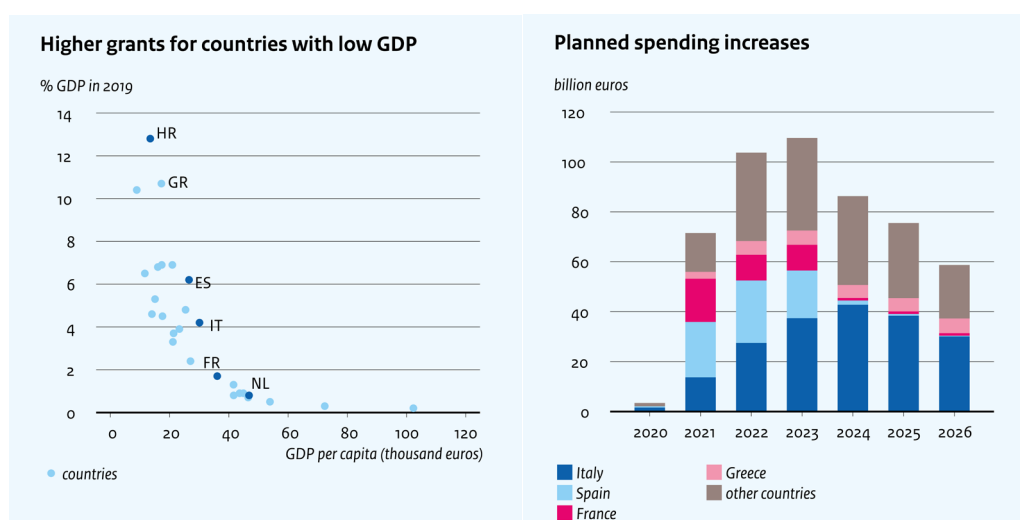


Will the EU's Recovery and Resilience Facility come too late?

The European Commission's recovery fund is to contribute to the economic recovery from the coronavirus crisis in the short term, and to structural strengthening in the medium term. This Recovery and Resilience Facility contains 672.5 billion euros in grants and loans which Member States can draw on. At least 37% of this money needs to be spent on climate policy and another 20% on further digitisation of the economy. In addition, EU Member States must implement the reform measures recommended by the Council of the European Union. Member States with a low GDP per capita will be able to apply for larger grants from this fund (figure, on the left). To date, 23 countries have applied for a grant from Brussels. The Netherlands has not yet done so.

Figure Allocation of recovery fund, per country (left) and the timeframe of national recovery plans (right)



Source: CPB based on recovery plans and Stability and Convergence Programmes ([link](#), [link](#)), EC and Eurostat ([link](#), [link](#))

The usefulness of the recovery fund for economic stabilisation is limited. According to the planning, most of the support packages will be spent in 2022 and 2023 (figure on the right). It is notable that Spain and France plan to spend the money mainly in the first years, while Italy, the largest recipient, intends spreading the grant over the entire duration of the fund. Many countries plan to use the money for infrastructure and housing projects. However, implementation of such plans takes time. According to the European Commission's Spring 2021 Economic Forecast, the EU output gap will still be negative in 2021 and 2022. In Italy and Spain, countries that receive large amounts of money from the fund, the output gap is narrowing rapidly. If the money will be spent in 2021 and 2022, the fund will contribute to economic stabilisation. If the money is spent later, however, it is more likely that the economic situation will have improved by then, which increases the risk of procyclical policies.

At the same time, the recovery fund can contribute to achieving long-term goals. This includes, for example, increased spending on the energy transition. A cost-benefit analysis may be of use in assessing measures intended to achieve long-term goals. In addition, the fund is aimed at reform measures, such as those to improve the functioning of the labour market in the Netherlands. This is a long-term process, for which grants from the fund can be a source of support.