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Talkin' bout a revolution? Institutional change in the EU Recovery and Resilience Facility: the case of climate policy

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Abstract

The European Union post-COVID-19 investment and reform programme, the Recovery and Resilience Facility (RRF), has been hailed as novel and ambitious, both as a fiscal instrument and as a lever for accelerating progress towards EU climate commitments. Yet, its design also exhibits strong path dependency, drawing on existing processes and commitments. Adapting theories of institutional change and models of hard/soft governance, we argue that the RRF is an example of significant yet gradual change – of evolution rather than revolution – taking place via layering and conversion of existing frameworks, and alteration of their logics of action. We show how the RRF repurposes the European Semester and track continuity and change in climate policy, a key priority area. Our findings suggest that the literature on institutional change should give greater consideration to the interplay between layering and conversion as a mechanism of gradual yet transformative evolution.

Keywords: Crisis; Climate Policy; European Union; Institutional change; Policy conversion; Policy layering; Recovery & Resilience Facility; Governance.

Introduction

Moments of crisis, where the pre-existing institutional order is destabilised while political actors vie to shape an exit, are often regarded as potential windows of opportunity or critical junctures for large scale institutional change (Gourevitch, 1986; Capoccia & Kelemen, 2007; Lipscy, 2020). It has often been argued that EU integration, in particular, advances through crises as the failure of existing institutional arrangements prompts new steps towards further integration, however incomplete (Jones et al., 2016). The EU's response to COVID-19 seemingly reflects this pattern, having set into motion a process of variegated institutional change (Schmidt, 2020).

At the core of the EU's response is the Recovery and Resilience Facility (RRF), a novel, albeit temporary, financial instrument. The RRF is part of NextGenerationEU (NGEU), an economic support package speedily adopted in July 2020. It enables the European Commission to raise funds on financial markets on behalf of the EU and make them available to support member states' responses to the pandemic. The RRF stands out, first, because of its unprecedented size (€724bn) which expands significantly the EU's spending capacity as defined in its Multiannual Financial Framework (MFF) and, second, because it consists not only of loans (€385.8bn) but also grants (€338bn), confronting the historical taboo about EU-level borrowing (Dimitrakopoulos & Lalis, 2021; Schelke 2021). With the objective of 'building back better', the RRF targets two of the von der Leyen Commission's priority areas by requiring that 37 percent of funds be allocated to climate-related spending (€268bn) and 20 percent to digital spending. The RRF entails significant, although time limited, transfers of powers to the EU, in the form of fiscal transfers to member states and the creation of own resources raised and administered by the Commission to support borrowing. Its governance is based on (apparently) strict conditionality. Access to funding is tied to policy objectives – spending targets – and stricter monitoring and enforcement by the Commission, with iterative disbursement linked to implementation progress.

The RRF has been hailed as transformative, with commentators identifying a window of opportunity skilfully exploited by policy entrepreneurs, chiefly the Commission, to advance a radical new governance framework as a response to COVID-19 (Armingeon et al., 2022; Dimitrakopoulos & Lalis, 2021; Ladi & Tsarouhas, 2020; Vesan et al., 2021). However, as the development and implementation of the RRF has progressed, important elements of continuity and path dependency have been identified (Bokhorst, 2022; D'Erman & Verdun, 2022; Vanhercke & Verdun, 2022). The RRF's planning and reporting mechanisms use the existing framework of the European Semester. In terms of content, the objectives of the national plans are to be aligned with pre-existing policies. Furthermore, whilst the RRF introduces seemingly novel conditionality to funding,[1] based on previous experience it remains to be seen if it will be enforced in practice. This raises the question of whether the RRF represents a case of gradual or radical institutional change.

This article bridges these understandings. Focusing on the design and early operation of the RRF, it addresses two research questions: (1) What kind of institutional change does the RRF represent? And (2) How and to what extent does it alter pre-existing institutional arrangements? Addressing these questions together is important because when incremental changes accumulate and alter the logic of action of the pre-existing structures, they can result in large-scale and even radical change (Streeck and Thelen, 2005). To conceptualise *the type of change* at play in the RRF, we draw on Mahoney and Thelen's typology (2010). To assess *to what extent* the RRF has reshaped pre-existing institutional arrangements, we use the literature on hard and soft governance (Abbott & Snidal, 2000; Saurugger & Terpan, 2021; Bekker, 2021), focusing on the degree of centralisation, obligation and enforcement introduced by the RFF. This body of literature is particularly well suited to capture the implications of the most salient element of the RRF – its use of conditionality in the disbursement of new funds – as well as less obvious changes via, for instance, reporting and monitoring. Together, they enable us to characterise the type and nature of institutional change introduced by the RRF.

Empirically, we analyse the RRF's design and operation during its first two years – 2021 and 2022. In addition to examining the overarching framework and processes, we focus on the case of climate policy within it (see appendix for further details on case selection). A priority of the recovery package, as illustrated by the 37 percent spending target, this case enables us to track how the RRF draws on and interacts with existing policy content, goals and instruments in a well-established and politically salient policy area. The empirical aspect draws on the systematic analysis of policy documents pertaining to the RRF itself, the European Semester as well as other relevant governance frameworks on which it builds (see appendix for more details). We complemented and triangulated the documentary analysis with 23 elite interviews with officials from the Commission, member states and non-governmental organisations (see appendix table 1).

The article makes three core contributions. Firstly, it extends the historical institutional analysis of the RRF, which identifies path-dependent logics in the utilisation of the Semester as the RRF's vehicle for implementation. We characterise the type of gradual change introduced by the RRF as *a combination* of layering, where rules are added to existing institutions, and conversion, where existing rules are modified and repurposed, highlighting their interplay as a core mechanism of change. Showing how the introduction of the RRF, as a new institutional layer, has (in most cases) hardened existing rules and governance frameworks enables us to assess its transformative effects. The second contribution

[1] Although conditionality is not novel per se, and has been used for enlargement, cohesion funds and Eurozone bailout programmes, it is new within the Semester.

is to move beyond the aggregate level that has dominated the existing literature and explore the concrete implications of the RRF for institutional change in a specific area: climate policy. A well-established policy area and a priority of the von der Leyen Commission as part of its 'Green Deal', climate policy represents an important case to assess the transformative effect of the RFF on pre-existing institutions. We find that while the RRF has contributed to hardening rules on climate spending, its transformative effect might be less evident in practice. Finally, the article's findings enlighten wider debates about European integration and institutional change. While layering has been much discussed as a mechanism of institutional change (van der Heijden, 2011), we draw attention to processes of conversion as a crucial yet often neglected source of institutional change in European governance, and highlight the interplay between layering and conversion, where new institutional layers are not only added to pre-existing institutional structures, but also transform them including through by hardening (or softening them). In turn, 'successful' conversion can be used as justification for further layering, as suggested by the grafting of the newly introduced 'REPowerEU' plans onto the RRF, as part of the effort to achieve energy independence from Russia.

The article first reviews the literature, focusing on how it has characterised the RRF. The second section presents our theoretical approach, combining theories of institutional change with a framework to assess the hardening/softening of governance. The empirical section is in two parts; we look first at the type of institutional change underway, before turning to the implications of this change for existing institutions and governance. The final section draws out the implications of our analysis for debates on the future of the RRF, European integration and institutional change more generally.

The RRF: from critical juncture to gradual change

The adoption of the NGEU and creation of the RRF are widely characterised as exceptional and significant. Reporting after the marathon European Council summit which secured the terms of the package in July 2020, media outlets framed the deal as 'groundbreaking' (Politico, 2020a), and a 'landmark agreement' (Financial Times, 2020). French President Macron praised a 'historic day for Europe' and then European Parliament President David Sassoli hailed an 'unprecedented agreement' (Politico, 2020b). It became popular to discuss whether the situation constituted the EU's 'Hamiltonian moment' (Kaletsky, 2020).[2] In the academic literature, the agreement on the NGEU and RRF are understood as 'a major breakthrough' (Pisani-Ferry, 2020), a 'sea change' (Creel et al., 2021) and 'a turning point' (Bokhorst, 2022). Fabbrini (2022, pp.186-87) describes a 'paradigm change'; an 'unprecedented transfer of fiscal power to the EU level' but also an accompanying transfer of political power which 'constitute[s] a watershed in the process of European integration'. The literature to date has analysed the role of national actors in influencing the design of the recovery package (Bekker, 2021b), the inter-institutional dynamics that have driven its adoption (Smeets & Beach, 2021; de la Porte & Dagnis Jensen, 2021; D'Erman & Verdun, 2022), the practical operation and rules of the RRF (Fabbrini, 2022; Pisani-Ferry, 2020), as well as the configuration of 'winners and losers' in the new, combined Semester and RRF (Vanhercke & Verdun, 2022).

[2] Though the analogy is not accurate as a genuine fiscal union would require a treaty change (Georgiou, 2022), it is illustrative of the significance of the decisions undertaken.

These assessments generally identify four particularly important innovations (D'Erman & Verdun, 2022). The first is the provision by which the EU will raise funds of its own on capital markets, breaking with member states' traditional reluctance here. Although the EU has borrowed on capital markets before, the scale and structure of the current provisions is unprecedented; the Commission will borrow up to €800 billion between 2021 and 2026 and, to repay loans, can generate its 'own resources' via new taxation instruments (Commission, 2021a). The creation of new EU resources, often considered a taboo for member states given the transfers of power they imply, represents a second major innovation. The third novelty is the inclusion of grants along with loans in the package. The former represent most of the funds; a significant shift from the approach taken in response to the sovereign debt crisis of 2009 to 2015 (Pisani-Ferry, 2020; Schelkle, 2021). Finally, the disbursement of the money is conditional upon the vetting of national plans for investments and reforms – the National Recovery and Resilience Plans (NRRPs) – by the Commission to ensure that they contribute to the overall objectives of the NGEU.

Despite the innovative nature of the RRF, the extent of its 'path dependence' has become clearer over time. Though characterising the provisions as novel, Schelkle (2021, p.51) acknowledges that they are '...incremental insofar [as] they are reversible'. The RRF is temporary, in place only until 2026. Its tax-and-spend provisions are explicitly linked to addressing the pandemic and its redistributive nature means that wealthier states will have an interest in revisiting its provisions (Schelkle, 2021, pp.51-52). As for the RRF's governance, Vanhercke and Verdun (2022) find that this is based on pre-existing structures, namely the European Semester. The Semester was chosen as the vehicle for implementing the RRF because it strikes 'a balance between providing sufficient constraints, while leaving considerable leeway to the member states' (Vanhercke & Verdun, 2022, p.208). They identify further elements of path dependency in the decision to repurpose the Semester, pointing to earlier discussions of a budgetary instrument for convergence and competitiveness (BICC), which normalised the idea of using funds from the EU budget for national investments and reforms, and pre-existing patterns of actor engagement under the Semester which have been fostered under the RRF.

The decision to manage the RRF via the Semester raises the potential for a fundamental change in the character of the latter, 'from being a non-binding structure for policy coordination to a vehicle for the allocation of a major economic impetus which is to have more teeth' (Vanhercke & Verdun, 2022, pp.217-218). The 'teeth' are provided by the conditionality implied in the RRF's requirement that member states demonstrate progress towards their Country Specific Recommendations (CSRs) – the main output of the Semester – to receive funds (see also Bekker, 2021b).[3] Closer scrutiny, however, raises questions about the assumed impact of such conditionality. The scale of the funding and the explicit policy linkage between the RRF and the CSRs have the potential, on paper, to harden the Semester and increase compliance (Schelkle, 2021, p.51; Nguyen & Redeker, 2022). Yet, although the RRF provides more 'implementation power to the Commission' (Bongardt & Torres, 2021, p.13), it is not clear that the latter has, in practice, the capacity to engage in rigorous scrutiny of the plans and monitoring of implementation (Vanhercke & Verdun, 2022, p.218). Given the need for rapid implementation, the Commission will likely be under intense pressure to approve disbursements and may lack the legitimacy to apply strict conditionality (Bokhorst, 2022, p.13). In short, as the RRF enters early-stage implementation, it is increasingly understood as a case of path-dependent, gradual

[3] The RRF Regulation requires explicitly that NRRPs take account of the CSRs (Article 18(4)(a)).

evolution. The potential of novel elements, such as conditionality, to transform more fundamentally the governing logic of the Semester depends on their implementation.

Theorising institutional change

Building on the insights of the most recent literature, we draw on theories of institutional change to assess *the type* of change at play with the RRF, and on models of hard and soft governance to explore the implications of these changes for *governing logics*, in both the overarching RFF and climate policy.

Types of institutional change

Historical Institutionalism (HI) is concerned with how existing decisions and institutions affect the choices available to policy-makers and the development of new institutions. It is built on two core conceptual pillars: critical junctures and path dependence (Pierson, 2000). Critical junctures represent the 'brief periods of institutional flux…during which more dramatic change [than that usually feasible] is possible' (Capoccia & Kelemen, 2007, p.341). In between these periods of flux, HI posits that institutional development is characterised by long periods of institutional stability, path dependence and gradual change.

Work in the HI tradition has shown, however, that small adjustments need not always be path dependent or conducive to inertia; instead, they can be 'cumulatively transformative' (Palier, 2005, p.130). Seeking to move away from work based on punctuated equilibria and stable orders, Streeck and Thelen (2005; also, Mahoney & Thelen, 2010) explore how small, incremental changes dramatically shape institutional structures and processes over time, thus shifting attention from short term events as historical break-points to longer term change.

Mahoney and Thelen (2010) identify four kinds of gradual institutional change: displacement, layering, drift and conversion, which can be identified by observing changes in existing and new rules or norms (see Table 1). They also identify four observable dynamics that determine the type of institutional change at play: the removal of old rules, the neglect of old rules, an intentional change to the impact or enactment of old rules, and the introduction of new rules.

Table 1: Types of gradual change

	Displacement	Layering	Drift	Conversion
Removal of old rules	Yes	No	No	No
Neglect of old rules	-	No	Yes	No
Changed impact/enactment of old rules	-	No	Yes	Yes
Introduction of new rules	Yes	Yes	No	No

Source: Mahoney and Thelen (2010, p.16).

Where existing rules are removed or neglected, institutional change is characterised as either displacement or drift. In displacement, new rules replace the old rules, whilst in cases of drift, the old rules are ignored, side-lined or not updated to account for developments in technology or policy environment; in both cases, the old rules become irrelevant. Where old rules remain relevant, the institutional change is either a case of layering or conversion. Layering occurs when new rules are added to existing ones. It involves 'active sponsorship of amendments, additions, or revisions to an existing set of institutions' that might later crowd-out the existing rules or structures (Streeck & Thelen, 2005, p.24). By contrast, in cases of conversion 'institutions are redirected to new goals, functions, or purposes' (Streeck & Thelen, 2005, p.26). New rules are not needed. Instead, old rules are enacted in new ways or their impact on behaviours change due to new policy conditions. Their inherent ambiguities are exploited towards new objectives or to serve new actors' interests.

In contrast to HI accounts that emphasise adaptation and continuity, Streeck and Thelen (2005, pp.8-9) posit that gradual changes can accumulate and slowly transform an institution, by altering its fundamental 'logic of action'. This can be understood as an institution's 'stable core', including its mode of governing and/or underpinning ideology. Examples include the introduction of private alongside public pension systems as embodying different logics, and the shift from centralised to decentralised healthcare systems (Faletti, 2009). In this article, we consider not only the type of change, but also its extent or intensity. A key innovation of the RRF is the large fiscal resources available and associated conditionality. To capture the alterations that such innovations entail in terms of 'logic of action', we draw on the literature on hard and soft governance.

Hardening and softening governance

There has been a recent growth in the literature that explores the 'hardening of soft governance' (Bekker, 2021a; 2021b; Bocquillon et al., 2020; Saurugger and Terpan, 2021), reflecting an observed 'blurring between hard and soft' forms of decision-making (Graziano and Halpern, 2016, p.5). This literature starts from the observation of a continuum running from non-legal norms (such as declarations), through soft-law (such as recommendations or guidelines), to hard-law (such as regulations and treaty provisions) (Saurugger and Terpan, 2021, p.4). An influential set of studies assesses the 'degree of hardness' observed based on three criteria: the extent of obligation that it puts upon actors, the degree of precision that it contains, and the extent to which authority is delegated to a third party (Abbott et al., 2000; Abbott & Snidal, 2000). Adapting these criteria, Terpan (2015), uses the strictness of enforcement, rather than the degree of precision, to assess EU soft law, whilst Knodt et al. (2020) retain precision but add the requirement to justify, mechanisms for blaming and shaming, and the strength of pressure from third party actors in their assessment of hardness.

Degrees of hardness are not fixed, however (Saurugger & Terpan, 2021). Building on existing models, and applying them specifically to the Semester as amended by the RRF, Bekker (2021b) develops an analytical framework for assessing hardening and softening trends, which we adapt here (Table 2). Crucially, this framework draws on de la Porte and Heins (2015) to incorporate the key innovation of post-euro crisis EU governance: conditionality.

Table 2: Assessing hardening and softening trends in the EU

Element	Indicators of softening	Indicators of hardening

Centralisation		More national actor involvement in drafting norm Strong fit with national priorities and structures	Less national actor involvement in drafting norm Weak fit with national priorities and structures
Obligation	Codification	Attached to a non-binding rule	Attached to a binding rule
	Precision	Vague description of expected conduct General standards of application and behaviour	Unambiguous rules explaining conduct Detailed conditions of application and proscribed behaviour
Enforcement	Oversight	Less frequent policy monitoring	More frequent policy monitoring
	Conditionality	Weaker ties with conditional funds	Stronger ties with conditional funds

Source: Adapted from Bekker (2021b, p.179).

Bekker (2021b) structures the assessment of hardening and softening around three core traits: centralisation, obligation and enforcement. Within the context of the EU's division of competences, provisions which give a larger role to national actors and priorities suggest decentralisation and a softening of EU involvement and influence. By contrast, highly centralised provisions, which reduce the role of national actors and impose EU level objectives suggest a hardening dynamic. Attaching a particular policy provision to a non-binding or binding rule will, respectively, soften or harden it. Describing a provision in vague terms or with generalised standards will soften it, whilst specifying in detail and thus reducing margin for discretion will harden the provision. Finally, enforcement is softened by the lower frequency of monitoring activities and weaker (or absent) mechanisms to redress infringements; and hardened by increased monitoring frequency and stronger corrective mechanisms that punish failure to comply (i.e. sanctions). Increased financial conditionality – i.e. adding requirements that must be satisfied in order for funds to be released – hardens the enforcement dimension of a policy provision; reducing conditionality softens it. We use this framework - applying it in a manual review of the policy documents and triangulating with interview data (see appendix) - to assess the implications of the changes introduced by the RRF and whether they constitute a shift or transformation in the logic of action, i.e. the hardness or softness of governance.

Gradual institutional change in the RRF: between layering and conversion

Repurposing the Semester

Designed to increase the EU's oversight of national economic and fiscal policy in the aftermath of the 2008 financial crisis, the Semester is an iterative policy process. Common EU priorities are identified (and published in the Annual Sustainable Growth Survey, ASGS), governments integrate these into national plans, known as the National Reform Programmes (NRPs), and the Commission evaluates the plans against their contribution to the priorities via ongoing monitoring and reporting, culminating in the adoption of Country Specific Recommendations (CSRs) by the EU. To support the implementation of the RRF, these existing structures have been repurposed (conversion) and several new rules[4] added (layering) (Table 3). The RRF sits underneath the Semester, in this sense, and is quite different in nature. Whereas the Semester provides broad priorities and steering, the RRF provides detailed and prescriptive direction. The RRF is the latest of several policy frameworks to be linked to the Semester's horizontal architecture (others include the structural and investment funds, and support from the European Central Bank) and, as such, its provisions are based on the Semester's priorities. The RRF outlines six policy pillars to guide member states' reform and investment plans, introduces 20 percent and 37 percent spending benchmarks for digital and climate respectively, creates a new RECOVER task force within the Commission to oversee both the RRF and the Semester, and provides for an 'emergency brake' - controlled by the Council - to delay funding disbursements if a member state feels that the Commission has been too lenient in its assessment of another state's progress. Each constitutes an example of a new layer of rules added onto those of the Semester.

In addition, existing rules have been converted. In the 2021 cycle, the ASGS, which launches the Semester each November, was published early and reoriented to provide strategic guidance for the drafting of the NRRPs, the one-off plans that outline how member states will spend their portion of the RRF funds (Commission, 2021d). The annual NRPs continue but now serve as one of the two annual reporting requirements for the RRF, in addition to their original reporting capacity within the Semester (Commission, 2022a). For the 2021 cycle, NRPs and NRRPs were combined and submitted together. From 2022, the Country Reports – published by the Commission to offer a more in-depth analysis – will include an assessment of weaknesses in the implementation of the NRRPs, flagging instances where these fail to address issues raised in the CSRs.

None of the changes have involved the removal of existing provisions and there is little evidence of their neglect (Table 1). The debt and deficit rules contained within the Stability and Growth Pact (SGP) have been temporarily suspended but their monitoring continues. The preventive and corrective arms of the SGP remain in place and though, as Vanhercke and Verdun (2022, p.212) note, some elements of the Semester were put 'on hold' to accommodate the RRF in 2021, this does not seem to be part of a strategic (in)action, so much as a pragmatic necessity. This is unsurprising given that the RRF is a distinct institution under the umbrella of the Semester and cannot displace it. It is possible that particular Semester rules will be dis- or re-placed as part of the ongoing revision of the economic governance framework; the outcomes of this are yet to be determined but 'a simple return to the pre-RRF Semester in 2026 can be virtually ruled out' (Nguyen & Redeker, 2022).

Climate policy within the RRF

Similar trends are seen in climate policy. The RRF does not displace existing climate objectives or rules but adds some new ones (layering) and repurposes multiple existing policies and instruments (conversion).

As specified in the RRF regulation, the objectives of the NRRPs are to be aligned with those of the Energy Union Governance Regulation (EUGR) and its National Energy and Climate Plans (NECPs) and be coherent with other pre-existing policies. Looking at headline climate targets, the RRF introduces

[4] Though the Semester is not a rules-based framework in the formal sense, we use this term (a) with a wider understanding, encapsulating norms, provisions and practices, and (b) to align with the literature and the framework outlined in table 2.

a new rule, in the form of a binding target for *national* spending on climate investments of 37 percent as part of the NRRP.[5] This builds on the pre-existing soft target to commit 30 percent of *Union* level expenditure in the MFF (previously 20 percent) to climate action (Rietig, 2021). Moreover, space has been created within the Semester to introduce new climate reforms. Whilst energy policy reforms have found a place in the Semester, particularly since 2020, climate reforms had not been systematically discussed (see Annex table 2). In including climate as a specific priority, the RRF has enabled related commitments in new areas, such as biodiversity, environmental taxation and public transport infrastructures (interviews 12, 13).[6]

By far the dominant dynamic of climate policy under the RRF, however, is conversion. Most interviewees confirm that a significant proportion of the climate-related investments and reforms proposed in the NRRPs are based on pre-existing plans and policies. This is largely explained by the speed at which the NRRPs were drafted:

> 'there are some very good things; things that would not have happened without the recovery plans. We have a couple of examples of this. But […] we don't see many of them. Actually, most of them are indeed continuity of what has been happening, or […] projects, which were just looking for [funds] for a long time [...] we're just using the opportunity of the recovery plans to support them' (interview 14).

NRRP reforms and investments were drawn from the Country Reports and CSRs,[7] preparations for the next MFF and Cohesion Fund provisions, as well as policy specific documents such as the NECPs (interviews 11, 12, 14, 15, 16, 18, 23). These were mined for inspiration and ideas, particularly as drafting was happening rapidly (interviews 15, 18). This drove member states 'to bring forward what could be brought forward' (interview 16). As an NGO interviewee highlighted,

> 'Member states had to come very quickly with proposals for a huge amount of money […] in general, governments put plans and projects that were already in the drawers […] which is logical because you cannot invent a brand new thing' (interview 12).

There is evidence (see appendix table 3) of policies being replicated across the Country Reports, the CSRs and the NRRPs. For instance, in the case of Malta, the 2020 Country Report describes detailed energy efficiency policies for buildings, which are then discussed in the CSR recital and in more general terms in a Recommendation, underpinning the inclusion in the NRRP of specific measures as part of an €78m budget request for RRF funding.

While the timeline required the utilisation of existing plans, time pressure was also useful for novel developments. In the words of an interviewee from a national representation: 'So we are moving fast…50% were in the pipeline… [and] 50% of new things […] This could be challenging, but I believe it also brings good things because they need to happen fast, they need to happen in the following three years' (interview 18). This estimation that about half of NRRP proposed investments and reforms proposed in their country's NRRP are pre-existing projects was also shared by another member state representative (interview 23). Such repurposing was facilitated by a provision in the RRF Regulation

[5] This equates to approximately €224 billion, significantly more than the €20 billion post-financial crisis spending on the European Energy Programme for Recovery (Quitzow et al, 2022).
[6] Table 4 in the appendix provides examples of illustrative quotes supporting the discussion in this empirical section of the paper.
[7] The RRF Regulation requires that NRRPs take account of the CSRs (Article 18(4)(a)).

back-dating eligibility to cover all projects adopted since 1 February 2021 (Regulation EU 2021/241, paragraph 32). It also reflects findings in other sectors, such as social policy, where 'the RRF has contributed to fasten-forward the implementation of welfare reforms and initiatives which would have [...] remained on the paper [sic]' (Corti & Vesan, 2023: 513).

The RRF has also converted some elements of the EUGR. Like the Semester, the EUGR has a bottom-up, recursive design where national plans – the NECPs – are drafted by member states, guided by EU headline targets, reviewed by the Commission, and revised based on those recommendations (Bocquillon et al., 2020). The NRRPs have, to varying extents, been informed by the NECPs. This was particularly the case where 'granularity' was required at short notice (interview 11). In some cases, such as Belgium and Cyprus, the 2020 NECPs are widely referred to in the 2020 Country Reports and 2020 CSRs and are also cited as a key source for NRRP policies in 2021 (appendix Table 3). For example, in Belgium, there is a strong focus on building stock renovation across the different plans (appendix Table 3), and the NRRP includes this as the largest spending item (€1bn out of a total of €6bn for reforms and investments) (Commission, 2021e). In Cyprus a recurrent referral is made to sustainable and green mobility, and in the NRRP it is a 'Key Measure' with €89m of €1.2bn total investment planned to target this (Commission, 2021f). In other cases, the NECPs have been used in a more rhetorical than substantive manner, owing in part to the broader pitch and, in some cases, the outdated nature of their provisions (interviews 11, 12, 13, 14).

The conversion of policies and instruments under the RRF was not unqualified. The Commission reviewed the NRRPs critically, forcing changes to provisions not deemed compatible with the climate objectives (interview 14) – such as the repurposing of coal and gas power plants in Bulgaria (interview 15), and projects on waste incineration and gas infrastructure promotion (interview 18) – on the basis of the 'do no significant harm' (DNSH) principle (see below). Whilst funding of previously planned projects was expected, under the additionality principle, which prohibits the use of RRF funds to cover costs that are addressed under other national or Union programmes, the Commission also rejected the inclusion of projects already funded by, for example, the Cohesion Funds (interview 12). However, driven by the speed required and the desire to maintain coherence between policy frameworks, the dominant trend has been one of conversion and repurposing.

Table 3: Institutional change in the RRF

	RRF	Climate
Examples of layering	- 6 policy pillars to guide plans - Minimum national spending targets - RECOVER task force	- Minimum national spending of 37 percent - New commitments on e.g., biodiversity, taxation and transport infrastructure within Semester
Examples of conversion	- Strategic guidance via ASGS - NRPs serve as RRF reporting channel - Country reports to assess NRRPs implementation	- Investments and reforms repurposed from CSRs, Country Reports, NECP and other documentation

Gradually hardening existing governance frameworks

Next, we turn to the question of whether the changes introduced by the RRF via layering and conversion of existing frameworks have altered their logic of action and amount to a hardening or softening of those frameworks. We focus on the evolution of centralisation, obligation and enforcement in the adapted Semester and climate policy.

Centralisation

Formally, the RRF Regulation gives national actors a stronger role in drafting the NRRPs than the Semester's NRPs or CSRs, not least because of time pressure. Plans should address a 'all or a significant subset of CSRs' (Article 18) and 'should be consistent with the relevant country-specific challenges and priorities identified in the context of the European Semester' as well as the NECPs (Article 17) but member states are not formally required to incorporate specific initiatives or recommendations (Regulation (EU) 2021/241 Article 18(4b)). This would seem to decentralise the drafting process – 'the thrust was on [member states'] side' (interview 11) – resulting in substantial variations in the form and content of national plans (interview 12).

However, in practice the picture is more nuanced, suggesting a higher degree of centralisation. The NRRPs were created in 'mutual dialogue', with extensive and intensive bilateral cooperation during the drafting process (Bekker, 2021b; interviews 15, 18). Interviewees point to a difference between reforms and investments (interviews 11, 12, 18). The Commission had extensive prior experience with reforms as part of the Semester, overseeing the drafting of Country Reports and CSRs. Consequently, they were able to steer the content of the NRRPs more directly; proposing specific reforms, milestones and targets, with pressure on member states to compromise to get their national plan approved (interview 18). In contrast, having previously lacked a significant fiscal capacity, the Commission was less experienced with guiding investments and the member states retained more control of these parts of the NRRPs. The speed at which they were expected to come up with many investment projects also meant the Commission had neither the expertise nor the capacity to get involved in the details of project selection, being confined to checking the 'project fiches' met the selection criteria and eligibility for funding, or asking for more concrete proposals (interviews 14, 15, 18, 23). This aligns with findings elsewhere in the recent literature, that 'the Commission mostly did not interfere with national priorities for investments' but played a greater role in steering reforms (Bokhorst & Corti, 2023, p.8).

In the RRF, leverage is linked to the scale of resources vis-à-vis national GDP. When countries did not rely heavily on the RFF or were already relatively ambitious on climate – such as Belgium, Denmark or the Netherlands, for instance – the influence of the Commission was reduced (interviews 11, 12, 13, 14). In contrast, for countries which were more heavily reliant on RFF funds, such as Bulgaria or Italy, the leverage was enhanced. Bulgaria's NRRP offers one such example of this influence. The Commission had reviewed Bulgaria's draft NECP (Bulgarian Government, 2020: p.68) in October 2020 and criticised the plan for its lack of coal phase-out plans including the conclusion that a revision 'will have to respect the principle of "do no harm"' (Commission, 2021c: p.3, p.20; interview 14). Bulgaria's NRRP ranks as one of the largest (after Croatia) as a share of grants in relation to gross domestic product (GDP), at 10.2 percent of its 2019 GDP (European Parliament, 2023; see appendix Figure 1). The leverage of the RRF's conditions and funding was considered significant (interview 14) in shaping a revised plan, in February 2021, which included a reference to phasing-out coal (Bulgarian Government, 2021a) and a plan for converting coal to gas power stations estimated to cost €244m, 70 percent funded by the RRF (Bulgarian Government, 2021b: Annex 13, p.4). The Commission forced further revisions to unlock RRF funding through the incorporation of a concrete coal-phase out date (of 2038) in the fourth iteration of the plan in October 2021 (WWF, 2021). This example illustrates how the RRF has been used by the Commission as an instrument for more intrusive intervention into national policy choice and, ultimately, transformative change even in the face of resistance. As a member state interviewee puts it, you see 'magical things happening…when you give money on this scale' (interview 16).

Obligation (codification and precision)

Codification

Compared to the Semester, the RRF is more codified. The RRF Regulation sets out guidance on how to write NRRPs; identifies six priorities which the plans must speak to; stipulates that plans should address recent CSRs; defines two specific spending targets; and provides detailed rules on the eligibility of investments in the NRRP (Bekker, 2021b: 181). This is especially the case for climate. In contrast to the looser EU climate spending target in the MFF, the 37 percent spending target in the RRF is enshrined in EU law and directly binding on member states. In addition to giving the Court of Justice of the EU a role in enforcement, this implies that the Commission is accountable to the Court of Auditors (ECA) if it fails in its oversight of the target, increasing pressure on member states (interview 11).

The headline target is also associated with a relatively detailed classification of climate spending (the so-called 'Annex 6' of the RRF Regulation), which reduces opportunities for 'greenwashing'. This 'methodology for climate tracking' includes a 9-page list of 143 different investments each categorised as making a partial or total (or no) contribution to climate adaptation or mitigation. For example, wind or solar investments are categorised as 'substantially' (100 percent) contributing. Member states are also obliged to present a 'qualitative explanation' for whether investment projects account for climate spending (RRF Regulation, Article 18). Investment and reforms must also comply with the DNSH Principle as defined in Article 17 of the 'Taxonomy Regulation' (Regulation (EU) 2020/852) - including the general prohibition of 'significantly harming' climate change mitigation. A Commission notice provides technical guidance on DNSH's application under the RRF, including a checklist to assess whether environmental objectives are met.

Precision

Overall, precision within the RRF has been enhanced. First, at a general level, the increased amount of data now at the Commission's disposal (from the Semester and other processes, such as the NECPs) has provided it with more knowledge of the situation within member states. This has enabled greater precision in the drafting of objectives in the NRRPs, facilitating implementation and enforcement (interview 11). With regards to the 'climate tracking' methodology, some interviewees suggest that it has also provided the Commission with a 'more precise, more detailed' way to assess climate investments and projects in the NRRPs (interview 11) and reduced subsequent tensions and negotiations with member states in assessing the plans (interview 13). Others though, especially from the green NGO sector, describe the categories as too broad to be fully effective in directing investments and avoiding greenwashing (interviews 12, 15). With regards to the DNSH Principle, it is generally seen as less precise and therefore more difficult to implement (interview 15).

Progress is also measured against a set of objectives that are more specific and often quantified. The milestones and targets negotiated between the member states and the Commission for the purpose of monitoring and for the disbursement of additional funds, are more numerous and precise than in pre-existing frameworks such as the Semester (interview 11). They enable the Commission to assess progress more closely at key steps of the implementation process.

Enforcement (monitoring and sanctions)

Monitoring

Because of the funding at stake, reporting is frequent with multiple disbursement points, and more detailed with the new milestones and targets (interviews 11, 22). Under the RRF, the Commission is empowered to adopt delegating acts setting out common indicators for use in reporting, monitoring and evaluation of progress towards the NRRPs' objectives, as well as the methodology for calculating these, and a new scoreboard of indicators to measure progress in implementing the NRRPs.[8] Emphasis is also put on national control systems that implement the Commission 'ambitious audit strategy' and governments will have to justify the continued appropriateness of these controls when submitting revised plans (Commission, 2023). Monitoring within the context of the Semester will now cover not only the CSRs but also the detailed NRRPs, giving the EU oversight of specific national reforms and, for the first time, investment portfolios. The new RECOVER Task Force in the SECGEN will, jointly with DG ECFIN, coordinate the monitoring of the NRRPs and an amended framework for assessing milestones and targets was published in February 2023 (European Commission, 2023: Annex 1).

This enhanced monitoring creates challenges in terms of member states' ability to rapidly deliver on their objectives and reporting requirements (interview 15). 'Administrative burden' has increased beyond initial expectations, limiting flexibility for states with comparatively small resource allocations (interviews 13, 16, 17), those with smaller administrative capacity (interviews 18, 19), and even for the Commission (interviews 21, 22, 23). As the stimulus is time limited, the Commission has been keen to try and avoid absorption capacity issues common with Cohesion funds, but this has proved challenging (interview 14).

Sanctions

The most visible change made by the RRF is the introduction of conditionality as a tool of enforcement. Whilst the literature has explored a continuum of leverage in the Semester, where states in receipt of EU funds experience something akin to conditionality in their CSRs (Baeten & Vanhercke, 2017; Bauer & Becker, 2014; Di Mascio et al., 2020), the RRF introduces this formally, making receipt of RRF funds conditional upon performance: namely, the achievement of milestones and targets within the NRRPs and progress towards the CSRs. The heated debates which shaped the final RRF reflected the polarised position of member states on conditionality. What is novel in the RRF is that implementation is staggered and the disbursement of loans and grants is conditional upon meeting milestones and targets. Failure to comply could potentially result in delayed disbursements or partial payments,

[8] Regulation (EU) 2021/241 of 12 February 2021 establishing the Recovery and Resilience Facility.

though at the end of 2022 member states were not clear how this would be interpreted and enforced (interviews 20, 21, 22).[9] This represents a partial hardening, at least in principle, but the willingness of the Commission to flex its muscles by proposing to withhold (climate) funds remains to be seen. A new methodology for payment suspensions, published in February 2023, seeks to impose uniformity on these decisions but also indicates that flexibility around unavoidable implementation delays will be exercised (Commission, 2023). Two factors which may serve to force the Commission's hand in sanctioning are the Council's role - via the Economic and Financial Committee - in applying the 'emergency brake', and the ECA's oversight of the Commission's implementation of the RRF.

Concerning climate policy, a plan that does not reach the 37 percent target, as assessed by the Commission, 'will not be accepted' (Commission, 2021b). The Commission already had extensive opportunities to monitor progress towards energy and climate objectives as part of the NECP process and various (associated) provisions enshrined in energy and climate legislation; yet budgetary provisions remained limited. With the RRF, a high level of monitoring and the possibility of sanctions help with tracking NRRPs' implementation, ensure their climate integrity, and strengthen enforcement. Indeed, all member states have met, or exceeded, the 37 percent threshold, with 40 percent of the plans allocated to climate on average with several member states over 50 percent (Commission, 2022b). An interviewee from the Commission describes a sense that the ECA is 'on our neck' and this has translated into NRRPs that observe the target and, in some instances, go beyond it 'to be safe' (interview 11). In practice, however, the stringency and accuracy of the tracking methodology remains contested. There may also be some remaining discretion due to the Commission's limited monitoring capacity, especially for investments at the project level, and the overriding objective to demonstrate that the RRF is a 'success'. As an interviewee puts it: 'the Commission will not be looking at all of the individual projects… one of the goals of the Commission here is to show that the recovery is working and the money is being spent […] to show that this instrument is working' (interview 14).

Table 4: Hardening and softening under the RRF

	RRF	Climate
Centralisation	- **Softening** of national plans' creation - **Softening** of national plans' implementation/revision	- **No change.** Less (formal) involvement of Commission in drafting of NRRPs, but run alongside continued NECPs
Obligation - Codification	- **No change**	- **Hardening** through codification of 37 percent target
Obligation - Precision	- **Hardening** through CSRs and NRRPs	- **Hardening** through application of Annex 6 & DNSH principle to planned investments
Enforcement - Stringency of monitoring	- **Hardening -** Common indicators for use in reporting, monitoring	- **Hardening** – Greater inclusion in the semester for reforms

[9] The Commission has the power to formally suspend or terminate all or part of the payment (Article 24, RRF Regulation); the Council, at the request of one or more member states, has the power to delay disbursement decisions (Recital 52, RRF Regulation).

	and evaluation of progress - **Hardening** - Oversight of specific national reform and investment portfolios	- **Hardening** - Monitoring of project implementation via 'project fiches, milestones and targets
Enforcement - Sanctioning	- **Hardening** in theory, in conditionality of RRF funds - Potentially **limited hardening** in practice - sanctions rare within Semester historically	- **Hardening** in theory - Plans can be rejected & disbursements of funding can be partial. But will the Commission flex its muscles in practice?

Conclusion

While crises often appear initially as moments of radical change, a longer view can reveal a more nuanced picture. Hailed by many as an institutional revolution at its inception, the RRF – the centrepiece of the EU's economic response to COVID-19 – increasingly appears as an evolution of the EU's economic governance rather than its revolution. It displays elements of continuity and change both at the framework level and in the specific policy area of climate.

Drawing on theories of institutional change, this paper advances the academic debate on the novelty of the RRF. It argues that the RRF is best understood as an instance of gradual yet transformative change. Looking at the *type of institutional change* at play, we identify a mix of layering and conversion. The RRF has not displaced existing processes of economic governance such as the SGP or European Semester, nor has it replaced the well-established body of existing climate policy objectives and instruments. Rather, it has been temporarily added onto them and partially transformed them. In the case of climate, stimulated by the RRF, the Semester now includes more – and more precise – references to energy and climate projects and reforms. While the NECPs remain unchanged, their revisions from 2023 will now integrate RRF funding and projects. Looking more closely at the *nature of institutional change,* the RRF has hardened existing processes and instruments, through the carrot of new funding and the stick of conditionality. As part of the Semester process, the RRF has increased the codification and precision of obligations included in national recovery plans, and strengthened monitoring and sanctions for non-compliance. However, past experience with the SGP and Semester, and evidence from the early phases of the RRF, suggests that, in practice, conditionality might not be as stringent as expected and hardening more limited. The funding available has also accelerated the implementation of pre-existing climate and clean energy projects and objectives, even though speed and capacity issues have meant a mixed record in terms of the projects' novelty and climate integrity. Emerging evidence from other policy areas such as social policy (e.g. Corti & Vesan 2023) suggests that these dynamics may not be limited to the climate case and could be widespread across other policy areas. Systematic comparative analysis across policy areas thus represents a promising avenue for further research.

The RRF itself is now evolving in the context of Russia's invasion of Ukraine and associated energy crisis. In May 2022, with the aim of rapidly phasing-out EU dependence on Russian fossil fuels, the Commission published the REPowerEU Plan, a proposal amending the RRF Regulation to include an extra €72.3bn of financing to support member states in fostering energy independence. Governments are encouraged to amend their NRRPs by adding a chapter of relevant reforms and investments, subject to the same monitoring arrangements as other RRF measures, under the existing Semester framework. This initiative extends the RRF by adding a new layer onto it, thus solidifying its role as a central EU economic investment and reform framework. It also triggers further conversion, expanding the RRF to energy security and creating potential tensions with climate commitments, when achieving energy independence is framed as a justification for the development of fossil fuel infrastructures.

While the RRF was originally designed as a temporary crisis response mechanism, it may therefore have initiated a gradual process of transformative change of EU economic and sectoral governance frameworks. The Eurozone crisis precedent suggests that it is not uncommon in EU integration for temporary institutions to endure and shape further institutional developments (Gocaj & Meunier, 2013; Schwarzer, 2012; Verdun, 2015). While we find that the operation of the RRF suggests it may not be as radical a break as it first appeared, our analysis also highlights its transformational potential, as it alters existing institutions which it builds on. This finding offers insights for other cases of integration through crisis, which would deserve further investigation.

The case of the RRF also sheds light on a neglected dimension of institutional change in the EU and beyond: the interplay between mechanisms of layering and conversion. Whilst the existing literature has tended to focus processes of layering (Van der Heijden, 2011; Van der Heijden, J., & Kuhlmann, 2017), we suggest that conversion - a ‘hidden face’ of institutional change (Hacker et al. 2015) - is an equally important yet neglected mechanism of change (see also Thatcher and Coen, 2008). Although it can be tempting to look at different mechanisms or types of change in isolation or separately from one another, we find that their interplay (or ‘sequencing’, see Van der Heijden and Kuhlmann 2017, p. 544-5), is equally important. In the case of the RRF layering has fueled conversion, in turn calling for further layering. Moving beyond static typologies, our analysis therefore calls for more attention to, and a better understanding of how the two mechanisms interact in shaping gradual yet transformative institutional change.

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Talkin’ bout a revolution? Institutional change in the EU Recovery and Resilience Facility: the case of climate policy

Abstract

The European Union post-COVID-19 investment and reform programme, the Recovery and Resilience Facility (RRF), has been hailed as novel and ambitious, both as a fiscal instrument and as a lever for accelerating progress towards EU climate commitments. Yet, its design also exhibits strong path dependency, as ~~T~~the RRF ~~does not create a new governance framework; instead, it~~ draws on existing processes and commitments. Adapting theories of institutional change and models of hard/soft governance, we argue that the RRF is an example of significant yet gradual change – of evolution rather than revolution – taking place via layering and conversion of existing frameworks, and ~~gradual~~incremental alteration of their logics of action. ~~Using a nested case-study design,~~ We show how the RRF repurposes the European semester; and track continuity and change in climate policy, a key priority area. Our findings suggest that the literature on institutional change should give greater consideration to the interplay between layering and conversion as a mechanism of gradual yet transformative evolution.

Keywords: Crisis; Climate Policy; European Union; Institutional change; Policy conversion; Policy layering; Recovery & Resilience Facility; Governance.

Introduction

Moments of crisis, where the pre-existing institutional order is destabilised while political actors vie to shape an exit, are often regarded as potential windows of opportunity or critical junctures for large scale institutional change (Gourevitch, 1986; Capoccia and Kelemen, 2007~~; Germain, 2009~~; Lipscy, 2020). It has often been argued that EU integration, in particular, advances through crises as the failure of existing institutional arrangements prompts new steps towards further integration, however incomplete (Jones et al, 2016). The EU’s response to COVID-19 seemingly reflects this pattern, having set into motion a process of variegated institutional change (Schmidt, 2020).

At the core of the EU’s response is the Recovery and Resilience Facility (RRF), a novel, albeit temporary, financial instrument. The RRF is part of NextGenerationEU (NGEU), an economic support package speedily adopted in July 2020. It enables the European Commission to raise funds on financial markets on behalf of the EU and make them available to support member states’ responses to the pandemic. The RRF stands out, first, because of its unprecedented size (€724bn) which expands significantly the EU’s spending capacity as defined in its Multiannual Financial Framework (MFF) and, second, because it consists not only of loans (€385.8bn) but also grants (€338bn), ~~which~~ confronting~~s~~ the historical taboo about EU-level borrowing ~~joint-incurred EU debt (or ‘Eurobonds’ as described during the Eurozone crisis)~~ (Dimitrakopoulos and Lalis, 2021; Schelke 2021). With the objective of ‘building back better’, the RRF targets two priority areas for the von der Leyen Commission by requiring that 37 percent of funds be allocated to climate-related spending (€268bn) and 20 percent to digital spending. The RRF entails significant, although time limited, transfers of powers to the EU, in the form of fiscal transfers to member states and the creation of own resources raised and administered by the

Commission to support ~~joint~~ borrowing. Its governance is based on (apparently) strict conditionality. Access to funding is tied to policy objectives – spending targets – and stricter monitoring and enforcement by the Commission, with iterative disbursement linked to implementation progress.

The RRF has been hailed as transformative, with commentators identifying a window of opportunity skilfully exploited by policy entrepreneurs, chiefly the Commission, to advance a radical new governance framework as a response to COVID-19 (Armingeon et al., 2022; Dimitrakopoulos and Lalis, 2021; Ladi and Tsarouhas, 2020; Vesan et al., 2021~~; Wolff and Ladi, 2020~~). However, as the development and implementation of the RRF has progressed, important elements of continuity and path dependency have been identified (Bokhorst, 2022; D'Erman and Verdun, 2022; Vanhercke and Verdun, 2022). The RRF's planning and reporting mechanisms use the existing framework of the European Semester. In terms of content, the objectives of the national plans are to be aligned with pre-existing policies. Furthermore, whilst the RRF introduces seemingly novel conditionality to funding,[1] based on previous experience it remains to be seen if it will be enforced in practice. This raises the question of whether the RRF represents a case of gradual~~incremental~~ or radical institutional change.

This article bridges these understandings. Focusing on the design and operation~~first stages of the implementation~~ of the RRF, it addresses two research questions: (1) What kind of institutional change does the RRF represent? And (2) How and to what extent does it alter pre-existing institutional arrangements? Addressing these questions together is important because when incremental changes accumulate and alter the logic of action of the pre-existing structures, they can result in large-scale and even radical change (Streeck and Thelen, 2005). To conceptualise *the type of change* at play in the RRF, we draw on Mahoney and Thelen's typology (2010). To assess to what extent~~how, if at all,~~ the RRF has reshaped pre-existing institutional arrangements, we use the literature on hard and soft governance (Abbott & Snidal, 2000; Saurugger and Terpan, 2021; Bekker, 2021), focusing on the degree of centralisation, obligation and enforcement introduced by the RFF. This body of literature is particularly well suited to~~suited enables us to~~ capture finely the implications of the most salient element of the RRF – its use of seemingly novel conditionality in the disbursement of new funds – as well as less obvious changes via, for instance, reporting and monitoring. Together, they enable us to characterise the type and nature of institutional change introduced by the RRF.

Empirically, we analyse the RRF's design and operation ~~implementation~~ during its first two years – 2021 and 2022~~ – utilising a nested case study design~~. In addition to examining its~~the~~ overarching ~~RRF's~~ framework and processes, we focus on the case of climate policy within it (see Annex for further details on case selection). A priority of the recovery package, as illustrated by the 37 percent spending target, this case enables us to track how the RRF draws on and interacts with existing policy content, goals and instruments in a well-established and politically salient policy area. The empirical analysis draws on the systematic analysis of policy documents pertaining to the RRF itself, the European Semester as well as other relevant governance frameworks which it builds on (see appendix for more details). We complemented and triangulated the documentary analysis with 23 elite interviews with officials from the Commission, member states and non-governmental organisations (see Annex table 1).

[1] Although conditionality is not novel per se, and has been used for enlargement, cohesion funds and Eurozone bailout programmes, it is new within the Semester.

The article makes three core contributions. Firstly, it extends the historical institutional analysis of the RRF, which identifies path-dependent logics in the utilisation of the Semester as the RRF's vehicle for implementation. We characterise the type of gradual~~incremental~~ change introduced by the RRF as *a combination* of layering, where rules are added to existing institutions, and conversion, where existing rules are modified and repurposed, highlighting their interplay as a core mechanism of change. Showing how the introduction of the RRF, as a new institutional layer, has~~and its practical implementation have~~ hardened – in most cases — existing rules and governance frameworks through its operation, enables us to assess its transformative effects. The second contribution is to move beyond the aggregate level that has dominated the existing literature and explore the concrete implications of the RRF for institutional change in a specific area: climate policy. A well-established policy area and a priority of the von der Leyen Commission as part of its 'Green Deal', climate policy represents an important ~~crucial~~ case to assess the transformative effect of the RFF on pre-existing institutions. We find that ~~W~~while the RRF has contributed to hardening rules on climate spending, its transformative effect might be less evident in practice. Finally, the article's findings enlighten wider debates about European integration and institutional change. While layering has been much discussed as a mechanism of institutional change (van der Heijden 2011), ~~It~~we draw~~s~~ attention to processes of conversion as a crucial yet often neglected source of institutional change in European governance, and highlight~~s~~ the interplay between layering and conversion, where new institutional layers are not only added to pre-existing institutional structures, but also transform them including through by hardening (or softening them). In turn, 'successful' conversion can be used as justification for further layering, as suggested by the grafting of the newly introduced 'REPowerEU' plans onto the RRF, as part of the effort to achieve energy independence from Russia.

The article first reviews the literature, focusing on how it has characterised the RRF. The second section presents our theoretical approach, combining theories of institutional change with a framework to assess the hardening/softening of institutions and governance. The empirical section is in two parts; we look first at the type of institutional change underway, before turning to the implications of this change for existing institutions and governance ~~logics~~. The final section draws out the implications of our analysis for debates on the future of the RRF, European integration and institutional change more generally.

The RRF: from critical juncture to gradual change

The adoption of the NGEU and creation of the RRF are widely characterised as exceptional and significant. Reporting after the marathon European Council summit which secured the terms of the package in July 2020, media outlets framed the deal as 'groundbreaking' (Politico, 2020a), and a 'landmark agreement' (Financial Times, 2020). French President Macron praised a 'historic day for Europe' and then European Parliament President David Sassoli hailed an 'unprecedented agreement' (Politico, 2020b). It became popular to discuss whether the situation constituted the EU's 'Hamiltonian moment' (Kaletsky, 2020).[2] In the academic literature, the agreement on the NGEU and RRF are understood as 'a major breakthrough' (Pisani-Ferry, 2020), a 'sea change' (Creel et al., 2021) and 'a turning point' (Bokhorst, 2022). Fabbrini (2022, pp.186-87) describes a 'paradigm change'; an 'unprecedented transfer of fiscal power to the EU level' but also an accompanying transfer of political

[2] Though the analogy is not accurate as a genuine fiscal union would require a treaty change (Georgiou, 2022), it is illustrative of the significance of the decisions undertaken.

power which 'constitute[s] a watershed in the process of European integration'. The literature to date has analysed the role of national actors in influencing the design of the recovery package (Bekker, 2021b), the inter-institutional dynamics that have driven its adoption (Smeets and Beach, 2021; de la Porte and Dagnis Jensen, 2021; D'Erman and Verdun, 2022), the practical operation and rules of the RRF (Fabbrini, 2022; Pisani-Ferry, 2020), as well as the configuration of 'winners and losers' in the new, combined Semester and RRF (Vanhercke and Verdun, 2022).

These assessments generally identify four particularly important innovations (D'Erman and Verdun, 2022). The first is the provision by which the EU will raise funds of its own on capital markets, breaking with member states' traditional reluctance here~~to permit joint EU borrowing~~. Although the EU has borrowed on capital markets before, the scale and structure of the current provisions is unprecedented; the Commission will borrow up to €800 billion between 2021 and 2026 and, to repay loans, can generate its 'own resources' via new taxation instruments (European Commission, 2021a). The creation of new EU resources, often considered a taboo for member states given the transfers of power they imply, represents a second major innovation. The third novelty is the inclusion of grants along with loans in the package. The former represent most of the funds; a significant shift from the approach taken in response to the sovereign debt crisis of 2009 to 2015 (Pisani-Ferry, 2020; Schelkle, 2021). Finally, the disbursement of the money is conditional upon the vetting of national plans for investments and reforms – the National Recovery and Resilience Plans (NRRPs) – by the Commission to ensure that they contribute to the overall objectives of the NGEU.

Despite the innovative nature of the RRF, the extent of its 'path dependence' has become clearer over time~~as implementation progresses~~. Though characterising the provisions as novel, Schelkle (2021, p.51) acknowledges that they are '...incremental insofar [as] they are reversible'. The RRF is temporary, in place only until 2026. Its tax-and-spend provisions are explicitly linked to addressing the pandemic and its redistributive nature means that wealthier states will have an interest in revisiting its provisions (Schelkle, 2021, pp.51-52). As for the RRF's governance, Vanhercke and Verdun (2022) find that this is based on pre-existing structures, namely the European Semester. The Semester was chosen as the vehicle for implementing the RRF because it strikes 'a balance between providing sufficient constraints, while leaving considerable leeway to the member states' (Vanhercke and Verdun, 2022, p.208). They identify further elements of path dependency in the decision to repurpose the Semester, pointing to earlier discussions of a budgetary instrument for convergence and competitiveness (BICC), which normalised the idea of using funds from the EU budget for national investments and reforms, and pre-existing patterns of actor engagement under the Semester which have been fostered under the RRF.

The decision to manage the RRF via the Semester raises the potential for a fundamental change in the character of the latter, 'from being a non-binding structure for policy coordination to a vehicle for the allocation of a major economic impetus which is to have more teeth' (Vanhercke and Verdun, 2022, pp.217-218). The 'teeth' are provided by the conditionality implied in the RRF's requirement that member states demonstrate progress towards their Country Specific Recommendations (CSRs) – the main output of the Semester – to receive funds (see also Bekker, 2021b).[3] Closer scrutiny, however, raises questions about the assumed impact of such conditionality. The scale of the funding and the explicit policy linkage between the RRF and the CSRs have the potential, on paper, to harden the Semester and increase compliance (Schelkle, 2021, p.51; Nguyen and Redeker, 2022). Yet, although

[3] The RRF Regulation requires explicitly that NRRPs take account of the CSRs (Article 18(4)(a)).

the RRF provides more 'implementation power to the Commission' (Bongardt and Torres, 2021, p.13), it is not clear that the latter has, in practice, the capacity to engage in rigorous scrutiny of the plans and monitoring of implementation (Vanhercke and Verdun, 2022, p.218). Given the need for rapid implementation, the Commission will likely be under intense pressure to approve disbursements and may lack the legitimacy to apply strict conditionality (Bokhorst, 2022, p.13). In short, as the RRF enters early-stage implementation, it is increasingly understood as a case of path-dependent, gradual~~incremental~~ evolution. The potential of novel elements, such as conditionality, to transform~~alter~~ more fundamentally the governing logic of the Semester depends on their implementation.

Theorising institutional change

Building on the insights of the most recent literature, we draw on theories of institutional change to assess *the type* of change at play with the RRF, and on models of hard and soft governance to explore the implications of these changes for *governing logics*, in both the overarching RFF and climate policy.

Types of institutional change

Historical Institutionalism (HI) is concerned with how existing decisions and institutions affect the choices available to policy-makers and the development of new institutions. It is built on two core conceptual pillars: critical junctures and path dependence (Pierson, 2000). Critical junctures represent the 'brief periods of institutional flux…during which more dramatic change [than that usually feasible] is possible' (Capoccia and Kelemen, 2007, p.341). In between these periods of flux, HI posits that institutional development is characterised by long periods of institutional stability, path dependence and gradual~~incremental~~ change.

Work in the HI tradition has shown, however, that small adjustments need not always be path dependent or conducive to inertia; instead, they can be 'cumulatively transformative' (Palier, 2005, p.130). Seeking to move away from work based on punctuated equilibria and stable orders, Streeck and Thelen (2005; also, Mahoney and Thelen, 2010) explore how small, incremental changes dramatically shape institutional structures and processes over time, thus shifting attention from short term events as historical break-points to longer term change.

Mahoney and Thelen (2010) identify four kinds of gradual~~incremental~~ institutional change: displacement, layering, drift and conversion, which can be identified by observing changes in existing and new rules or norms (see Table 1). They also identify four observable dynamics that determine the type of institutional change at play: the removal of old rules, the neglect of old rules, an intentional change to the impact or enactment of old rules, and the introduction of new rules.

Table 1: Types of gradual change

	Displacement	Layering	Drift	Conversion
Removal of old rules	Yes	No	No	No

Neglect of old rules	-	No	Yes	No
Changed impact/enactment of old rules	-	No	Yes	Yes
Introduction of new rules	Yes	Yes	No	No

Source: Mahoney and Thelen (2010, p.16).

Where existing rules are removed or neglected, institutional change is characterised as either displacement or drift. In displacement, new rules replace the old rules, whilst in cases of drift, the old rules are ignored, side-lined or not updated to account for developments in technology or policy environment; in both cases, the old rules become irrelevant. Where old rules remain relevant, the institutional change is either a case of layering or conversion. Layering occurs when new rules are added to existing ones. It involves 'active sponsorship of amendments, additions, or revisions to an existing set of institutions' that might later crowd-out the existing rules or structures (Streeck and Thelen, 2005, p.24). By contrast, in cases of conversion 'institutions are redirected to new goals, functions, or purposes' (Streeck and Thelen, 2005, p.26). New rules are not needed. Instead, old rules are enacted in new ways or their impact on behaviours change due to new policy conditions. Their inherent~~ and~~ ambiguities are exploited towards new objectives or to serve new actors' interests.

In contrast to HI accounts that emphasise adaptation and continuity, Streeck and Thelen (2005, pp.8-9) posit that gradual~~incremental~~ changes can accumulate and slowly~~gradually~~ transform an institution, by altering its fundamental 'logic of action'. This can be understood as an institution's 'stable core', including its mode of governing and/or underpinning ideology. Examples include the introduction of private alongside public pension systems as embodying different logics, and the shift from centralised to decentralised healthcare systems (Faletti, 2009). In this article, we consider not only the type of change, but also~~conceptualise~~ its~~the~~ extent or intensity~~in the fundamental 'logic of action' of the Semester and RRF~~. A key innovation of the RRF is the large fiscal resources available and associated conditionality. To capture the alterations such innovations entail in terms of ~~fundamental~~ 'logic of action', ~~notably through the large fiscal resources available and their associated conditionality –~~we draw on the literature on hard and soft governance~~in relation to modes of governance, focusing on the hard~~ening~~ness or soft~~ening~~ness of~~ existing modes of governance and institutions~~specific policy provisions~~.

Hardening and softening governance

There has been a recent growth in the literature that explores the 'hardening of soft governance' (Bekker, 2021a; 2021b; Bocquillon et al., 2020;~~ Knodt and Schoenefeld, 2020;~~ Saurugger and Terpan, 2021), reflecting an observed 'blurring between hard and soft' forms of decision-making (Graziano and Halpern, 2016, p.5). This literature starts from the observation of a continuum running from non-legal norms (such as declarations), through soft-law (such as recommendations or guidelines), to hard-law (such as regulations and treaty provisions) (Saurugger and Terpan, 2021, p.4). An influential set of studies assesses the 'degree of hardness' observed based on three criteria: the extent of obligation that it puts upon actors, the degree of precision that it contains, and the extent to which authority is delegated to a third party (~~Abbott et al., 2000; ~~Abbott and Snidal, 2000). Adapting these criteria, Terpan (2015), uses the strictness of enforcement, rather than the degree of precision, to assess EU soft law, whilst Knodt et al. (2020) retain precision but add the requirement to justify, mechanisms for blaming and shaming, and the strength of pressure from third party actors in their assessment of hardness.

Degrees of hardness are not fixed, however (Saurugger and Terpan, 2021). Building on existing models, and applying them specifically to the Semester as amended by the RRF, Bekker (2021b) develops an analytical framework for assessing hardening and softening trends, which we adapt here (Table 2). Crucially, this framework draws on de la Porte and Heins (2015) to incorporate the key innovation of post-euro crisis EU governance: conditionality.

Table 2: Assessing hardening and softening trends in the EU

Element		**Indicators of softening**	**Indicators of hardening**
Centralisation		More national actor involvement in drafting norm Strong fit with national priorities and structures	Less national actor involvement in drafting norm Weak fit with national priorities and structures
Obligation	Codification	Attached to a non-binding rule	Attached to a binding rule
	Precision	Vague description of expected conduct General standards of application and behaviour	Unambiguous rules explaining conduct Detailed conditions of application and proscribed behaviour
Enforcement	Oversight	Less frequent policy monitoring	More frequent policy monitoring
	Conditionality	Weaker ties with conditional funds	Stronger ties with conditional funds

Source: Adapted from Bekker (2021b, p.179).

Bekker (2021b) structures the assessment of hardening and softening around three core traits: centralisation, obligation and enforcement. Within the context of the EU's division of competences, provisions which give a larger role to national actors and priorities suggest decentralisation and a softening of EU involvement and influence. By contrast, highly centralised provisions, which reduce the role of national actors and impose EU level objectives suggest a hardening dynamic. Attaching a particular policy provision to a non-binding or binding rule will, respectively, soften or harden it. Describing a provision in vague terms or with generalised standards will soften it, whilst specifying in detail and thus reducing margin for discretion will harden the provision. Finally, enforcement is softened by the lower frequency of monitoring activities and weaker (or absent) mechanisms to redress infringements; and hardened by increased monitoring frequency and stronger corrective mechanisms that punish failure to comply (i.e. sanctions). Increased financial conditionality – i.e. adding requirements that must be satisfied in order for funds to be released – hardens the enforcement dimension of a policy provision; reducing conditionality softens it. We use this framework - applying it in a manual review of the policy documents and triangulating with interview data (see online appendix) - to assess the implications of the ~~incremental~~ changes introduced by the RRF and whether they constitute a shift or transformation in the logic of action – i.e. the hardness or softness of governance.

Gradual institutional change in the RRF: between layering and conversion

Repurposing the Semester

Designed to increase the EU's oversight of national economic and fiscal policy in the aftermath of the 2008 financial crisis, the Semester is ~~based on~~ an iterative policy process. Common EU priorities are identified (and published in the Annual Sustainable Growth Survey, ASGS), governments integrate these into national plans, known as the National Reform Programmes (NRPs), and the Commission evaluates the plans against their contribution to the priorities via ongoing monitoring and reporting, culminating in the adoption of Country Specific Recommendations (CSRs) by the EU. To support the implementation of the RRF, these existing structures have been repurposed (conversion) and several new rules[4] added (layering) (Table 3). The RRF sits underneath the Semester, in this sense, and is quite different in nature. Whereas the Semester provides broad priorities and steering, the RRF provides detailed and descriptive direction. The RRF is the latest of several policy frameworks to be linked to the Semester's horizontal architecture (others include the structural and investment funds, and support from the European Central Bank) and, as such, its provisions are based on the Semester's priorities. ~~RRF~~ The RRF outlines six policy pillars to guide member states' reform and investment plans, introduces 20 percent and 37 percent spending benchmarks for digital and climate respectively, creates a new RECOVER task force within the Commission to oversee both the RRF and the Semester, and provides for an 'emergency brake' - controlled by the Council - to delay funding disbursements if a member state feels that the Commission has been too lenient in its assessment of another state's progress~~does not fulfil its commitments~~. Each constitutes an example of a new layer of rules added onto those of the Semester.

In addition, existing rules have been converted. In the 2021 cycle, t~~T~~he ASGS, which launches the Semester each November, was published early and reoriented to provide strategic guidance for the drafting of the NRRPs, the one-off plans that outline how member states will spend their portion of the RRF funds (European Commission, 2021d). The annual NRPs ~~will~~ continue but now~~will~~ serve as one of the two annual reporting requirements for the RRF, in addition to their original reporting capacity within the Semester (European Commission, 2022a). For the 2021 cycle, NRPs and NRRPs were combined and submitted together. From 2022, the Country Reports – published by the Commission to offer a more in-depth analysis – will include an assessment of weaknesses in the implementation of the NRRPs, flagging instances where these fail to address issues raised in the CSRs.

None of the changes have involved the removal of existing provisions~~rules~~ and there is little evidence of their neglect (Table 1). The debt and deficit rules contained within the Stability and Growth Pact (SGP) have been temporarily suspended but their monitoring continues. T~~Fiscal CSRs were issued in the 2021 cycle, even though structural CSRs (pertaining to broader economic policy) were not, and~~

[4] Though the Semester is not a rules-based framework in the formal sense, we use this term (a) with a wider understanding, encapsulating norms, provisions and practices, and (b) to align with the literature and the framework outlined in table 2.

~~t~~he preventive and corrective arms of the SGP remain in place~~.~~ and though~~If~~, as Vanhercke and Verdun (2022, p.212) note, some elements of the Semester were put 'on hold' to accommodate the RRF in 2021, this does not seem to be part of a strategic (in)action, so much as a pragmatic necessity. This is unsurprising~~finding is logical,~~ given that the RRF is a distinct institution under the umbrella of the Semester and cannot displace it~~, in this sense~~. It is possible that particular Semester rules will be dis- or replaced as part of the ongoing revision of the economic governance framework; the outcomes of this are yet to be determined but 'a simple return to the pre-RRF Semester in 2026 can be virtually ruled out' (Nguyen and Redeker, 2022).

Climate policy within the RRF

Similar trends are seen in climate policy. The ~~implementation of the~~ RRF does not displace existing climate objectives or rules but adds some new ones (layering) and repurposes multiple existing policies and instruments (conversion).

As specified in the RRF regulation, the objectives of the NRRPs are to be aligned with those of the Energy Union Governance Regulation (EUGR) and its National Energy and Climate Plans (NECPs) and be coherent with other pre-existing policies. Looking at headline climate targets, the RRF introduces a new rule, in the form of a binding target for *national* spending on climate investments of 37 percent as part of the NRRP.[5] This builds~~is an additional layer, building~~ on the pre-existing soft target to commit 30 percent of *Union* level expenditure in the MFF (previously 20 percent) to climate action (Rietig 2021). Moreover, space has been created within the Semester to introduce new climate reforms. Whilst energy policy reforms have found a place in the Semester, particularly since 2020, climate reforms had not been systematically discussed (see Annex table 2). In including climate as a specific priority, the RRF has enabled related commitments in new areas, such as biodiversity, environmental taxation and public transport infrastructures (interviews 12, 13).[6]

By far the dominant dynamic of climate policy under the RRF, however, is conversion. Most interviewees confirm that a significant proportion of the climate-related investments and reforms proposed in the NRRPs are based on pre-existing plans and policies. This is largely explained by the speed at which the NRRPs were drafted:

> "there are some very good things;~~,~~ things that would not have happened without the recovery plans. We have a couple of examples of this. But [...] we don't see many of them.~~,~~ Actually, most of them are indeed continuity of what has been happening, or [...] projects, which were just looking for [funds] for a long time [...] we're just using the opportunity of the recovery plans to support them" (interview 14)."

NRRP reforms and investments were drawn from the Country Reports and CSRs,[7] preparations for the next MFF and Cohesion Fund provisions, as well as policy specific documents such as the NECPs (interviews 11, 12, 14, 15, 16, 18, 23). These were mined for inspiration and ideas, particularly as drafting was happening rapidly~~at speed~~ (interviews 15, 18).~~, and t~~This drove member states ~~to~~ "to bring forward what could be brought forward" (interview 16). As~~nother~~ an NGO interviewee

[5] This equates to approximately €224 billion, significantly more than the €20 billion post-financial crisis spending on the European Energy Programme for Recovery (Quitzow et al, 2022).
[6] Table 4 in Annex provides example of illustrative quotes supporting the discussion in this empirical section of the paper.
[7] The RRF Regulation requires that NRRPs take account of the CSRs (Article 18(4)(a)).

highlighted ~~"the speed of the process:.~~ "Member states had to come very quickly with proposals for a huge amount of money [...] in general, governments put plans and projects that were already in the drawers~~, that they had,~~ [...] which is logical because you cannot invent a brand new thing" (interview 12).~~, so pProjects were not revolutionary, but drew upon pre-existing planned initiatives that could be realised using the new funding.~~

There is evidence (see Annex Table 3) of policies being replicated across~~fed from~~ the Country Reports, ~~and~~ the CSRs and~~into~~ the NRRPs. For instance, in the case of Malta, the 2020 Country Report describes~~sets out~~ detailed energy efficiency policies for buildings, which are then discussed in the CSR recital and in more general terms in a Recommendation, underpinning the inclusion in the NRRP of specific measures as part of an €78m budget request for RRF funding. ~~Different member state representatives estimate that roughly 50 percent of the investments and reforms proposed in their country's NRRP are pre-existing projects that have been repurposed (interviews 18, 23).~~

While ~~A member state interviewee agreed that~~ the timeline required the utilisation of existing plans, time pressure ~~but that the limited time~~ was also useful for novel developments.~~, that~~In the words of an interviewee from a national representation: "~~what's good is that the whole thing has to happen fast until 2026.~~ So we are moving fast…50% were in the pipeline… [and] 50% of new things [...] This could be challenging, but I believe it also brings good things because they need to happen fast, they need to happen in the following three years (interview 18). This estimation that about half~~50 percent~~ of NRRP proposed investments and reforms proposed in their country's NRRP are pre-existing projects was also shared by another member state representative (interview 23). Such~~This~~ repurposing was facilitated by a provision in the RRF Regulation back-dating eligibility to cover all projects adopted since 1 February 2021 (Regulation EU 2021/241, paragraph 32). It also reflects findings in other sectors, such as social policy, where 'the RRF has contributed to fasten-forward the implementation of welfare reforms and initiatives which would have [...]~~been~~ remained on the paper [sic]' (Corti and Vesan, 2023, p.513).

The RRF has also converted some elements of the EUGR. Like the Semester, the EUGR has a bottom-up, recursive design where national plans – the NECPs – are drafted by member states, guided by EU headline targets, reviewed by the Commission, and revised based on those recommendations (Bocquillon et al, 2020). The NRRPs have, to varying extents, been informed by the NECPs. This was particularly the case where 'granularity' was required at short notice (interview 11). In some cases, such as Belgium and Cyprus, the 2020 NECPs are widely referred to in the 2020 Country Reports and 2020 CSRs and are also then cited as a~~provided a~~ key source for NRRP policies in 2021 (Annex Table 3).~~, This was particularly~~ the case ~~where 'granularity' was required at short notice (interview 11).~~ For example, in Belgium, there is a strong focus on building stock renovation across the different plans~~is constant~~ (Annex Table 3), and the NRRP includes this as the largest spending item ~~of spending with planned allocation of~~ (€1bn out of a total of €6bn~~of the total allocation~~ for reforms and investments) (Commission, 2021e). In Cyprus a recurrent~~constant~~ referral is made to sustainable and green mobility, and in the NRRP it is a 'Key Measure' with €89 of €1.2bn total investment planned for this (Commission, 2021f). In other cases~~s~~, the NECPs have been used in a more rhetorical than substantive manner, owing in part to the broader pitch and, in some cases, the outdated nature of their provisions (interviews 11, 12, 13, 14).

The conversion of policies and instruments under the RRF was not unqualified. The Commission reviewed the NRRPs critically, forcing changes to provisions not deemed compatible with the climate objectives (interview 14) – such as the repurposing of coal and gas power plants in Bulgaria (interview 15), and projects on waste incineration and gas infrastructure promotion (interview 18) – on the basis of the 'do no significant harm' (DNSH) principle (see below). Whilst funding of previously planned projects was expected, under the additionality principle, which prohibits the use of RRF funds to cover costs that are addressed under other national or Union programmes, the Commission~~it~~ also~~and~~ rejected~~ing~~ the inclusion of projects already funded by~~ linked to~~, for example, ~~existing funding pots, such as~~ the Cohesion Funds (interview 12). However, driven by the speed required and the desire to maintain coherence between policy frameworks, the dominant trend has been one of conversion and repurposing. ~~As one member state interviewee summarises:~~

> ~~'…there are […] things that would not have happened without the recovery plans […] But […] most of them are indeed continuity of what has been happening, or […] projects, which were just looking for [funds] for a long time […] we're just using the opportunity of the recovery plans to support them' (interview 14).~~

Table 3: Institutional change in the RRF

	RRF	Climate
Examples of layering	- 6 policy pillars to guide plans - Minimum national spending targets - RECOVER task force	- Minimum national spending of 37 percent - New commitments on e.g., biodiversity, taxation and transport infrastructure within Semester
Examples of conversion	- Strategic guidance via ASGS - NRPs serve as RRF reporting channel - Country reports to assess NRRPs implementation	- Investments and reforms repurposed from CSRs, Country Reports, NECP and other documentation

Gradually hardening existing governance frameworks

Next, we turn to the question of whether the ~~incremental~~ changes introduced by the RRF~~ –~~ via layering and conversion of existing frameworks~~ –~~ have altered their logic of action and amount to a hardening or softening of those frameworks.~~, looking at~~ We focus on the evolution of centralisation, obligation and enforcement in the adapted Semester and climate policy.

Centralisation

Formally, the RRF Regulation gives national actors a stronger role in drafting the NRRPs than the Semester's NRPs or CSRs, not least because of time pressure. Plans should address a 'all or a significant subset of CSRs' (Article 18) and 'should be consistent with the relevant country-specific challenges and priorities identified in the context of the European Semester' and NECPs (Article 17) but m~~M~~ember states are not formally required to incorporate specific~~formally respond to~~ initiatives or~~Commission~~ recommendations (Regulation (EU) 2021/241 Article 18(4b)). This would seem to decentralise the drafting process – 'the thrust was on [member states'] side' (interview 11) – resulting in substantial variations in the form and content of national plans (interview 12).

However, in practice the picture is more nuanced, suggesting a higher degree of centralisation. The NRRPs were created in 'mutual dialogue', with extensive and intensive bilateral cooperation during the drafting process (Bekker, 2021b; interviews 15, 18). ~~The Commission actively shaped the content of the NRRPs, but member states may also have been compliant only in a superficial 'tickbox' manner to secure funding (interview 5).~~ Interviewees point to a difference between reforms and investments (interviews 11, 12, 18). The Commission had extensive prior experience with reforms as part of the Semester, overseeing the drafting of Country Reports and CSRs. Consequently, they were able to steer the content of the NRRPs more directly; proposing specific reforms, milestones and targets, with pressure on member states to compromise to get their national plan approved (interview 18). In contrast, having previously lacked a significant fiscal capacity, the Commission was less experienced with guiding investments and the member states retained more control of these parts of the NRRPs. The speed at which they were expected to come up with many investment projects also meant the Commission had neither the expertise nor the capacity to get involved in the details of project selection, being confined to checking the 'project fiches' met the selection criteria and eligibility for funding, or asking for more concrete proposals (interviews 14, 15, 18, 23). This aligns with findings elsewhere in the recent literature, that 'the Commission mostly did not interfere with national priorities for investments' but played a greater role in steering reforms (Bokhorst and Corti, 2023, p.8).

In the RRF, leverage is linked to the scale of resources vis-à-vis national GDP. When countries did not rely heavily on the RFF or were already relatively ambitious on climate – such as Belgium, Denmark or the Netherlands, for instance – the influence of the Commission was reduced (interviews 11, 12, 13, 14). In contrast, for countries which were more heavily reliant on RFF funds, such as Bulgaria or Italy, the leverage was enhanced. Bulgaria's NRRP offers one such example of this influence. The Commission had reviewed Bulgaria's draft NECP (Bulgarian Government, 2020: p.68) in October 2020 and criticised the plan for its lack of coal phase-out plans including the conclusion that a revision "will have to respect the principle of 'do no harm'" (Commission, 2021c: p.3, p.20; interview 14). Bulgaria's NRRP ranks as one of the largest (after Croatia) as a share of grants in relation to gross domestic product (GDP), at 10.2 percent of its 2019 GDP (European Parliament, 2023; see Annex Figure 1). The leverage of the RRF's conditions and funding was considered significant (interview 14) in shaping a revised plan, in February 2021, which included a reference to phasing-out coal (Bulgarian Government 2021a) and a plan for converting coal to gas power stations estimated to cost €244m, 70 percent funded by the RRF (Bulgarian Government 2021b: Annex 13, p.4). The Commission forced further revisions to unlock RRF funding through the incorporation of a concrete coal-phase out date (of 2038) in the fourth iteration of the plan in October 2021 (WWF, 2021). This example illustrates how the RRF~~Here the RRF is demonstrated to be an~~ has been used by the Commission as an instrument for more intrusive intervention on national policy choice and, ultimately, transformative change even in the face of resistance.~~, and more intrusive interventions of the Commission on national policy choices, including through mobilising political support for significant changes of projects, policy and reform; with~~ As a member state interviewee puts it, you see~~describing~~ 'magical things happening…when you give money on this scale' (interview 16).

Obligation (codification and precision)

Codification

Compared to the pre-existing Semester, the RRF is more codified. The RRF Regulation sets out guidance on how to write NRRPs; identifies six priorities which the plans must speak to; stipulates that plans should address recent CSRs; defines two specific spending targets; and provides detailed rules on the eligibility of investments in the NRRP (Bekker, 2021b: 181). This is especially the case for climate. In contrast to the looser EU climate spending target in the MFF, the 37 percent spending target in the RRF is enshrined in EU law and directly binding on member states. In addition to giving the Court of Justice of the EU a role in enforcement, this implies that the Commission is accountable to the Court of Auditors (ECA) if it fails in its oversight of the target, increasing pressure on member states (interview 11).

The headline target is also associated with a relatively detailed classification of climate spending (the so-called 'Annex 6' of the RRF Regulation), which reduces opportunities for 'greenwashing'. This 'methodology for climate tracking' includes a 9-page list of 143 different investments each categorised as making a partial or total (or no) contribution to climate adaptation or mitigation. For example, wind or solar investments are categorised as 'substantially' (100 percent) contributing. Member states are also obliged to present a 'qualitative explanation' for whether investment projects account for climate spending (RRF Regulation, Article 18). Investment and reforms must~~should~~ also comply with the ~~'Do No Significant Harm (~~DNSH~~)~~ Principle' as defined in Article 17 of the 'Taxonomy Regulation' (Regulation (EU) 2020/852) - including the general prohibition of~~such as a~~ "significantly harming" climate change mitigation. A Commission notice provides technical guidance on DNSH's application under the RRF, including a checklist to assess whether environmental objectives are met.

Precision

Overall, precision within the RRF has been enhanced. First, at a general level, the increased amount of data now at the Commission's disposal (from the Semester and other processes, such as the NECPs) has provided it with more knowledge of the situation within member states. This has enabled greater precision in the drafting of objectives in the NRRPs, facilitating implementation and enforcement (interview 11). With regards to the 'climate tracking' methodology, some interviewees suggest that it has also provided the Commission with a 'more precise, more detailed' way to assess climate investments and projects in the NRRPs (interview 11) and reduced subsequent tensions and negotiations with member states in assessing the plans (interview 13). Others though, especially from the green NGO sector, describe the categories as too broad to be fully effective in directing investments and avoiding greenwashing (interviews 12, 15). With regards to the DNSH Principle, it is generally seen as less precise and therefore more difficult to implement (interview 15).

Progress is also measured against a set of objectives that are more specific and often quantified. The milestones and targets negotiated between the member states and the Commission for the purpose of monitoring and for the disbursement of additional funds, are more numerous and precise than in pre-existing frameworks such as the Semester (interview 11). They enable the Commission to assess progress more closely at key steps of the implementation process.

Enforcement (monitoring and sanctions)

Monitoring

Because of the funding at stake, reporting is frequent with multiple disbursement points, and more detailed with the new milestones and targets (interviews 11, 22). Under the RRF, the Commission is empowered to adopt delegating acts setting out common indicators for use in reporting, monitoring and evaluation of progress towards the NRRPs' objectives, as well as the methodology for calculating these, and a new scoreboard of indicators to measure progress in implementing the NRRPs.[8] Emphasis is also put on national control systems that implement the Commission 'ambitious audit strategy' and governments will have to justify the continued appropriateness of these controls when submitting revised plans (European Commission, 2023). Monitoring within the context of the Semester will now cover not only the CSRs but also the detailed NRR~~P~~Ps, giving the EU oversight of specific national reforms and, for the first time, investment portfolios. The new RECOVER Task Force in the SECGEN will, jointly with DG ECFIN, coordinate the monitoring of the NRRPs and an amended framework for assessing milestones and targets was published in February 2023 (European Commission, 2023: Annex 1).

This enhanced monitoring creates challenges in terms of member states' ability to rapidly deliver on their objectives and reporting requirements (interview 15). 'Administrative burden' has increased beyond initial expectations, limiting flexibility for states with comparatively small resource allocations (interviews 13, 16, 17), those with smaller administrative capacity (interviews 18, 19), and even for the Commission (interviews 21, 22, 23). As the stimulus is time limited, the Commission has been keen to try and avoid absorption capacity issues common with Cohesion funds, but this has proved challenging (interview 14).

Sanctions

The most visible change made by the RRF is the introduction of conditionality as a tool of enforcement. Whilst the literature has explored a continuum of leverage in the Semester, where states in receipt of EU funds experience something akin to conditionality in their CSRs (Baeten and Vanhercke, 2017; Bauer and Becker, 2014; Di Mascio et al., 2020), the RRF introduces this formally, making receipt of RRF funds conditional upon performance: namely, the achievement of milestones and targets within the NRRPs and progress towards the CSRs. The heated debates which shaped the final RRF reflected the polarised position of member states on conditionality. ~~Pisani-Ferry (2020) concludes that the design incorporated a softer set of RRF conditions, set in collaboration with, rather than as an imposition on, member states.~~

~~Concerning climate policy, a plan that does not reach the 37 percent target, as assessed by the Commission, 'will not be accepted' (European Commission, 2021b). All member states have met, or exceeded, the 37 percent threshold, but the tracking methodology remains contested. The Commission already had extensive opportunities to monitor progress towards energy and climate objectives as part of the NECP process and various (associated) provisions enshrined in energy and climate legislation.~~ What is novel in the RRF~~,~~ is that implementation is ~~tied to sanctions through the~~

[8] Regulation (EU) 2021/241 of 12 February 2021 establishing the Recovery and Resilience Facility.

staggered and the disbursement of loans and grants is conditional upon meeting milestones and targets~~l~~ ~~disbursement of loans and grants~~. Failure to comply could potentially result in delayed disbursements or partial payments, though at the end of 2022 member states were not clear how this would be interpreted and enforced (interviews 20, 21, 22).[9] This represents a partial hardening, at least in principle, but the willingness of the Commission to flex its muscles by proposing to withhold (climate) funds remains to be seen. A new methodology for payment suspensions, published in February 2023, seeks to impose uniformity on these decisions but also indicates that flexibility around unavoidable implementation delays will be exercised (European Commission, 2023). Two factors which may serve to force the Commission's hand in sanctioning are the Council's role - via the Economic and Financial Committee - in applying the 'emergency brake', and the ECA's oversight of the Commission's implementation of the RRF. ~~An interviewee from the Commission describes a sense that the ECA is 'on our neck' and this has translated into NRRPs that observe the 37 per cent target and, in some instances, go beyond it 'to be safe' (interview 11).~~

Concerning climate policy, a plan that does not reach the 37 percent target, as assessed by the Commission, 'will not be accepted' (European Commission, 2021b). The Commission already had extensive opportunities to monitor progress towards energy and climate objectives as part of the NECP process and various (associated) provisions enshrined in energy and climate legislation; yet budgetary provisions remained limited. With the RRF, ~~In theory,~~ a high level of monitoring and the possibility of sanctions help tracking NRRPs' implementation, ensure their climate integrity, and strengthen enforcement. Indeed, all member states have met, or exceeded, the 37 percent threshold, with 40 percent of the plans allocated to climate on average with several member states over 50 percent (European Commission, 2022b). An interviewee from the Commission describes a sense that the ECA is 'on our neck' and this has translated into NRRPs that observe the target and, in some instances, go beyond it 'to be safe' (interview 11). ~~but the tracking methodology remains contested.~~ In practice, however, the stringency and accuracy of the tracking methodology remains contested. T~~t~~here may also be some remaining discretion due to the Commission's limited monitoring capacity, especially for investments at the project level, and to the overriding objective to demonstrate that the RRF is a 'success'. As an interviewee puts it: "the Commission will not be looking at all of the individual projects… one of the goals of the Commission here is to show that the recovery is working and the money is being spent […] to show that this instrument is working" (interview 14).

Table 4: Hardening and softening under the RRF

	RRF	Climate
Centralisation	- **Softening** of national plans' creation - **Softening** of national plans' implementation/revision	- **No change.** Less (formal) involvement of Commission in drafting of NRRPs, but run alongside continued NECPs
Obligation - Codification	- **No change**	- **Hardening** through codification of 37 percent target

[9] The Commission has the power to formally suspend or terminate all or part of the payment (Article 24, RRF Regulation); the Council, at the request of one or more member states, has the power to delay disbursement decisions (Recital 52, RRF Regulation).

Obligation - Precision	- **Hardening** through CSRs and NRRPs	- **Hardening** through application of Annex 6 & DNSH principle to planned investments
Enforcement - Stringency of monitoring	- **Hardening -** Common indicators for use in reporting, monitoring and evaluation of progress - **Hardening** - Oversight of specific national reform and investment portfolios	- **Hardening** – Greater inclusion in the semester for reforms - **Hardening** - Monitoring of project implementation via 'project fiches, milestones and targets
Enforcement - Sanctioning	- **Hardening** in theory, in conditionality of RRF funds - Potentially **limited hardening** in practice - sanctions rare within Semester historically	- **Hardening** in theory - Plans can be rejected & disbursements of funding can be partial. But will the Commission flex its muscles in practice?

Conclusion

While crises often appear initially as moments of radical change, a longer view can reveal a more nuanced picture. Hailed by many as an institutional revolution at its inception, the RRF – the centrepiece of the EU's economic response to COVID-19 – increasingly appears as an evolution of the EU's economic governance~~ rather than its revolution~~. It displays elements of continuity and change both at the framework level and in the specific policy area of climate.

~~The RRF itself is now evolving in the context of the war in Ukraine and associated energy crisis. In May 2022, with the aim of rapidly phasing-out EU dependence on Russian fossil fuels, the Commission published the REPowerEU Plan, a proposal amending the RRF Regulation to include an extra €72.3 billion of financing to support member states in fostering energy independence. Governments are encouraged to amend their NRRPs by adding a chapter of relevant reforms and investments, subject to the same monitoring arrangements as other RRF measures, under the existing European Semester framework. This initiative extends the RRF by adding a new layer onto it, thus solidifying its role as a central EU economic investment and reform framework.~~

Drawing on theories of institutional change, this paper advances the academic debate on the novelty of the RRF. It argues that the RRF~~Facility~~ is best understood as an instance of gradual yet ~~potentially~~ transformative change. Looking at the *type of institutional change* at play, we identify a mix of layering and conversion~~ of existing institutional structures~~. The RRF has not displaced existing processes of economic governance such as the SGP or European Semester, nor has it replaced the well established body of existing climate policy objectives and instruments. Rather, it has been temporarily added onto them and~~, . Iin so doing, it has also~~ partially transformed them. In the case of climate, stimulated by the RRF, the Semester now includes more – and more precise – references to energy and climate projects and reforms. While the NECPs remain unchanged, their revisions from 2023 will now integrate RRF funding and projects. ~~, through the carrot of new funding and the stick of conditionality.~~ Looking more closely at the *nature of institutional change*, the RRF has~~, in principle,~~ hardened existing processes and instruments, through the carrot of new funding and the stick of conditionality.~~, through the carrot of new funding and the stick of conditionality. the Semester in particular, notably by~~ As part of the Semester process, ~~–~~the RRF has increased~~ing~~ the codification and precision of obligations included in national recovery plans, and ~~by~~ strengthened~~ing~~ monitoring and sanctions for non-compliance. However, past experience with the SGP and Semester, and evidence from the early~~first~~ phases of ~~implementation of~~ the RRF, suggests that, in practice, conditionality might not be as stringent as expected and hardening more limited. The funding available has also accelerated the implementation of pre-existing climate and clean energy projects and objectives, even though speed and capacity issues have meant a mixed record in terms of the projects' novelty and climate integrity. Emerging evidence from other policy areas such as social policy (e.g. Corti & Vesan 2023) suggests that these~~is~~ dynamics may not be limited to the climate case and could be ~~more~~ widespread across other policy areas. Systematic comparative analysis across policy areas thus represents a promising avenue for further research.

~~However, the RRF has the potential to~~ transform~~alter more fundamentally the logic of existing institutions and governance frameworks, notably through the interplay between layering and conversion. The layering of the RRF onto the Semester and climate and energy governance has contributed to their partial conversion. The RRF~~ has ~~altered the Semester, through the partial hardening of its rules and processes. For climate, stimulated by the RRF, the Semester now includes more – and more precise – references to energy and climate projects and reforms. While the NECPs remain unchanged, their revisions from 2023 will now integrate RRF funding and projects. The addition of the REPowerEU Plan consolidates this dynamic further, expanding it to energy security and creating potential tensions with climate commitments, when achieving energy independence is framed as a justification for the development of fossil fuel infrastructures.~~

The RRF itself is now evolving in the context of Russia's invasion of~~the war in~~ Ukraine and associated energy crisis. In May 2022, with the aim of rapidly phasing-out EU dependence on Russian fossil fuels, the Commission published the REPowerEU Plan, a proposal amending the RRF Regulation to include an extra €72.3 billion of financing to support member states in fostering energy independence. Governments are encouraged to amend their NRRPs by adding a chapter of relevant reforms and investments, subject to the same monitoring arrangements as other RRF measures, under the existing European Semester framework. This initiative extends the RRF by adding a new layer onto it, thus solidifying its role as a central EU economic investment and reform framework. It also triggers further conversion, expanding the RRF to energy security and creating potential tensions with climate commitments, when achieving energy independence is framed as a justification for the development of fossil fuel infrastructures.

While the RRF was originally designed as a temporary crisis response mechanism, it may therefore have initiated a gradual process of transformative change of EU economic and sectoral governance frameworks. The Eurozone crisis precedent suggests that it is not uncommon in EU integration for temporary institutions to endure and shape further institutional developments (Gocaj and Meunier, 2013; Schwarzer, 2012; Verdun, 2015). While we find that the operation of the RRF suggests it may not be as radical a break as it first appeared, our analysis also highlights its transformational potential, as it alters existing institutions which it builds on. This finding offers insights for other cases of integration through crisis, which would deserve further investigation.

The case of the RRF also sheds light on a neglected dimension of institutional change in the EU and beyond: the interplay between mechanisms of layering and conversion. Whilst the existing literature has tended to focus processes of layering (Van der Heijden, 2011; Van der Heijden, J., & Kuhlmann, 2017), we suggest that conversion - a 'hidden face' of institutional change (Hacker et al. 2015) - is an equally important yet neglected mechanism of change (see also Thatcher and Coen, 2008). Although it can be tempting to look at different mechanisms or types of change in isolation or separately from one another, we find that their interplay (or 'sequencing', see Van der Heijden and Kuhlmann 2017, p. 544-5), is equally important. In the case of the RRF layering has ~~fueled~~fuelled conversion, in turn calling for further layering. Moving beyond static typologies, our analysis therefore calls for more attention to, and a better understanding of how the two mechanisms interact in shaping gradual yet transformative institutional change.

~~While the RRF was originally designed as a temporary crisis response mechanism, it may therefore have initiated a gradual process of transformative change. The Eurozone crisis precedent suggests that it is not uncommon in EU integration for temporary institutions to endure and shape further institutional developments (Gocaj and Meunier, 2013; Schwarzer, 2012; Verdun, 2015). Crucially, whilst the existing literature on institutional change in the EU and beyond has tended to focus on the process of layering (Van der Heijden, 2011), we suggest that conversion is an equally important mechanism of change (see also Thatcher and Coen, 2008), and call for more attention to how the two mechanisms interact in shaping gradual yet transformative institutional change.~~

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Response to reviewers

Comment	**Response to reviewer**
C1R1 - Lots of forthcoming RRF governance articles	We have reviewed and, where appropriate, integrated recent articles from 2022-2023, including Bokhorst and Corti (2023), Corti and Vesan (2023), Nguyen and Redeker (2022). While other relevant pieces are no doubt in the pipeline or just published, we hope our own article contributes to, corroborates and adds to this fast growing body of literature. We are not aware of existing academic articles focusing specifically on the climate case.
C2R1 - Climate emphasis pp.8-9 expand "with more empirics from the plans and from the interviews at the cost of the more general discussion of governance"	This suggestion, that we make more of the interview data that we have within the paper (rather than in/in addition to the appendices, as currently) is mirrored in other comments (C3R1, C5R1). Having reviewed the structure of the analysis we agree and have expanded this section significantly to incorporate more quotations and interview data into the article text itself (e.g. on pages 9-10), along with empirical examples from the appendix.
C3R1 - Especially the sentence "estimate that roughly 50 percent of the investments ...." – would deserve a much more central place in the analysis backed up with more empirics from the plans, showing how in various Member States they have built on (or have diverged?) from what was written in the NECPs.	As above (C2R1), we agree that the interview data - and this quote/finding in particular - deserves a more central place in our analysis. Several new quotes from the appendix and our transcriptions have been added to pages 9-10, as well as more specific referrals to the plans based on material included in the appendix. Although the precise percentage is difficult to estimate and the '50 percent' share should be taken carefully, we hope to have provided more empirical evidence to support the core argument that investment plans as defined in NRRPs are only partially new.
C4R1 - This may not be a very precise comment, but if the authors find any way of expanding the climate-related analysis, perhaps better linking it to the extensive annex (who's function now is unclear), or skipping the annexes to have more word limit to expand the main text, or using a more structured comparison of the climate part of the country case studies, then this paper would be more distinctive from the other papers that will probably be out before this one.	As noted above in response to C3R1 and C4R1, we have expanded the climate analysis within the word limit constraint. Although we agree it is useful to include more primary empirics on the climate case study in the paper itself rather than the appendix, this can be done only to an extent to preserve the balance of the paper and fit within the word limit.
C5R1 - The argument on low additionality of plans, simply expanding pre-existing initiatives is also perhaps the strongest argument to support your key claim that this is less of a revolution than perhaps often assumed. The paper has great quotes backing up this claim (e.g. from interview 12 and 14 on page 14 of the annex), but many of them are only in the annex, rather than the main body of text, I suggest making more use of them and contextualizing them.	As above (C2R1, C3R1), we agree that the interview data - and this quote/finding in particular - deserves a more central place in our analysis. Additional quotes, including from the appendix, have been added to page 9, along with some contextualisation. A few additional quotes have also been added to the appendix.

C6R1 - Page 1: strictu sensu the bonds are not Eurobonds, if they were, NGEU would not be passed in multiple parliaments (e.g. Finnish, Dutch) where there are vetoes against Eurobonds, the structure of financing is not joint and several, it is European debt, but not a Eurobond (at least in its original proposal, there's sometimes confusion to what a Eurobond really is).	We thank the reviewer for this helpful note - we have amended the text accordingly on page 1.
C7R1 - Page 2: you mention that you study implementation, but that is a bit confusing. The implementation phase of the RRF starts after the plans are concluded and when the first payment requests are issued. The paper rather seems to focus on the negotiation and drafting phase and has no empirics on the implementation phase, I think it would be good to be more specific.	It's useful to know that this is causing some confusion - a few interviewees had used the term implementation but we agree this is confusing from an analytical perspective. We have re-framed the description of the paper accordingly.
C8R1 - Page 2: at the bottom of the page you seem to already conclude that changes are incremental and you will look at in what way they are incremental. The argument of the incremental nature of change is quite central in the paper. It had me thinking a lot, because I find it quite a difficult argument/ term to describe what is going on with the RRF. Incremental is usually understood as small steps, slow change, change without modifying the essence, etc. How does that combine with all the fundamental changes you mention on page 4? Indeed, the RRF is generally considered as a huge change, in terms of its impact, changing governance structure, etc. It has meant that the EU overcame one of the core obstacles during crisis, namely the moral hazard argument, we now see that the fiscal resources are so large that countries can barely absorb it all, meanwhile the performance-based financing governance structure is seen as the new model for EU governance to be copied in other domains as well. You mention Schelkle's description that it is "incremental insofar as they are reversible", this is a different understanding of incremental than commonly known, it speaks more to the gradual argument than incremental. Yes the RRF is one-off on paper, but the jury is still out on whether this will be an exception, it may show the way forward for future crisis resolution. Will we look back at the RRF later as a small step in a slowly evolving gradual process, or as a more fundamental shake to the system. Obviously, there are elements of graduality in the change and it is not as revolutionary as perhaps assumed (indeed, the paper does a good job arguing this), but incremental? I seriously wonder whether you're not downplaying the transformative nature of what is unfolding with the RRF. My suggestion would be to focus more on the "gradual but transformative change" argument than "incremental".	This is a particularly valuable comment and it led us to discuss the argument that we're making in some depth. We agree that the term 'incremental' - borrowed from the literature on institutional change when designing our analytical framework - is not the most appropriate to describe what we subsequently found to be happening to/with the RRF. Indeed, in most of the paper, we use the term gradual rather than incremental. In reflecting on this comment, we have reviewed the language and framing used with this distinction in mind, and altered those passages where the term 'incremental' was liable to muddy our argument (predominantly pages 2-6). We thank the reviewer for this helpful clarification.
C9R1 - The current description of how the RRF is a layered element building on the Semester I think can be improved, while doing more justice to its transformative nature. I give my own reflection on it to stimulate thinking on how to improve it: The Semester is an umbrella governance	We thank the reviewer again for a detailed and thoughtful comment that, as intended, stimulated thinking about our presentation of the relationship between the Semester and the RRF. We have revised this (page 8) to make clearer the position of the RRF

framework that already hosts/is linked with many legal instruments: ESM conditionality is linked to the Semester, ECB support is linked to the Semester, there is both ex-ante and ex-post conditionality in the ESI-funds with a link to the Semester, it hosts various legal instruments such as the SGP and the MIP and now thus also the RRF. The Semester provides an overarching and shared understanding of policy direction, it would be weird if any new instrument with reforms and investments would be based on anything else but the Semester. To me this says little about incremental or revolution. I think it would be good to mention how the RRF is different from its overarching Semester, in the sense that Semester documents are still rather general macro-economic analyses about main direction, whereas with the RRF the governance has moved from the “what” (policy direction) to the “how” in highly detailed plans of hundreds of milestones and targets operationalized to a high level of detail, negotiated in dozens of rounds over a period of months, where Member States now have committed to precise delivery of objectives according to precise timelines or risk not getting paid. This also brings me to the way the Semester is described on page 7 and 8. First, the emergency brake is not about a Commission check on member state not delivering on their ambition, but is a check of the Council on the Commission being overly lenient: the real check of the Commission on MS commitments is the assessment of the payment request, the check of the Council on the Commission is the EFC adoption of the payment request and as an added layer, in case a single MS finds the Commission too lenient in its assessment, the emergency brake procedure. You are not saying explicitly that the emergency brake is something of the Commission rather than Council, but I think it would be good to be precise. Also, the Commission is with these checks under heavy pressure, also from the European Court of Auditors which assesses all the payment requests to be strict, something you should discuss when assuming that conditionality in practice might be soft.	‘underneath’ the Semester, and the Semester’s role as a horizontal architecture within the EU governance system. We are also grateful for the clarification on the emergency brake, which we have added in the text (page 8) and the note about the Court of Auditors - something that was also mentioned by our interviewees. The latter is raised again in C21R1, where we pick this up.
C10R1 - Second, “a new layer of rules added onto those of the Semester” – the Semester is not a rules-based framework (the SGP is). The sentence that there is little evidence of the rules’ neglect, is therefore also confusing to me, which rules are you talking about? Furthermore, the fiscal CSRs of 2021 were about guidance, the rules were indeed suspended, no Excessive Deficit Procedure was opened despite the high deficits. This suspension has put pressure on the debate on reforming the fiscal rules. You argue that none of the changes have involved the removal of existing rules, which is true but also limited: it has initiated serious changes. The RRF has not displaced the Semester, because it is a vehicle under the Semester umbrella, and a vehicle that is temporary.	Having reflected on our use of the term ‘rules’, we think that this comment is partly attributable to the wider understanding of rules that we have been using (which is something more akin to norms), and have added a clarification to the text (page 8, including footnote 4). The suspension of the SGP rules is acknowledged on page 8, although we also note they have not been removed per see - and it remains to be seen whether they will be neglected or reformed going forward. We have also added a note about the revision of the economic governance framework, supported by some new research published since our original submission. The point about the relationship between the RRF and the Semester is well-taken - we had omitted to make this basic point here and have now done this in a re-working of the relevant paragraph (page 8).
C11R1 - Third, the 2021 ASGS kicks off a Semester cycle (it is a	Regarding the ASGS, we agree that this is not a core

rather general document, arguably with low value), but the NRRPs needed to respond to the 2019 and 2020 CSRs, these were the key documents instead of the ASGS, as they were the benchmark for assessing the plans and the steering role of the Commission to push for reforms, so this was not based on the new Semester cycle. My argument in all of the above is that there are limitations in HI ability to describe change, here we're dealing with a situation where a whole new regime has been introduced that functions quite differently from what was known before (with massive fiscal resources), the fact that they did not get rid of the "old" Semester/rules I find limited to describe the nature of change.	guidance document - the point being made is that it was (temporarily) repurposed to support development of the NRRPs (according to the Commission) - so we have clarified this (page 8). The point regarding the logical absence of displacement is addressed under C10R1. We agree that, in the case of the RRF, 'there are limitations in HI ability to describe change'. We find the hard/soft governance literature a useful complement in that respect as it helps assess the effects of large fiscal resources and the associated conditionality they entail - arguably a core institutional innovation of the RRF.
C12R1 - Finally, as a suggestion: when you discuss path-dependency, you may also want to look into how the governance of the RRF originated, namely after years of discussion in the Council on the BICC, since the start of the Semester there has been debate about linking money to reforms	This is a useful comment and we had included this point in previous drafts - it is discussed by other authors and had appeared in the literature review - it was lost in editing rounds but we have now reinstated it (page 4)
C13R1 - Page 9: The sentence "there is evidence of policies being fed from the Country Reports and the CSRs into the NRRPs" is an odd statement, the plans in the NRRPs had to respond to the challenges as set out in the CSRs, which are assessment criteria for approval, so all the NRRPs should correspond to the CSRs. Also, please note that Country Reports are Commission documents describing situations in the country, policies are not fed from these documents to new plans, they are fed from national documents (also described by the Commission in their Country Report) to the NRRPs. If you're arguing here that some of the plans were pre-existing, you should mention that the Council negotiated a backdate for eligibility of plans in the NRRPs, so while most of the NRRPs were approved in 2021 the plans eligible for funding could already have started from 2020 (February if I'm not mistaken, should be in the Regulation), this also helps explain lower additionality.	On the first of these points, we have tweaked the language (page 9) to make clearer the dynamic that the reviewer describes (and we were trying to illustrate) vis-a-vis linkage between the CSRs and the NRRPs. On the Country Reports - we understand these to be technical documents that present the situation in member states rather than giving policy advice (as the reviewer does) but we note two things: (1) in theory, the Country Reports inform the development of policy suggestions within the CSRs and NRRPs, and (2) in practice, they often note interventions that 'would improve', 'might strengthen' etc. etc., some examples of which are outlined in Table 3 in the annex and referred to in this paragraph in the text. As such we maintain their relevance to the NRRPs, as a source of information, but have sought to clarify this. Finally, we're grateful for the suggested note about the back-dating of plans, which speaks well to our argument, and have added a note (page 10).
C14R1 - In this section I think it is also worthwhile to consider mentioning the DNSH principle (as explained on page 11) and the way additionality is defined in the Regulation as it helps understanding why the Commission intervened there. These were probably the basis for the Commission to push MS not to include coal in Bulgaria or projects that are already linked to Cohesion in other MS. Additionality is defined in a rather limited way, the Commission could not push MS to introduce new plans (probably also not feasible given the time limitations, as you rightfully point out), it could only reject plans already linked to other EU funding.	We thank the reviewer for this useful point about additionality which fits well with our analysis. We have made an earlier mention of both DNSH and additionality on page 10, and on page 12 clarified the use of this principle by the Commission in their report the Bulgarian plan.
C15R1 - Page 10 "Member states are not required to respond to Commission recommendations." – please reconsider this statement, the plans are supposed to respond to "a significant subset of CSRs", this was a binding criterion, indeed perhaps one of the most important criterions for	We thank the reviewer for flagging this. We think that it may be poor expression on our part - we meant to convey that member states are not required to include or respond directly to specific recommendations - as member states would be obliged to with their NECPs for

steering the plans for the side of the Commission.	instance - but rather to address the CSRs more generally. We've amended the text to make this clearer (page 11).
C16R1 - Page 10 – If at all possible, please expand the "tickbox" argument, this is a very controversial statement, if you have more data please add. The Commission has been arguing that the plans have been drafted in careful negotiation and dialogue with Member States where all plans need to have sufficient backing in terms of how they fit with the overall structure, they would very much go against the tick the box understanding, but if this is how it was perceived among Member State officials, that is important to bring out. The statement "The speed … concrete proposals." Is very relevant, any way to back this up with concrete quotes from the interviews?	Rechecking the interviews this mention of 'tickbox' was not supported by other interviewees, and the one interviewee (journalist) who mentioned it was in the main referring to a specific element of it. As a result we have removed this. One quote on the speed was already in the text but has been moved to page 9, and other interview quotes from additional interviewees have also been added there and on page 10. This is a point that is very clearly supported by our interview material.
C17R1 - The Bulgaria example is great, but to me speaks to the argument that the RRF is not an incremental step, but an instrument that allows for much more intrusive interventions of the Commission on national policy choices.	We agree with this comment - which relates also to the wider point in C8R1 - and on page 11 we have added in a few sentences to interpret a) the Bulgarian case, and b) a member state quote that supports the argument that transformative changes have been seen in national policy as a direct result of the RRF. Interestingly (if perhaps unsurprisingly) - and as mentioned in the paper - the level of intrusiveness appears to vary and be strongly correlated to the share of funds requested.
C18R1 - Page 12 – note that it says NRPPs instead of NRRPs on line 25.	Many thanks - we have amended this typing error.
C19R1 - I cannot quite place the Pisani-Ferry statement, of course this is done in collaboration with member states, how would imposition work? Is that really how Pisani-Ferry describes it? Perhaps explain, or skip this statement.	We thank the reviewer for highlighting this point. We suspect that rounds of edits had eroded the clarity of the point being made (which is to do with broad versus narrow conditionality and their relative degrees of imposition upon member states) but, in the current draft, it is less pertinent to our argument so has been removed.
C20R1 - Page 13 – I think you should reconsider using the word "sanctions" when it concerns conditional payout of extra money.	Thank you for this suggestion, we agree and have removed this word on page 14 and clarified what is meant.
C21R1 -Page 13 – on partial hardening and flexing muscle -> this is where you could perhaps discuss the role of the EFC and ECA, which are being very tough on the Commission.	We really appreciate this point by reviewer one, which is also noted in C9R1, and have added a short section on the EFC and the ECA on page 14. This includes some additional interview data that had not appeared in the previous version and corroborates this point.
C22R1 - Conclusion: It is difficult for me to see how you have provided evidence of the first phase of implementation, which payment requests have you analysed to show that conditionality is not as stringent? I think you should nuance this statement, you have found that practitioners expect	This comment links to C7R1. We agree. As our interviews and empirical research were mostly conducted in 2021-22, we have not been able to analyse payment requests in practice, which we readily acknowledge. We have nuanced the framing of the paper accordingly by

discretion in how the instrument will be applied. If you indeed want to make this argument you should show how in the first rounds of payment request the Commission has used the discretion that is part of the "satisfactorily fulfilled" criterion for assessing implementation to allow for deviations. (if there were no discretion in monitoring, it would also be a much less effective instrument, of course, you cannot detail everything ex-ante, especially when it comes to complex climate investments things change, investment assumptions turn out to be wrong, etc. So implementing actors need some degree of discretion and flexibility.)	removing references to the 'implementation of the RRF' and replacing them with 'operation of the RRF', which corresponds better to the scope of the article. The point about the inherent need for flexibility in implementation is well taken. Of course it is a matter of degree more than anything, but our data does not enable us to measure flexibility in any precise way, except perhaps with regards to rule precision - something we already discuss at length.
C23R1 - it is not clear from the paper what is the element of "nested case study design" and how the cases are used.	With thanks for flagging this - it is a legacy description from a slightly different structure that we had originally used - it has now been removed to avoid confusion.
C24R2 - I particularly miss a more in-depth explanation of the wider relevance of this particular case study. What does the insight into the interplay between layering and conversion tell us at large? What do we learn from this for our future understanding of policy change?	We thank the reviewer for pushing us to unpack the implications of our findings for wider debates and our contribution to the literatures on European integration and institutional change. The EU's economic response to the challenge of COVID-19 - which the RRF is central to - is an interesting development in and of itself. Assessing whether the changes it introduces are gradual or represent a critical juncture contributes to our understanding of both the nature of institutional change and European integration in times of crises. Where our analysis differs from the existing literature we review in section 2, is that we look at the operation of the RRF - not just its design - which enables us to reach a more nuanced conclusion. Our argument is that the RRF represents gradual although potentially transformational change, through the combination of layering and conversions. In the introduction and (now substantially revised) concluding section, we aim to make clearer the case provides wider insights with regards to European integration and institutional change in time of crisis (see last two paragraphs on page 16).
C25R2 - Why is more attention to how the two mechanisms interact in shaping change important, as the conclusion suggests?	This is, we believe, an interesting finding, and one that needed further unpacking. We thank the reviewer for drawing our attention to this. The literature institutional change à la Thelen & Streeck tends to focus on identifying types of incremental institutional change (layering, conversion etc) and their underlying political mechanism. This is useful. What it tends to fail to notice is that these types of change are not static or discrete, but interact with each other. Here we highlight how layering feeds conversion, which in turn may lead to further layering. We hope to have made this clearer throughout the paper, and especially on page 16.
C26R2 - Particularly the introduction, theoretical framework and conclusion could benefit from a stronger engagement	Thank you for this comment, which links to C24R2 and C25R2. We hope to have made the wider implication of

with the wider relevance of this case study.	the analysis and case study clearer throughout the paper and especially in the substantially revised and rewritten conclusion.
C27R2 - I would like more information on the case selection. Why climate policy, and more importantly, what are the implications of selecting this case? To what extent are the outcomes likely to be related to the case of climate? Could it have been different for e.g. digital spending (where less existing structures are in place)?	We have now expanded the rationale for the case selection. In the introduction (pages 2-3), we briefly present climate, a politically salient and well established policy area, as a crucial case to assess the transformative effect of the RFF on pre-existing institutions. In addition, and due to space constraints, in the appendix we have included a more substantive methodological discussion covering case selection. Climate differs from digital - another priority of the von der Leyen Commission and RRF - in as much as it is a much more established and therefore densely institutionalised area. We thank the reviewer for pointing to this and believe that the article provides insight beyond the case of climate change. For instance, some of our findings align with studies of other areas, such as social policy, as we note in the text. This calls for more systematic comparative analysis of the RRF across policy areas, which is beyond the scope of this paper. We now explicitly identify this as an avenue for further research.
C28R2 - The references to implementation throughout the manuscript are unclear. Is it speculated that the implementation phase will likely show different results, due to lacking implementation? If so, what implications does this have?	This links to C7R1 - as detailed there, we have reviewed our framing and removed these references where appropriate. While our data, collected in 2021-2022, does not enable us to study implementation per se, it provides insights about the operation of the RRF and, in combination with the existing literature, offers hypotheses as to concrete implementation, suggesting that change may be more gradual in practice than first appeared. We hope the article now makes this point clearer.
C29R2 - The second RQ on the altering of pre-existing institutional arrangements is tackled via the framework of hardening and softening governance. To me it is not entirely clear why this is the most appropriate theoretical framework to address this issue.	We thank the reviewer for this request. We have now amended the text (page 6) to clarify why we need to use the framework on hardening and softening governance, as a complement to the typology of institutional changes. While the latter is useful in characterising change, it fails to fully capture the intensity/extent of change, due in particular to the introduction of new fiscal resources and associated conditionality. The literature on hardening/softening governance provides a useful framework to assess this and as such is a well suited complement to the 'types of change' literature.
C30R2 - I miss an operationalization of the theoretical framework. Sure, the appendices give first insights into how the research was done, but I still would like to see a reflection of this in the main text. How were the types of change and hardening and softening trends analysed?	Relating to the wider/other comments about methodology (C24R2, C27R2), this is a useful suggestion and we have sought to address it on two fronts. Firstly, we have expanded the description of the analytical process in the appendix; secondly we have made brief (due to space constraints) reference to this process in the main text (page 7).

C31R2 - Combined with the point above, the actual analysis could win in clarity if more 'evidence' would be included. While provided more in the appendices, the text itself - combined with a lack of operationalization - leaves the reader to guess how the authors draw their conclusions. The appendices show some really insightful quotes, that would strengthen the persuasiveness of the analysis.	This useful comment aligns with suggestions from the other reviewer (see C5R1 and C2R1). We have revised the empirical analysis to make more of our interview data (which was mostly in the appendix in the previous version) and incorporated more quotations into the article text itself (e.g. on pages 9-10). We have also included more examples drawn from the systematic analysis of documents for our six case study countries (e.g. on page 10). This, in combination with a more detailed explanation of our methodology in the appendix, hopefully helps ground our claims empirically and make clearer how we drew our conclusions.

Online appendix

Case selection

We chose to focus on the crucial case of climate policy within the RRF, as it is a core priority of the recovery package and von der Leyen Commission in line with its 'Green Deal'. It is also a particularly salient area and one which is decisive to the EU's identity and future. The centrality of climate change is illustrated by the 37 percent spending target, which only compares to the 20% spending target for Digital objectives. While digital policy is an emerging policy area, climate is well established, with a large body of legislation, including targets and policy instruments to rely on. As such, this case enables us to track how the RRF draws on and interacts with existing policy content, goals and instruments, and initiates institutional change within long-standing frameworks. While a systematic comparison with other policy areas is beyond the scope of this paper, the emerging literature on the RRF suggests that similar developments are taking place elsewhere, such as in social policy (e.g. Corti & Vesan, 2023). Systematic comparisons across policy areas represent a promising area for future research.

Documentary analysis strategy

As part of the empirical research, we systematically analysed:

- The Commission's documents pertaining to the RRF and its implementation (legislative text, implementation guidance, reporting on implementation).
- Member states' National Recovery and Reform Programmes (NRRPs), focusing in particular on six case studies: Belgium, Cyprus, France, Ireland, Malta and Romania. These six country cases were chosen based on linguistic skills as well as to cover a diversity of situations in terms of the share of funds requested; size and influence; core vs South/East periphery.
- European Semester documentation, including all Country Specific Recommendations (CSRs) for 2018 to 2022, and 2020 Country Reports.
- National Energy and Climate Plans (NECPs) for the six member states selected as above.

Analysis

Focusing on energy and climate issues, our aim was to trace how policies within the Semester (via the CSRs and Country Reports), as well as references to the NECPs, are linked to reforms and investments identified in the NRRPs, to assess the degree of continuity and change across these distinct but related governance frameworks. We did this, with the help of a research assistant, by manually reviewing the relevant documents (in their original language as NRRPs are not always available in English) for our six case study countries and comparing their contents (see table 3, below, for example). To understand the nature of change, we analysed the hardening/softening of provisions across documents. This was done using an adaption of Bekker's (2021b) framework, as presented in Table 2 in the main text. Having identified potential examples of (de)centralisation (where the relevance of national actors and priorities seemed to change), obligation (where reference to obligations were seen, and provisions were described in (more or less) detail) and enforcement (where reference to minoring, conditionality, sanctions etc. were seen), the research team collectively discussed their relative extent and significance, and reached a consensus on whether hardening or softening was being observed. This assessment was complemented by interview data, in which participants were asked directly whether particular provisions had changed (e.g. whether national involvement in drafting had increased or decreased).

Table 1: Interviews conducted

Interview number	Interviewee category	Date conducted
1	Commission DG Energy	09.09.21
2	Commission DG Energy	09.09.21
3	Commission DG Climate	09.09.21
4	Commission DG Climate	09.09.21
5	Journalist	09.09.21
6	Journalist	29.10.21
7	Civil society representative	18.11.21
8	Civil society representative	18.11.21
9	Civil society representative	06.12.21
10	Civil society representative	15.12.21
11	Commission DG Secretariat General	04.07.22
12	Civil society representative	16.08.22
13	Commission DG Climate	17.08.22
14	Civil society representative	02.11.22
15	Civil society representative	02.11.22
16	Member state representative	29.11.22
17	Member state representative	29.11.22
18	Member state representative	01.12.22
19	Member state representative	02.12.22
20	Member state representative	02.12.22
21	Member state representative	02.12.22
22	Member state representative	06.12.22
23	Member state representative	06.12.22

Table 2: Climate, energy and NECPs in CSR documents, summary by year

Mentions of climate (across # countries' CSRs)		**Of which recommendations**
2018	5 (2)	0
2019	30 (18)	0
2020	103 (27)	0
2022	84 (27)	0
Mentions of energy (across # countries' CSRs)		**Of which recommendations**
2018	18 (8)	1
2019	169 (24)	22
2020	164 (27)	27
2022	897 (27)	27

Table 3: Examples of policy traces through Country Reports, CSRs and NRRPs

2019 CSRs (July 2019)	2020 Country Reports (February 2020)	2020 CSRs (July 2020)	NRRPs (Q2/Q3 2021)
Belgium			
"There are **substantial investment** needs to support the energy transition" (Recital 19). "There is a need for **major investment** in power generation, as well as interconnection capacity, smart grids storage and energy efficiency" (Recital 19). CSR 3: "Focus **investment-related economic policy** on … the low carbon and **energy transition** and research and innovation…"	"Achieving emission reduction targets in the energy sector will involve **substantial investment**. Belgium is committed to phasing-out its nuclear energy production by 2025, which would involve **developing alternative energy generation capacity** from renewable sources and from gas-fired power stations, as well as investments to increase energy efficiency and extend cross-border interconnections" (p. 66). "The final Belgian National Energy and Climate Plan adopted in December 2019 sets out these measures as well as specific energy target, including a renewables share in final energy consumption of 17.5% (EU-wide target of 32%) and a 12% improvement in final energy consumption (EU ambition of 32.5%). These new energy targets are less ambitious than the targets set out in the draft Belgium National Energy and Climate Plan adopted in December 2018" (p. 66).	"To foster the economic recovery, it will be important to **front-load mature public investment** projects and promote private investment, including through relevant reforms, which would also help **industrial transition**" (Recital 23). "The NECP also identified important **investment needs in renewable and flexible power generation**, interconnections, smart grids, storage and in energy efficiency to meet European energy and climate targets, to realise Belgium's legal commitment to fully phasing out nuclear energy by 2025 and to renovate 80% of the building stock which was built before the introduction of energy norms" (Recital 23). CSR 3: "Focus **investment on the green and digital transition**, in particular on infrastructure for sustainable transport, clean and efficient production and use of energy […]".	"The component contributes to effectively addressing the challenges identified in the country-specific recommendations (CSR) addressed to Belgium in 2019 and 2020, which call for the **concentration of investment-related policies**. All reforms and all proposed investments aim, implicitly or explicitly, to **increase investments** in energy savings, renewable energies, hydrogen and technologies to achieve climate neutrality by 2050 at the European level. This component focuses on technological developments aimed at supporting the **energy transition** and system integration to further limit CO2 emissions, by focusing on industrial sectors" (p. 94).
"Renovation of the old **building stock**, which predates the introduction of energy norms, will help to meet the 2020 and 2030 **emission reduction** targets" (p. 14).	"Renovating the old **building stock**, which predates the introduction of energy norms, will help Belgium meet its 2020 and 2030 **emission reduction** targets" (p. 4).	"The NECP also identified important investment needs in renewable and flexible power generation, interconnections, smart grids, storage and in energy efficiency to meet	"As part of the National Energy and Climate Plan 2030, the Brussels-Capital Region must reduce its greenhouse gas **emissions** by at least 32%. The building sector being the biggest emitter of

		European energy and climate targets, to realise Belgium's legal commitment to fully phasing out nuclear energy by 2025 and to renovate 80% of the **building stock** which was built before the introduction of energy norms" (Recital 23).	greenhouse gases in the Brussels region, sustainable **renovation of existing buildings** is undoubtedly a major challenge…. As part of the 2019 and 2020 CSRs, Belgium was recommended to focus its investments in favour of the transition energy and towards a low-carbon economy. Renovation projects energy efficiency of social housing buildings can reduce **emissions** of greenhouse gases while reviving companies active in the techniques of **sustainable buildings**" (p. 57).
Cyprus			
"The reliance on roads for inland transport creates a number of policy challenges, most notably the struggle to reduce air pollution and greenhouse gas emissions, and also leads to severe congestion in urban areas during peak hours and on roads to and from ports. With a 2,7 % share in 2016, Cyprus is also lagging behind in the use of **renewable energy sources in transport** and may have difficulties reaching the binding 10 % target by 2020" (Recital 14).	"Ensuring **sustainable and green mobility** system is key for Cyprus due to the large and growing proportion of transport in CO2 emissions" (p. 64).	"Cyprus faces important challenges in reaching its 2030 target for greenhouse gas emissions not covered by the EU emissions trading system. These challenges need to be addressed by planning and adopting additional measures in a timely manner in accordance with the country's National Energy and Climate Plan. Such measures will require investments, in particular in areas like renewable energy, energy efficiency and **sustainable transport**, which can also help to provide a robust green stimulus" (Recital 23). CSR 3: "Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, waste and water management,	"The overall objective of the Component is to provide the impetus for a **cleaner, smarter, safer and fairer urban mobility sector**. This objective is in line with the national strategy for the road transportation sector via the National Energy and Climate Plan (NECP) for Cyprus. The Component comprises of the following three thematic categories considered essential for successfully achieving the targets set both in the Sustainable Urban Mobility Plans (SUMPs) and the NECP, while also containing some updated and new actions adapted to recent developments: ● Thematic Category 1: Shift to **sustainable and smart modes of transport** (Public transport, Cycling, Walking);

		sustainable transport, digitalisation, research and innovation.”	● Thematic Category 2: Integration of smart and digital systems in the transport sector; ● Thematic Category 3: Electro-mobility and the use of **alternative fuels in the transport sector** with zero or low GHG emissions” (p. 145).
“Cyprus can make much better use of its **renewable energy sources** — particularly solar — and address current energy inefficiencies” (Recital 14). “Cyprus has not yet taken full advantage of its considerable potential in **renewable energy generation**, in particular from solar sources” (Recital 14). CSR 4: “Focus investment-related economic policy on sustainable transport, environment, in particular waste and water management, energy efficiency and renewable energy, digitalisation, including digital skills, and research and inno-vation, taking into account territorial disparities within Cyprus."	“Apart from addressing environmental and climate concerns, a transition to **renewable energy sources** would also significantly reduce the costs of energy generation (SDG 7), especially given Cyprus’ potential for solar energy generation. In addition, it would also reduce Cyprus’ reliance on imported fossil fuel sand, thus, reduce Cyprus exposure to fluctuations in global oil prices…” (p. 64).	“Cyprus faces important challenges in reaching its 2030 target for greenhouse gas emissions not covered by the EU emissions trading system. These challenges need to be addressed by planning and adopting additional measures in a timely manner in accordance with the country’s National Energy and Climate Plan. Such measures will require investments, in particular in areas like **renewable energy**, energy efficiency and sustainable transport, which can also help to provide a robust green stimulus” (Recital 23). CSR 3: "Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on **clean and efficient production and use of energy**, waste and water management, sustainable transport, digitalisation, research and innovation.”	“Specifically, the component aims to improve the environment policy through measures relating to taxation, the opening up of the electricity market and the facilitation of licensing of **renewable energy** and renovation projects” (p. 89). “Incentives for the reduction of greenhouse gas emissions in agriculture, industries, businesses and other organisations, are also incorporated in this component, as well as the development of advanced testing procedures in the area of **renewable energy** and smart grids for promoting high-quality research” (p. 90). “This component is in line with the country specific recommendations (CSRs) for the years 2019 and 2020, which recommend focusing investment and investment-related policies on energy efficiency and **renewable energy**.”

"Cyprus needs to significantly improve its **waste management** system and the **circular economy**. Waste generation remains significantly higher than the Union average and has increased since 2014. The current facilities for waste treatment do not achieve high **recycling** rates, and the lack of economic instruments such as landfill taxes makes recycling economically unattractive. Water management, in particular in urban areas, is characterised by inefficiencies. Water scarcity, in combination with over-abstraction of groundwater, is the main challenge for Cyprus. On urban **wastewater**, there is a considerable amount of wastewater that is still discharged without collection or treatment — only around half of the total waste water undergoes secondary treatment" (Recital 13).	"An overarching policy framework for the **circular economy** is lacking" (p. 62). "Investing in the **circular economy** could create new jobs and opportunities to tap into new export markets" (p. 62). "The absence of financial incentives makes **recycling** unattractive. Cyprus does not apply any taxes on landfill or mechanical biological treatment" (p. 62). "a considerable amount of urban **wastewater** is still discharged without collection or treatment" (p. 63).	"Cyprus also needs to improve its **waste management** system and the **circular economy**. Waste generation remains significantly higher than the Union average, while **recycling** rates remain significantly lower than the Union average. The landfilling rate is also very high. Water and **waste water** management, especially in urban areas, is characterised by inefficiencies. Droughts and water scarcity are major concerns and an insufficient policy response might affect the country's rural economy and tourism" (Recital 23). CSR 3: "Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, **waste and water management**, sustainable transport, digitalisation, research and innovation."	Sub-component 3.1.4 Circular economy includes the following measures: Reform 4: Enhancement of **circular economy** in Industry Investment 11: Improvement and extension of the Cyprus Green Points Network and creation of a network of Collection Points and **Recycling** Corners Investment 12: **Waste management** towards circular economy
France			
France "needs to step up significantly its investment efforts to reach… its more ambitious 2030 climate and energy targets, in particular in the deployment of renewables and the **energy efficiency refurbishment of the building stock**" (Recital 22). "High investment needs also concern energy efficiency in buildings. This is	"Public and private investment need to prioritise actions to make progress in improving **energy efficiency of buildings** as required by the 2019 climate and energy law, which plans to decrease the number of thermal sieves" (p. 7). "Additional efforts should be envisaged to accelerate the **energy renovation of**	"To foster the economic recovery, it will be important to front-load mature public investment projects and promote private investment, including through relevant reforms. This could be identified in European Green Deal priorities, in particular in low-carbon transport initiatives, renewable, energy and **building renovations**. [...] Preparatory work for recovery	Component 1, "Energy Renovation", includes several measures exclusively targeted at private households, social housing and public buildings; the main aim is to reduce GHG emissions by improving the **energy efficiency of the building sector**.

particularly the case for **renovation of the housing sector,** which accounts for a large share of the total climate investment gap" (Recital 22). CSR 3: "Focus investment-related economic policy on research and innovation (while improving the efficiency of public support schemes, including knowledge transfer schemes), renewable energy, **energy efficiency** and interconnections with the rest of the Union, and on digital infrastructure, taking into account territorial disparities."	**residential buildings** and development of demand-side response" (p. 76).	measures could rely on France's National Energy and Climate Plan, projects of common interest and infrastructure development plans" (Recital 21). CSR 3: "Focus investment on the green and digital transition, in particular on sustainable transport, **clean and efficient production and use of energy**, energy and digital infrastructures as well as research and innovation."	
Ireland			
"More infrastructure investment in clean energy, clean and public transport and water services as well as intensified efforts in the field of **decarbonisation**, energy efficiency, renewable energy and the circular economy would help Ireland in its transition towards a **low-carbon** and environmentally resilient economy" (Recital 14). "diversifying maritime transport and energy connections with continental Europe could increase the resilience of the economy to external shocks. Ireland has so far failed to decouple its economic growth from the **emissions** of greenhouse gases and air pollutants.	"The transition to a **climate-neutral** economy will require significant private and public investment in energy, transport and the built environment, among others" "High levels of GHG **emissions** in Ireland require a major intensification of mitigation efforts" (p. 61).	"The restart of the economy requires that Ireland make progress with regard to its ambitious environmental, climate, energy and infrastructure investments. Ireland has lagged behind so far in tackling **decarbonisation**. Greenhouse gas **emissions** in transport and buildings are high and have remained on a rising trend" (Recital 21). "Ireland's transformation into a **climate-neutral** economy will require sizeable private and public investment, over a sustained period, in, inter alia, renewable energy, electricity infrastructure, energy efficiency and sustainable transport" (Recital 21).	"The National Recovery and Resilience Plan represents a first step to significantly reform and direct relevant funding towards **decarbonising projects** such as retrofitting, ecosystem resilience and regeneration, climate mitigation and adaptation, and green data systems. As part of the Irish submission, a total of 7 investments and 2 reforms have been included in this plan to meet the need for a green transition in the coming number of years" (p. 16).

Greenhouse gas **emissions** have steadily risen, in particular in transport, agriculture, energy and the built environment. Lack of progress in this area will make it more difficult for Ireland to meet its Union obligations, while also increasing the cost of future action" (Recital 15). CSR 3: "Focus investment-related economic policy on **low carbon** and energy transition, the **reduction of greenhouse gas emissions**, sustainable transport, water, digital infrastructure and affordable and social housing, taking into account regional disparities."		CSR 3: "Focus investment on the green and digital transition, in particular on **clean and efficient production and use of energy**, sustainable public transport, water supply and treatment, research and innovation and digital infrastructure"	
Malta			
"Malta needs to promote the shift towards a more sustainable and resource-efficient economy, for example by investing in the untapped potential for **energy efficiency** and renewables, the water-management cycle, waste management, tackling the growing emissions from air conditioning, climate action and sustainable mobility, which will contain emissions from road transport" (Recital 12). CSR 3: "Focus investment-related economic policy on research and innovation, natural resources management, resource and **energy efficiency**, sustainable transport, reducing	"The growing population makes it all the more important to further strengthen environmental sustainability, especially by improving the **energy performance of buildings**" (p. 15). "**Renovating the building stock** may help to substantially boost energy efficiency…. Energy-related 'deep' renovations are carried out on 0.1% of residential buildings and 0.4% of non-residential buildings each year, while medium and light renovations are predominant (European Commission, 2019o)" (p. 49). "The uptake of **energy renovation** could benefit from: (i) increased public	"Supporting the renovation of the existing building stock and targeted training schemes will help to improve the energy performance of buildings" (Recital 20). CSR 3: "Focus investment on the green and digital transition, in particular on **clean and efficient production and use of energy**, sustainable transport, waste management, research and innovation."	"Investment in the **renovation and greening of public and private sector buildings**, including deep retrofitting through energy and resource efficiency measures" (p.6). Investments: a. Investment in the r**enovation and greening of public and private sector buildings**, including deep retrofitting through energy and resource efficiency measures. b. Investment in the **renovation and deep retrofitting** of public hospitals. c. Investment in the **renovation, deep retrofitting** and renewable energy in public schools.

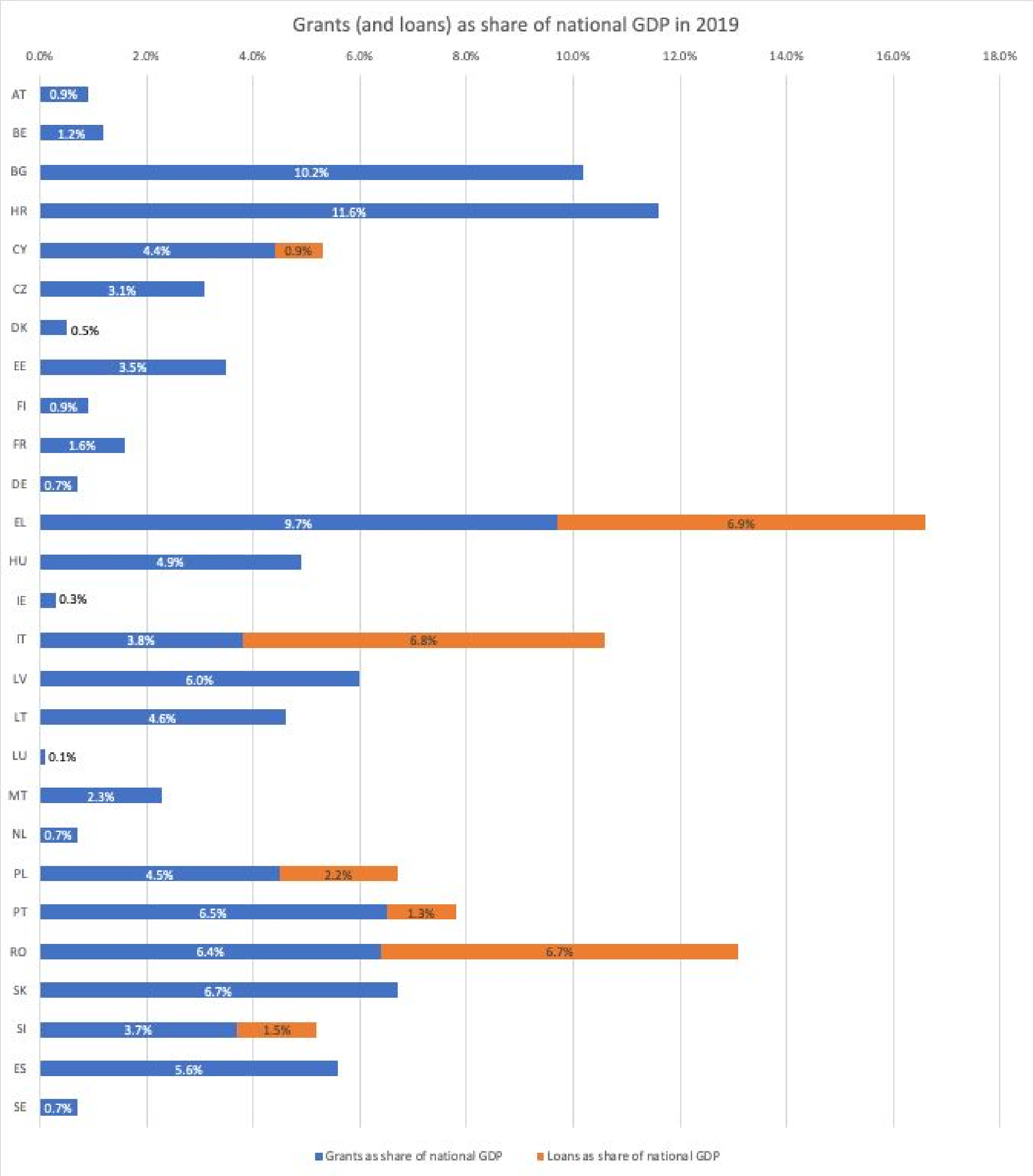
traffic congestion and inclusive education and training.”	awareness of support schemes; (ii) better use of energy performance certificates; and (iii) a comprehensive long-term renovation strategy to address both social housing infrastructure and the worst-performing buildings in the building stock” (p. 49). “the high growth in new construction projects (around 5% in the residential sector and 7% in the non-residential sector), creates significant opportunities to improve the sector’s **energy performance**. For example, energy performance could be improved by updating cost-optimal minimum requirements and adopting a more ambitious near-zero-emissions standard for new buildings” (p. 52). “**Renovation of the existing building stock** and targeted training schemes may help to improve the energy performance of buildings. Malta’s low renovation rates result in insufficient energy savings” (p. 52).		d. Investment in the construction of pilot **near-carbon-neutral schools** to serve as a model for the future and provide a future-proof learning experience to students. e. Renewable energy investments in footpaths, roads, and public spaces. “The policy reforms and investments under this component will contribute towards the green transition through **energy efficiency in buildings**, whilst facilitating reforms in renewable energy and waste management. These initiatives also address the challenges outlined in CSR 3 of 2019 and 2020 relating to the green transition” (p.6). Component 1 (reform): Develop a long-term renovation strategy as a key action of Malta’s efforts for Clean Energy and to achieve the **decarbonisation of the building stock** by 2050.
“Due to limited transport and commuting alternatives to driving as well as high car penetration, **road congestion** is one of the weakest aspects of Malta’s business environment and remains a major challenge. Moreover, greenhouse gas emissions from **road transport** have	“A number of policy measures to promote **sustainable mobility** are in the pipeline. It is crucial to strengthen and implement these measures, as **traffic congestion** generates significant economic and environmental costs” (p. 16).	“Investment to reduce greenhouse gas emissions, described in its National Energy and Climate Plan, and to address other negative environmental externalities, in particular in sectors like construction and **transport**, can help achieve the dual objectives of economic recovery and sustainability” (Recital 20).	“This component supports Malta’s commitments towards the reduction of national GHG emissions reduction targets and contributes towards national efforts aimed at **cleaner, smarter and more sustainable mobility**. The reforms and investments under this component also address CSR 3 of 2019

increased over the last 5 years" (Recital 12). CSR 3: "Focus investment-related economic policy on research and innovation, natural resources management, resource and energy efficiency, **sustainable transport, reducing traffic congestion** and inclusive education and training."	"Worsening **road congestion** is the result of heavy reliance on passenger vehicles for transportation and sharp increases in the number of licensed motor vehicles" (p. 48). "Greater action on **sustainable mobility**, including improving public transport and further encouraging its use, would help reduce both **congestion** and greenhouse gas emissions without increasing pressure on transport infrastructure" (p. 49).	"Further investment on sustainable transport can ensure viable alternatives to the use of private cars" (Recital 20). CSR 3: "Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, **sustainable transport**, waste management, research and innovation."	and 2020, particularly the green transition, sustainable transport and the reduction of traffic congestion" (p. 7). Investments: a. New ferry landing facility to promote **alternative modes of transport** at St Paul's Bay/Buġibba. b. Enhancing the uptake of **new electric vehicles** (including motorcycles and pedelecs) in the private sector through grant schemes for individuals and business. c. Decarbonising the public service fleet through the use of **zero emission vehicles**. d. Support for the acquisition of new **electric buses** to replace part of the existing ICE buses in the public transport fleet.
Romania			
"…energy, waste, water and wastewater **infrastructure and energy interconnections** continue to show deficiencies. Challenges remain to achieve the energy efficiency target, in particular there is still a wide margin to improve energy efficiency in buildings" (Recital 14). CSR 4: "Focus investment-related economic policy on transport, in	"Links to neighbouring countries in the gas market still lack sufficient **infrastructure**." "Investment in the gas-transmission **infrastructure**, particularly the completion in 2020 of the Romanian section of the Bulgaria-Romania-Hungary-Austria (BRUA) pipeline corridor, would allow bi-directional flows and enhanced **interconnectivity**	"The crisis showed even more clearly that Romania has a critical need to relaunch public **infrastructure** works in fields such as sustainable transport, clean energy, and environmental and digital service infrastructure" (Recital 23). CSR 3: "Focus investment on the green and digital transition, in particular on sustainable transport, digital service	Reforms include to develop the distribution network of renewable gas (using natural gas combined with green hydrogen). "With regard to natural gas supply, Romania is particularly considering the development of the National Natural Gas Transport System on the Bulgaria-Romania-Hungary-Austria (BRUA) corridor and also the development on

particular on its sustainability, low-carbon energy and energy efficiency, environmental **infrastructure** as well as innovation, taking into account regional disparities. Improve the preparation and prioritisation of large projects and accelerate their implementation. Improve the efficiency of public procurement and ensure the full and sustainable implementation of the national public procurement strategy."	with Bulgaria and Hungary. In a second phase, BRUA is also crucial for the start of Black Sea offshore gas production" (p. 53). "With improved **infrastructure** Romania could tap into its potential for renewable power generation. A well-developed **interconnected** power grid would also help exploit the potential of renewable energy generation" (p. 53).	infrastructure, clean and efficient production and use of energy and environmental **infrastructure**, including in the coal regions."	Romanian territory of the Southern Transport Corridor for taking over natural gas from the Black Sea coast" (p. 50).
"Despite significant public investment after Romania joined the Union, its physical infrastructure remains underdeveloped. The general condition and reliability of the road and **rail networks** are very poor. The infrastructure is not keeping up with the traffic demand generated by an expanding economy. The road network is among the least developed in the Union, and the reform of the **railway sector** is lagging behind. Greenhouse gas emissions from road transport have increased strongly over the last five years. Moreover, heavy underinvestment in maintenance has reduced train speed and affected delivery times of rail freight transport. Urban transport suffers from chronic underfinancing, poor sector organisation and the weak administrative capacity of local providers" (Recital 19).	"Promoting public transport and shifting freight transport away from road could reduce external costs, including for the environment. Although the Romanian government aims to increase the share of **rail** compared to road transport (National Reform Programme 2019, p.32), plans and their implementation are still in early stage" (p. 52).	"Urban **transport** suffers from poor sector organisation and the weak administrative capacity of local providers" (Recital 23). CSR 3: "Focus investment on the green and digital transition, in particular on sustainable **transport**, digital service infrastructure, clean and efficient production and use of energy and environmental infrastructure, including in the coal regions."	Reforms and investments: - Sustainable **transport**, decarbonisation and road safety - Improving the institutional capacity and management of the **transport** sector - Modernising **rail infrastructure** - Developing the transport infrastructure on the TEN-T network.

CSR 4: “Focus investment-related economic policy on **transport**, in particular on its sustainability...”			

Figure 1: Grants and loans from RRF as share of national GDP 2019 ('proxy leverage')



Source: Adapted from European Parliament (2022). European Parliament (2022) European Parliament Think Tank Infographic, https://www.europarl.europa.eu/thinktank/infographics/RRF/?lang=en#data-map [accessed November 2022].

Table 4: Examples of interview quotes

Type of change	
Layering	"what has changed is that there is much more attention paid to climate energy environment issues as part of the European semester. And the so when you look at this year's country's specific recommendations, quite a few of them touch upon climate, energy, and an even in some cases, wider green environmental issues. That I think is relatively new" (interview 13).
Conversion	"the reforms that we [the Commission] were proposing were based on the country specific recommendations…our first source of inspiration was there. But when we wanted to go into more granularity we went and we looked into the national energy climate plans…the national climate plan was for us a sort of roadmap of what we wanted to see" (interview 11).
	"the recovery and resilience is used to give a bit of teeth to the NECPs" (interview 5).
	"it was written and stated in some of the plans somewhere, you know, some strategy, some vision, something. And now the commission comes and say, Hey, guys, do you have this strategy? So do it, just do it" (interview 18).
	"the new money from the recovery and resilience facility enables you to … target blind spots enable you to achieve things that were objectives…energy efficiency in public buildings…this area is not new, but what we were able to dedicate significantly more funding than we could have done" (interview 20).
	"we brought forward as a ministry that schemes that were planned later…once you implement and bring forward you get the funding" (interview 16).
	"And a lot of what the member states inputted in recovery plans, in reality, were things that they were already preparing for the next Multiannual Financial Framework, right, so for cohesion policy funds. And because evidently, you know, you do have money on the table, but then you need kind of relatively mature projects, you know, which have a business plan, you know, a lot of preparatory studies already done and so on. You can't just start from scratch" (interview 15).

	"I will say it's 50%. 50% was already prepared or were activities that we know how to do. And 50% were completely new activities or new measure" (interview 18).
Hardening/Softening	
Centralisation	"You need to come and make and make your proposal very concretely, and then you have to negotiate it with the Member State. So you see the process of reform in a much more active way. And of course, reality bites! You also need to negotiate" (interview 11).
	"Member states would present their investments, they are very free in the aera of investments, because even our recommendations in terms of investments were very broad, you know, a lot of environment, and digital, but in very broad terms […] the only conditionality they had was to respect the Do No Significant Harm principle. And they had to come up with and they had to prove that to us 37% of climate trackable investments, and 20% of digitally tagged investments. So for investments, member states, were actually very, very free […] But our powers in the Commission was that we had to come up with reforms. To a large extent, member states also came up with their reforms. But in many cases, we had to put the reforms in the angle of the European semester. And that meant, in some cases, prepare the whole reform and negotiate it with the member states" (interview 11).
	"And the biggest challenge […] is that you combine investments with reforms. The investment part, this is easy, because we know how to do it, we have the asset funds and the ministries know how to do it, but to deliver reforms which have the ambition to complement these investments, it is indeed a political thing" (interview 18).
	"[I]f the envelope for a member state is 4% of its GDP, then we really have an influence. If the envelope like in the Netherlands or Belgium is very small compared to the economy of the country, this has a marginal influence" (interview 11).
Obligation - Codification	"I have two pages of explanations of what I need to see in the law. So this is almost alignment…this is more precise, more detailed, there is no comparison" (interview 11).

	"We cannot provide you money if it's not fitting with the rules. And the rule is 37%. And this rule has been adopted in our regulation by the European Parliament and the Council, if we don't respect the 37, we have the European Court of Auditors on our neck. I mean, the law is the law. So they [the member states] need to submit a plan which fitted with the 37%. And many of them actually did much more, in fact, to be on the safe side" (interview 11).
	"some kind of mismatch between what was expected when the whole framework was approved by the European Council. I think, and then the real outcome, which in fact, is that there is a lot of administrative burden. Almost no changes are possible" (interview 19).
	"they're pretty detailed in terms of annex six of the of the RRF regulation, with the percentages, which of course, can be criticized and some of the NGOs and others have criticized the fact that we rely essentially on these markers rather than on the taxonomy criteria, but that didn't exist at the time [...] So I think there are there are probably discussions about whether it should be 40% or 100% [...] But it's not the bulk of the discussions as far as I can as I can see" (interview 13).
Obligation - Precision	"some measures have milestones ...spread in different points of time in...so therefore, there's a continuous monitoring of that measure" (interview 11).
	"there is a high number [of milestones]. Initially, we wanted to have 150. But the Commission decided to split some of them into milestones and targets. So we have, like, the initial deadline for realizing an investment was 2025. And the Commission said: 'Okay, this is fine, you can have it in 2025'. But before that in 2023, we'll have a milestone saying that this program, this scheme is ongoing. So the whole RRP kind of grew ... So the final word was on the commission side, and we can either sign it or not sign it" (interview 18)
	"the Commission has probably been applying correctly the methodology. But the problem is the methodology for climate tagging [...] there are different ways to calculate climate tagging, and it's questionable whether the numbers put forward by member states and the Commission are really representing climate action [...] categories are too broad, which means that a number of things that are not actually about climate are accounted for as climate action" (interview 12).

	"because the do no significant harm principle in the RRF regulation is fairly broad. I mean, it's not like in the taxonomy regulation, where it's super specific and entails quantitative thresholds and so on" (interview 15).
	"[the RRF required] much more granular and detailed data on our initiatives than then we were actually kind of prepared to provide" (interview 23).
Enforcement - Oversight	"[monitoring] extremely closely. I don't see how they could monitor it any anymore" (interview 22).
	"they [member states] have to provide all the documentary evidence that was agreed as part of the operational arrangement. So that's a formal … that's a really formal process. And that, again, is mainly in the hands of our Recovery Team colleagues" (interview 13).
	"I mean, when we go through a payment request process, and we document the concrete milestones and targets that will be in that payment request, they are looking at concrete evidence for every single word that is written in any of the legal texts that are relevant, like every part of the code, every part of the operational arrangement, what we said in the plan" (interview 22).
	"but the commission will not be looking at all of the individual projects and say that this is okay or this is not. So there are really big risks that some projects might have some potential good impact, but might be done wrongly or in ways that are just not in line with how to support communities, how to involve them, or how not to harm biodiversity targets or things like this" (interview 14).
Enforcement - Conditionality	"the RRF is new, in the sense that it has really managed to bring the conditionality that was not existing to a lot of the EU spending, and to the European semester. And also, it has ensured that we actually devote the money where we believe it should go that is, for instance, in our case, there's been a political decision that should go to the green" (interview 11).
	"the pressure that the Commission can exert into the semester was always considered very limited. I mean, especially with countries which are more powerful or bigger […] So the difference now is that because the country specific recommendations are linked to the recovery and resilience facility,

	member states are supposed to implement them in order to receive the next instalments, and these country specific recommendations are supposed to be reflected in the milestones and targets" (interview 12).
	"certain reforms…those are probably in the areas where it mattered most, where things wouldn't have happened without this leverage of the funds" (interview 13).
	"it's also in the interest of the commission to show that this instrument is working. So really, we fear that there might be some issues where the commission will just approve some of the milestones and targets" (interview 14).