


**PROTECTING THE EU'S FINANCIAL INTERESTS UNDER
THE RECOVERY AND RESILIENCE FACILITY:
PRACTICAL CHALLENGES AND RISKS**

Aleksandar Sht. Shterionov

Institute for the State and the Law, Bulgarian Academy of Science

ORCID 0009-0008-1877-4203 

Как да се цитира тази статия / How to cite this article:

Shterionov, A. Sht. (2025). Protecting the EU's Financial Interests under the Recovery and Resilience Facility: Practical Challenges and Risks. *Economic Thought Journal*, 71 (2), 275–299. <https://doi.org/10.56497/etj2671204>

To link to this article / Връзка към статията:

<https://etj.iki.bas.bg/financial-economics/2026/06/08/protecting-the-eu-s-financial-interests-under-the-recovery-and-resilience-facility-practical-challenges-and-risks>



Published online / Публикувана онлайн: 8 June 2026



Submit your article to this journal / Изпратете статия за публикуване

<https://etj.iki.bas.bg>

Article views / Статията е видяна:

View related articles / Други подобни статии:



View Crossmark data / Вж. информация от Crossmark:

Citing articles / Цитиращи статии:


View citing articles / Вж. цитиращи статии:



PROTECTING THE EU'S FINANCIAL INTERESTS UNDER THE RECOVERY AND RESILIENCE FACILITY: PRACTICAL CHALLENGES AND RISKS

Aleksandar Sht. Shterionov

Institute for the State and the Law, Bulgarian Academy of Science

ORCID 0009-0008-1877-4203 

Abstract: The Recovery and Resilience Facility (RRF) constitutes a qualitative leap in European fiscal integration. For the first time, the European Union (EU) issues common debt in such an amount and channels the resulting resources through a direct-management, performance-based delivery model grounded in “financing not linked to costs.” This federative-style architecture entails a systemic recalibration of the balance between national autonomy and Union-level responsibility and, in doing so, generates novel challenges for the protection of the EU's financial interests (PIF).

This paper assesses the implications of the RRF's delivery model considering the protection of the financial interests of the Union. It argues that the innovative approach relying on milestone-and-target verification changes what can be monitored, audited, and credibly enforced. Drawing on recent audit findings and the evolving anti-fraud framework, the analysis identifies both cross-cutting and RRF-specific practical challenges. Monitoring tools are stretched by methodological constraints: common indicators may capture implementation progress yet remain insufficient for measuring performance, and deriving an objective “overall error rate” is difficult when payments are detached from declared expenditure. Moreover, the combination of broadly drafted key indicators and administrative discretion can facilitate “formal compliance”, whereby reporting appears procedurally sound while implementation remains substantively incomplete. Finally, the RRF introduces the operationalization of the concept of “serious irregularities”, which raises questions as to legal certainty, evidentiary thresholds, and enforceability in practice. The paper concludes that the RRF confirms the Union's capacity to deepen integration in times of crisis, and that this process always brings with it new types of risks and challenges. It also produces new categories of risk that demand calibrated safeguards.

Keywords: Recovery and Resilience Facility (RRF); protection of the EU's financial interests (PIF); performance-based financing (financing not linked to costs); audit, accountability and transparency; fraud, corruption and irregularities control

JEL codes: H83; K42; F36; H81; H11

DOI: <https://doi.org/10.56497/etj2671204>

Received 17 February 2026

Revised 6 April 2026

Accepted 11 May 2026

Introduction, Scope, and Goals of the Paper

The present paper examines the practical challenges for the protection of the EU's financial interests (PIF) that arise from the delivery model mainstreamed with the Recovery and Resilience Facility (RRF). Whereas the classical shared-management funds have relied heavily on the verification of eligible expenditure, the RRF conditions financial disbursements on the satisfactory fulfilment of milestones and targets. This shift in evidentiary logic is not merely technical: it alters the distribution of responsibilities and the practical modalities through which the EU's financial interests are to be protected.

The paper's primary objective is to identify cross-cutting vulnerabilities permeating from the RRF's implementation specifics, with particular attention to (i) constraints affecting supranational monitoring of progress and performance (including the adequacy of common indicators and the feasibility of an objective overall error rate); (ii) the governance and accountability implications of broad milestone drafting and administrative discretion, including the risk of "formal compliance" in reporting; and (iii) the operational consequences of the novelties introduced with the RRF such as the legal concept of "serious irregularities", and how they affect control strategies, evidentiary thresholds, and enforceability. The paper draws predominantly on institutional and audit materials, including recent reports of the European Court of Auditors (ECA), as well as the broader EU anti-fraud and prosecution framework relevant to RRF implementation.

The paper's scope is intentionally focused. It does not provide an economic evaluation of the macro-stabilization effects of the RRF, nor does it undertake a Member State-by-Member State assessment of implementation performance. Rather, it offers a targeted legal-governance analysis of systemic risks and specific issues related to the general capability for protecting the funds disseminated by the EU. The analysis is further aimed at clarifying how the RRF's results-based logic interacts with existing PIF instruments, institutional competences as well as legislative and judicial practice. Inevitably, the analysis is limited on the one hand, by the evolving nature the Facility itself and by the fact that key aspects of implementation, verification practice, and litigation remain dynamic. On the other hand, limitations always follow the legislative nature of the system under investigation. Accordingly, the paper does not purport to provide a definitive assessment of fraud prevalence or enforcement outcomes. Instead, it maps structural pressure points and highlights where the current architecture may require calibrated safeguards to match the RRF's distinctive financing and accountability logic.

Overview of the Recovery and Resilience Facility: Purpose, Governance and Implementation logic

In May 2020, the European Commission proposed the adoption of a regulation to establish a Recovery and Resilience Facility (RRF). The stated overall objective of the Facility was described in two main areas: on the one hand, mitigating the social and economic impact of the Covid-19 pandemic and, on the other hand, improving the resilience, crisis

preparedness, and growth potential of Member States (European Court of Auditors, 2025, p. 4). Although the politically stated goal is aimed at recovery from the negative effects of the pandemic and helping Member States be more resilient in future crises, academic circles express the opinion that in parallel, the Regulation (EU) 2021/241 (2021) (the RRF Regulation) sets out to further promote additional Union interests. Evidence can be found in the consequences that followed the adoption of this new type of European financial instrument, namely: the mainstreaming of new principal approach to the way in which the Union provides funds to Member States – through direct management of resources. An argument can be made that by doing this the EU initiated a qualitative shift in the its approach to public financing (Hodson, D. & Howard, D (2024); Ladi, S., Tsarouhas, D., & Copeland, P. (2025); Bekker, S. (2021).

Direct management of EU financial flows is not an innovative approach by itself, nor is its use by the Institutions unprecedented. On the contrary, enshrined in Article 62 of the Financial Regulation (Regulation (EU, Euratom) 2024/2509, 2024), it is one of the three methods of implementing the Union`s budget, along with indirect and shared management. The innovative nature of the approach taken by the European Commission (EC) in 2020 stems from several different elements of this financial instrument: 1) the amount of funds that will be included in it; 2) the way in which they are formed; and 3) the creation of a precedent for the use of this type of mechanism.

The RRF accounts for approximately 90% of the so-called NextGenerationEU (NGEU) – a European fund with an approximate size of €806.9 billion, which includes the following financial instruments: RRF, ReactEU, Horizon Europe, InvestEU, the Just Transition Fund, Rural Development, and RescEU. Table 1 contains a numerical representation of the financial parameters of NGEU.

Table 1. Distribution of financial instruments in NextGenerationEU

Instrument	Approximate value	Purpose
RRF	€723.8 billion	Support for reforms and investments in Member States
ReactEU	€50.6 billion	Support for cohesion policy and health
Horizon Europe (additional)	€5.4 billion	Research and innovation
InvestEU (supplement)	€6.1 billion	Mobilizing private investment
Just Transition Fund (additional)	€10.9 billion	Supporting the green transition in carbon-intensive regions
Rural Development (top-up)	€8.1 billion	Support for rural areas against COVID-19
RescEU (supplementary)	€3.1 billion	Capacity building

Source: Adapted from *Recovery plan for Europe* (European Commission, n.d., “Multiannual Financial Framework 2021–2027 and NextGenerationEU total allocations per heading”).

The resources allocated to the NGEU are made available to Member States through two financing models: loans (€385 billion) and grants (€338 billion).

The approach chosen by the EC to secure the funds under the NGEU was previously unseen. For the first time in the history of the EU, the Commission has formed such a substantial financial resource on the basis of so-called "shared loans." At a meeting of the European Council between July 17 and 21, 2020 (European Council, 2020) a decision was made by which the Commission was given the opportunity to borrow on behalf of the Union a total of up to €750 billion (in 2018 rates) to form the NGEU, which subsequently to be made available to Member States. To this end, the Commission is authorized to represent the Union on the capital markets, where it will raise the necessary resources.

Some of the specific features of the loans that the EC would acquire were introduced by the Council's decision from July 2020. First, they will be guaranteed by the general European budget, i.e. indirectly by the contributions of the Member States. Second, they are not linked to the individual national debts of the Member States, but are treated as shared responsibility of the Union. It is precisely this shared responsibility, which is directly applicable to the Union's joint borrowing for the purpose of the RRF, that has led some authors to describe the adoption of this approach as the federalization of the European Union. The mechanism sets a precedent that can be interpreted as a transition from a "regulatory union" to a "fiscal union," as with it the EU de facto adopts a federal approach comparable to the reforms implemented by Alexander Hamilton in the US at the end of the 18th century (Martin, 2020).

The established direct connection between the loans taken by the Commission and the responsibility that would be shared by all Member States is particularly controversial for countries such as Germany, the Netherlands, and Austria, for whom the idea of entering into joint obligations with other countries with significantly weaker fiscal, economic, and regulatory systems is difficult to accept. Another argument put forward by opponents of the way in which the RRF is structured derives from Article 125 of the Treaty on the Functioning of the European Union (TFEU), which contains explicit restrictions on the Union or a Member State bearing liability for or assuming obligations of central governments or another Member State. These restrictions contained in the provision in question are linked to fears of the consequences (including moral, ideological, and principled ones) of placing different countries under a common risk denominator. This fear is reasonable and historically justified. The debt crisis at the end of 2009, during which Greece, Portugal, Ireland, and Cyprus experienced exceptional financial turmoil, highlights the logic behind the reservations that Berlin, Amsterdam, and Vienna have towards the RRF.

It can be said that when the RRF Regulation was adopted on February 12, 2021, the

EU crossed a significant Rubicon in its evolution. This is evident from the six other mechanisms subsequently adopted by mid-2025, which replicate the legal and regulatory technology developed with NGEU, including RePowerEU, the EU Social Climate Fund, Macro-Financial Assistance+ Instrument for Ukraine 2023, the Ukraine Facility, and even the new Stability and Growth Pact (Fabbrini, 2025).

The implicit internal redistribution of resources within the scope of the EU that is laid down in the RRF is at the heart of the concerns that Member States have about the way in which financial resources are disseminated with this new approach. These concerns stem from the non-repayable nature of more than 45% of the money that is expected to be provided through the RRF mechanism. Given that, due to the loan-based nature of the NGEU, these approximately €338 billion will be recovered from the overall Union budget, it is inevitable that some Member States will receive more than they will pay back, while others will receive less. This shortcoming of the NGEU became apparent right at the start of the development of the national recovery and resilience plans (NRRPs) with which individual national governments apply for funding from the Commission. Most of the 27 Member States have chosen not to take advantage of the opportunity for loans provided by the RRF, as these loans would have to be repaid by the national treasuries. This justifies the assertion that, although non official EU documents refer to a "transfer" or "redistribution" of resources within the Union, such assertions are reasonable and logical in practice.

National recovery and resilience plans are central to the new technology for granting European funds, which is being established by the RRF as an instrument falling within the scope of direct management within the meaning of Article 62 of Regulation (EU, Euratom) 2024/2509.

The new system introduced by the RRF can be described in five specific steps (Table 2), each involving a different combination of interaction between EU institutions and Member States (Fabbrini, 2025, p. 89). First, the EU identifies the objectives that are to be achieved through this mechanism. The Commission, Parliament, and Council are involved in the initial stage of strategic goal setting and priority setting. Second, Member States are required to develop multiannual national plans – NRRPs – which describe how the strategic priorities set by the Union will be achieved in the specific national context. Not all EU objectives are reflected in every Member State. The implementation of national priorities is measured in terms of the achievement of the so-called "milestones and targets". Third, the Commission evaluates and the Council approves the national plans, and if the relevant national strategic document does not meet the respective priorities and requirements, the Member State must revise and adapt the plan. Fourth, Member States take action to implement the established and approved NRRPs by achieving specific milestones and targets. Fifth, every six months, the Commission monitors the milestones

and targets set out in the national plans, on the basis of which the Institution decides on making payments to the respective Member State. The disbursement of European financial assistance is determined by the results achieved. In exceptional circumstances, the European Council may intervene in the decision-making process on whether or not to grant the funds requested by the Member State.

Table 2. Structure of the ESM

Steps	Actions	Institutions involved
1	Priorities and objectives	Commission + Council + European Parliament
2	National plan	Member States
3	Assessment and approval	Commission + Council
4	Implementation	Member States
5	Monitoring and control	Commission (+ European Council)

Source: Fabbrini, 2025, p. 89.

These five steps form the base of the new methodology for managing European Union financial flows established and imposed by the RRF.

In its communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions from 2024 (European Commission, 2024), the executive body of the Union underlines the success of the RRF's approach, highlighting the achievements of Member States. To large extend this success has been directly linked to the specifics of the mechanism that the RRF adopts. One of these specifics is that in the context of direct management, Member States are the final beneficiaries (in cases of aid in the form of a grants) and borrowers (in the case of loans). This is set out in Articles 20 and 24, inter alia, of the RRF Regulation. The financial measures implemented through the RRF are divided into so-called "reforms" and "investments," which are to be implemented between February 2020 (the start of the COVID-19 pandemic) and August 2026. They must fall within one of the six pillars of the Facility. Article 3 of the RRF Regulation defines them as (a) ecological transition; (b) digital transformation; c) smart, sustainable, and inclusive growth, including economic convergence, jobs, productivity, competitiveness, research, development, and innovation, as well as a well-functioning internal market with strong SMEs; d) social and territorial cohesion; e) health, economic, social, and institutional resilience, with the aim, inter alia, of increasing crisis response capacity and preparedness; and f) policies for the next generation, children, and young people, such as education and skills.

The difference between reforms and investments (Table 3) sits at the heart of the practical implementation of the RRF.

Table 3. Comparison between Reforms and Investments in the Context of the RRF

Indicators	Reforms	Investments
Definition	Changes to legislation, policies, or administrative systems aimed at improving systemic conditions	Provision of financial resources to projects aimed at developing individual and/or human potential
Objective	The increase of sustainability, efficiency, or long-term competitiveness	Support to change through material means (buildings, tools, people)
Examples	<ul style="list-style-type: none"> - Reform in the legal sector - Reform of the regulatory framework relating to public procurement - Restructuring of the social security system 	<ul style="list-style-type: none"> - Building digital infrastructure - Construction of hospitals, roads, railways - Green energy projects
Nature	In principle, does not require additional, specific funding (there are exceptions)	Always associated with funding
Timing	Often in the first part of the implementation of the RRF (related to the first tranches)	Often linked to longer-term implementation
Key stages/objectives	Mostly related to qualitative change (e.g., adoption of a new law)	Mostly related to quantitative change (e.g., kilometers of road built; number of green energy projects)

The implementation of the reforms and objectives set out in the NRRPs is measured on the basis of: (1) indicators of qualitative changes – key milestones; and/or (2) quantitative indicators – targets. These are common indicators that are predefined for the purposes of reporting and accounting for the progress of Member States, respectively for monitoring and evaluation by European institutions (Table 4).

Table 4. Comparison between Milestones and Targets in the context of the RRF

Indicators	Milestones	Targets
Definition	Qualitative indicators – describe actions taken or final results to be achieved	Quantitative indicators – specify measurable results (generally in numerical terms)
Objective	To assess progress in implementation, particularly with regard to planned reforms or preparatory actions	To assess actual results, especially in relation to investments or results that can be measured in quantitative terms
Examples	<ul style="list-style-type: none"> - Adoption of a law amending provisions in the legal sector - Establishment of a state agency - Signing of interinstitutional agreements to improve the communication capabilities of the administration 	<ul style="list-style-type: none"> - Provision of financial assistance to 1,000 small and medium-sized enterprises - 500 km of road infrastructure built - Training of 3,000 teachers/experts
Nature	Descriptive, mainly legal/institutional or procedural	Numerical, related to the action-result dichotomy
Verification	Based on documentary evidence (law; normative acts for the establishment of the agency, etc.)	Based on calculable data (measures, numbers, percentages achieved, etc.)
Most frequent use	In connection with reforms; predominant in the early stages of NAP implementation	In connection with investments; predominant in the second half of the implementation of the NAP
Risks of abuse	Formal implementation without real significance (law adopted but highly unenforceable; agency created but with only three employees)	Inflated values or lack of adequate mechanisms for confirming the declared values

It should be emphasized that the RRF operates under the principle “financing not linked to costs”. In other words, expenditure incurred by a beneficiary (or borrower) does not, as such, invoke or determine neither the beginning of the allocation of the funds, nor the amount that is to be distributed by the EU. Contrary to most procedures within the shared management framework the Commission follows a country-specific tranche structure that is predetermined by the adoption of the NRRPs. This means that, with the exception of the option for an advance payment – which some Member States have not received and which Ireland did not even request – all other transfers are made on the basis of the achievement of relevant milestones and targets (European Court of Auditors, 2025, p. 5) rather than by reference to the costs incurred in achieving them.

Does this mean that the RRF is a “results-based” mechanism? On the one hand, Member States use funds available through their national budgets to achieve the

reforms and investments set out in the NRRPs, and then, on the basis of predefined and approved indicators – key milestones and targets – submit requests for payment from the EU. These payments are to be made in accordance with the tranches' schedule pre-approved in the national plans. This mechanism is often used to argue that the RRF is, by design, a “result-based” approach for allocation of EU funds.

On the other hand, despite the “on-paper” logic, the European Court of Auditors (ECA) does not share the EC's assertion that the RRF is a “results-based instrument” (European Court of Auditors, 2025, p. 7). The Commission's argument for the result-based nature of the Facility is based on the provisions incorporated in Recital 53 of the RRF Regulation in accordance with recital 56 and Article 125(1), point (a) of the Financial Regulation. It is based on the showcased above process – that payments from the Union to Member States are made upon satisfactory achievement of key indicators, rather than for the purpose of reimbursing eligible expenditure.

The European auditors structured a three-point counterargument: 1) the ECA “consider that the RRF is not a performance-based instrument as it focuses on implementation progress rather than performance” (European Court of Auditors, 2025, p. 7). The Court of Auditors points out that the milestones and targets focus more on the end product rather than the result it delivers; 2) the strategic progress indicators of the RRF – the common indicators were developed to measure Union-level achievements in the context of the six pillars – are limited, incomplete and poorly aligned with EU objectives, which further undermines the Commission's claim that the effectiveness of the Facility can be measured; 3) if efficiency of resource use cannot be measured, and therefore the value for money cannot be assessed, how can it be claimed that this new financial instrument is result-based? This question is at the heart of the third facet of the ECA's counterargument and it is based on the analysis that the Commission does not collect or use information on actual costs thus it cannot assess the actual value for money (European Court of Auditors, 2025, p. 7).

Cross-cutting, General Challenges for the Protection of the Financial Interests of the European Union in the Context of the Recovery and Resilience Facility

The dichotomy of opinions as to the nature of the Facility, highlighted in the preceding paragraph, is indicative of the fundamental challenges and implementation risks inherent to the RRF.

The first of the major challenges that stand before the protection of the financial interests of the EU lies with how the monitoring of implementation is being executed and, more specifically, the adequacy of common indicators as a measure. In accordance

with Regulation 2021/241, Commission Delegated Regulation (EU) 2021/2106 (2021) was adopted on 28 September 2021 to define the common indicators and detailed elements of the recovery and resilience indicator scoreboard. Fourteen common indicators were adopted to indicate "progress in the implementation of the recovery and resilience plans in each of the six pillars referred to in Article 3 of Regulation (EU) 2021/241" Commission Delegated Regulation (EU) 2021/2106, 2021, Art. 1) such as: No. 1) savings in annual primary energy consumption; No. 4) Population benefiting from measures to protect against floods, forest fires, and other climate-related natural disasters; No. 6) Enterprises receiving support for the development or deployment of digital products, services, and processes for digital applications; No. 13) Capacity of classrooms in new or modernized childcare facilities and educational establishments, etc. Unlike the RRF's key indicators and targets, Regulation (EU) 2021/2106 (2021) sets out metrics that aim to accumulate data from all Member States that supports monitoring at EU level. The general expert opinion is that *the "common indicators only partially measure progress towards the objectives of the RRF"* (European Court of Auditors, 2025, p. 19). The ECA points out that only four of the fourteen common indicators measure results and none of them are explicitly linked to impact. At the same time, these measures do not fully cover the six pillars of the RRF, and 36% of the reforms and investments included in the Member States' NRRPs cannot be linked to any of the common indicators (European Court of Auditors, 2025, p. 19). This means that, in addition to the impossibility of an objective analysis of the overall error rate in the implementation of the RRF, similar limitations undermine the Union-level monitoring of the implementation progress.

Another set of challenges associated with the analysis of the objective state of the implementation of the RRF are those related to the assessment of the overall error rate. The error rate is much more than a technical, numerical calculation. In the context of European public expenditure, including direct and shared management, it serves as a key indicator of the quality of financial management, national and Union-level trust, as well as compliance with regulatory requirements. The value of this quantity – the error rate – varies annually in each specific financial instrument of the Union, with the ECA performing regular calculations that include both criminal offences against the relevant cash flows and irregularities. An error rate of less than 2% indicates that there is a low risk for the EU expenditure, while a rate of more than 5% is equivalent to a high risk. The innovative approach to how EU funds are allocated introduced with the RRF means that the verification of key stages is not a direct prerequisite for establishing unlawful, irregular, or criminal conduct, particularly because there is a lack of a requirement for a traditional accounting trail in the reporting carried out by Member States to the Union. The concerns shared by European auditors about the inability to correctly calculate the error rate are therefore reasonable. This, in turn, undermines the effectiveness and

timely engagement of the relevant European and national institutions responsible for protecting the financial interests of the Union such as Europol, OLAF, the Commission, the EPPO, national law enforcement authorities, etc.

Challenges are also identified in the direction opposite the error rate indicator – the measurement of effectiveness, which, according to European legislation, represents "best relationship between the resources employed, the activities undertaken and the achievement of objectives"(Regulation (EU, Euratom) 2024/2509, 2024, Art. 33(1)(b). The specific way of reporting on the implementation of the as set in Art. 30 et seq. of the RRF Regulation in practice means that the information concerning the expenses made is based on forecasts, an estimation, or single-unit values, as the Commission does not collect and use information on actual expenditure (European Court of Auditors, 2023b, p. 40; European Court of Auditors, 2024b, p. 57), which means that there is a de facto lack of information on actual expenditure financed through RRF funds (European Court of Auditors, 2024, p. 18).

In addition to the three major challenges presented above, which can be identified as the most significant, the following should also be noted: the different pace at which Member States absorb RRF funds (European Court of Auditors, 2024a); the Commission's control system (European Court of Auditors, 2023a); the lack of accountability and assessment of trading in the field of green transition; the general and national approach to digital measures; subjectivity in the assessment of partial payments; subjectivity in the development and adoption of individual financial tranche plans for each Member State; difficulties related to the amendment of the NRRPs, etc.

An analysis of the nature and specifics of the RRF leads to the conclusion that, with this new type of financial instrument, the Commission is conducting an experiment in the European fiscal integration, which, among other things, is characterized by several specific contradictions:

(1) the EU decides – the Member States implement: responsibility for providing financial resources and setting strategic objectives sits on the Union level, but the implementation and responsibility for efficient and effective spending fall entirely within the remit of the individual Member State;

(2) innovative approach – traditional crimes: the innovative nature of the processes for providing resources within the RRF framework, in particular that it stays closer to the Union than to the Member States, is precisely what increases the vulnerability of the RRF to more traditional, more old-fashioned forms of irregularities and crimes;

(3) time-limited – time-consuming: the short implementation period, which expires in mid-2026, compared to the time needed for the RRF to be objectively defined as a results-based instrument.

Specific, practical challenges for the protection of the EU's financial interests in the context of the RRF

Most of the practical challenges before the protection of the financial interests of the EU within the context of the RRF stem from the misalignment between the approach for financial dissemination adopted with this new mechanism, and the contemporary status quo of the system set in place to protect the EU funds.

The Recovery and Resilience Facility operates through an innovative legal, regulatory, and administrative approach for distributing EU financial resources to the Member States. Its specificity, namely that it is based on funding not linked to the actual expenses made, shifts the focal point of the accountability one step "up" along the implementation chain: (a) final beneficiary/implementing entities – (b) Member State – (c) the EU. As mentioned above, within the merits of the Facility, the Member States are the final beneficiaries of the funds from the RRF and not the entities responsible for the actual project execution. This is underlined by the ECA's review of the accountability and transparency of the RRF stating "the compliance of RRF spending with all applicable EU and national rules is not a condition for a member state to receive payment" (European Court of Auditors, 2025, p. 5), i.e. how the final contractors have actually delivered an approved project – if it was efficient, effective, or in accordance with the relevant rules and regulations – gives way to the simple achievement of the key milestones and/or objective.

Regarding responsibility for protecting the EU's financial interests, the European Court of Auditors stresses that "Member States, together with the Commission, need to ensure the protection of the EU's financial interests in line with their responsibilities, with the Commission being ultimately responsible" (European Court of Auditors, 2025, p. 5). This shared-responsibility framing takes on a qualitatively different significance under the RRF's delivery model. This means that although the protection of the Union's financial interests is based on more than 50 years of legislative and administrative evolution, the RRF's non-cost-linked, performance-based financing architecture requires a similarly innovative approach for their protection which is currently yet to be developed.

Following are some of the more significant practical challenges that the protection of the financial interests of the EU facing within the context of the RRF.

Challenges, related to the concept of "serious irregularities"

Presumably building on the outlined above, RRF Regulation introduces a new concept for offences affecting the financial interests of the Union through the notion of 'serious irregularities'. Recital 53 of the preamble to the RRF Regulation provides that, for the purposes of sound financial management, the suspension and termination of agreements relating to financial support from the Facility, as well as the reduction and recovery of financial contributions, "should be possible when the recovery and

resilience plan has not been implemented in a satisfactory manner by the Member State concerned, or in the case of *serious irregularities (emphasis added)*, meaning fraud, corruption and conflicts of interest in relation to the measures supported by the Facility, or a serious breach of an obligation under the agreements related to financial support” (Regulation (EU) 2021/241, 2021, Recital 53).

The concept of "serious irregularities" cannot be found in the legislation relating to the multiannual financial framework or funds under shared management. It is clear from the above-mentioned text that it contains three different types of offences: 1) fraud; 2) corruption; and 3) conflict of interest. This is a particularly interesting approach taken by the Commission, as it is the first time that an alternative has been provided to the basic dichotomy of criminal and administrative offences related to the EU's financial interests (Arwidi & Kreith, 2021), which up to this point has dominated their classification, analysis and investigation.

Putting three completely different categories of offences under a common denominator is a controversial approach with significant potential for harm to the system responsible for combating fraud. Common legal logic dictates that fraud and corruption offences are crimes of a general nature, while conflict of interest is an administrative omission.

Inevitably, the implementation of this new approach in national legal systems leads to confusion, an example of which can be seen in Bulgaria.

The concept of serious irregularities is set out in Article 6(1) of Decree No. 157 of the Council of Ministers of 07.07.2022, which states that the Directorate for the Protection of the Financial Interests of the EU at the Ministry of the Interior upon receiving a report of a serious irregularity (fraud, corruption, or conflict of interest) shall analyze and assess the information and, if necessary, conduct an additional investigation (Council of Ministers of the Republic of Bulgaria [CoM], 2022)

The institutional confusion resulting from the new system introduced by the RRF, which concerns offences affecting the financial interests of the EU, is most evident in the Management and Control System (MCS) of the National Recovery and Resilience Plan (Ministry of Finance of the Republic of Bulgaria, 2024). The rules relating to the protection of the financial interests of the EU are set out in Section 6 of the MSC. At the very beginning of the section, reference is made to recitals 53 and 54 of the RRF Regulation. The first significant discrepancy with the legally established processes related to the protection of EU funds in the Republic of Bulgaria can be observed in the third paragraph of the commented section of the Management and Control System, where an attempt is made to adapt the provision of paragraph 1, point 3, sentence 2 of the Additional Provisions of the Ordinance on the administration of irregularities in the European funds under shared management (Council of Ministers of the Republic of Bulgaria, 2023), which provides a definition of "a signal for irregularity" in the context

of the administration of irregularities within the framework of shared management funds. The approach taken by the Ministry of Finance as the administration responsible for implementing the NRRP (Council of Ministers of the Republic of Bulgaria, 2022, Art. 3) is incorrect, as it does not take into account the difference between the procedural mechanisms and systems related to shared management funds and their difference from the innovative management approach imposed by the RRF. The definition for a "signal for serious irregularity" as set in the MCS includes information on an act or potential misconduct – fraud, corruption or conflict of interest in connection with an investment under the NRRP, which has been received, "including from an anonymous source" (Ministry of Finance of the Republic of Bulgaria, 2024, p. 30). The acceptance of anonymous reports or signals in the context of the NRRP is also mentioned in section 6.1.2. b. B) of the MCS, which states that the option of submitting reports, "including anonymous ones", should be made available" (Ministry of Finance of the Republic of Bulgaria, 2024, p. 30).

The possibility for an anonymous source of information to initiate an investigation concerning the existence or absence of an irregularity is set in Regulation (EU, Euratom) No 883/2013 (2013) provides in Article 5(1). This is a specialized legislative act regulating the administration of irregularities in European funds under shared management, where the concept of serious irregularity is not applicable, meaning that the provision relating to the reporting of administrative violations, applies only to the cases expressly provided for, namely irregularities (and not serious irregularities) within the meaning of Article 1(2) of Council Regulation (EC, Euratom) No 2988/95 (1995). Furthermore, the general legal framework governing the reporting of administrative omissions in the Republic of Bulgaria is set out in Chapter, 8, Article 111, para. 4 of the Administrative Procedural Code (Administrative Procedural Code, 2006), which expressly states that no proceedings shall be instituted on the basis of anonymous proposals or reports, or on the basis of reports relating to violations committed more than two years ago. In the NRRP of the Republic of Bulgaria, establishes the Administrative Procedural Code as the legal framework designated for regulating reports of irregularities (Council of Ministers of the Republic of Bulgaria, 2020, p. 289).

Additionally, and taking into consideration, that within the conflict of interest also lies within the merits of the notion "serious irregularities", the related national legislation governing how investigation on such omissions is to be initiated – the Anti-Corruption Law (2023), explicitly states in Art. 89, para. 2 that a conflict-of-interest investigation cannot be initiated on the basis of anonymous report or signal.

The situation is identical with regard to crimes of a general nature. Article 209, paragraph 1, sentence 2 of the Criminal Procedure Code (Criminal Procedure Code, 2005) *expressly states that anonymous reports are not legal grounds for initiating an investigation.*

What has been discussed so far, on the one hand, demonstrates how complex the issue of placing offences of different types under a common denominator is, which in addition are also expressly regulated in special regulations in a Member State, and on the other hand, it shows the need to revise the current MCS.

Challenges arising from the concept of a "results-based instrument": lack of transparency of actual costs incurred; difficulties in calculating the damage caused

Transparency of actual costs incurred: As discussed above, unlike European funds under shared management, the RRF is designed as a "results-based instrument" where the final beneficiaries are the Member States, and the payments made by the Union to them are based on the achievement of key results rather than on the costs incurred by the projects. In other words, the audit of grant payments under the RRF to Member States, "focuses mainly on whether the relevant payment and eligibility conditions... were met." (European Court of Auditors, 2023c, p. 11.21). The RRF Regulation does not contain strict requirements for accountability, reporting, and public control, creating an environment susceptible to fraud and mismanagement during the implementation phase (Besliu, 2024). A consequence, but also a manifestation, of this new approach is the fact that, until 2023, the amounts provided under the Mechanism at European level were accounted for, described, and analyzed only in relation to the tranches made to Member States, without identifying the final recipients at the implementation level. This, in turn, significantly limits both the transparency of how RRF funds are spent (Lilyanova, 2024) and the ability to track actual expenditure in accounting and practical terms. Although, according to Article 22 of the MFF Regulation, for the purposes of audit and control activities, Member States should collect information on final recipients, including information on contractors, subcontractors, and actual owners, "under the Regulation, member states are not obliged to provide information with their payment request on the amount of RRF funds received by final recipients or on expenditure incurred when the milestones or targets are implemented" (European Court of Auditors, 2023c, p. 11.20). At the same time, "As compliance of expenditure incurred by final recipients with EU and national rules is not a condition for RRF payments"(European Court of Auditors, 2023c, p. 11.21).

The above indicates that there are significant reasons for the lack of clarity regarding the actual recipient of the funds provided under the RRF and how they were spent.

Taking into account this systemic weakness of the Facility, in 2023 the Commission took steps, albeit minimal, to improve the regulatory vacuum relating to the difficulties with accountability and traceability of expenditure incurred by adopting Regulation (EU) 2023/435 (2023), which introduces Article 25a into RRF regulation, requiring Member States to take transparency measures with regard to the 100 final recipients of the largest amount of funding in the implementation of measures under the Facility,

which should be published in an "easy-to-use public portal .

Challenges in calculating damages: Whether it is a matter of administrative proceedings related to established irregularities affecting the financial interests of the EU or a criminal investigation to establish the existence or absence of a crime of a general nature, the ability to make clear, accurate and objective calculation of financial damage is a key element in proving any actual omission has occurred. Furthermore, the value of the damage caused or that could have been caused to the Union budget is directly linked to the involvement of national and EU institutions, agencies and bodies such as Europol, OLAF, the EPPO, or national law enforcement authorities. It also determines, the material liability and limits of PIF crimes as defined in Directive (EU) 2017/1371 (2017) – the PIF Directive. Article 2, para. 2 of the PIF Directive provides that the minimum threshold is EUR 10,000,000 (ten million) for an offense against the common VAT system to fall within the competence of the Union-level institution, agency or body, while Article 25, para. 2 of the Council Regulation (EU) 2017/1939 (2017) – the EPPO Regulation sets the lower threshold for the competence of the European Public Prosecutor's Office at EUR 10,000 (ten thousand). At the same time, the total amount of damage is also relevant for the recovery and confiscation of assets acquired through criminal activity as indicated in Directive (EU) 2024/1260 (2024).

As stated above, the change in the funding model from shared to direct management, together with the specificities of the RRF, de facto reduces the significance that the actual expenditure incurred by the final beneficiaries has for the money provided by the Union to the Member States. This leads to a natural decline in national interest in establishing the objective reality of the expenditure incurred, especially in cases where the relevant milestone or target has already been achieved. This process results in a reduction in the efforts made by national governments to establish well-functioning monitoring, reporting, and accounting mechanisms, which undermines the ability of law enforcement and control institutions, agencies, and bodies to calculate the actual costs incurred and the actual damage suffered.

At the same time, shifting the primary responsibility for the correct, effective, and efficient spending of European funds one step "up" in the chain, placing it primarily on the Commission, creates new types of challenges for establishing unlawful conduct affecting the financial interests of the EU, such as 1) implementation of irregular key stages – milestones or reforms and 2) implementation of inaccurate or incompletely fulfilled objectives.

Irregular milestones can be defined as incorrectly, inaccurately, or incompletely fulfilled. A prerequisite for achieving an *inaccurate or incomplete* result is an unclear or overly generalized linguistic definition of a key milestone. On the one hand, this leads to a lack of specificity necessary for accurately measuring or reporting its achievement. On

the other hand, it opens the door for “lawfully” covering up an incorrect or inaccurate national implementation. Admittedly, politically salient instruments – such as the RRF – often rely on broader drafting language at Union level, yet this very generality lowers the evidentiary threshold for “satisfactory” reporting to the Commission, and may, in practice, facilitate the presentation of implementation as compliant even where it is materially incomplete or inaccurate. For example – adoption of a national strategy without the establishment of the necessary administrative mechanisms for its functioning. Within the Bulgarian context such may be the National Strategy for Research Development 2017-2030, and the Innovation Strategy for Smart Specialization 2021-2027 that are planned by the Ministry of Innovation and Development. In the ECA’s Special Report 22/2024 (European Court of Auditors. 2024c), commenting on double funding from the EU budget and, in particular, the difficulties associated with the specific method of financing under the RRF, where there is no link to expenditure, the European Auditors give specific examples of the difficulties arising from an overly generalized linguistic description of a key stage. The ECA comments on the risk of double funding in the case of overlapping end products under the Connecting Europe Facility and the RRF within the measure “Construction of new railway lines and electrification of regional railway” set out in Austria’s NRRP, which includes the key stage “Completion of the construction project”. This project covers the commissioning of the entire Koralmbahn railway line, although only about 9% of this line is financed by the RRF. The construction works for part of this project are financed by the Connecting Europe Facility, which means that there is a significant risk that the result of the same construction works will be declared, and therefore financed, under both financial programs. The harmful potential lies precisely in the specificity of the RRF mentioned above, since in practice the mere implementation of key milestones and targets, including those with zero estimated costs, is grounds for making payments to Member States, i.e. upon completion of the construction project, Austria will be able to claim payments from two EU funds.

One of the main examples of *incorrect* implementation of key results is when they are implemented before the RRF comes into force. In a study initiated by the Commission as part of the mid-term evaluation of the Facility (Corti et al., 2023, p. 16), the authors point out that more than 20% (twenty percent) of the 705 key results and targets claimed to have been achieved by 31 July 2023 were actually achieved before the date of official approval of the relevant NRRP. It should be noted that this statistic does not necessarily indicate unlawful implementation, as the process of adopting the national plans was accompanied by its own specific difficulties, twists and turns, but does indicate the importance and the complexity of correctly calculating the damages suffered in the context of the RRF. Nevertheless, these 105 pre-implemented projects are indicative of a poorly designed control and reporting system that does not answer

questions such as "are there any irregularities among these 105 projects, and if so, how should the damage to the overall budget be calculated?"

Examples of inaccurate or incompletely implemented objectives include infrastructure projects and the construction of energy systems, whose partial or inaccurate implementation can be numerically described as sufficient for full payment by the RRF. In the above-mentioned Special Report 22/2024, the European Court of Auditors also gives an example of a discrepancy between the indicative numerical value of an objective declared by the Member State and approved in the relevant NRRP, and the actual value of its implementation. The European auditors point to a reform financed by the RRF related to the provision of investments, which is defined as a "zero-cost" measure, even though its implementation requires significant expenditure, which the Republic of Malta is de facto incurring (European Court of Auditors, 2024c, p. 19). Although at first glance it may be assumed that there is no detriment to the Union budget, it should be noted that "zero-cost measures do not eliminate the possibility of double funding, as RRF disbursements are dependent on the fulfilment of milestones and targets for measures with or without estimated costs" (European Court of Auditors, 2024c, p. 19). This is because, as mentioned above, in practice, the very achievement of milestones and targets, including those with zero estimated costs, leads to payments being made to Member States, i.e. it has the potential to cause damage to the general budget.

The challenges of calculating the damage caused by unlawful or illegal conduct detrimental to the European Union budget, which arise from the innovative model for the management of EU funds, are multifaceted. On the one hand, they are related to the practical calculation of the actual value of the damage caused or potential damage, and on the other hand, they are rooted in cases that are fundamentally unclear and new to the Union, such as those mentioned by the ECA. At the same time, without a clearly defined or definable mechanism for establishing and reporting the costs incurred by the final beneficiaries of projects financed by the RRF, control and law enforcement institutions will face significant difficulties in proving the true value of the actual or potential damage to the EU budget, which will obstruct any law enforcement action.

Challenges related to competence: Perhaps the most significant practical issue arising from the innovative approach to the provision of European funds to Member States imposed by the RRF is related to the competence of the European Public Prosecutor's Office and, more generally, to whether there actually are crimes affecting the financial interests of the EU.

As mentioned above, Member States are the final beneficiaries under the Mechanism and implement the approved NRRPs using various types of financial resources – national budget, external funding, other EU funds (Art. 7 et seq. of the RRF Regulation), advance payments under the RRF (Art. 13), etc., i.e. de facto the real money that is or may be subject

to unlawful interference is, in most cases, not of European origin but of national origin. Is there then a real impact on the EU budget, especially in a scenario where, at the time of bringing the charges or even when the sentence comes into force, the relevant tranche under the RRF, which was supposed to reimburse the specific payments made by the Member State for the incriminated project, has not yet been made?

In the context of the above, the established case law in relation to crimes under Article 248a of the Criminal Code (Criminal Code, 2006) can be commented on. Within this provision the Bulgarian legislator has transposed PIF crimes related to the presentation of false information or the withholding of information in violation of the obligation to provide such information in order to obtain funds from funds belonging to the European Union or provided by the European Union to the Bulgarian state, as well as funds belonging to the Bulgarian state, which are used to co-finance projects financed by these funds.

In Decision No. 106 of 19 May 2020, the Supreme Court of Cassation, Second Criminal Division, chaired by Galina Toneva and members Bilyana Chocheva and Teodora Stambolova, formed at the request of the Prosecutor General of the Republic of Bulgaria for the reopening of proceedings of Case No. 317/2018 of the Veliko Tarnovo Court of Appeal, the supreme magistrates point out that the object of the offence, protected by the composition of the crime under Article 248a of the Criminal Code, is complex *and includes public relations ensuring the security of the process of obtaining information from the authorities disposing of EU funds* – regarding the facts and circumstances relevant to the proper formation of their decision. In addition, it also includes public relations ensuring the proper distribution and expenditure of funds from these funds. *The subject of the crime is not actual money from the funds, but information as a set of data that the person applying for funding from such funds is required to provide to the authority competent to dispose of them.* (Note: Translated from Bulgarian by the author). Following the logic of the court, it can be argued that even if the funds actually paid to a dishonest final beneficiary under a project implemented under the NRRP are of national origin, if actual actions have been taken to present false information or to withhold information in violation of the obligation to provide such information, this constitutes a crime affecting the financial interests of the EU.

At the same time, further down in the same paragraph of the cited Decision, the Supreme Court of Cassation states that "from a subjective point of view, direct intent is required, and there must also be a specific criminal purpose – to obtain funds belonging to the EU or provided by the EU to the Bulgarian state." This means that in the context of Article 248a of the Criminal Code (2006), the only alternative provided for in the provision that can be applied to projects implementing the RRF on the territory of the Republic of Bulgaria is that under paragraph 2, sentence 2, the last alternative: "as well as funds belonging to the Bulgarian state, which are used to co-finance projects financed

by these funds" (note: translation from Bulgarian made by the author). The question that needs to be answered is whether, in the context of the RRF, the funds used by the Bulgarian state in the implementation of the NRRP can be considered as funds used to co-finance projects within the merits by European RRF funds.

At the time of writing, there is no case law providing an answer to this question. At the same time, given that the above argumentation and the cited court decision are a product of the specific nature of the Bulgarian criminal justice system and the way in which this country has transposed the PIF Directive, which each Member State interprets through its own legal theory, principles, and practice, it should be emphasized that the analyses and considerations are specific to Bulgaria and not generally applicable to the EU.

Another type of challenges, stemming from the innovative nature of the RRF are those related to the material competence for investigations and judicial proceedings, directly affect the new operational European Public Prosecutor's Office (EPPO). They apply to both its activities within the national-member state environment, as well as within the Union level. Given that the mandate of the EU law enforcement structure is limited on the basis of the principle of the transfer of national sovereignty from the Member States to the Union, it is understandable that any extension of its powers is associated with a number of twists and turns, and, in view of the historical development of the subject matter incorporated in the protection of the financial interests of the EU, with a significant degree of national resistance. In this context, a positive example of state proactivity aimed at facilitating the functioning of the EPPO, in particular, to exercising its powers in relation to the RRF, is the Working Agreement on the reporting of suspected crimes falling within the competence of the EPPO, concluded on January 17, 2024 (European Public Prosecutor's Office, 2024), between the law enforcement agency and France, as part of the implementation of the France's NRRP. This document is explicitly aimed at establishing a dedicated system of communication channels between the national authorities involved with the RRF and the European structure. In this way, the French state has implemented a mechanism that overcomes a number of practical difficulties arising mainly from the specificities of the Facility as a new model for the distribution of Union's financial resources.

In contrast to this positive practice, there are a number of others that hinder or impede the activities of the EPPO, but since they do not stem directly from the specifics of the RRF, and are fundamental to the EPPO, they will not be discussed in detail in this paper. In view of its relevance, only one example of the contradictions observed at EU level in relation to the activities of the EPPO will be mentioned. Following the refusal of the European Court of Auditors to lift the immunity of several of its employees whom the European Delegated Prosecutors wish to question on suspicion of crimes affecting the financial interests of the Union, the law enforcement structure brought an action against the institution before the Court of Justice of the EU. In the Action brought by the

EPPO vs the ECA, which has been filed as case T-99/25 (European Union, 2025), the prosecutors raise a number of issues regarding the illegality of the ECA's conduct, including abuse of power; unjustified interference in the powers of the prosecution service; breach of the obligation to respect the confidentiality of criminal investigations; violation of the independence of the European Public Prosecutor's Office in conducting criminal investigations; and incorrect application of the Protocol on Privileges and Immunities. If the Court decides to rule on the appeal, this will mark a new stage in the development of the European Public Prosecutor's Office.

Conclusion

The Recovery and Resilience Facility marks a qualitative leap in European fiscal integration – for the first time, the Union is issuing common debt, which is then distributed through direct management, based on the principle of "financing not linked to costs". This federal-style approach is leading to a systemic change in the balance between national autonomy and EU responsibility. At the same time, it raises a number of unprecedented challenges for the protection of the EU's financial interests.

On the one hand, there are the difficulties associated with monitoring the implementation of the RRF – the adequacy of common indicators as a measure; the analysis and assessment of the overall error rate; the measurement of implementation effectiveness, etc. On the other hand, there are practical challenges for the protection of the financial interests of the EU arising from innovations such as the concepts of "serious irregularities" and "results-based instrument". A significant practical issue that needs to be addressed in the coming years is that of the competence of law enforcement and judicial institutions in the context of the RRF.

The introduction of this innovative approach to the distribution of European financial resources for the European Union is indicative not only of the fact that the Union is growing during times of crisis, but also that every innovation brings with it new types of risks and challenges.

Conflicts of Interest

The author has no conflicts of interest to declare.

The views and opinions expressed in this article are solely those of the author and do not necessarily reflect the official position of any institution or organization with which he is or has been professionally affiliated.

References

- Administrative Procedure Code. (2006). Promulgated in *State Gazette*, No. 30 (Apr 11, 2006) (in force from Jul 12, 2006), as amended. Retrieved July 8, 2025, from <https://www.lex.bg/en/laws/ldoc/2135521015>
- Arwidi, C., & Kreith, C. (2021). *Protecting the EU's financial interest in the new recovery and resilience facility: The role of the European Anti-Fraud Office*. Eucrium: The European Criminal Law Associations' Forum, (3), 171–175.
- Bekker, S. (2021). The EU's Recovery and Resilience Facility: A next phase in EU socioeconomic governance? *Politics and Governance*, 9 (3), 175–185.
- Besliu, R. (2024, September 5). *A race against time and fraud*. Eurozine. Available at <https://www.eurozine.com/a-race-against-time-and-fraud/>
- Commission Delegated Regulation (EU) 2021/2106 of 28 September 2021 supplementing Regulation (EU) 2021/241 of the European Parliament and of the Council establishing the Recovery and Resilience Facility by setting out the common indicators and the detailed elements of the recovery and resilience scoreboard. (2021). *Official Journal of the European Union*, L 429, 83–91. Available at https://eur-lex.europa.eu/eli/reg_del/2021/2106/oj/eng
- Council of Ministers of the Republic of Bulgaria. (2020). *National Recovery and Resilience Plan of the Republic of Bulgaria*. Retrieved February 15, 2026, from <https://nextgeneration.bg/14>
- Council of Ministers of the Republic of Bulgaria. (2022, July 7). Decree No. 157 on determining the bodies and structures responsible for the implementation of the Recovery and Resilience Plan of the Republic of Bulgaria and their main functions. Promulgated in *State Gazette*, No. 54, July 12, 2022; as amended through *State Gazette*, No. 64, July 30, 2024, effective September 1, 2024.
- Council of Ministers of the Republic of Bulgaria. (2023, August 10). Ordinance on the administration of irregularities in European funds under shared management (adopted by Decree No. 111). Promulgated in *State Gazette*, No. 70, August 15, 2023; as amended through *State Gazette*, No. 100, November 26, 2024.
- Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities' financial interests. (1995). *Official Journal of the European Communities*, L 312, 1–4. Available at <http://data.europa.eu/eli/reg/1995/2988/oj>
- Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO'). (2017). *Official Journal of the European Union*, L 283, 1–71. Available at

- <http://data.europa.eu/eli/reg/2017/1939/oj>
- Corti, F., Nigohosyan, D., Pancotti, C., & Millard, S. (2023, December). *Study supporting the mid-term evaluation of the Recovery and Resilience Facility: Final report (F. No. 2 023 ECFIN 002/B)*. European Commission, Directorate-General for Economic and Financial Affairs. Available at https://cdn.ceps.eu/wp-content/uploads/2024/02/7fff9205-b77a-4a3f-ad85-8a4c88cb6503_en.pdf
- Criminal Code. (2006). Promulgated in *State Gazette*, No. 75 (in force from Oct 13, 2006), as amended. Retrieved February 10, 2026, from <https://justice.government.bg/home/normdoc/1589654529>
- Criminal Procedural Code. (2005). Promulgated in *State Gazette*, No. 86 (Oct 28, 2005) (in force from Apr 29, 2006), as amended. Retrieved February 10, 2026, from <https://www.lex.bg/laws/ldoc/2135512224>
- Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law. (2017). *Official Journal of the European Union*, L 198, 29–41. Available at <http://data.europa.eu/eli/dir/2017/1371/oj>
- Directive (EU) 2024/1260 of the European Parliament and of the Council of 24 April 2024 on asset recovery and confiscation. (2024). *Official Journal of the European Union*, L, 2024/1260. Available at <http://data.europa.eu/eli/dir/2024/1260/oj>
- European Commission. (n.d.). *Recovery plan for Europe*. Retrieved February 2, 2026, from https://commission.europa.eu/strategy-and-policy/recovery-plan-europe_en
- European Commission. (2024, February 21). *Strengthening the EU through ambitious reforms and investments (COM(2024) 82 final)*. Available at https://commission.europa.eu/document/download/f953f881-5a01-4040-804c-16be479ed3c4_en?file_name=COM_2024_82_1_EN_ACT_part1_v5.pdf
- European Council. (2020, July 21). *Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020): Conclusions (EUCO 10/20)*. Council of the European Union. Available at <https://www.consilium.europa.eu/media/45109/210720-euco-final-conclusions-en.pdf>
- European Court of Auditors. (2023a). *Special report 07/2023: Design of the Commission's control system for the RRF – Assurance and accountability gap remains at EU level in the new delivery model, despite extensive work being planned*. <https://doi.org/10.2865/11676>
- European Court of Auditors. (2023b). *Special report 26/2023: The Recovery and Resilience Facility's performance monitoring framework – Measuring implementation progress but not sufficient to capture performance*. <https://doi.org/10.2865/335071>

- European Court of Auditors. (2023c). *Annual reports concerning the financial year 2022*. Publications Office of the European Union. Available at https://www.eca.europa.eu/ECAPublications/AR-2022/AR-2022_EN.pdf
- European Court of Auditors. (2024a). *Special report 13/2024: 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*. <https://doi.org/10.2865/207321>
- European Court of Auditors. (2024b). *Special report 14/2024: Green transition – Unclear contribution from the Recovery and Resilience Facility*. <https://doi.org/10.2865/839303>
- European Court of Auditors. (2024c). *Special report 22/2024: Double funding from the EU budget – Control systems lack essential elements to mitigate the increased risk resulting from the RRF model of financing not linked to costs*. Publications Office of the European Union. <https://doi.org/10.2865/7319832>
- European Court of Auditors. (2025). *Review 02/2025: Performance-orientation, accountability and transparency – Lessons to be learned from the weaknesses of the RRF*. Publications Office of the European Union. <https://doi.org/10.2865/0944689>
- European Public Prosecutor's Office. (2024, January 19). *EPPO signs working arrangement with France's Treasury and Interministerial Anti-Fraud Coordination Mission*. Available at <https://www.eppo.europa.eu/en/media/news/eppo-signs-working-arrangement-frances-treasury-and-interministerial-anti-fraud>
- European Union. (2025, April 28). *Action brought on 10 February 2025 – European Public Prosecutor's Office v Court of Auditors (Case T-99/25) (C/2025/2403)*. *Official Journal of the European Union*, C/2025/2403. Available at <http://data.europa.eu/eli/C/2025/2403/oj>
- Fabbrini, F. (2025). The Recovery and Resilience Facility as a new legal technology of European governance. *Journal of European Integration*, 47 (1), 85–103.
- Hodson, D., & Howarth, D. (2024). The EU's Recovery and Resilience Facility: An exceptional borrowing instrument? *Journal of European Integration*, 46 (1), 69–87.
- Ladi, S., Tsarouhas, D., & Copeland, P. (2025). Negotiating the Recovery and Resilience Facility: The emergence of coordinative conditionality. *Comparative European Politics*, 23 (1), 18–39.
- Lilyanova, V. (2024). *Transparency in Recovery and Resilience Facility funding: An overview of the 100 largest recipients*. European Parliamentary Research Service. Retrieved February 15, 2026, from <https://coilink.org/20.500.12592/prr54mq>
- Martin, E. (2020, August 21). *Europe's 'historic' deal and the future of the EU*. GIS Reports.

Retrieved June 26, 2025, from <https://www.gisreportsonline.com/r/debt-mutualization/>

Ministry of Finance of the Republic of Bulgaria. (2024). *Management and control system of the National Recovery and Resilience Plan* (Version 2, September 2024). Retrieved July 8, 2025, from <https://www.minfin.bg/bg/1573>

Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility. (2021). *Official Journal of the European Union*, L 57, 17–75. Available at <https://eur-lex.europa.eu/eli/reg/2021/241/oj/eng>

Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 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. (2023). *Official Journal of the European Union*, L 63, 1–27. Available at <http://data.europa.eu/eli/reg/2023/435/oj>

Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999. (2013). *Official Journal of the European Union*, L 248, 1–22. Available at <https://eur-lex.europa.eu/eli/reg/2013/883/oj/eng>

Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast). (2024). *Official Journal of the European Union*, L, 2024/2509. Available at <https://eur-lex.europa.eu/eli/reg/2024/2509/oj/eng>

Aleksandar Sht. Shterionov is a PhD candidate at the Institute for the State and the Law, Bulgarian Academy of Science. ORCID 0009-0008-1877-4203, a.shterionov@outlook.com

How to cite this article:

Shterionov, A. Sht. (2025). Protecting the EU's Financial Interests under the Recovery and Resilience Facility: Practical Challenges and Risks. *Economic Thought Journal*, 71 (2), 275–299. <https://doi.org/10.56497/etj2671204>