

# Performance-based Programmes under the post-2027 MFF

## KEY FINDINGS

Early documents of the incoming Commission hint at a shift towards a performance-oriented budget, from managing funds to monitoring the achievement of policy objectives.

Such performance-based budgeting will require careful choice and definition of indicators clearly linked to the funding objectives, based on thorough ex-ante impact assessment, monitoring in itinere, and ex-post evaluations. Accompanied by clear guidelines on the types of indicators to be used for tracking and standardised reporting formats, these will enable the budgetary authority to obtain the relevant information without creating additional administrative burden.

Collecting and processing the required amount of data will require fully integrated and interoperable IT solutions, automated reporting and mandatory ex-ante check on the reliability and accuracy of data. Offering period training to keep staff updated on best practices and introducing AI into existing systems would ensure considerable streamlining and time savings.

Ensuring the full protection of the Union's financial interest under performance-based budgeting will require careful balancing of auditing and control requirements with the administrative burden imposed on Member States and beneficiaries. A Single Audit point could be explored.

For the European Parliament to fully exploit the opportunities of performance-based budgeting, this will require creating the requisite capacities in a form of Parliamentary Budget Office, drawing on best practices from member States. A unique EU level database on performance information would also facilitate access by the Parliament to exercise its scrutiny role and its role as Budgetary Authority.

The involvement of the EP in the governance of external assigned revenues should be strengthened. This can happen with a modification of the Inter-Institutional Agreement on budgetary discipline to give the EP possibility to ask for only partial disbursement of payment requests in the case of the milestones on audit/control and rule of law.

*'A new budget fit for our ambitions'* is one of the key priorities of the European Commission for the 2024-2029 legislative term, straddling the current and next MFF. This should be based on a new approach: more focused to align with the EU priorities and objectives, simpler with fewer programmes and with a plan for each country linking reforms and investments. To deliver on this ambition, the Commission points to a performance-oriented budget, shifting the focus of budgeting from managing (i.e. *'how much have we spent?'*), to the achievement of policy objectives (i.e. *'what have we accomplished with our money?'*).



## Performance budgeting: policies, monitoring, evaluation and data

At the core of performance-based budgeting is the collection of performance information which can be expressed as indicators of three types: inputs (expenditure planned and disbursed), outputs (immediate deliverables produced through the financed operations) and results (effects of the supported interventions among the target population). The Recovery and Resilience Facility includes two kinds of indicators: common indicators, and milestones and targets.

Common indicators are not linked to specific reforms or investments, and they do cover a limited number of policy areas. Contrary to common indicators in Cohesion Policy, which are programme-specific and aim to measure the performance against the general and specific objectives of the programmes, the RRF common indicators do not have associated targets and are not systematically linked to each RRF pillar. This diminishes their contribution to monitoring and evaluating the measures in the plans. It does not surprise that the common indicators in the RRF are considered only an administrative burden for Member States which must report on them twice per year. Nor are they useful for MEPs to oversee the implementation of the recovery and resilience plans (RRPs) (Corti et al [2024](#)).

For the future MFF, the recommendation is to use common indicators only if it is possible – as in Cohesion Policy – to link the overall funding objectives to the indicators monitored. In this case, uniform and comparable indicators across reports lead to more reliable performance assessments. To achieve this, it is essential to develop clear guidelines and standardized reporting formats. Centralized databases could automatically calculate and predefine these indicators. If this is not possible, then the recommendation is to avoid common indicators.

Milestones and targets in the RRF are indicators specific to either reforms or investments. Empirical evidence shows a large heterogeneity in terms of types of indicators and an overall prevalence of input and output indicators rather than results (ECA [2023](#); Darvas and Welslau [2023](#)). To overcome these limitations, the European Court of Auditors advised the Commission to address in its performance monitoring and evaluation framework the main policy areas and the most significant effects, including, where possible, results and impacts. While this is desirable, a comprehensive performance monitoring and evaluation framework should take into account the differences across policies and the related difficulties in tracking results. Indeed, results can be more easily tracked when it comes to infrastructural investments, e.g. in the green transition. The EU taxonomy offers a consolidated and scientifically sound methodology to associate an investment to an expected output and a result. By contrast, in other policy areas such as investments in social policies, we lack a clear link between economic activities and policy results (Begg, Corti, Liscai [2023](#)).

This implies that the types of information that can be collected for this kind of investment cannot be used to track results, but at most outputs. Against this background the recommendation would be twofold in the definition of milestones and targets. Firstly, avoid input indicators which only inform about the budgetary inputs but do not commit Member States to deliver on performance. Secondly, based on the different policy areas, define either output or result indicators: Where there is a possibility to link funding input to measurable results, as in the case of traditional infrastructural investments, and overall the projects financed by the European Regional Development Fund, the use of result indicators seems more feasible than in the case of policies financed under the European Social Fund Plus, where only output indicators could be considered. In view of the next MFF it is recommended to develop a common guideline with a typology of projects and the type of indicators that can be used to track performance. Such a guideline should then be updated regularly by the Commission, based on progress in the development of methodologies to measure investments' returns.

From a methodological perspective, ex-ante impact assessment should be able to identify the output and/or results that the implementation of a certain policy is expected to deliver. Such ex-ante impact assessment should be provided by Member States when proposing a certain measure, and qualitatively assessed by the Commission. In the RRF such exercise was not carried out in a systematic way due to the short time frame to

present the plans. In a future performance-based EU budget, Member States should be able to provide a comprehensive performance monitoring and evaluation framework for the investments and reforms they propose. This implies that depending on the policy areas, Member States will have to report on different types of indicators. While such a bottom-up approach may reduce comparability across countries, it will allow a way more granular tracking of the investments and reforms' performance. To guarantee that this does not come at the expenses of transparency and accountability, the monitoring and evaluation framework should be accessible, and information on the ex-ante, in-itinere and ex-post evaluation of the measures under assessment should be clear and accessible. Furthermore, the above proposal for a guideline on the methodological tools should guarantee comparability and avoid fragmentation.

In addition to the different policies, the use of different types of indicators depends also on the type of performance-based budgeting that is adopted. If milestones and targets and their fulfilment is the pre-condition to approve the disbursement of funding, then one should be cautious in using result indicators, in particular in those areas where methodological limitations do not allow for a strong link. By contrast, if the information is collected 'only' for information purpose, then the use of result indicators can be justified, again with due consideration of the methodological challenges related to each policy area, and the balance of administrative burden vs. transparency.

In terms of reporting, the existent bi-annual reporting system on milestones and targets can be maintained as in the RRF. It implies for Member States to report not only on milestones and targets implemented (backward looking), but also on the status of the upcoming ones (forward looking). The latter in particular are key to detect potential implementation challenges and allow the Commission to engage in a dialogue with Member States on a possible revision of the RRF implementation timeline. As part of the RRF dialogues Parliament should be informed by the Commission also on forward looking milestones and targets.

From a statistical perspective, quality of indicators is key. While overall IT systems put in place by Member States in the RRF for data collection are overall being praised, still not all countries have entirely digitalized and interoperable transmission system involving local, regional and national levels. This results in concerns about the quality and in particular the reliability of some data, which is also questioned by the ECA due to its high level of data aggregation. Errors in first-level checks on the data collection and verification mechanisms, as found in the RRF ex-post audits in some countries, point to inefficiencies at Member State level. This suggests that in a future, performance-based EU budget approach an overall improvement of the Member States' IT system should include automation of reporting, and national authorities should mandatorily perform an ex-ante check on the reliability and accuracy of data. <sup>1</sup>

## Performance budgeting: governance

Setting the policy performance targets, collecting performance information, monitoring them and using them for evaluation purposes is a process that requires the involvement of different actors. In this respect, the experience of the Recovery and Resilience Facility and of Cohesion Policy are significantly different. The RRF is highly centralised and involves a limited number of actors in setting the milestones and targets. While a high degree of centralisation in the governance of RRFs assures a more successful capacity to implement reforms linked to the European Semester's recommendations, there are some concerns and inefficiencies when it comes to investments, especially when these involve local and regional authorities.

If a performance-based approach is to be adopted in the post-2027 MFF, specific attention should be given to the role of local and regional authorities (LRA) in the drafting of the plans, in the definition of the policy objectives, as well as in the setting of performance indicators. While this may entail a partial slow-down of the plans' preparation, it will translate into time savings once the LRAs' agreement is given. An ex-ante involvement of LRAs can be beneficial also in terms of ownership facilitating the delivery of investments. This does not imply that all programs should be discussed with LRAs, but rather that for all the sectors where

the implementation then involve LRAs, this is useful.<sup>2</sup> With the same spirit, a consultation obligation with social partners should be included whenever it comes to labour market reforms that involve them.

Another governance aspect to consider for the next MFF is the IT infrastructure which is essential for data collection, programme monitoring and evaluation. In this respect, Cohesion Policy has established systems that have developed over time in response to EU requirements. Managing Authorities and beneficiaries are critical of the level of information required and duplication with other, domestic systems. Under the RRF, there are different experiences. The ECA (2024) even pointed to the different structures and approaches used by national monitoring authorities, which could possibly hamper a coherent implementation of the RRFs and be perceived as less reliable by providing non-homogeneous information and leaving room for a potentially high number of errors. In this respect, centralised interoperable systems facilitate efficient data collection and reporting, while fragmented systems underscore the need for streamlined approaches. In the next MFF, it is recommended to build on a high-level of interoperability and data exchange between various government departments and agencies to facilitate efficient data sharing and real-time updates across multiple platforms. This should also allow to track overlapping projects, minimising the risks of double counting and double funding.

The reflection on data collection and their use cannot be disentangled from the debate on data reporting. This goes beyond the type and quality of indicators (see above) but relates to the debate on control and audits in a performance-based system. In the RRF, Member States should put in place arrangements to prevent, detect and correct corruption, fraud and conflicts of interests. The Commission performs ex-post and system audits on milestones and targets and is accountable towards the budgetary authority. Some confusion persists with respect to the role of the European Court of Auditors: ECA has developed a strategy (2021-2025 Strategy) for carrying out its responsibilities for the Next Generation EU (NGEU) programme and the RRF, which some Member States perceive as unnecessary overlap and administrative burden.

With the aim to reduce overlapping controls and audits and excessive documentation requests, but at the same time guaranteeing the full protection of the financial interest of the Union, it is recommended to streamline the control by the Commission and the European Court of Auditors on the milestones and targets. Implementing a Single Audit approach would allow reducing the administrative burden, by consolidating audit responsibilities, coordinating audit timelines and requirements to avoid duplication. Especially if the advantages of IT can be exploited on data reporting, one may envisage to follow the example of FENIX, i.e. one single contact point for Member States at the Commission to which the Court can have access without further burdening Member States with requests for additional proofs. This would speed up the controls and audits and will consequently allow the Parliament to be informed faster.

A final governance aspect to be considered regards the plans and payments' approval as well as the plans' modifications. In the RRF, the approval of national recovery and resilience plans as well as their modifications require an initial assessment by the Commission that then proposes a Council implementing decision that is preceded by a discussion in the ECOFIN committees (EPC and EFC) and finally approved by the Council. The intermediary step in the Council is considered to be largely unnecessary especially when it comes to plans' modification by Member States themselves and could therefore be dropped in a future performance instrument. Concerning the payments, the current system seems to be functioning well, even though it requires a step in the Council before the final approval of the instalment request.

## Performance budgeting: the role of the European Parliament

The expectation from performance-based budgeting is that it comes with increased *"transparency and accountability throughout the budget process, by providing information to legislators and the public on the purposes of spending and the results achieved"* (Schick, 2014). In particular, this information should be used to inform decisions around the budget, engaging with Parliament and enriching budget documentation.

In the RRF, the role of the European Parliament is limited to be informed on the plans' implementation and express its views in the regular exchanges with the Commission, and its role as one arm of the budgetary authority is (largely) by-passed, other than in the discharge procedure. With a view to strengthening the role of the EP in future performance-based budgeting the following recommendations are advanced, drawing on national examples of parliamentary involvement:

- Create an ad hoc EP Parliamentary Budget Office tasked with providing material for debate, analyses documents and generally support MEPs with information on the implementation of the plans, to be prepared in collaboration with the Commission services. This Office could work in collaboration with national parliaments and facilitate the MEPs' scrutiny of the plans. Regular dialogues with the Commission as in the RRF should be maintained and can be the occasion where MEPs raise questions. The Office could also provide and develop expertise on the functioning of PB.
- To increase transparency, the European Parliament may have access, upon agreement with Member States, to the list of beneficiaries of the EU budget. This could be facilitated by the creation of a unique and comprehensive EU level database linked to national databases, drawing from the experience of Kohesio that includes already all information on Cohesion Policy projects and beneficiaries, enabling managing authorities to make projects more accessible

In view of the next MFF, a broader discussion on the role of the EP as a budgetary authority in off-budget instruments should take place. Such discussion should revolve around:

- The involvement of the EP in the approval of actions under legislative acts passed on the basis of Articles 122, 143 and 175.3 TFEU. This can happen with the addition of an ad-hoc article in the Financial Regulation.<sup>3</sup>
- The involvement of the EP in the governance of external assigned revenues. This can happen with a modification of the Inter-Institutional Agreement on budgetary discipline, giving the EP the possibility to ask for only partial disbursement of payment requests in the case of the milestones on audit/control and rule of law (judicial independence, anti-fraud and anti-corruption and anti-money laundering measures).

In case performance budgeting is to be applied to the traditional EU budget, then the usual procedures would apply, and the EP would be involved with the Council as Budgetary Authority in the annual budget.

<sup>1</sup> Specific actions could include implementing features like drop-down menus, auto-fill options, automated data validation checks within national systems, and creating an integration framework that allows national systems to upload data to Fenix without manual intervention; offering periodic training sessions and online resources to keep staff updated on best practices and new features in Fenix ; creating a centralised knowledge hub for best practices and troubleshooting; and integrating AI into existing IT systems to automate data entry, validation, and analysis, and using AI-powered chatbots to offer immediate assistance.

<sup>2</sup> Defining ex-ante a list of sectors where the involvement of LRAs is recommended is difficult and should be avoided for the simple reason that each country has a different system which must be respected.

<sup>3</sup> If decisions are urgent, the Commission could adopt them using a procedure similar to that for deciding delegated acts under art. 290.2.a TFEU, which confers on the EP or the Council the right to reverse such decisions

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