

Spending EU subsidies well: A challenge for Member States

The European recovery plan will provide €360 billion* in support of the Member States' covid recovery plans. This European aid adds to the subsidies usually received under Cohesion policy. There are two main risks to be avoided: their non-utilisation and their misappropriation.

*€312.5 billion from the Recovery and Resilience Facility and €47.5 billion from REACT-EU.

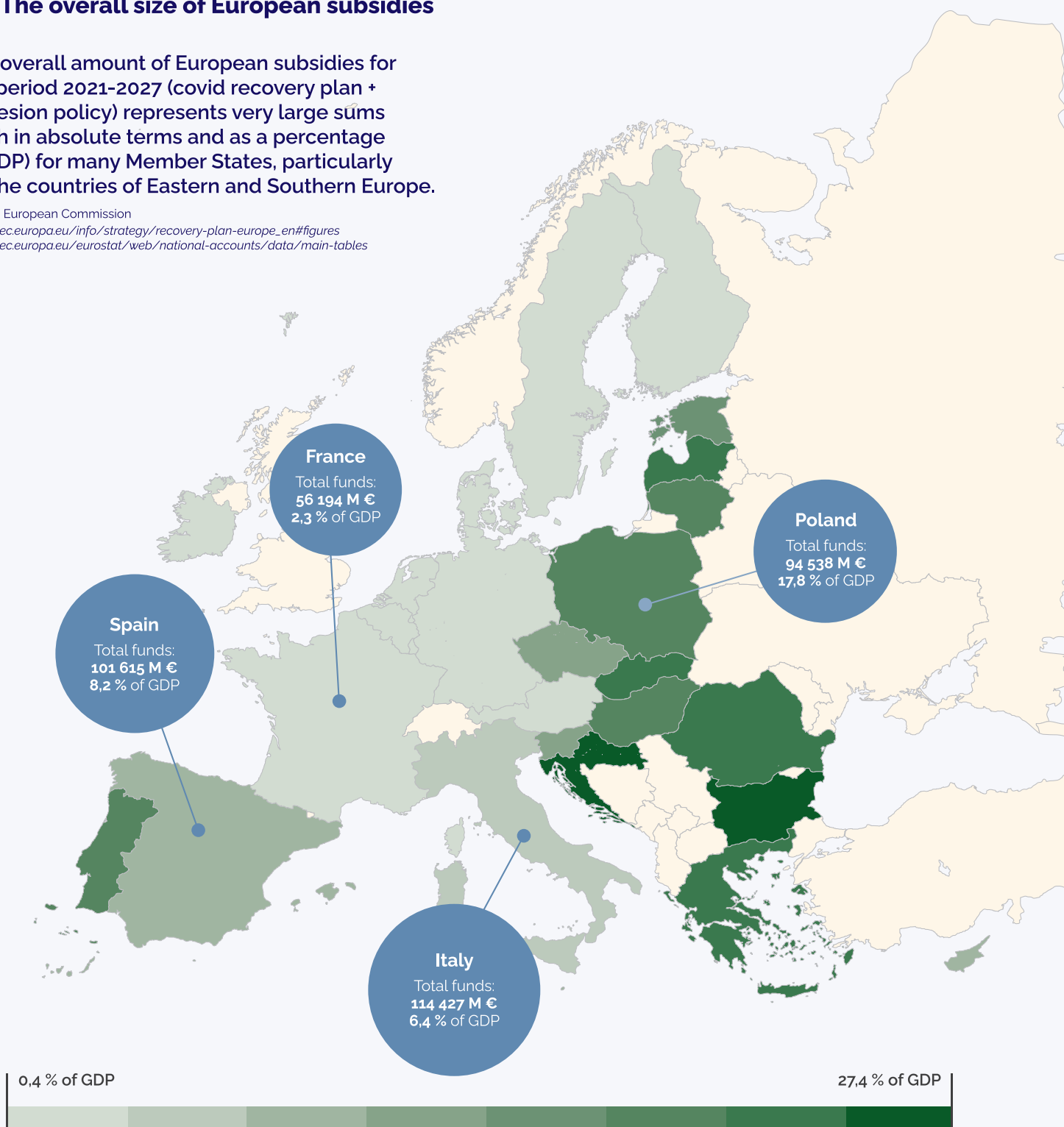
1. The overall size of European subsidies

The overall amount of European subsidies for the period 2021-2027 (covid recovery plan + Cohesion policy) represents very large sums (both in absolute terms and as a percentage of GDP) for many Member States, particularly for the countries of Eastern and Southern Europe.

Source: European Commission

https://ec.europa.eu/info/strategy/recovery-plan-europe_en#figures

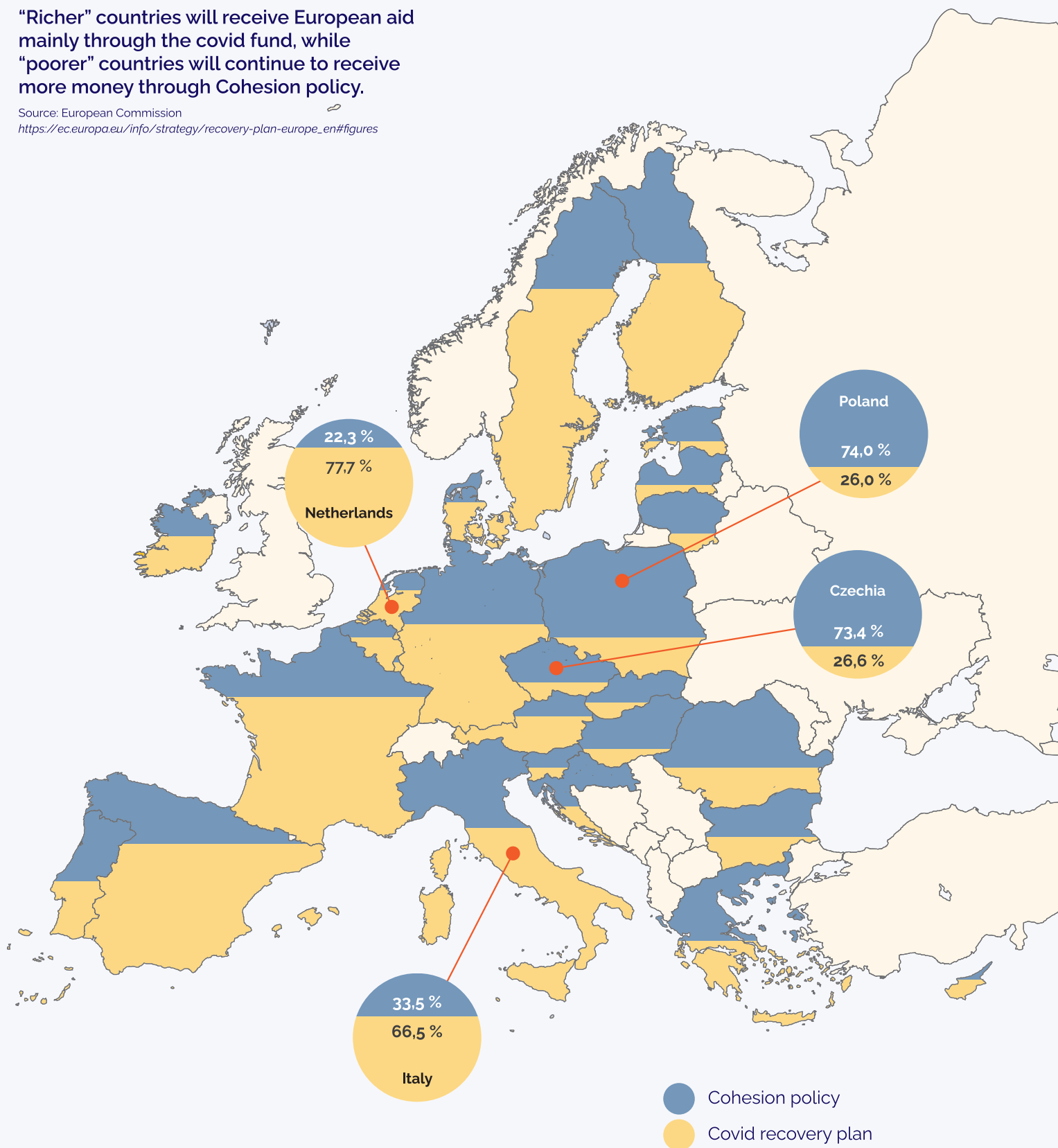
<https://ec.europa.eu/eurostat/web/national-accounts/data/main-tables>



2. A varying distribution of European subsidies across EU countries

“Richer” countries will receive European aid mainly through the covid fund, while “poorer” countries will continue to receive more money through Cohesion policy.

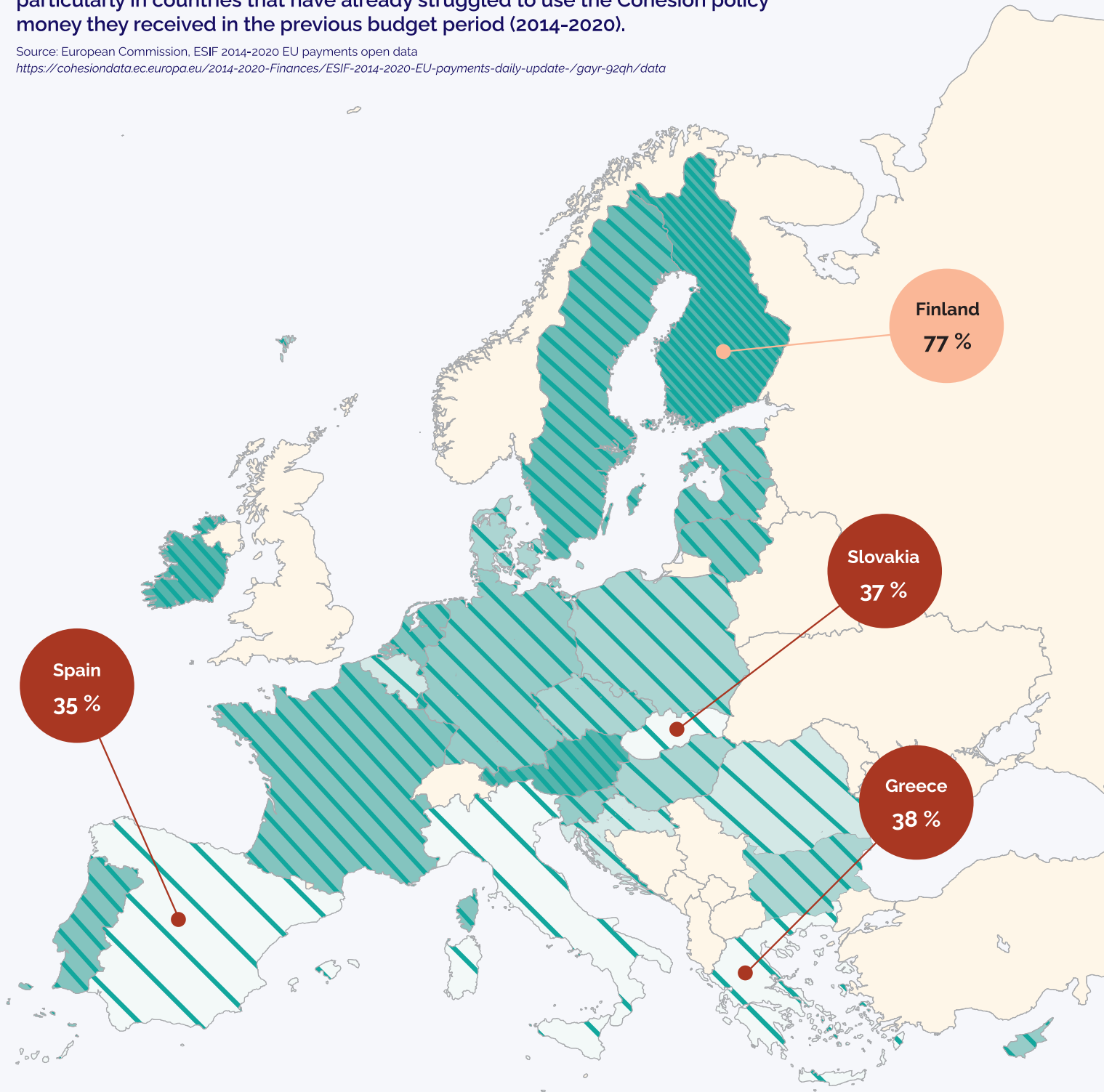
Source: European Commission
https://ec.europa.eu/info/strategy/recovery-plan-europe_en#figures



3. The risk of non-utilisation of European subsidies

Spending the totality of European subsidies could prove to be a huge challenge. Difficulties in developing programmes and selecting appropriate projects within a limited time frame, while respecting the eligibility criteria imposed by the EU, can lead to a low absorption rate. These types of problems can be expected particularly in countries that have already struggled to use the Cohesion policy money they received in the previous budget period (2014-2020).

Source: European Commission, ESIF 2014-2020 EU payments open data
<https://cohesiondata.ec.europa.eu/2014-2020-Finances/ESIF-2014-2020-EU-payments-daily-update-/gayr-92qh/data>



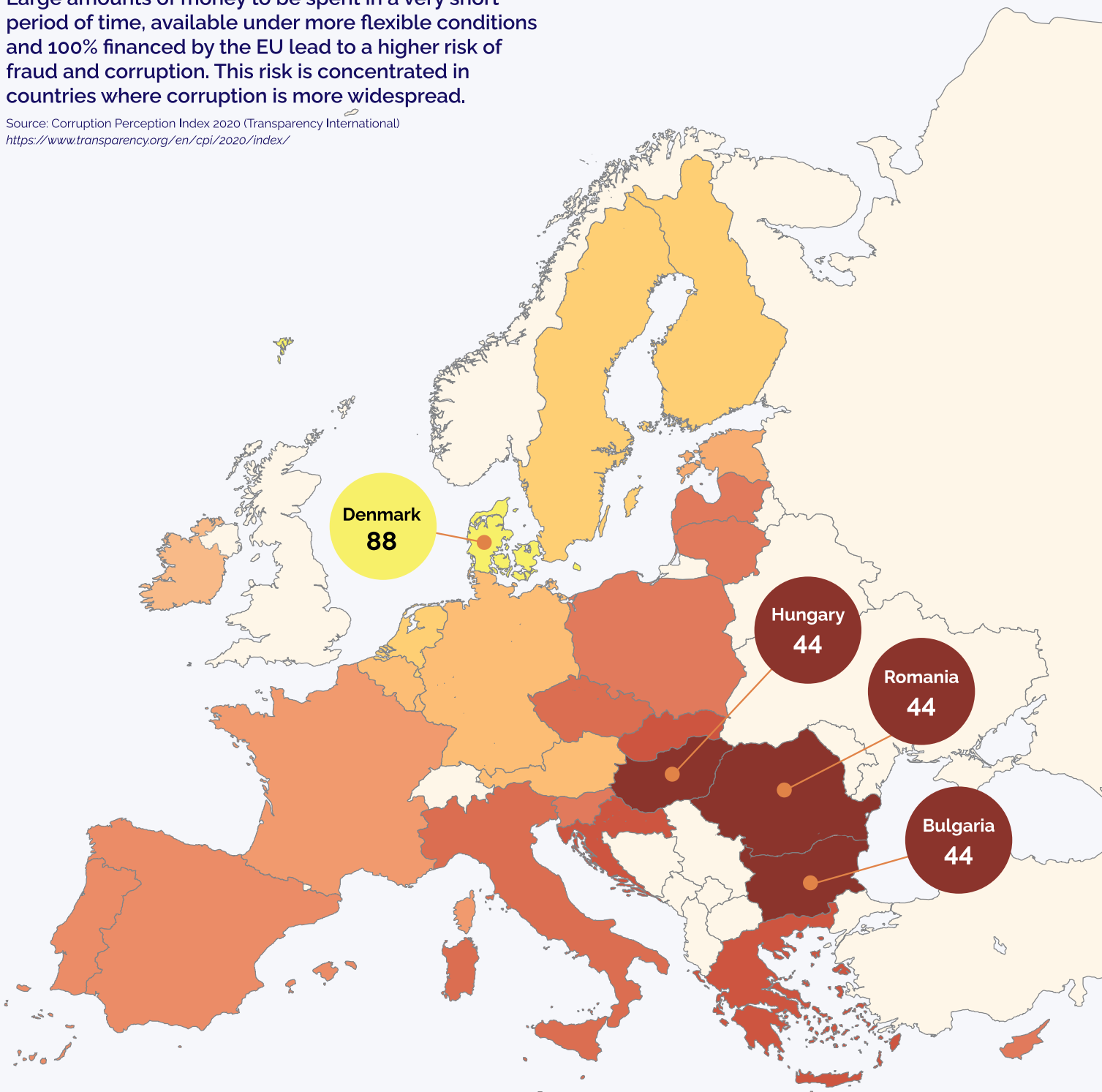
Absorption rate of EU funds (2014-2020)



4. The risk of misappropriation of European subsidies

Large amounts of money to be spent in a very short period of time, available under more flexible conditions and 100% financed by the EU lead to a higher risk of fraud and corruption. This risk is concentrated in countries where corruption is more widespread.

Source: Corruption Perception Index 2020 (Transparency International)
<https://www.transparency.org/en/cpi/2020/index/>



Corruption Perception Index Score 2020

88
(less corruption)

44
(more corruption)