessary to respond to the crisis.

So it was a very different approach.

I think there was certainly an element of lessons learned — an understanding that austerity had not worked particularly well.

But, as you highlighted, the nature of the two crises was also very different.

The financial crisis clearly hit some countries, particularly southern European countries, much harder than others.

It was not a common shock affecting the entire EU in the same way.

The crisis was also associated with fiscal policies pursued by some countries over many years before the crisis.

In that context, the response was essentially: now you need to cut.

But it is clear that doing so can reinforce a negative economic cycle, particularly if the adjustment comes at the wrong moment.

COVID was completely different.

Every country was hit by the pandemic.

We know that the effects were heterogeneous because of differences in the economic structures of individual countries.

But it was an exogenous shock for which there was no culprit.

I think that triggered a much more solidaristic approach — something we had not seen very often before at EU level.

And I think that was very much associated with the specific nature of the shock.

Paulina Pacula: We also mentioned earlier that the RRF introduced a very new and different model of EU funding.

Instead of reimbursing specific costs, payments depend on achieving agreed milestones and targets.

Is paying for results rather than costs a better way of spending EU funds? Or does it allow the European Commission to centralise its power?

Cinzia Alcidi: I think there are two aspects.

The first concerns the logic behind the change.

Why did the RRF propose changing the model?

Before the RRF, there had already been concerns and quite a lot of criticism about the way EU-funded projects were implemented.

The traditional reimbursement model was essentially based on presenting an invoice.

You could say: I spent this money to buy this computer, so this is an EU investment in digital infrastructure.

But that did not necessarily involve paying attention to performance.

What was the actual return? What was the real impact of the EU money?

So there was an idea that the approach needed to change.

Actors implementing projects should have much more freedom to decide how to spend the money, as long as they could prove that EU funding had been used to deliver a certain outcome.

In that sense, the logic is understandable and makes sense.

And it was not invented out of the blue during the two months in which the RRF was designed.

The debate had been going on for quite some time.

The shift was partly a response to criticism and to the limitations of the existing system.

Under the new model, the money is ultimately provided to the beneficiary when they can prove that what they promised has actually been delivered.

That promise has to be specified in terms of a milestone or target.

And, as I said, in practice this can be difficult.

There are, however, many lessons from the experience of the RRF that have been integrated into the proposal for the next Multiannual Financial Framework, where this same model is expected to be used.

So this is one of the legacies of the RRF that will carry over into the next EU budget.

At the same time, the experience has also shown some of the limitations of this approach.

Paulina Pacuła: Thank you very much, Cinzia, for joining us. I'm glad we had this discussion.

And that is all we have for you in this week's episode of the LensEU podcast.

Join us again next week for another European story.

And if you have any questions about the European Union, its policies, or simply something about Europe you have always wanted to understand better, I would love to hear from you.

You can find my contact details on the OKO.press website.

Thanks for listening.

SOURCES

- Matthias Busse, Francesca Caselli, and Alexandra Fotiou. "[The EU's Recovery and Resilience Facility: Experience and Lessons for the Next Multiannual Financial Framework](#)", *IMF Working Papers* 2026, 114 (2026).
- Pierre Jaillet and Eulalia Rubio. "[Southern Europe's impressive post-Covid performance: What impact are European recovery funds having on the recovery momentum](#)", *Jacques Delors Institute Policy Brief*, May 2026
- European Parliament, Directorate-General for Internal Policies, [Performance-based Instruments – How could their design be improved?](#), PE 769.432, 2025.
- Polski Instytut Ekonomiczny. „[KPO podniesie wzrost gospodarczy o 2 punkty procentowe](#)”, *Polski Instytut Ekonomiczny*, 28 February 2024.
- <https://www.telegram.hr/politika-kriminal/otreznjujuca-dijagnoza-cijenjenog-ekonomista-hr-vatska-propusta-povijesnu-priliku-uludo-trosimo-silne-eu-milijarde-imamo-dvije-cudne-situacije/>

- <https://www.telegram.hr/politika-kriminal/vlada-zbilja-svasta-trpa-pod-reforme-evo-ovaj-bus-koji-vozi-vec-30-godina-podvaljuju-bruxellesu-kao-senzacionalni-uspjeh/>
- <https://www.telegram.hr/politika-kriminal/nestvarno-vlada-i-dalje-baca-milijune-eura-na-kvazi-reformu-koja-je-propala-prije-nego-sto-je-uopce-zazivjela/>
- <https://www.telegram.hr/politika-kriminal/dugovi-u-zdravstvu-eksplodirali-drzava-s-placanjem-kasni-po-300-dana-je-li-sustav-pred-slomom/>
- <https://vlada.gov.hr/poslan-zavrsni-zahtjev-za-isplatu-u-okviru-nacionalnog-plana-oporavka-i-otpornosti/47356>