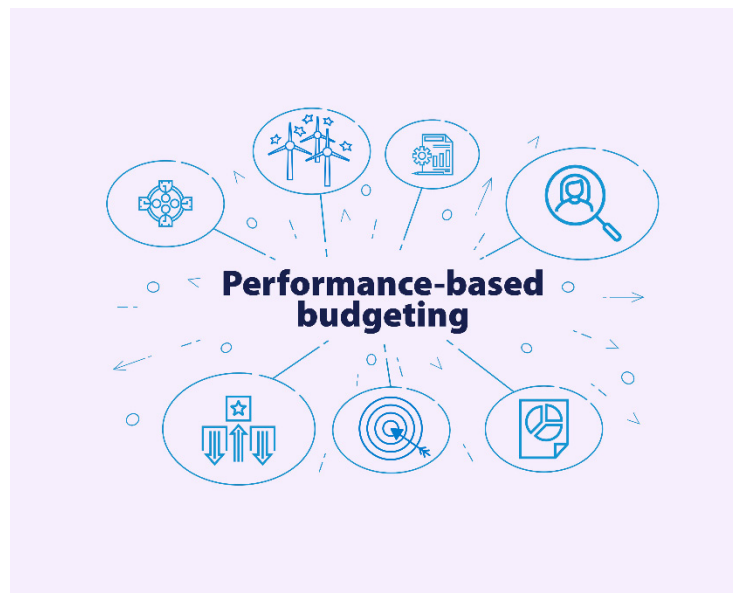


# Performance and mainstreaming framework for the EU budget

Empirical evidence, analysis and  
recommendations





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Empirical evidence, analysis and recommendations

## **Abstract**

Performance-based budgeting by focusing on 'what works', as opposed to whether money has been properly spent, aims to improve the quality of public spending. This study examines how successful the approach has been in the EU, looking at the multi-annual financial framework and the Recovery and Resilience Facility. The study looks, in particular, at the role of the European Parliament and how it could be enhanced, drawing on lessons from use of the approach in national settings.

This document was requested by the European Parliament's Committee on Budgets.

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## LIST OF ABBREVIATIONS

<b>AAR</b>	Annual Activity Report
<b>AI</b>	Artificial Intelligence
<b>AIR</b>	Annual Implementation Report
<b>AMPR</b>	Annual Management Performance Report
<b>APE</b>	Aide à la Promotion de l'Emploi
<b>BUDG</b>	European Parliament 's Committee on Budgets
<b>CAP</b>	Common Agricultural Policy
<b>CID</b>	Council Implementing Decision
<b>CONT</b>	European Parliament's Committee on Budgetary Control
<b>CF</b>	Cohesion Funds
<b>CP</b>	Cohesion Policy
<b>CPAS</b>	Centre Public d'Action Sociale
<b>CPR</b>	Common Provisions Regulation
<b>CSRs</b>	Country-specific recommendations
<b>DGs</b>	Directorate-Generals
<b>DNSH</b>	Do No Significant Harm
<b>EAE</b>	Ex-ante evaluations
<b>EAFRD</b>	European Agricultural Fund for Rural Development
<b>EC</b>	European Commission
<b>ECA</b>	European Court of Auditors
<b>ECEC</b>	Early Childhood Education and Care
<b>EFC</b>	Economic and Financial Committee
<b>EIGE</b>	European Institute for Gender Equality
<b>EMFF</b>	European Maritime and Fisheries Fund
<b>EP</b>	European Parliament
<b>EPC</b>	Economic Policy Committee

<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>ESF+</b>	European Social Fund Plus
<b>ESIF</b>	European Structural and Investment Funds
<b>EU</b>	European Union
<b>FNLC</b>	Financing-Not-Linked to Costs
<b>FTEs</b>	Full-time equivalents
<b>GHG</b>	Greenhouse gas
<b>GRB</b>	Gender Responsive Budgeting
<b>IIA</b>	Inter-institutional Agreement
<b>ICT</b>	Information and communication technologies
<b>ISEE</b>	Equivalent Economic Situation Indicator
<b>ISTAT</b>	(Italian) National Institute of Statistics
<b>IT</b>	Information technology
<b>JTF</b>	Just Transition Fund
<b>MAs</b>	Managing Authorities
<b>M&amp;E</b>	Monitoring & Evaluation
<b>M&amp;Ts</b>	Milestones & Targets
<b>MEPs</b>	Members of the European Parliament
<b>MFF</b>	Multi-annual Financial Framework
<b>MSs</b>	Member States
<b>MTEF</b>	Medium-term expenditure frameworks
<b>MTR</b>	Mid-Term Review
<b>NEET</b>	Not in Education, Employment or Training
<b>NGEU</b>	Next Generation EU
<b>NGOs</b>	Non-governmental Organisations
<b>NRRPs</b>	National Recovery and Resilience Plans



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<b>OAs</b>	Operational Arrangements
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>OLAF</b>	European Anti-Fraud Office
<b>ONE</b>	Office de la Naissance et de l'Enfance
<b>OPs</b>	Operational Programmes
<b>PB</b>	Performance-based budgeting
<b>PBO</b>	Parliamentary Budget Office
<b>PPO</b>	Programme Performance Overview
<b>PSs</b>	Programme Statements
<b>R&amp;D</b>	Research and Development
<b>RRF</b>	Recovery and Resilience Facility
<b>SCOs</b>	Simplified cost options
<b>SDGs</b>	Sustainable Development Goals
<b>SFC</b>	System for Fund Management in the European Union
<b>SIFER</b>	Sistema Informativo della Formazione
<b>SIPRR</b>	Sistema de Informação do Plano de Recuperação e Resiliência
<b>SMART</b>	Specific, measurable, achievable, relevant and timely (objectives)
<b>SOs</b>	Specific objectives
<b>SPW IAS</b>	Public Service of Wallonia, Interior and Social Action
<b>STEM</b>	Science, Technology, Engineering and Mathematics
<b>TB</b>	Transformational budgeting
<b>UN</b>	United Nations
<b>UK</b>	United Kingdom
<b>US</b>	United States of America
<b>WWF</b>	World Wildlife Fund

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## EXECUTIVE SUMMARY

Performance-based budgeting (PB) and mainstreaming have progressively become essential tools in budgetary frameworks in many jurisdictions, sharing common features but differing in focus. PB focuses on identifying 'what works', while mainstreaming aims for public spending to achieve transformative, normative goals.

In the EU, PB has gained prominence in Cohesion Policy (CP), with expectations for increased relevance in the next multi-annual financial framework (MFF), drawing on the experience of the Recovery and Resilience Facility (RRF). The latter has PB at its core, using milestones and targets to monitor progress and disburse funding.

This study builds on a first part of a broader study in which the focus was on concepts and practices, already published (Begg, Corti and Liscai, 2024). This second part explores the application of PB in the EU budget and examines whether mainstreaming is meeting expectations of its influence on funding choices. A key question is to what extent they have achieved the goals set out, notably, in the 2020 Inter-Institutional Agreement and the RRF Regulation. In anticipation of the debates and decisions on the next MFF, the study puts forward recommendations for reforms and new initiatives aimed at improving the EU performance framework.

## Findings

Performance targets and monitoring of spending programmes form a cornerstone of both PB and mainstreaming. These frameworks rely on four key dimensions: inputs (funding and other resources), direct outputs (e.g. people trained), results in the policy area (e.g. people subsequently being employed) and impacts (longer-term transformations, such as assuring a more efficient and inclusive labour market).

### **Mainstreaming**

Mainstreaming within the EU budget aims to integrate key political priorities across spending programmes and in all stages of the policy process. In the 2020 IIA, climate mitigation and adaptation is the most prominent mainstreamed goal, as it was in previous budgetary cycles. There is an obligation for at least 30% of EU spending in the current MFF to be targeted at it, up from 20% in the previous (2014-20) cycle. Gender mainstreaming is also continued from previous MFFs, albeit without an explicit spending target. Two new mainstreamed objectives, biodiversity and the sustainable development goals (SDGs, the wide-ranging goals agreed by the United Nations) were added in the 2020 IIA. There are targets for the share of 'digital' and climate-related spending in the RRF.

Qualitative changes are an important part of mainstreaming as a transformative mechanism intended to bring about societal change. However, such changes are harder to monitor, as they typically occur slowly and incrementally. It also has to be stressed that regulatory and other forms of policy intervention often have a more pronounced effect on the achievement of mainstreamed goals, raising questions about how to ensure that budgetary interventions complement them.

The *Do No Significant Harm* (DNSH) principle, intended to ensure environmental sustainability, is inconsistently applied across EU spending. To apply to all EU spending, interviewees consulted for this study expressed doubts about whether this was being achieved sufficiently for climate change. Concerns persist about overestimation of the climate impact of projects and inconsistencies when projects with similar characteristics are assigned different weights under different programmes.

Biodiversity lacks sectoral targets, making it harder to identify the programmes which require enhanced efforts when the overall target is missed. Gender mainstreaming follows a relatively new

methodology compared to climate and biodiversity, but there is limited information available on the results or impact of the EU budget in advancing gender equality.

While there is no mainstreaming for digital spending in the MFF, digital tagging only exists under the RRF. By contrast, SDGs are taken into account in plans for EU-funded programmes in a very limited manner. The Commission is obliged to report annually on the SDGs, but only provides a simple count of the number of EU programmes that contribute to each individual SDG. The Commission further notes that, due to the cross-cutting nature of EU programmes, 99% of the EU budget contributes to the SDGs.

### **Performance budgeting**

Performance budgeting is used both in Cohesion Policy and in the RRF albeit with marked differences in the indicators and methodologies for monitoring and assessing performance.

Cohesion Policy uses a mix of input, output, and result indicators. Common EU indicators are used to allow comparability and accountability at EU level, with a balance between output and result indicators. CP has established relatively robust monitoring and IT systems that have developed over time to ensure comprehensive data collection and monitoring (as well as budgetary control). However, beneficiaries and managers are critical of the amount and frequency of data required, and they bemoan duplication of data demands across domestic and EU systems.

The RRF relies heavily on input and output indicators, with a notable lack of focus on result indicators. Fragmented IT infrastructure in some countries causes delays and inefficiencies. Flexibility in modifying plans is important, but some Member States highlight the challenges of adjusting overly ambitious targets.

Performance evaluation is most advanced in Cohesion Policy, which features a comprehensive framework for that purpose. Evaluation results are used to inform future programming, adjust measures, and reallocate funding as needed, although the quality and the impact of evaluations vary. The RRF only requires mid-term and ex-post evaluation at the EU level, but some Member States have adopted a proactive approach through ex-ante, ongoing and ex-post evaluations.

## **Challenges**

This study's reveals shortcomings in the application of PB and mainstreaming which must be addressed to improve their impact on the next MFF and any future off-budget funding mechanisms.

A key goal of PB is to stimulate policy learning by integrating performance data into decision-making. However, there is little evidence of PB stimulating policy learning. Nor are there, as yet, signs of policies being revised in light of performance information. Incentives for national evaluations are weak, as in other direct management instruments.

The RRF relies primarily on input and output indicators, with a noticeable lack of result indicators. The emphasis on input and output indicators is widespread across Member States. In some respects, the milestones and targets in the RRF work well, but the evidence that the RRF approach is tilted towards inputs and outputs and is less focused on results is a concern. Given its limited duration, it is generally agreed that most of the impacts of the RRF would arise only well after the instrument has ended.

Case study evidence suggests that the primary concern of project managers is to ensure the flow of funding with PB concepts having limited resonance. Complex application processes and administrative procedures can deter potential beneficiaries from applying for EU funding, suggesting a need for simplification to increase accessibility.

IT for data collection and monitoring tools like FENIX, the tool developed by the Commission for monitoring milestones and targets, and the Recovery and Resilience Scoreboard are user-friendly and equipped to support performance-based budgeting under the RRF. However, their potential is under-exploited due to data integration challenges and time constraints in the preparation of national systems.

The Recovery and Resilience Scoreboard, while offering an excellent interface, faces challenges regarding data quality. Due to Member States often reporting estimated indicators instead of actual data, raising questions about data accuracy and reliability. Moreover, it lacks transparency in certain areas and can misrepresent the state of progress of implementation. Customised IT systems developed for the RRF added significant administrative burdens, particularly given the short timeframes for their implementation.

A crucial 'best practice' for IT infrastructure supporting performance-based budgeting is the development and implementation of integrated systems. These systems need to ensure a high level of interoperability and data exchange between various government departments and agencies. Integrating artificial intelligence (AI) into performance-budgeting IT systems can also significantly improve the budgeting process and reduce manual workloads.

Performance information is not effectively used for parliamentary scrutiny, partly due to the complexity of PB frameworks and the limited time and resources available to members of the European and national parliaments.

## Conclusions and recommendations

PB is not a panacea and mainstreaming is not easy to translate into clearcut budgetary actions, but both concepts can be valuable means of improving the quality of public expenditure and fulfilling political priorities. There is, inevitably, a substantial reliance on 'learning-by-doing' in making optimal use of the two approaches.

### Key conclusions

- The EU's Cohesion Policy and the RRF adopt distinct approaches to performance-based budgeting, with CP employing a comprehensive framework of input, output, and result indicators, while RRF primarily relies on input and output indicators.
- Cohesion Policy benefits from established monitoring systems supported by standardised IT frameworks, but these are often criticised for their administrative burdens and data duplication. By contrast, the RRF's monitoring effectiveness varies widely across Member States, with fragmented systems creating inefficiencies.
- Evaluation practices differ significantly, with CP focusing on ongoing evaluations, while the RRF emphasises mid-term and ex-post evaluations at the EU level, revealing challenges in both frameworks related to setting flexible and achievable performance targets.
- Project beneficiaries often view EU programmes as funding mechanisms rather than performance-driven frameworks, with smaller entities facing barriers due to administrative complexity.
- In policy implementation, there is not enough guidance on the use of the DNSH principle.
- Methodologies for tracking qualitative gender, digital and SDG goals will not be easy to devise; they will be tied to political decisions.

- Robust and readily available data are crucial, if timely and effective control and scrutiny of the EU budget is to be achieved.
- Common indicators have their attractions, but can lead to inconsistencies in how they are constructed by different reporting jurisdictions.
- Some aspects of the administration of both Cohesion Policy and the RRF attract criticism and could be improved, notably the administrative obligations associated with changing plans and audit.
- Project managers (actual or prospective) would welcome streamlining of the many sources of funding, because of the complexity and variety of application procedures.
- The FENIX reporting system works well and has user-friendly features. However, its main purpose is reporting. For the EP, the scoreboard is the more promising tool for scrutiny, as it provides insights and comprehensive data on RRF implementation and progress.
- Effective use of PB information is not cost free for parliaments which have to devote (scarce) time and resources to the task, suggesting that greater transparency and better presentation of performance information would be valuable.
- There is a tension to resolve: understandable demands arise from the EP for more and better information, yet more data can obscure rather than shed light on what policies produce.
- There can also be a risk that ‘you get what you measure’ if authorities give priority to attaining the measures by which they are judged.

## Recommendations

These conclusions invite fresh reflection on the design and implementation of the performance framework for the EU budget. The recommendations which follow cover technical suggestions, administrative matters, policy reforms and political questions, as well as the scope for enhancing the engagement and effectiveness of the EP in its various budgetary capacities. They are summarised under five main headings.

**The performance budgeting and mainstreaming frameworks** will continue to be a vital mechanism for steering the political content and transformative ambitions of the EU budget. However, the impact of the approach could be enhanced in several ways:

- Correct the imbalance between the relatively well-developed methodology for climate change goals and the flaws for other topics for which information on magnitude (as opposed to direction of change) is too often lacking.
- If any future programme with RRF characteristics is launched, there should be efforts to harmonise the mainstreaming approach with MFF programmes, for example with the inclusion of digital mainstreaming.
- Making greater use of qualitative assessments of progress and exploring how relevant targets could be better specified.
- Strengthen the integration of Gender Responsive Budgeting (GRB) across institutions by ensuring continuous and systematic gender analysis throughout all stages of the policy process, from planning to reporting and evaluation.

**Governance considerations**

Feedback and scrutiny have to draw on performance information to ensure that they can contribute to policy improvements. There is no magic formula to realise this objective.

- Focus on what works and what can be improved without adding further administrative burdens.
- Enhance feedback mechanisms between performance information and programme design.
- While paying attention to limiting administrative burdens, facilitate regular consultations with stakeholders, in particular with local authorities, implementing bodies and final beneficiaries.
- Ensure that performance reviews and budgetary discussions are transparent, with clear documentation and public access to information.
- Timely evaluations to inform the design of EU regulations and national/regional programmes.

**Data and other performance information** are central to the PB approach and can contribute to a better appreciation of how mainstreaming is working, but data challenges are daunting. There needs to be a careful examination of what can be done to achieve more efficient data collection and use, including how information is visualised. Possible reforms include:

- Standardising performance indicators and data collection methods across different policies to ensure consistency and avoid duplication.
- Further efforts to construct user friendly interfaces that enable seamless data entry for both national and EU level reporting would reduce the burden of managing PB information.
- Ensuring that the data collected have well-defined purposes and can be presented to stakeholders in clear and transparent manner.
- Improvements to EU data systems, notably the Cohesion Open Data system, to ensure earlier checks and publication of performance data.
- Facilitate information sharing about best practices for national IT infrastructure.
- Encourage the use of advanced data analytics and AI tools to enhance performance tracking, evaluation, and reporting at national and EU levels.
- Future implementing acts and programme regulations should require standardisation of indicator definitions and reporting formats.
- Establish specific, measurable, gender equality targets for spending programmes, akin to those for climate change and biodiversity, to drive consistent outcomes.

**Administrative changes and innovations** can ease the burden of dealing with reporting and audit demands, as well as streamlining how performance information is collected and processed. While calls for simplification are routinely made, finding realistic answers is never easy, but there are low hanging fruits.

- Reporting requirements at EU and national levels should be better aligned to reduce administrative burdens and, crucially, avoid redundancy and boost interoperability.
- Opportunities for making better use of existing IT tools should be exploited, with a view to adopting newer mechanisms relying on AI once they have been tested. The EP can lead the way by pushing for automation and integration to be embedded in the design of spending programmes from the outset.

- Embed gender expertise to uncover the gender relevance of the spending programmes and ensure they are assessed with the highest level of granularity. Establish clear minimum criteria and utilise accurate data to improve transparency and accountability, ensuring a continuous and systematic approach throughout all stages of the policy process.

***Extending and refining the PB and mainstreaming approaches***

- The scope for both extending and refining the approach warrants attention in anticipation of the next MFF.
- The EU's renewed attention to competitiveness and concerns about the social dimensions of EU integration (for example for youths or for dimensions of equality other than gender) could be new themes for mainstreaming, but both would require careful consideration of practicalities such as whether suitable indicators could be devised.
- Finding ways to move beyond outputs to give much more prominence to results should be explored, but extending monitoring to impacts is likely to be unrealistic.
- The scope for adopting PB-related financing models (simplified costs; financing not linked to costs) in more policy areas should be considered for the next MFF.

***Enhancing how the European Parliament engages with the performance framework*** is needed both for effective scrutiny and for legitimation. Among ideas to consider are:

- Developing an EP-structured framework for budgetary process integration by institutionalising performance reviews and corresponding indicators within the EP.
- Promoting greater interactions, focusing on performance budgeting, between committees with responsibilities for prominent MFF programmes.
- Requesting the Commission, especially, to tailor the information generated to the needs of the Parliament, and to review how it is presented, using innovative tools such as cleverly designed infographics.
- The EP should aim to develop specialist expertise on PB and mainstreaming to support the BUDG and CONT committees, but also to facilitate engagement with sectoral committees.
- Creating a Parliamentary Budget Office, or equivalent, may be radical, but could be a worthwhile addition to the EP's capacities for analysis.



## INTRODUCTION

Although performance-based budgeting has been adopted by an increasing number of jurisdictions, it takes varied forms and its track-record is mixed. Monitoring and using performance information has become central to the governance of the EU budget and the Recovery and Resilience Facility (RRF). Yet some of the claims for what a greater emphasis on PB can provide to those managing, monitoring and evaluating policies fall short of what is promised. For legislatures, in particular, engagement with PB can pose problems and, as some of the evidence in this study shows, the European Parliament is no exception. The concept of mainstreaming, which can be understood either as an alternative or a complement to PB (or the two simultaneously) is also examined.

This study has been undertaken following a request for services from the BUDG Committee of the European Parliament (EP). It adds to previous research on the performance framework for the EU budget, with a view to assessing how the approach should be developed for the next multi-annual financial framework and for the EU's finances more broadly. A first phase of the study, concentrating on the conceptual basis for performance frameworks and an overview of the current architecture of the performance framework for the EU budget, has already been published (Begg, Corti and Liscai, 2024).

By examining experience from Cohesion policy and the RRF, this phase 2 study provides new, in-depth material on how performance budgeting has functioned in the EU's finances. The findings point to various shortcomings in how PB is applied in the EU, while also suggesting how they could be remedied. Major concerns include the administrative burdens of generating the information required and the usefulness of many of the indicators, and performance information being less orientated to 'what works well' than had been hoped. For the European Parliament a challenge is how to develop expertise to make effective use of the information generated by PB.

The research for this study included extensive reviews of relevant literature and interviews with practitioners and policymakers, supplemented by a 'validation' workshop which brought together some of the interviewees and other experts. The study team is grateful to the interviewees for their availability and insights. The views expressed in this report are those of the authors and do not necessarily reflect the views of the interviewees or workshop participants.

### Terminology

To avoid any confusion, the terminology used in this study is consistent with usual practice in budgetary and evaluation documents produced by the EU institutions. Inputs are the money used to finance programmes. Traditionally the approach to financial management of funding from the EU budget was about verifying that inputs were properly accounted for and that appropriate procedures (for example in having transparent procurement) were followed.

With performance-based budgeting and mainstreaming approaches, three other concepts are employed. Outputs are the direct products of expenditure, such as numbers of people trained or kilometres of road constructed. Results are about the achievements of the policy or programme in meeting objectives. To adapt the same examples, a rise in employment or a fall in unemployment attributable to a training programme would be a result, as would be a decline in congestion or more rapid journeys facilitated by a new road. In the evaluation literature, the term 'outcomes' is also used and is a synonym for results, but the latter term is preferred in the EU for the pragmatic reason that it is how 'outcomes' translates into other languages ('risultati' in Italian, 'résultats' in French).

The third concept is impacts, referring to the societal transformations of a policy or programme. In principle, mainstreaming (such as of climate action or gender) is about such transformations. However, impacts typically occur or become visible only after a programme has been completed; for this reason, they are not usually part of a performance-based budgeting framework. Instead, the focus is on outputs and results. In practice, even information on results can be hard to obtain in a timely manner.

## Structure of this report

This is the final product of the second phase of the broader study referred to above. The first chapter elaborates on mainstreaming and how it has been applied in the EU budget. Chapter two looks at the experience of PB in Cohesion policy and in the RRF, and what can be learned from their different approaches to performance, with insights from selected case studies. The third chapter concentrates on the administrative features of PB, the IT requirements of dealing with the large flows of data and discusses options for rationalisation of processes. Attention turns in chapter four to how parliaments use PB and the difficulties they encounter in doing so, and conclusions and recommendations are put forward in chapter five. The annex presents the detailed case studies, elaborating on the summaries in chapter two, providing insights into how the demands of PB are seen by beneficiaries of EU programmes.

## 1. MAINSTREAMING

Budgetary mainstreaming is a meta-policy instrument that involves integrating cross-sectoral policy goals into every stage of the policy cycle, ensuring they are applied to sectoral policies from design and preparation to implementation and evaluation (Yamin, 2005; Begg et al., 2023). Achieving these cross-sectoral goals is a complex challenge and requires coordinated public interventions (Head and Alford, 2015). Budgetary mainstreaming offers a solution by coordinating policies across the public budget, ensuring they work together to address complex societal issues from multiple angles.

Mainstreaming has become increasingly influential on EU spending, with several of its horizontal priorities being financed that way. In line with the 2020 Interinstitutional Agreement (IIA) between the European Parliament, the Council of the European Union and the European Commission<sup>1</sup>, expenditures related to climate, biodiversity, gender equality and sustainable development goals (SDGs) are mainstreamed in the EU budget<sup>2</sup>. These priorities are consistently factored into the design, preparation, implementation, and evaluation stages of each spending program of the EU<sup>3</sup>. Rather than being confined to a single dedicated initiative, they are embedded across the various spending policies (European Commission, 2024d).

Yet, mainstreaming exercises for different priorities do not follow the same approach. The climate and biodiversity mainstreaming approach builds on an ex-ante identification of ‘green spending’ and aims to achieve specific targets for these expenditures as a share of the overall budget. By contrast, the mainstreaming of gender adopts a rather procedural understanding of mainstreaming practices based on iterative processes and stakeholders’ involvement (Begg, Corti, and Liscai, 2024).

A crucial question is whether mainstreaming practices as they are implemented are working efficiently. This chapter explains the mainstreaming system of the EU budget and reflects on its scope and

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<sup>1</sup> <https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=uriserv%3AOJ.LI.2020.433.01.0028.01.ENG&toc=OJ%3AL%3A2020%3A433I%3ATOC>

<sup>2</sup> [https://commission.europa.eu/strategy-and-policy/eu-budget/performance-and-reporting/horizontal-priorities\\_en](https://commission.europa.eu/strategy-and-policy/eu-budget/performance-and-reporting/horizontal-priorities_en)

<sup>3</sup> Additionally, spending on digital transition across programmes is being monitored.

limitations. It first presents an analysis of the functioning of mainstreaming in the MFF and the RRF, then presents findings from interviews with national coordinators. Conclusions complete the chapter.

## 1.1. The methodology and assessment of EU budget mainstreaming

According to point 16 of the 2020 IIA, the achievements of the various horizontal policy goals are to be evaluated differently. Climate and biodiversity have designated budgetary targets, while other priorities lack such specific allocations. For this reason, the priority goals are assessed separately.

### 1.1.1. Climate

#### a. Climate mainstreaming methodology

Climate mainstreaming was first introduced in the 2014-2020 MFF, which required programmes funded by the EU budget to dedicate a minimum of 20% of their spending to climate mitigation and climate adaptation measures (Begg et al., 2023). The 2014-2020 MFF also introduced EU climate coefficients which were designed to quantify climate-related expenditures. Those coefficients were based on the *Rio markers* developed by the OECD Development Assistance Committee to mainstream Rio convention objectives (European Commission, 2022b).

Climate mainstreaming was reinforced in the 2020 IIA, alongside the agreement on the 2021-2027 MFF. The current MFF introduced several key changes, discussed in detail below. First, in the 2021-2027 MFF, the overarching target for climate-related expenditure was raised to at least 30% of the overall EU budget. Additionally, as part of the climate mainstreaming architecture for the period, the 30% target was divided into specific targets for individual programmes. Each programme specifies the expected contributions to climate mainstreaming or a more general commitment to it.

**Table 1: Climate mainstreaming targets: expected contributions of various instruments**

Instrument	Expected Contribution
Total MFF	30%
Horizon Europe	35%
ITER*	100%
InvestEU programme	30%
Connecting Europe Facility	60%
European Regional Development Fund	30%
Cohesion Fund	37%
Common Agricultural Policy 2023-2027	40%
LIFE**	61%
Just Transition Mechanism	100%
Neighbourhood, Development and International Cooperation Instrument – Global Europe	30% (raised to 35%)
Overseas Countries and Territories	25%
Pre-Accession Assistance	18% (and 20% by 2027)
Recovery and Resilience Facility (NGEU)	37%
REACT EU (NGEU)	25%

Source: (European Commission, 2022b)

Note: \*ITER is a project by 35 nations to build the world's largest magnetic fusion device. \*\* LIFE is the EU's funding instrument for the environment and climate action.

The specific climate mainstreaming targets of various MFF instruments and two NGEU instruments are summarised in Table 1. It shows that different EU instruments aim for different shares of climate objectives, ranging from 18% in pre-accession assistance to 100% in the Just Transition Mechanism (Table 1). As of June 2023, The Commission has reported that the EU budget is *'on track to achieve the 30% climate target and that nearly all instruments are in line with their sectoral targets'* (European Commission, 2023c; 2024b).

Compared to the 2014-2020 MFF, the 2021-2027 MFF includes a shift towards a more 'effect-based' approach in tracking expenditure. The new tracking coefficients should be based on the expected effect of a programme, rather than a 'stated objective' (European Commission, 2022b). According to the EC, this improved the consistency of marking expenditure across different funding programmes (European Commission, 2022b). Previously, projects could be marked differently by Member States, depending on the underlying 'intention'. A list of intervention fields and specific coefficients assigned to them is prepared by the Commission beforehand and then used by Member States which should reduce the risk of categorising similar projects differently based on the objectives of the programme. As explained by the Commission (2022c):

*'Under an "intent-based" climate-tracking methodology the "climate relevance" of this intervention depends on whether its purpose is to tackle climate change or rather, for example, to encourage a healthier life-style. Under an "effect-based" methodology, the investment in the cycle path is assigned the same climate coefficient regardless of its explicit goal, because it does reduce greenhouse gas (GHG) emissions by enabling the replacement of vehicle traffic.'*

Another novelty of the 2021-2027 MFF is the 'Do No Significant Harm' (DNSH) principle according to which no funds allocated under specific programmes of the EU budget should finance projects with a potential negative effect on the EU's ability to meet its environmental targets<sup>4</sup>. According to Federal Planning Bureau of Belgium (2024), a DNSH requirement applies to at least 10 EU spending programmes (including the RRF and Cohesion Policy). Although the legal definition of the DNSH principle always draws from Article 17 of the Green Taxonomy (European Commission, 2020c), the practice of implementing the principle varies considerably across programmes (CEE Bankwatch Network, 2024; European Commission, 2023c). Notably, across EU programmes, several interventions in areas such as energy, waste management, and transport are exceptions to the DNSH principle (European Commission, 2023c).

The DNSH principle was devised to accompany the system of tracking of coefficients. Following the promise to develop an effective climate tracking methodology contained in the IIA, the Commission prepared a new weight-based tracking system for the 2021-2027 MFF. The methodology assigns one of three different coefficients (0%, 40% or 100%) to each activity undertaken (European Commission, 2022b). An activity with a weight of 100% is assigned to projects which are expected to make a substantial contribution to EU climate goals, either directly (e.g. renewable energy) or indirectly (e.g. R&D, education). The weight of 40% is for projects expected to make 'a non-marginal, positive contribution' to EU climate objectives, directly or indirectly. Activities with a weight of 0% are expected to have a neutral impact on climate objectives (in agreement with the DNSH principle outlined above).

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<sup>4</sup> The DNSH requirement aims to prevent financing for interventions that are identified by Article 17 of the Green Taxonomy (European Commission, 2020c) as having significant negative environmental effects. The Green Taxonomy defines six environmental dimensions (such as climate change adaptation or the circular economy) and defines what activities should be considered harmful to EU goals within those domains. For example, an activity is considered harmful for climate change adaptation if 'that activity leads to an increased adverse impact of the current climate and the expected future climate, on the activity itself or on people, nature or assets'. The over-arching aim is to ensure that EU funds contribute to sustainable and environmentally friendly initiatives.

The weights are assigned by the Commission's Directorate Generals responsible for a specific funding project and '*at the most detailed level possible*'. The European Commission (2022b) claims that the climate coefficient method ensures consistent climate tagging across all programmes.

To ensure the achievement of the budget-wide 30% target, the Climate Adjustment Mechanism has been devised as a monitoring tool (European Commission, 2022b). One of its main features is the use of strengthened monitoring and reporting procedures; each spending programme must have a dedicated section in the programme performance statement, assessing progress towards the specific target and highlighting funding measures. This segment highlights the measures taken to secure appropriate funding. Annually revised, this section provides explanations for any deviations from expected performance and outlines corrective strategies.

The Mechanism includes a system through which the Commission proposes corrective measures following the provisions outlined in the relevant legislation, should any deviations in the programming arise that could jeopardize the attainment of the 30% target. Information on the Commission web-site regarding the climate mainstreaming architecture reveals that review of DNSH is not part of the procedure. The Climate Adjustment Mechanism works at the level of EU programmes and hence a review of DNSH (which is at an activity/investment level) is not really needed to serve its purpose.

Climate mainstreaming was also introduced for the Recovery and Resilience Facility, the largest instrument of the EU's post-pandemic-recovery and structural adjustment tool, Next Generation EU (NGEU). The climate mainstreaming target of the RRF was set at 37%. The DNSH principle also applies to the measures included in the national recovery and resilience plans (NRRPs): these measures should not lead to significant harm to environmental objectives within the meaning of Article 17 of the Taxonomy Regulation (European Commission, 2021c).

Member States are fully responsible for correct implementation of the DNSH principle (ECA, 2024), whereas the European Commission verifies the compliance as part of the assessment of NRRPs. Importantly, the Commission guidance allow for the so-called simplified approach in applying DNSH to RRF measures (European Commission, 2021d). Whenever a measure is tagged as fully supporting one of the climate or environmental objectives (that is, with a coefficient of 100%), it is also considered compliant with the DNSH principle for those objectives.

The technical guidance allows Member States to use a simplified approach for a specific objective '*when a measure has no or an insignificant foreseeable impact on it*' (ECA, 2024), or when it '*meets the technical screening criteria (TSC) for substantial contribution to a specific objective set in the EU Taxonomy*' (European Commission, 2023c). Notably, measures under the RRF designed to improve '*energy infrastructure and facilities to meet immediate security of supply needs for gas, including liquified natural gas, notably to enable diversification of supply in the interest of the Union*' are excluded from the DNSH principle (European Commission, 2023c).

Similarly to the RRF, a fast-track mechanism exists for the InvestEU Fund which applies a threshold of EUR 10 million to screen out operations that the Commission deems unnecessary for a detailed sustainability assessment. The process of implementing the DNSH rule across EU programmes is visualized in figure 1.

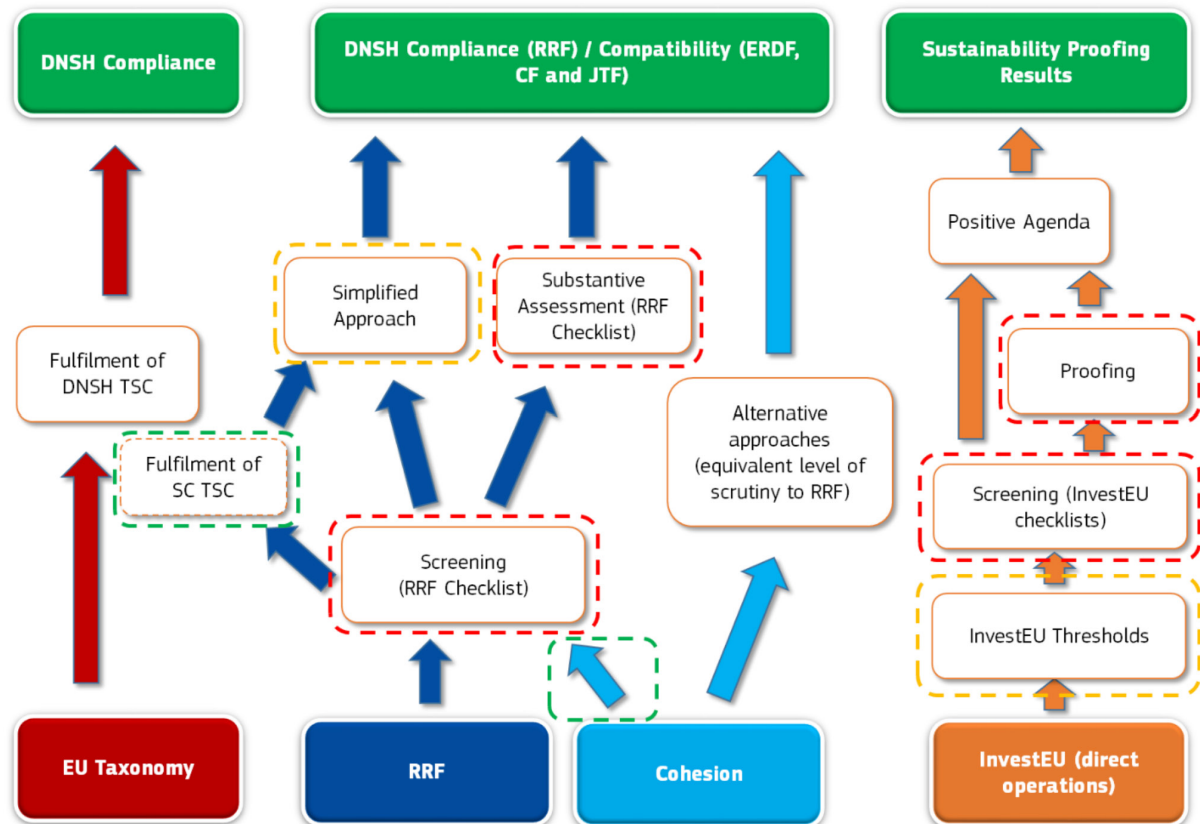
#### **b. Assessment of climate mainstreaming**

Starting with the 20% climate mainstreaming goal of the 2014-2020 MFF, in 2021 the Commission reported that the EU spent 20.1% of its 2014-2020 budget, or EUR 216 billion, on combating climate change, meeting the target (European Commission, 2021b). However, the European Court of Auditors (2022b) challenged this statement. The report lists several measures that, in the ECA's opinion, indicate



that the Commission had overestimated the climate impact of some of its projects. For example, payments to areas facing natural or other specific constraints under the ERDF compensate farmers for difficulties arising from the inherent biophysical constraints and support farming in remote areas (European Commission, 2021d). Although such payments do not directly address climate change, they were classified as having a weight of 100% by the EC (European Court of Auditors, 2022b).

**Figure 1: A verification of DNSH compliance across EU programmes**



Source: European Commission, 2023c

Note: The figure illustrates only EU programmes or instruments where the relevant legal act explicitly refers to the DNSH principle and details on practical implementation of the principle are publicly available. A legal basis for implementing the DNSH principle in other EU programmes would need to be established if it is to apply more broadly.

The European Court of Auditors also found that many projects with similar characteristics were assigned different weights under different programmes. For example, rail projects were assigned different coefficients under the Connecting Europe Facility and the ERDF. The ECA found that correcting these coefficients resulted in the fall of the share of the climate-relevant budget to 13% of the total, instead of 20.1%. This corresponds to EUR 144 billion rather than the EUR 216 billion reported by the Commission, with EUR 72 billion wrongly recorded.

The ECA came up with several recommendations (European Court of Auditors, 2022b). First, it suggested better justifying the climate relevance of agricultural funding. This is key, given that half of the reported climate spending in 2021 was related to agriculture, even though GHG emissions from farming have been on the rise in the EU since 2010. The EC has accepted this recommendation (European Commission, 2022c), but it remains to be seen whether the CAP will continue to pose challenges for the current MFF. As outlined below, there are indications that it might. Second, The ECA proposed that the Commission enhances its climate reporting by: a) identifying and reporting on EU spending with potentially negative impact on climate, b) harmonizing guidelines across policy areas,

c) enhancing reporting of the unused budget. The Commission accepted recommendations b) and c), but not the first one.

According to the EC, all programmes comply with the DNSH principle, and hence the benefit of reporting of negative-impact projects is lower than the burden it would create. However the assumption of the Commission is demonstrably incorrect, as there are projects with a negative impact on the climate, which some Member States have quantified in their national budgets.

While the DNSH principle implies that there should be no projects harming the climate or gender equality, the real problem lies in the insufficient robustness of the mechanisms established by the Commission to ensure that every intervention funded by EU funds fully adheres to this principle, calling into question the confidence expressed by the Commission in adherence to DNSH. This is evident not only in simplifications to DNSH compliance verification process included in most programmes, but also in the number of exceptions that exist. Additionally, some interviewees indicated that parts of the EU budget (such as some elements of CAP) received overly generous climate scores, with one of the interviewees comparing it to 'green-washing'.

A striking illustration is that the French budget quantifies CAP-financed spending in France deemed to be harmful to the environment, yet the Commission does not classify and quantify such spending from the EU budget. Therefore, there is a real risk that the EC counts climate-positive projects generously and ignores harmful ones in its mainstreaming methodology. A legal requirement to report on such projects would ensure higher standards of climate mainstreaming in the MFF.

A related issue is compliance with the DNSH principle by the Member States and the Commission's assessment of such compliance. In assessing NRRPs, the ECA (2022c) concluded that, in general, the European Commission correctly assesses the compliance of NRRP measures with the RRF simplified DNSH procedure and requests modifications or exclusions of specific measures when necessary. A subsequent report also evaluated compliance across Member States (ECA, 2024). As part of this, the ECA assessed 24 measures across four Member States and concluded that while some, such as Croatia, always conduct a substantive DNSH assessment, others, like Greece, consistently opt for a simplified approach, even when the measures in question pose a risk to certain climatic or environmental goals.

However, as highlighted by the analysis of CEE Bankwatch Network (2024), both approaches are flawed. The authors analysed the practical implementation of the DNSH principle using six case studies in Central and Eastern Europe, four of which were at least partially funded by RRF resources. In some cases, the simplified procedure relies solely on uncritically accepting Member States' declarations. Meanwhile, assessments conducted under the 'normal' procedure are neither publicly accessible nor consistently rigorous, often resulting in superficial or short-sighted evaluations. Equally concerning is that the European Commission does not verify the compliance with the DNSH principle beyond the initial plans outlined in the NRRPs.

A similar situation exists for Cohesion Policy. Dozhdeva and Bachtler (2024) point to diverging interpretations of rules, leading to inconsistencies in compliance with the DNSH principle. At the same time, they emphasise the importance of balancing robust mechanisms with the need to avoid imposing excessive administrative burdens on implementing bodies.

National coordinators interviewed for this study pointed to climate as the horizontal goal with the most developed mainstreaming methodology in the current MFF, and some were positive about its efficiency. One positive aspect mentioned in the interviews is the inclusion of a budget-wide quantitative target for climate spending and its accompanying sectoral targets (see Table 1). Another reason cited was the well-developed methodology and it being easy enough to use.

From the perspective of national coordinators, assigning projects to intervention fields and other criteria (like the DNSH rule) was described as a 'a puzzle', with mixed attitudes towards it. Although the majority described the process as easy, some coordinators indicated that conforming to the DNSH rule is bureaucratic and hard to verify in practice. One reason for that is the fact that the taxonomy definition of significant harm is linked with economic activities (European Commission, 2020c), whereas most interventions within the RRF and other programmes combine many such activities which, although linked by the same goal, may result in different environmental effect. Indeed, applying the DNSH rule to particular interventions has been flagged as challenging. Interviewees indicated a need for more guidance on how to apply the DNSH principle, including in the form of programme-specific guidelines.

The discrepancies in applying the elements of climate mainstreaming are of concern, as they hinder the ability to assess compliance with the mainstreaming architecture across specific projects, across Member States, and even across EU programmes. These differing norms reflect the fact that although the system of coefficients and an associated DNSH principle are described as 'effect-based' by the EC, they are inherently qualitative indicators, whose practical use is very much dependent on the individual judgement of whichever coordinator works with them. Some interviewees suggested that the EC should report more often to the European Parliament on how mainstreaming is implemented in the budget.

### 1.1.2. Biodiversity

#### a. Biodiversity mainstreaming methodology

Biodiversity is newly established and fewer sectoral programmes have biodiversity objectives. The overarching goal of the EU is to achieve a level of '7.5% in 2024 and 10% in 2026 and in 2027 of annual spending under the Multiannual Financial Framework (MFF) devoted to biodiversity objectives, while considering the existing overlaps between climate and biodiversity goals'<sup>5</sup> Biodiversity action requires at least EUR 20 billion per year stemming from 'private and public funding at national and EU level', of which the EU budget is a key enabler, as stated in the EU Biodiversity Strategy for 2030 (European Commission, 2020b). The latter also stresses that biodiversity and climate action will be more interconnected in the coming years as nature restoration will make a major contribution to climate objectives (cross-cutting objectives).

In June 2022, the Commission proposed a Nature Restoration Law with the intention of rejuvenating ecosystems, habitats, and species within the European Union's terrestrial and marine regions. This proposal encompasses a comprehensive restoration goal for the sustainable revival of nature in the EU, accompanied by obligatory restoration targets for particular habitats and species. By 2030, these measures are expected to encompass a minimum of 20% of the EU's land and sea areas, ultimately encompassing all ecosystems requiring restoration by 2050.

Echoing the climate approach, the methodology currently used to track EU spending dedicated to biodiversity applies a coefficient of 0%, 40% or 100%<sup>6</sup> to each project, reflecting the degree to which biodiversity considerations have been integrated into their design. Similarly to climate mainstreaming, the DNSH principle should also be applied to the mainstreaming of biodiversity.

In May 2022, the Commission published the Biodiversity Financing and Tracking Report containing plans for a sound tracking methodology for biodiversity and fully integrating the DNSH principle (European Commission, 2022a). Incorporating the adopted strategic plans, the Commission then

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<sup>5</sup> [EUR-Lex - 32020Q1222\(01\) - EN - EUR-Lex \(europa.eu\)](#)

<sup>6</sup> Corresponding to the percentage of spending contributing to achieve biodiversity objectives.



merged the existing methodology with a transparent and efficient approach for the Common Agricultural Policy (European Commission, 2023a).

As of June 2024, the Commission assessed that the biodiversity goal of 7.5% of the budget for 2024 is close to the target, but not that of 10% for 2026 and 2027 (European Commission, 2024b). To solve this issue, *'the Commission is working to further increase the financing in this area with the help of all stakeholders, as already done for direct management programmes such as Horizon Europe and the Neighbourhood, Development and International Cooperation Instrument'*.

### **b. Assessment of biodiversity mainstreaming**

Along with climate, biodiversity is the only horizontal goal of the EU with a budget-wide quantitative spending target. This is an important strength of its mainstreaming approach. However, biodiversity lacks sectoral targets, which makes it more difficult to identify the programmes which require enhanced efforts when the overall target is missed. Indeed, interviewees indicated that a lack of sectoral targets is one of the main reasons that biodiversity targets for 2026 and 2027 are likely to be missed. Another problem mentioned is the lack of an adjustment mechanism similar to that for climate. This latter mechanism enables policy responses when indicators are going off the track, but so far it has not been adopted for biodiversity.

Another reason for the likely missing of biodiversity targets in the current MFF is a more conservative biodiversity mainstreaming methodology in CAP than the climate mainstreaming methodology. As discussed earlier, the climate mainstreaming methodology within CAP has attracted criticism, as has biodiversity mainstreaming. Interviewees described biodiversity parts of the taxonomy underlying the DNSH principle as newer and incomplete, compared to those related to climate. According to the WWF, the EU spends EUR 34 to 48 billion on activities that can be considered harmful to biodiversity, with most of it coming from the CAP (WWF, 2024). This is at odds with what the EC claims, as the DNSH principle should ensure that such harmful activities are not funded. As for climate, the EC should consider reporting on spending on activities that are harmful to biodiversity. Indeed, some Member States have already been doing so. For example, France has reported that around EUR 6.5 billion of EU funding has been channelled to activities harmful to biodiversity (IGEDD, 2022).

## **1.1.3. Gender**

### **a. Gender mainstreaming in the EU legal framework**

Since 1996, the European Union has adopted a dual approach to achieving gender equality, combining gender mainstreaming — integrating a gender perspective into all policies — with specific actions to address, prevent, and remedy gender inequalities. These two strategies are complementary and mutually reinforcing. Gender mainstreaming refers to *"the (re)organisation, improvement, development and evaluation of policy processes"* to ensure that a gender equality perspective is incorporated at every level and stage of policy-making (Council of Europe, 1998). It is not a policy goal in itself, but rather a means to achieve gender equality.

The EU's dual approach to gender equality is enshrined in the foundational legal texts of the Union: Article 2 and Article 3(3) of the Treaty of the European Union (TEU), Article 8 of the Treaty on the Functioning of the European Union (TFEU) and Article 23 of the EU Charter of Fundamental Rights. These commitments form the basis for the EU's gender equality work, which spans various policies, including those financed by the European Structural and Investment Funds (ESIF). Within the ESIF framework, gender mainstreaming is a key strategy for advancing gender equality.

For the 2021–2027 programming period, the ESIF mandates that gender equality, gender mainstreaming, and the integration of a gender perspective be addressed at every stage — preparation, implementation, monitoring, reporting, and evaluation — of funded programmes (Art. 9(2), Regulation (EU) 2021/1060). Additionally, gender-responsive budgeting (GRB) has emerged as a crucial tool for advancing gender equality. By focusing on how public resources are allocated and spent, GRB aims to ensure that policies contribute to the equal distribution of resource between men and women. Two decades ago, a paper for an EP hearing outlined three key reasons for adopting GRB at the EU level: it follows from Treaty obligations and international commitments, it is fair, and it makes economic sense' (European Parliament, 2003).

### **b. The new gender mainstreaming methodology**

On 5 March 2020, the Commission launched its 2020-2025 Gender Equality Strategy (European Commission, 2020a), adopting an ambitious two-pronged approach: combining gender mainstreaming with targeted measures, while ensuring that intersectionality remains the horizontal principle of its implementation.

In line with this strategy and the Next Generation EU initiative, the interinstitutional agreement (IIA) accompanying the 2021-2027 Multiannual Financial Framework (MFF) mandated the European Commission to develop a new gender mainstreaming methodology to measure expenditure relating to gender equality at the programme level. This methodology, is still under development and relatively new compared to approaches to climate and, more recently, biodiversity mainstreaming. It was first applied to the 2023 and 2024 draft budgets and is currently being used in the reporting exercise for the 2025 draft budget. According to the IIA, the methodology will be reviewed and extended to remaining programmes for the second part of the 2021-2027 MFF.

Building on the general criteria used in climate tracking (European Commission, 2024c), this methodology assigns gender scores to programmes based on the objectives of their interventions. The scoring classifications are as follows:

- Score 2: Interventions whose principal objective is to improve gender equality,
- Score 1: Interventions with gender equality as an important and deliberate objective, though not the main focus,
- Score 0\*: Programmes with the potential to contribute to gender equality,
- Score 0: Programmes that do not have a significant impact on gender equality. The methodology does not fully adhere to OECD DAC minimum standards<sup>7</sup>, as it lacks a legal objective in the text and is not embedded in the MFF. Notably, there is no specific score for interventions that could exacerbate gender inequalities, based on the assumption that the EU will not fund programs that have the potential to do so.

In 2023, 11% of the EU budget directly contributed to the promotion of gender equality (scores 2 and 1), while 20% had the potential to contribute (score 0\*). However, 69% of the EU budget did not significantly impact gender equality based on currently available data (European Commission, 2024f). For the first time in 2023, the gender tracking information system for Cohesion Policy captured information on the gender contribution of Cohesion Policy funds. Over 30% (EUR 110 billion) of all CP

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<sup>7</sup> The OECD DAC minimum criteria for gender equality in projects include: conducting a gender analysis to inform project design and adopting a "do no harm" approach; setting a top-level ambition to advance gender equality and/or women's empowerment; using gender-specific indicators in the results framework to track outcomes; ensuring that data and indicators are sex-disaggregated; and committing to monitor and report on gender equality results during the evaluation phase.

investments supported gender equality in the 2021-2027 period, either through direct measures or gender mainstreaming.

As part of the preparation of the 2025 EU budget, Directorate-Generals (DGs) and Services are asked to make further progress in gender reporting, particularly by reducing the EU budget expenditure classified under score 0\*. This year, they are also required to include all available gender-disaggregated data relevant to assessing the promotion of gender equality in the Programme Performance Statements (PPS) of the funding programmes. In addition, the latest (September 2024) version of the Financial Regulation<sup>8</sup> now refers explicitly to mainstreaming in Recital 24 and Art. 33(2). It clearly strengthens the legal basis for gender mainstreaming in the EU budget, notably through a requirement that, where appropriate, the information collected on EU funding programmes' indicators be disaggregated by gender and aggregated across relevant programmes. This will become a general requirement for programmes under the next MFF, as outlined in the 2024 report on gender equality in the EU (European Commission, 2024a).

### c. Assessment of gender mainstreaming

The EU Gender Equality Strategy 2020-2025 acknowledges that the key challenges facing the EU today, such as the green and digital transition and demographic change, all have a gender dimension. The European Commission has committed to integrating a gender perspective in all major initiatives, including those under the European Green Deal (European Commission, 2020a). However, there has been criticism regarding the 'just' and 'socially fair' nature of the green transition, with scholars and civil society organizations raising concerns about the limited integration of 'climate justice' and 'gender justice' (WECF, 2022; Heffernan et al., 2021). Gender is listed as a factor in constructing programmes related to the 'just transition', the Common Agricultural Policy, and space policy, among many others (European Commission, 2024a).

A gender-tracking methodology is already being applied in some areas of EU external policy. Development policy was one of the first to adopt gender mainstreaming, and paradoxically, this approach has been more successful in external policies than in EU internal policies. For the 2021-2027 programming period, CP funds have been subject to stricter requirements and monitoring of their impacts on gender equality (Regulation (EU) 2021/1060). Actions funded by the European Regional Development Fund (ERDF), the European Social Fund + (ESF+), and the Just Transition Fund are evaluated both ex ante and ex post using a gender-responsive expenditure tracking methodology<sup>9</sup>. The European Commission receives updates from Member States five times a year on the declared expenditure of selected operations. According to the ex-ante analysis, over 30% of all CP investments are expected to support gender equality in the 2021-2027 period.

Concerning the RRF, all the 26 NRRPs approved by mid-October 2022 declared gender equality to be a horizontal objective, to be given consideration in all measures. The RRF regulation obliges Member States to integrate and promote gender equality objectives throughout the preparation and implementation of their recovery and resilience plans. However, it does not establish a minimum spending requirement for gender equality, unlike the green and digital transitions, which have defined targets. Moreover, gender equality is not included among the 11 key criteria for assessing the plans (as outlined in Annex 5, 'Assessment guidelines for the Facility,' and Article 19 of the RRF Regulation) (Sapala, 2022).

<sup>8</sup> [https://commission.europa.eu/publications/eu-financial-regulation\\_en#:~:text=The%20Financial%20Regulation%20%28FR%29%20is%20the%20main%20point,the%20Financial%20Regulation%20applies%20from%2030%20September%202024](https://commission.europa.eu/publications/eu-financial-regulation_en#:~:text=The%20Financial%20Regulation%20%28FR%29%20is%20the%20main%20point,the%20Financial%20Regulation%20applies%20from%2030%20September%202024)

<sup>9</sup> <https://cohesiondata.ec.europa.eu/stories/s/Cohesion-policy-supporting-gender-equality/gkxm-7hxd/#:%7E:text=Gender%20tracking%20is%20new%20for%202021%2D2027&text=A%20new%20requirement%20in%20the,for%20the%20cohesion%20policy%20funds>

According to the interpretation of the European Institute for Gender Equality (EIGE, 2023) *'the RRF regulation does not establish gender equality as a horizontal principle'*. Recital 28 of the RRF Regulation calls on Member States to take into account and promote gender equality and equal opportunities for all. It requires EU countries only to provide *'an explanation of how the measures in the recovery and resilience plan are expected to contribute to gender equality and equal opportunities for all and the mainstreaming of those objectives (...)'*<sup>10</sup>. The requirement falls well short of making gender equality legally binding as a horizontal principle in the RRF and establishing it as an explicit obligation for Member States. Having contributing to 'gender equality' at the same 'level' as 'equal opportunities for all' could be seen as a worthwhile broadening of the equality agenda, but risks diluting the specific attention needed for addressing gender inequalities. This approach drifts away from gender mainstreaming and does not have any basis in the EU regulatory framework.

Regardless of the RRF's legal provisions, gender equality is addressed by NRRPs prepared by several Member States. Fourteen of them<sup>11</sup> indicate that they took gender equality considerations into account when defining measures. In six of these cases<sup>12</sup>, gender equality appears as a horizontal principle, alongside equal opportunities for all, across some of the six pillars. However, only two — Spain and Italy — have explicitly made gender equality a cross-cutting priority in their NRRPs. According to EIGE (2023), references to gender equality challenges beyond the standalone explanation, remain scarce in the stages of implementation, monitoring and evaluation, with limited connections to gender-relevant measures. While commitments to gender equality exist, gender is not systematically mainstreamed in the measures proposed. Furthermore, gender flagging is widely regarded as insufficient for ensuring gender-responsive budgeting, as highlighted by interviews and literature (EIGE, 2023).

In addition to the lack of gender-responsive budgeting methodologies, many NRRPs fail to provide detailed disaggregation in their budgets to track allocations for gender-relevant interventions, particularly within non-targeted measures. Based on available data, less than 2% of the total funds budgeted by Member States for RRF funding are earmarked for gender-targeted measures. This figure is surprisingly low, given that mitigating the COVID-19 pandemic's impact on women is one of the RRF's overarching objectives (Art. 4(1), Regulation (EU) 2021/241).

EIGE urges the Commission and Member States to prioritize gender equality in the RRF, emphasizing the need to align with the EU's dual approach (EIGE, 2023). However, the current legal framework lacks sufficient enforcement, and the integration of gender goals ultimately depends on national governments, presenting a major challenge. As noted by European Court of Auditors (2021a), *'in areas where legal requirements were set out in detail, this facilitated the incorporation of gender equality into programmes'*. To address these issues, gender equality should have been integrated into the implementation, monitoring, and evaluation of the RRF, ensuring that gender perspectives were embedded throughout the utilisation of RRF funds. There should also have been permanent, well-resourced gender expertise within RRF structures, to foster enhanced coordination and consultation with both governmental and non-governmental gender equality bodies. The RRF, as well as other MFF programmes, falls short in this regard.

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<sup>10</sup> Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility, 2024)

<sup>11</sup> Belgium, Denmark, Germany, Estonia, Spain, Italy, Cyprus, Lithuania, Luxembourg, Austria, Poland, Latvia, Slovenia, and Slovakia.

<sup>12</sup> Germany, Spain, Cyprus, Luxembourg, Poland, and Slovakia.

### 1.1.4. Digital

#### a. Digital tagging methodology

The digital transition is one of the priorities of the EU. According to the Commission (2024e), *'the digital transition implies an evolutionary and transformative process whereby the EU seeks to attain global leadership in the digital field in a fair and democratic manner.* The status of the digital transition, however, differs from the other horizontal policies discussed earlier, as it is not mainstreamed in the MFF, but only monitored. By contrast, the RRF has the obligation that 20% of national RRF allocations be devoted to supporting the digital transition.

In March 2021, the Commission presented a roadmap of goals related to digitalisation to be achieved by 2030, along with establishing a monitoring system (European Commission, 2021a). This was later put into law as Digital Decade Policy Programme 2030 (European Parliament, 2022). It has 11 general objectives (such as supporting SMEs through a digital regulatory environment) and 4 areas with measurable digital targets:

1. Digitally skilled population and highly skilled digital professionals,
2. Secure and performant sustainable digital infrastructure,
3. Digital transformation of businesses,
4. Digitalisation of public services.

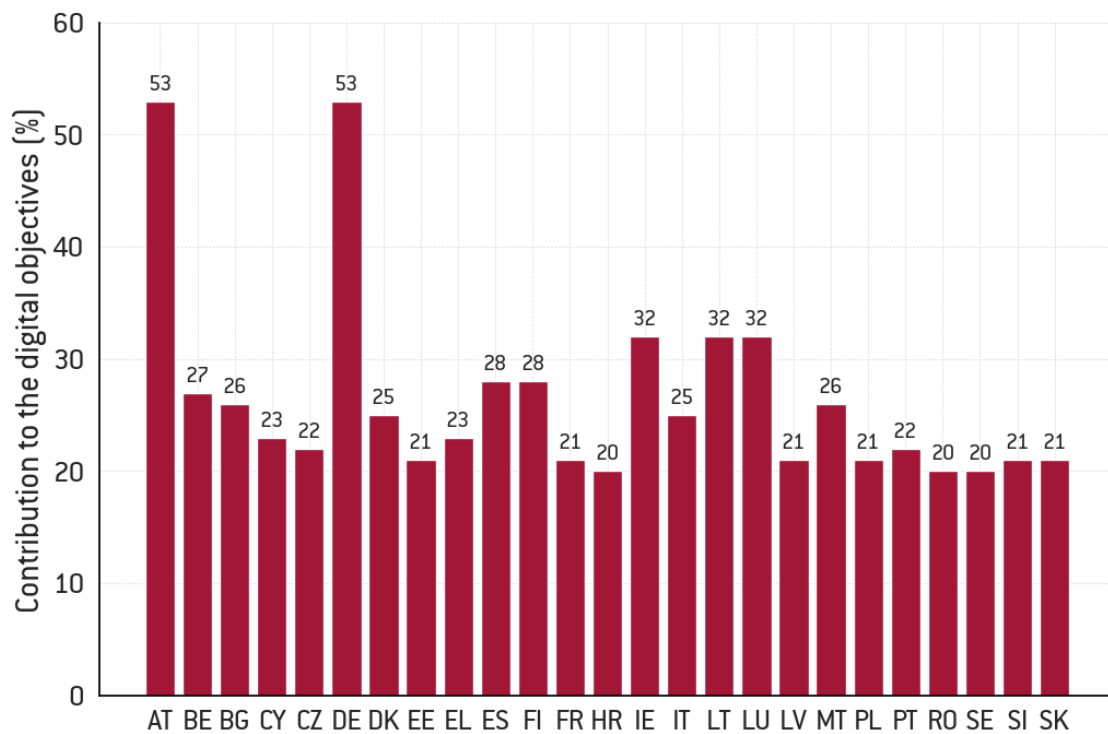
For each of those areas, specific targets were set. For example, for the first area, the aim is to ensure that a) at least 80 % of those aged 16-74 have at least basic digital skills in a gender-balanced way and (b) at least 20 million ICT specialists are employed within the Union, while promoting the access of women to this field and increasing the number of ICT graduates (European Parliament, 2022). However, unlike for climate change and biodiversity mainstreaming, there are no budget-wide targets for digital spending (inputs).

Under the RRF, Member States are expected to explain in their NRRPs the measures that will contribute to the digital transition, and whether those projects account for at least 20% of the NRRP total allocation (European Parliament, 2021). Most Member States exceed that threshold as seen in Figure 2. However, in a recent report, the EC concluded that for many digital goals, *'the remaining time projected to meet the targets is sometimes well beyond the agreed 2030 timeframe'* (European Commission, 2024e).

Currently, there is no mainstreaming for digital spending in the MFF, although the EC tracks digital spending of many programmes and there are requirements for digital tagging under the RRF. Given this, an assessment of the efficiency of digital spending across the entire EU budget is beyond the scope of this study. However, several aspects should be noted regarding the current structure of the digital tagging system in the RRF and its relation to the broader digital goals of the EU, as well as potential implications for future mainstreaming systems.

Nevertheless, the Commission paints a positive picture of the contribution of the EU budget to the digital transition. It notes that because *'a fully-fledged tracking methodology for the digital contributions of the EU budget has not yet been established, any aggregation of the contributions of individual programmes at this stage should be interpreted with caution'*. However, a stocktaking exercise for the preparation of the 2025 EU budget finds that 17.5% of the EU budget (the figure includes Next Generation EU outlays) was *'dedicated to the digital transition from 2021-23'*.

Figure 2: Estimated share of expenditure towards digital objectives in 25 NRRPs



Source: European Commission, 2023b

### b. Assessment of digital tagging

Compared to goals where mainstreaming has been successful, such as climate, the Digital Decade plan has numerous targets, and constructing a single index measuring the performance of public spending in the EU is difficult. For pro-climate spending, the ultimate goal is the reduction of greenhouse gas emissions at the EU level, and all smaller targets contribute to this objective. Such an overarching goal does not exist for the digital economy and would not make sense.

A related problem is that, in programmes like the RRF, Member States have the freedom to implement any projects as long as they contribute to the overall digital spending target. This flexibility means they could focus more on areas of the digital economy that are easiest to address, rather than those most needed. Darvas, Marcus, and Tzaras (2021) noted that about one-third of digital spending in the RRF is on the provision of public services, even though the gap to the Digital Decade target is smallest in this area.

Interviewees observed that, due to the pervasive nature of digital technologies, it was relatively easy to develop solutions that could classify an intervention as part of the digital economy. However, the greater challenge lay in crafting policies that address the underlying structural issues within the digital economy. If a digital spending target were to be set for the next MFF, it would be important to have an overarching target for the budget and specify programme-specific targets, as well as a control mechanism to ensure delivery of the overall target<sup>13</sup>.

<sup>13</sup> Some interviewees noted that digitalisation in Europe involves imports and thereby benefits foreign producers – not just European entities that reap the benefits of digitalisation. The issue of favouring European suppliers in EU-budget-funded digitalisation purchases was raised, which issue is beyond the scope of this report.



### 1.1.5. Sustainable Development Goals

In 2015, the United Nations General Assembly adopted the 2030 Agenda for Sustainable Development. It was meant to stimulate actions by UN members and other stakeholders to promote social, environmental, and economic development (Mandelli and Sabato, 2021). These dimensions were recognized by the Assembly as interconnected and requiring a balanced approach. The agenda contained 17 Sustainable Development Goals (SDGs) along with qualitative and quantitative targets to be reached globally by 2030.

The 2020 IIA set *'the implementation of the United Nations Sustainable Development Goals in all relevant Union programmes of the MFF 2021-2027'* as one of the issues the Commission is obliged to report annually. Although the Commission has fulfilled its yearly reporting obligation, these reports include only a single statistic: the number of EU programmes that contribute to each individual SDG. The Commission further notes that, due to their cross-cutting nature of EU programmes, 99% of the EU budget contributes to the SDGs (European Commission, 2024b). This sounds impressive, but without any sense of magnitude of the contribution, does not reveal much. Moreover, at the EU level, there is a notable absence of both a comprehensive strategy to address the gaps in achieving the SDGs and a well-structured monitoring methodology (Alessandrini et al., 2022). In the RRF, the SDGs are not referenced in the guidance provided by the European Commission (EC) for Member States drafting their plans (Alessandrini et al., 2022).

Interviewees indicated that monitoring SDG implementation was challenging, partly because it is *'difficult to operationalise and measure'*. National representatives struggled with estimating the impact of their interventions on SDGs. Some interviewees indicated that monitoring SDGs at the EU level is *'useless'* – for example, what can be learnt from a conclusion that ERDF contributes to 15 SDGs. SDGs were also not taken into consideration while constructing the RRF, nor did national coordinators interviewed for this study take them into account.

## 1.2. General conclusions and challenges for the next MFF

Mainstreaming methodologies differ widely between horizontal goals. The interviewees pointed to climate as the horizontal goal with the most developed mainstreaming methodology, and some were positive about its efficiency. All other horizontal goals and the digital area are considered difficult to implement, partly because of insufficiently developed methodologies.

At the level of MFF, only climate and biodiversity goals have legally binding spending targets, but of these two areas, only climate has instrument-specific targets. No budgetary target exists for the gender equality goal and the SDGs, while for the digital transition, the RRF has a target, but the MFF does not. As indicated by interviewees, mainstreaming at the level of MFF is frequently constrained by a lack of instrument-specific targets. Climate mainstreaming is successful partly because some programmes have quantifiable targets included in their regulations. This is not true for gender, digital transformation, and the SDGs, resulting in weaker mainstreaming efforts for these goals. The discussion of mainstreaming as a meta-policy instrument must acknowledge that for the procedure to be effective, explicit legally binding targets must be established.

Such targets must be accompanied by streamlined and efficient mainstreaming methodologies. Where the current mainstreaming procedure fails are those horizontal goals that are more difficult to track than climate, hence the term *'useless'* asserted by interviewees. In practice, what is tracked is qualitative: only the fact of a contribution to the achievement of these goals is visible, but not the magnitude of the contribution. Additionally, tracking goals like gender equality was perceived as laborious. Methodologies for gender, SDG, and digital mainstreaming do not translate into readily

measurable results or impacts, as there are no specific targets associated with them. Comparing these to climate or biodiversity mainstreaming is not easy.

The decision on whether the EU should intensify mainstreaming efforts for these targets is ultimately a political one. SDGs are largely addressed by national governments and a radical suggestion could be simply to drop them as mainstreamed goals. Gender mainstreaming can be effective in shifting attitudes by ensuring the gender dimension is integrated from the outset of projects, and there are compelling reasons for strengthening it in the next MFF.

This raises a separate question of whether the Union should pursue a broad range of horizontal goals or prioritise only the most urgent or politically important ones. Expanding the number of goals may lead to a trade-off with ensuring the quality of each mainstreaming framework. The incoming Commission manifestly considers competitiveness to be a core political priority, but whether it could be defined as a new mainstreamed goal is an open question. To avoid spreading efforts too thinly, the Commission and other EU institutions would be well-advised to concentrate on the most critical goals. At the same time, the phenomenon of 'you get what you measure', alluded to above, invites some caution about being too narrow in defining mainstreamed goals.

A potential improvement of climate mainstreaming practices could be a reconsideration of the weights – even if most interviewees found the current 0%-40%-100% weights a good compromise between adequacy and simplicity – reflecting qualitative assessments. While calculating the precise amount of climate spending would require huge resources, a more granular scaling system would remain simple and allow a better quantification. For example, the European Semester's country-specific recommendations (CSRs) are evaluated by the European Commission on a scale of five: no progress, limited progress, some progress, substantial progress, and full implementation, and qualitative assessments are often coded as 0%, 25%, 50%, 75% and 100%, respectively. Such a scaling system would be better able to approximate the climate impact, since in the current system, the gap between 40% and 100% is huge and whether some in-between cases are classified as 40% or 100% can make a substantial difference.

More generally enhancements of the DNSH principle should be explored. A similar five-point scale would be appropriate for other horizontal goals subject to mainstreaming, but more attention should be paid to where there is, despite the scaling systems, prima facie evidence of harm being done. The evolving gender scoring system could be a test case, while in relation to climate change and biodiversity, the evidence that agricultural subsidies cause harm invites a reassessment or, perhaps, a means of flagging negative effects of EU spending.

A major issue for mainstreaming lies in the intervention fields: how they are constructed within the mainstreaming framework and how they are applied in practice. Ultimately, the question of whether a mainstreaming framework is successful at reaching its goals depends on whether the intervention fields are adequately defined and therefore, whether they are used to choose projects that have the potential to make a genuine contribution to the horizontal goal. Following the work of the ECA, the problem of over-reporting of climate (and other) spending is worrying because too many mainstreaming targets are qualitative and rely heavily on individual judgments.

A further possible improvement would be to change the evaluation of mainstreaming from expected impact (as currently done) to ex-post results. Currently, goals, such as those for climate, are defined in terms of budget shares devoted to a specific objective. Spending is then classified as relevant to the goal based on the coefficients methodology described above. A more effective, though politically challenging, approach would be to classify spending of a particular intervention only after its results



have been shown to contribute to the desired goals. They are not mutually exclusive and both approaches could be envisaged.

However, several national coordinators interviewed expressed opposition to this idea. Their primary criticism was that it would be unreasonable to require Member States to commit to future goals that have yet to be achieved. Additionally, they highlighted the administrative burden it would impose, arguing that it is crucial to streamline the process of distributing funding, while ex-post evaluation would only prolong it. From their perspective, achieving the goals should be primarily managed through ex-ante measures. Some interviewees, however, suggested that ex-post evaluation might be more relevant when assessing broader goals achieved through multiple programmes. They believe that many projects should function as part of a system to deliver on specific objectives, and Member States should be incentivised to develop such systems through some form of ex-post reporting requirements. Member States should be encouraged to develop such systems, with their effectiveness assessed through ex-post reporting.

## 2. COMPARATIVE ASSESSMENT OF PERFORMANCE BUDGETING IN THE MFF AND THE RRF

This chapter analyses the functioning of performance-based budgeting in Cohesion Policy and the Recovery and Resilience Facility. The objective is to investigate the types of indicators as well as the monitoring, reporting and evaluation systems used to track and assess the performance of the selected policies. The insights gained inform the recommendations and suggestions for improvement presented in the concluding chapter of this study.

To illustrate the functioning of PB systems under CP and the RRF, the examples selected were of investments in childcare in Italy and Belgium. With respect to CP, the focus is on two ESF+ programmes that include Early Childcare and Education interventions in the two selected countries: Wallonia-Brussels ESF+ OP 2021-27 in Belgium (the only OP with significant investments in this field) and the Emilia Romagna ESF+ OP in Italy (a renowned and proactive region in early childcare interventions). For the RRF, the choices were the Italian Plan for nurseries, preschools and ECEC services and the Belgian plan for the creation and renovation of early childcare infrastructure of the Walloon region. The selection of childcare as a case study is motivated by two reasons: childcare investments involve multiple institutional levels (national, regional, and local), allowing assessment of the complexity of establishing efficient reporting, monitoring, and evaluation systems; and childcare is traditionally funded both via the ESF+ and the RRF, enabling a comparison of performance budgeting experiences.

The methodological approach combined desk research and interviews to develop case studies focused on themes relevant to performance budgeting. The next section describes the performance indicators included in the plans and programmes, considering the balance of indicator types and status of milestones and targets. An assessment follows of the performance monitoring and review systems and approaches. The role of evaluation frameworks and practices under both policies is then examined. A final section provides a comparative assessment of the findings and highlights key policy implications.

### 2.1. Performance budgeting in Cohesion policy

Cohesion policy has a performance orientation providing high levels of transparency and insight into spending and achievements (Bachtler and Mendez, 2025). While payments are reimbursed on the basis of real costs, rather than the fulfilment of milestones and targets as in the RRF, the policy does have important performance elements in terms of setting objectives, targets, a mid-term performance review and various conditionalities (Bachtler and Mendez, 2020). The 2021-2027 period has seen advances in the intervention logic that connects objectives with allocations and indicators in the initial programming of funding. However, it is too early to track the outputs and results of programmes given that data are only expected to be checked and released at EU level towards the end of 2024. Moreover, preparations for the mid-term review in 2025 are at an early stage.

#### 2.1.1. Performance indicators

The 2021-27 EU Cohesion Policy programmes require a clear and simplified intervention logic that directly links specific objectives to allocations and indicators. This includes defining common output and result indicators to be aggregated at the EU level, and simplifying and refining input tracking across 183 intervention fields. Programmes are required to establish milestones and target values for output indicators, as well as reference values and target values for result indicators. Targets should be set for a limited number of common indicators and, if necessary, some programme-specific indicators. For each specific objective, there should be at least one target for an output indicator and one target for a result indicator.

The ESF+ requires common EU indicators to be used to ensure consistency, transparency, and comparability across the EU. For the ESF+, the common indicators include both output and result indicators, with a strong focus on participant characteristics – rather than thematic priorities and interventions, as in the ERDF/Cohesion Fund.

Common ESF+ output indicators measure the volume of support provided and include: supported persons for specific objectives, supported entities, non-deprived-targeted operations, food and basic material assistance. The common ESF+ result indicators distinguish between immediate and long-term results. Immediate results capture participants' situations within four weeks after leaving an operation, while longer-term results assess participants' situations six months post-exit. Additional programme-specific indicators can be used to better reflect programme objectives and milestones where the mandatory common indicators do not fully capture the programme results.

**Table 2: EU common indicators for the ESF+**

Type	Indicator
<b>Output (participants)</b>	Unemployed, including long-term unemployed
	Long-term unemployed
	Inactive
	Employed, including self-employed
	Number of children below 18 years of age
	Young people between 18 and 29 years of age
	Number of participants of 55 years of age and above
	With lower secondary education or less (ISCED 0-2)
	With upper secondary (ISCED 3) or post-secondary education (ISCED 4)
	With tertiary education (ISCED 5 to 8)
	Total number of participants
	Participants with disabilities
	Third-country nationals
	Participants with a foreign background
	Minorities (including marginalised communities, such as Roma people)
	Homeless or affected by housing exclusion
Participants from rural areas	
<b>Output (entities)</b>	Number of supported public administrations or public services
	Number of supported micro, small and medium-sized enterprises
<b>Result (Immediate)</b>	Participants engaged in job searching upon leaving
	Participants in education or training upon leaving
	Participants gaining a qualification upon leaving
	Participants in employment, including self-employment, upon leaving
<b>Result (Longer-term)</b>	Participants in employment, including self-employment, six months after leaving
	Participants with an improved labour market situation six months after leaving

Source: ESF+ Regulation (2021/1057)

For early childcare interventions, the common output indicator is 'Number of children below 18 years of age', defined as the number of participants aged under 18 years old upon starting an ESF+ operation. This is justified as delivering on ESF objectives and the European Pillar of Social Rights principle 11 'Childcare and support to children', as well Council Recommendations on high-quality early childhood education and care systems.

### Selecting indicators

**Emilia-Romagna's** approach to selecting and quantifying indicators follows key principles such as representation and parsimony. This is achieved by ensuring that each priority and specific objective has at least one output and one result indicator, maximising the coverage of interventions, while avoiding use of an excessive number of indicators. Multiple indicators are selected only when necessary to provide a more comprehensive assessment of achievements. Approximately 70% of the indicators are derived from the EU common output indicators framework (Table 2). The selection also considers the need for continuous and frequent data collection to ensure effective evaluation, incorporating lessons learned from 2014-2020. Methods for quantifying output indicators based on standard costs have been adopted to ensure transparency and allow for potential target revisions based on objective criteria.

The regional information system SIFER underpins the new system for 2021-2027, where all necessary monitoring data for evaluating the indicators are mandatory. A dedicated section for the automatic calculation of indicators for each operation has been created, developed in consultation with the Audit Authority and based on an audit that certified the system for data quality and reliability. According to the Managing Authority (MA), the indicators are specifically designed for the ESF+ programme, which then informs domestic policies. The process begins with defining the ESF+ indicators, followed by the development of regional and local policies to complement and align with these indicators. This approach ensures coherence and targeted efforts across various policy levels.

The OP uses six output and six result indicators, of which three are programme-specific indicators. The most frequently used common output indicator is 'Participants with a secondary school diploma or post-secondary education', used under Specific Objectives (SOs 4.3, 4.5, 4.7, while the indicator 'Participants with a tertiary education' measures higher educational attainment among participants under the same objectives. The last two common indicators, used under two specific objectives, are 'Unemployed, including long-term unemployed' and 'inactive' people (SO4.8, SO4.1 - Youth Employment). The final indicator 'Employees, including self-employed workers' is used under SO4.4, promoting adaptation and resilience in the workforce. Regarding childcare, one programme-specific indicator is used 'Number of children aged 0-3 from families eligible for ISEE (Equivalent Economic Situation Indicator) fee reduction who benefit from support', targeting early childhood support in disadvantaged families under the social inclusion objective.

The most frequently used result indicator is for participants who have a job six months after completing the intervention (SOs 4.1, 4.1 (Youth) and 4.8). Another result indicator tracks those who obtain a qualification at the end of their participation (SOs 4.5, 4.1 - Youth). Additionally, participants continuing their education or training at the end of the intervention are monitored (SO4.8). Another result indicator is improving post-participation labour market conditions (SO4.4). The OP includes two programme-specific indicators: one tracks participants who improve their employability or labour market status (SO4.3, SO4.7). Regarding early childcare, the result indicator measures the 'percentage' of children aged 0-3 from families eligible for ISEE fee reduction who benefit from support (SO4.11). This indicator was chosen because it accords most closely with the objective of the intervention, in terms of increasing the coverage of fee reductions in the target population from 60% to 90% by 2029.

**Wallonia's** ESF+ OP includes seven output indicators and seven result indicators, mostly common indicators, with six programme-specific indicators. The emphasis is on measuring participation, support for vulnerable groups such as children and the long-term unemployed, and employment outcomes. The previous ESF Programme (2014-2020) serves as a key data source for reference values under several indicators, although new actions, particularly in social innovation and child welfare, lack historical data. Most indicators have established baselines, allowing for historical comparison and continuity over time in assessing OP performance. The most frequently used output indicator is 'Unemployed, including long-term unemployed', applied under three specific objectives. Other output indicators, such as 'Inactive people', 'Children below 18 years of age', 'Young people between 18 and 29 years old', and 'Total number of participants', are each used twice. Programme-specific output indicators include the total number of participants supported in maintaining their autonomy and those acquiring skills.

Common result indicators in Wallonia include 'People employed at the end of participation' used under three specific objectives, and 'Participants in education or training upon leaving'. The programme-specific result indicator for the specific objective on social inclusion (SO4.12), which includes the early childcare intervention among others, is 'Cumulative attendance days of children under 18 years of age in precarious situations in reception and out-of-school settings'. The OP justifies the intervention logic for the specific objective by its alignment with the European Child Guarantee, ensuring fundamental rights for children at risk of poverty, and European Semester Country Report recommendations. Unlike the Emilia-Romagna ESF+ OP focus on young children, the Wallonia result indicator covers a broader demographic of 0-17 year olds that includes early childcare and after school settings.

In both cases, the selection of indicators for the ESF+ programme was informed by previous experiences, evaluations and, in Wallonia, MA workshops. While some common indicators are monitored in domestic public policies, programme-specific indicators were established where EU common indicators did not suffice, designed specifically for the ESF+ programme in the case of Wallonia.

### ***Milestones and targets***

In **Emilia-Romagna**, the approach to setting milestones and targets is primarily based on previous experience and historical data from the ESF programmes and evaluations. Simplified cost options were used for output indicators, and the development of indicators and targets was handled internally by a team with strong expertise in economics and statistics.

The data of children aged 0-3 benefiting from support will be included in the regional information system, ensuring precise monitoring. For quantifying targets for 2024 and 2029, simplified cost options were used (based on EU Delegated Regulation 2021/702), assuming payment for two years. The milestone target is to achieve 2.5 years of programming by December 2024, representing 2.5/7 of the 2029 target. Factors that could affect the achievement of targets include the launch of the planned measures and potential overlap with other interventions aimed at the same target groups. Changes in allocations per action, including post-mid-term review and updating of the CSR, could also lead to adjustments in targets.

As noted, the result indicator is the 'percentage' coverage of the target population (children aged 0-3 from families with ISEE requirements for fee reduction benefiting from support). The reference value of this indicator was estimated based on data and evaluations related to a similar measure supported by the ESF+ ('Al nido con la Regione'). Evaluation evidence indicates that the current reference value for children attending nursery school and benefiting from a fee reduction is 60%. The objective is to reach a percentage of 95% by 2029, emphasising that this percentage will include both those receiving

greater support and new beneficiaries. The aim is to enhance the welfare system through measures that ensure equity in access to educational services, combating inequalities from the origin and aiming to cover almost the entire target group. This indicator will be reported at least three times during the programme period. Considering the demand and costs of this service, no significant risks are foreseen that could influence the achievement of the expected results.

In **Wallonia**, milestones and target values were defined using various methods, including extrapolation of historical data, experience with previous similar measures, and support from external expertise or studies. The intervention logic of specific objectives or national/regional policy commitments was less relevant in the process. For new measures in 2021-27, regions and local actors, such as beneficiaries and public actors/implementing bodies, were involved in the design of milestones and targets. The baseline year and values were decided by considering data from previous programming, identifying the last year as a reference. Challenges in setting milestone and target values included correcting past biases, ensuring consistency with the amounts allocated to targeted measures, and accounting for risks like inflation and implementation delays.

### 2.1.2. Monitoring, reporting and review

#### **Data collection**

In **Emilia-Romagna**, the data collection and use approach revolves around an operating system called SIFAR, where all beneficiaries directly input their data. This system is used by three groups: those monitoring indicators, those approving operations, and those responsible for payments. Beneficiaries upload raw data into SIFAR (municipalities in this intervention), which is then verified for accuracy, including checks for outliers, ensuring comprehensive data collection for output indicators.

Additionally, a survey for beneficiaries is implemented six months after the completion of an operation. The results of these surveys, submitted through SIFAR, provide detailed information for result indicators, ensuring robust data collection for monitoring and reporting purposes. Beneficiaries must complete the survey to receive final payments, ensuring strong compliance with performance reporting. While effective, new beneficiaries, such as municipalities, often face challenges with data input due to inexperience. To address this, a mixed strategy has been adopted, providing support through spreadsheet files when needed.

The system also accommodates specific indicators involving personal data related to disabilities, migration, or housing, requiring consent from individuals to declare such information. Despite these challenges, the SIFAR system ensures comprehensive data collection and maintains the integrity and quality of the data used for ESF+ programme evaluation and reporting. Currently, data collection from beneficiaries and local authorities occurs every two months to comply with the reporting requirements of both the Commission and the Italian government. Starting from 2025, the ESF+ system will align with the national RRF requiring monthly data submission. While this will streamline processes, it currently poses a challenge due to the non-overlapping data requirements. However, evidence from the project case study suggests that beneficiaries perceive ESF+ monitoring to be less administratively burdensome than the RRF, in part because of the less onerous reporting frequency (Box 1).



**Box 1: ESF+ project case study In Italy**

The case study of the ECEC intervention 'At the Nursery with the Region' measure aims to expand the educational offer to reduce waiting lists. The local authority interviewed perceives the delivery of such ESF+ projects, including monitoring and reporting, to be relatively easier administratively than is the case for RRF. This is largely due to pre-existing experience with Cohesion Policy funding obligations, but also because reporting is less frequent under the ESF+ than the RRF.

Source: ESF+ project case study (Annex I)

In **Wallonia**, the ESF agency is responsible for collecting progress data using an IT application. Childcare facilities enter progress data into the monitoring system "l'Application 21-27" using a cumulative Excel template that is updated twice a year. The Managing Authority has implemented checkpoints in the application to verify participant eligibility and ensure accurate data collection. Sampling is also done by the ESF Agency, and Intermediate Bodies (municipalities) check their reporting before data is uploaded into the application.

Consistent definitions of indicators are ensured by providing information in the administrative and financial guidance and in the application. These definitions align with those communicated by the EC in its guidance. Challenges in collecting data include the significant workload for beneficiaries to keep documents demonstrating the existence and status of participants. Data collection is perceived as particularly onerous for projects concerning minors, homeless people, and public or awareness-raising events. The common indicators included in the programme are considered adequate for monitoring and evaluating the results of the programme and specific objectives. However, reporting for the EU's IT system (SFC, 2021) requires collecting all common indicators (CPR, Article 42), which the MA perceives as excessive and not fully aligned with the programme's measures. Project beneficiaries also highlight the administrative burden of reporting, although mainly for new beneficiaries (Box 2).

**Box 2: ESF+ project case study in Belgium**

Project beneficiaries in the Wallonia-Brussels ESF+ programme report data on ECEC projects to the Managing Authority annually and cumulatively throughout the programme period. Data collection is integrated into the routine daily activities of these projects. However, beneficiaries are critical of the repetitive nature of reporting (re-entering data and updating project information annually). While reporting is viewed as requiring additional administrative workload, especially for new beneficiaries that lack experience in managing ESF+, these challenges tend to diminish over time as procedures are clarified and project checks are implemented.

Source: Project case study (Annex 1)

**Data use**

In **Emilia-Romagna**, the collected data are viewed by the MA as crucial for informing evaluations, communicating activities to external audiences, providing a transparent overview of programme progress and results. Additionally, data are used for making and revising milestones or targets. Indicators are likely to be adjusted in light of the 2024 performance framework and mid-term review. While there has not been a need to reallocate funding or adjust measures to date, this possibility remains open for future consideration. Reporting and accountability are also seen as significant aspects of how the data is used by the MA.

Indicators monitored in the ESF+ programme are considered to be effective in representing progress towards targets and milestones. However, there is a need to complement these indicators with

additional data for internal purposes, including both qualitative and quantitative data to provide a more comprehensive view.

In **Wallonia**, data are used in decision-making to revise milestones or targets, inform evaluations, for communication activities. However, data use is not deemed as important for adjusting measures, reallocating funding, making programme amendments, or for reporting and accountability to EU or national institutions, even though these functions are also relevant and obligatory. Quantitative indicator data do not always sufficiently represent progress towards the programme's objectives, and there is a need for additional qualitative data-gathering, particularly for long-term support of disadvantaged groups. Indeed, a key conclusion of the evaluation of the 2014-20 period was the need for additional qualitative indicators, particularly those relating to social innovation. According to the MA, challenges related to data availability and reliability should be addressed in legal/regulatory frameworks at national or EU levels, as requests for access to some specific official national data has been refused by the statistical agency.

#### Mid-Term Review (MTR)

The Cohesion Policy regulatory framework mandates a mid-term review in 2025, requiring assessment of each programme to determine the flexibility amount. Assessments and allocation proposals must be submitted by 31 March 2025, potentially including programme amendments. The MTR for 2021-27 is more qualitative than the previous performance reserve in 2014-20, affecting 15% of allocations compared to 6% in the 2019 performance review. The allocation of the flexibility amount depends on the MTR outcome and requires a formal decision by the Commission.

The 2024 European Semester will contribute to the MTR by addressing new challenges in the ensuing country-specific recommendations, progress in national energy and climate plans, social rights principles, and socioeconomic disparities. It will consider evaluations from the 2014-2020 and early 2021-2027 periods, assessing progress in achieving milestones by the end of 2024. Member States may amend programmes and reallocate the flexibility amount based on MTR outcomes.

In Emilia-Romagna, internal preparations and proactive steps are planned, given the absence of EU or national guidance. The aim is to provide a detailed account and explanations for each indicator, whether targets are met or not, and to justify any deviations from the planned path. This review will also serve as an opportunity to assess the programme's progress and propose amendments if necessary. The review process will be both formal and substantive, helping to understand the current status and plan the next steps effectively. A report is being prepared, starting from a general overview and structured to address specific indicators. The aim is to ensure clarity and readiness for the mid-term review.

There are no significant concerns in the region about the potential reallocation of funding in the last two years of the period, as it is expected that over 90% of the output targets will be achieved. Result indicators may show slightly less achievement than outputs, but the focus during the mid-term is likely to be on output indicators. Some adjustments may be necessary based on the distance from the targets. The programme was one of the first to be launched, with more than EUR 400 million already disbursed, amounting to over one-third of the total. The MTR will be a key exercise in ensuring the programme remains on track and any necessary adjustments are made in a timely manner.

In Wallonia, the approach will involve collaboration with an external evaluator (IWEPS, a public research institute) and will address all regulatory requirements, new challenges, progress in implementing the European Pillar of Social Rights, major socioeconomic changes, evaluation results, and progress in achieving milestones. Drawing on statistical analysis, interviews, and documentary analysis, the evaluation will also support the drafting of the modification of the ESF+ OP. The key challenge will be



potential delays in the selection of operations. The MA agrees with the importance of preparing early for an effective mid-term review but notes that EU guidance on the mid-term review is unavailable.

The conclusions of the evaluation of the previous Wallonia 2014-20 ESF OP supported the idea of a mid-term review for the 2021-27 period. It valued a flexible governance approach to allow agility and innovation during implementation, potentially through a 24-30 month cycle with specific project calls, instead of allocating all funding at the start of the period. This would allow projects to adapt to emerging needs, and for complementary calls for projects with reserved budgets to support this approach.

In line with ECA recommendations (ECA, 2021b), both Emilia Romagna and Wallonia agree on the value of providing early-stage information and clear expectations. For instance, understanding the consequences of not meeting targets, particularly in regions with delays in launching programmes, would facilitate better planning and implementation.

### **Financing Not Linked to Costs**

An objective of the 2020 reform of Cohesion Policy was to reduce the administrative burden of financial management by increasing the shift from reimbursing 'real costs' (the dominant form of financing) towards 'simplified cost options' and, more closely related to performance budgeting, 'financing not linked to costs'; these are defined as follows:

- **Real costs:** reimbursement of eligible costs actually incurred by beneficiaries of operations and paid in implementing operations;
- **Simplified cost options (SCOs):** is a way of reimbursing funding in which, instead of reimbursing 'real costs', reimbursement occurs according to predefined methods that aim to approximate the actual real costs e.g. using unit costs, lump sums and flat rates (CPR Art. 94);
- **Financing not linked to costs (FNLC):** payments are based on the fulfilment of conditions or achievement of results (CPR, Art. 95) that are not linked to actual costs.

Table 3 outlines the differences between SCOs and FNLC based on the key operational dimensions of these reimbursement methods.

The 'Financing-Not-Linked to Costs' (FNLC) provisions were introduced in CP regulations in 2014-20 (continued in 2021-27, taking account of the revised Financial Regulation in 2018) allowing the reimbursement of expenditure under specific interventions based on the fulfilment of ex-ante conditions or the achievement of results (Art. 125 in the revised 2024 Financial Regulation). FNLC aligns more closely with the RRF performance-based approach to setting targets/milestones and disbursements.<sup>14</sup> However, the take up of FNLC schemes within ESF+ and /or ERDF programmes is low due to the novelty of the concept and concerns about legal certainty where there is a mismatch with domestic implementation and audit approaches (PPMI, 2024). FNLC is not currently used in either of the two ESF+ case study programmes in Emilia-Romagna and Wallonia. In line with ECA (2021b) recommendations, both MA's would welcome more clarification on FNLC rules and models, including relevant investments, criteria for assessment, and how MA and AAs should examine reliability.

<sup>14</sup> Member State representatives made the point during the validation workshop that FNLC should not be regarded as being the same as PB, as the latter encompasses much more.

**Table 3: Differences between SCOs and FNLC**

	SCOs	FNLC
<b>Definition</b>	SCO are amounts or percentages that represent the best possible approximation of actual (real) eligible costs incurred in practice when implementing an action.	FNLC is a form of reimbursement based on conditions or results. The amounts set out in FNLC schemes are not linked to actual costs.
<b>Timing</b>	Both SCOs and FNLC should be defined ex ante (i.e., before the actions covered by the simplification measures are implemented).	Same as SCOs.
<b>Approach</b>	SCOs are based on ‘processes’, ‘outcomes’, or ‘results’.	FNLC is only based on ‘conditions’ or ‘results’.
<b>Methods</b>	The CPR provides several methods to calculate SCOs.	No specific method envisaged. The principle of sound financial management shall be respected.
<b>Off-the-shelf options</b>	Several off-the-shelf options are included in the CPR. EU-level SCOs can be established by the Commission under Article 94(4) CPR.	Possibility of EU-level FNLC adopted by the Commission under Article 95(4) CPR.
<b>Mandatory use</b>	In principle, the use of SCOs is optional. Exception: for operations with a total cost ≤ EUR 200,000, the use of SCOs is mandatory (except for State Aid).	Use of FNLC is always optional.
<b>Adoption and Assessment</b>	SCOs can be adopted by Member States under Art.53 or Art.94 CPR. Ex ante assessment by the Audit Authority is mandatory under Art.94 CPR.	FNLC are adopted by Member States under Art.95 CPR. Ex ante assessment by the Audit Authority is not mandatory, but consulting the AA is highly recommended.
<b>Verifications and Audit</b>	Verifications and audits are limited to checking that the conditions (or results) triggering reimbursement are fulfilled.	Same as SCOs. Methodologies for FNLC and SCOs under Article 94 CPR shall not be subject to audits.
<b>Reimbursement Bases</b>	Both SCOs and FNLC can be used for reimbursements from the Commission to Member States and from Member States to final beneficiaries.	Grants provided by Member States to beneficiaries may take the form of FNLC only if covered by a reimbursement of the Union Contribution pursuant to Art.95 CPR.

Source: Santin (2022)

More generally, FNLC is planned in only nine Member States across the EU and represents a small share of total EU funding. Portugal, for instance, plans an FNLC scheme to promote social inclusion through the ESF+, focusing on children at risk of institutionalisation and former inmates, with payments based on public expenditure savings.

The uptake of SCOs has been more pronounced under the ESF+ compared to other Structural and Cohesion Funds. Preliminary findings from a forthcoming DG REGIO study indicate an increase in SCO usage at the Managing Authority-beneficiary level between 2014-20 and 2021-27 periods: from 6% to 11% under the ERDF/CF/JTF, and from 34% to 39% for the ESF+. The study’s findings are expected to be published by the end of 2024 and will provide insights on the potential for increasing the scope and scale of SCOs and FNLCs in the future.

A survey of 15 EU regions found that most regions consider simplified cost options to be a useful tool to support Managing Authorities in enhancing the performance of Cohesion Policy (R4EUR, 2024). They believe that SCOs can attract a larger number of potential beneficiaries, improve quality and geographic distribution of projects, reduce administrative burdens and allow more focus on objectives.

They also call for more off-the-shelf options provided by the European Commission at an early stage of programming. However, they note that this form of financing may not be suitable for all areas and investments and that they require careful preparation of operational models, including robust cost estimation methods and meaningful funding and partial payment criteria.

Emerging lessons from the RRF for ESF+ FNLCs suggest that FNLC schemes could reduce administrative burdens by focusing on results rather than expenditure (PPMI, 2024). However, clearer audit guidelines and informal discussions on defining and tracking results are recommended. Making FNLC partially mandatory in ESF+ could promote result-based funding.

The ESF Transnational Network on Simplification has issued a position paper advocating the post-2027 elimination of the 'real costs' principle, the dominant reimbursement method used for payments in the current system, requiring the provision and checking of expenditure documentation. Instead, it calls for the exclusive use of simplified cost options involving reimbursement based on process, outputs or results to reduce administrative burden, prevent fraud, and ensure financial equilibrium. The paper outlines the technical and regulatory preparations needed to achieve this goal, emphasising the importance of early preparations, changing mindsets, investing in resources, and building knowledge through collaboration and capacity-building. It also recommends that policymakers support its 'no more real costs' principle, ensure regulatory harmonisation, and remove additional national or regional requirements that could undermine this objective. However, these proposals face resistance given the novelty of the concept and concerns about legal certainty (PPMI, 2024).

### 2.1.3. Evaluating performance

Cohesion Policy is one of the most evaluated EU policies, offering a high level of transparency and insight into EU spending and achievements. New obligations for 2021-27 required the use of the EC Better Regulation evaluation criteria in national evaluations. The requirement for programmes to have an evaluation plan was retained, and a general obligation for impact evaluation with a single deadline was defined. Ex-ante evaluations became optional. They tend to be seen as 'tick-box' exercises with little added value, so that being optional makes sense, at least for now, but this could be revisited for the next MFF. For the Commission, new obligations include a mid-term evaluation by the end of 2024 and a retrospective evaluation by 2029.

Evaluation improvements have enhanced the evidence base for the effectiveness of Cohesion Policy (Bachtler and Mendez, 2025). While EU evaluation obligations foster evaluation capacity, the quality of evaluation is variable as is the use of evaluation for policy learning and performance management. The use of robust counterfactual impact evaluation remains limited, which is suboptimal given the need for credible evidence of achievements. Additionally, delays in the approval, launch, or implementation of programmes often prevent meaningful evaluations at the beginning or mid-stage of programmes. The findings of ex-post evaluations are generally scheduled too late to inform the design of the next round of programmes effectively, especially in relation to new interventions.

In **Emilia-Romagna**, the MA reports that evaluation lessons from previous periods have informed new systems and approaches for monitoring and evaluation and provided insights for specific interventions. The new evaluation plan, approved in June 2023, will involve an external evaluator and Universities for specific evaluations. Evaluation results are viewed as playing an important role in decision-making, monitoring and evaluation, communication, providing a transparent overview of programme progress and outcomes. Additionally, data are used to make and revise milestones or targets, with ongoing adjustments to align with performance frameworks.

The OP evaluation plan foresees most evaluations taking place towards the end of the period in 2027 (including the Early Childcare evaluation). The exceptions in the plan are evaluations to support the

midterm review, and to assess the effectiveness of job placement measures in 2025. A final evaluation of the midterm review results is scheduled for 2028, followed by an impact assessment in 2029. For the Emilia Romagna MA, evaluation is seen as vital not only for learning from the past but also for informing future strategies. The extent to which political actors use these insights may vary, but there is an effort to ensure evaluations play a role in decision-making.

In **Wallonia**, lessons learned from the design and operation of monitoring arrangements in 2014-20 have influenced the 2021-27 programme. According to the MA, a significant improvement in the 2021-27 performance framework is a clearer and better-justified methodology, which is expected to enhance OP evaluations. Despite this progress, challenges persist in ensuring the quality of data collected by beneficiaries and in the correct interpretation of indicator definitions.

Additional data beyond what is generated by the monitoring system will be gathered for evaluation needs, such as surveys for the future of trainees, depending on the needs of each assessment. The anticipated evaluations of the programme are detailed in the evaluation plan. However, there will not be a specific evaluation of Early Childhood Education and Care or the wider Specific Objective. An evaluation to support the midterm review is foreseen in 2024, along with evaluations of results in 2026 and impact in 2029. The MA reports that the results of evaluations are used in decision-making processes, but mainly to inform future cycles of programming.

## 2.2. Performance budgeting in the RRF

The RRF uses a direct performance budgeting approach (Begg, Corti and Liscai, 2024). Milestones and targets are the key indicators used by Member States and the European Commission to track investments and reforms included in the national recovery and resilience plans. Milestones and targets are therefore not tied to the overall objectives of the Facility, but are specific to reforms and investments. However, the common indicators are not linked to the reforms and investments and therefore cannot be considered as an integral part of the RRF performance-based system, but rather as broad indicators of a country's performance vis-à-vis a set of objectives set up in the RRF regulation. Member States set up a monitoring system for biannual RRF reporting, involving different institutional bodies: ministries responsible for reforms and investments, authorities responsible for implementation and data collection, and authorities responsible for control and audit. The system relies on IT infrastructure for data collection and reporting, with an evaluation framework at both EU and national level to assess the results.

### 2.2.1. Performance indicators

The majority of indicators across EU NRRPs are either input indicators (e.g., financial, human, material, administrative, or regulatory means used to implement a project or programme) or output indicators, such as what the project produces or achieves (Darvas and Welslau, 2023; ECA, 2023). Italy and Belgium conform to this approach. Thus, the Italian RRP includes 312 targets, with 62 input indicators (20%), 191 output indicators (61%), and 59 result indicators (19%).

Turning to childcare investments, Italy's 'Plan for nurseries and preschools and early childhood education and care services' includes one milestone and one target. The milestone, fulfilled by the end of the third quarter of 2023, required local authorities to notify the award of public contracts for eligible interventions. The target, originally planned for the end of 2025, but postponed to the third quarter of 2026, is to create at least 150,480 new places for early childhood education and care services. An intermediate step (approval and publication of the projects) was set for the third quarter of 2022. This led to a delay of the payment request from Italy.

The NRRP includes two input indicators (one at the EU and one at the national level): publication of the eligible projects and the award of public contracts; and one output indicator, the actual creation of places. However, no result indicators are included, despite the Italian NRRP's explicit aim to increase female employment and achieve the Barcelona target of a 33% participation rate in all territories. Three reasons were cited by interviewees for not opting for result indicators: uncertainty around contextual factors that could hinder the implementation of specific measures; methodological and statistical challenges in measuring expected results ex ante and linking budgetary inputs to final results; and time pressure for plan preparation, which limited consultation with other authorities in designing milestones and targets.

As observed by Begg, Corti and Liscai (2024), the Commission's Guidance on how to prepare the Recovery and Resilience Plans (2021) explicitly discouraged the use of result and impact indicators 'given the unpredictability of such indicators and their dependence on other factors outside the control of the Member State'. By contrast, the Guidance supported the use of input and output indicators: 'Milestones and targets should be clear and realistic, and the proposed indicators relevant, acceptable and robust. They can reflect different stages of the implementation of reforms and investments, either based on input indicators (e.g. resources provided, which can be financial, human, administrative) or preferably output indicators (e.g. number of workers trained, numbers of renovated schools)'.

Despite the focus on input and output indicators, the investment design included the Barcelona target in the funding allocation criteria. While the Italian plan adopts a competitive approach to resource allocation, requiring municipalities to apply for childcare funding, the Ministry of Education included territorial criteria in resource distribution. The first public tender in December 2021 specified that 55.3% of resources should go to proposals from local authorities in southern Italy. Resource allocation among regions relied on two criteria: disparities in services for children aged 2 and under, measured by available places per 100 children in each region (75% weight), and projected population of children aged 0-2 in 2035 (25% weight). No criterion was included to reflect the objective of increasing female employment.

While including a territorial criterion might theoretically help to achieve the investment objective (increasing participation rates and meeting the 33% target), the competitive allocation criterion posed obstacles for disadvantaged territories. As observed by Morabito et al. (2024), based on awarded projects in 2023, the distribution of new childcare places primarily benefits provinces with low or non-existent public childcare coverage (1%-5%), mainly in southern regions. However, the increase is not equally distributed across southern provinces. For instance, provinces like Reggio Calabria (2%), Naples (3.2%), Palermo (4.9%), Catania (5.2%), and Caltanissetta (5.7%) will see limited increases, reaching only about 10-15% coverage.

The Belgian RRP follows a similar pattern in its milestones and targets for the 'Creation and renovation of early childcare infrastructure' investment in the Wallonia Region. Here, the two targets are an input indicator (award of work contracts for 15% of newly created childcare places by the third quarter of 2023) and an output indicator (1,700 childcare places created and operational by the third quarter of 2026). Selection criteria for municipalities to receive RRF funding are based on coverage rates, with pre-selected beneficiary municipalities not required to compete for funding.

While Belgium's direct allocation of funds to municipalities based on coverage rates might close the gap and achieve higher participation rates in childcare for children aged 0-2, this does not always occur. Morabito et al. (2024) found that the variance in coverage between municipalities only partially decreased. Approximately 20% of selected communes already had coverage well above 33%, while 61 municipalities that had coverage below 30% (23% of Wallonia's municipalities) received no funding.

Selection criteria were based on 2019 coverage data, even though some municipalities had since increased their offerings.

These examples illustrate the limitations of selected indicators in monitoring RRF investment performance. Milestones and targets primarily track administrative inputs and infrastructural outputs at aggregated levels, failing to capture broader objectives (results) such as increased female employment and childcare participation rates. While understandable, the lack of result indicators underscores the importance of selection criteria and funding allocation approaches (competitive vs. non-competitive). The main reasons cited by municipalities for not participating in childcare investment funding calls include:

- Lack of administrative and technical capacity to apply for projects, with insufficient support from central government bodies
- Tight timelines for project presentation, implementation, and completion.
- Insufficient resources to cover recurrent infrastructure maintenance costs.

Going beyond the case studies, Poland's substantial childcare facility investments offer a positive example of performance design and implementation, including the targeting of areas with high female unemployment. Like Italy and Belgium, the Polish RRP aims to increase participation rates in 0-2 childcare, particularly in disadvantaged areas, and promote female employment. Yet, unlike the other two countries, Poland complements childcare reform with three accompanying actions:

1. Streamlining the management of domestic and external funds for childcare facilities;
2. Implementing stable long-term domestic financing for childcare services for children up to age three;
3. Establishing binding minimum education and quality standards for childcare facilities.

This reform is key since it allows funding of childcare services beyond the duration of the RRF itself. The milestones and targets of the Polish RRP include:

1. Legislative enactment and IT system and algorithm development by the second quarter of 2022;
2. Childcare legislation review on quality standards by the second quarter of 2023;
3. Stable childcare financing legislation by the end of 2024; and
4. the creation of 247,500 new places by the middle of 2026.

Like Belgium and Italy, Poland's RRP also includes input and output indicators. Yet by defining better intermediate steps to ensure successful absorption of the funding allocated, it avoids issues related to recurrent expenditure resources. Notably, Poland includes a milestone for identifying the funding distribution algorithm.

Funds are directly allocated to municipalities based on an algorithm considering: a) the share of children up to three years not covered by childcare relative to the total number of such children in the country; b) the inverse ratio between a commune's income per capita and the national average local government unit income per capita; and c) a minimum allocation of 10 places to each municipality without any care places.

In addition, support for recurrent costs allows areas with below-average childcare coverage to see a 61% increase, compared to 39% in areas above the average, and provinces with high female unemployment will see a 75% increase in childcare places.



### 2.2.2. Monitoring, reporting and review

In addition to the design of the indicators to capture the objectives and implementation steps of investments and reforms, a key dimension of performance budgeting is the monitoring framework. Monitoring systems allow the public administration to track the delivery of the expected results of the RRP, anticipate any challenges and delays, and adapt quickly. The monitoring framework comprises data collection, monitoring and review of indicators, IT systems and procedures to detect and correct deviations from expected objectives.

Monitoring of the RRF at the Member State level is based on the milestones and targets linked to payment requests, with Member States using monitoring systems to track progress. Member States submit progress updates to the European Commission on milestones and targets accompanying each payment request, which can be submitted up to twice per year. Additionally, bi-annual reports are required to update data on common indicators.

#### Modifying plans

The Italian childcare investment measure illustrates the difficulties in modifying plans in response to overly-ambitious targets. The initial target for creating 264,480 new childcare places was revised downwards to 150,480 places. This target was initially set at the central level without adequate consultation with implementing authorities. Interviews revealed a lack of capacity to calculate or forecast accurately the required number of places, leading to overestimation by the government during negotiations with the European Commission (despite concerns raised by local authorities already during the negotiations).

To address this, the call for project proposals was reopened three times in 2022 to encourage participation, particularly from the South. Despite these efforts, many municipalities with few or any existing childcare places chose not to participate. Additionally, price increases due to the energy crisis required additional funding to meet targets. A ministerial decree in April 2024 allocated EUR 734.9 million, with EUR 335 million from NRRP savings and EUR 400 million from the national budget. The new plan prioritised municipalities with less than 33% coverage of childcare services and at least 60 children aged 0-2. A list of nearly 1,900 eligible municipalities was established, contributing 31,660 new places, with 63% of resources allocated to Southern municipalities. However, tight timelines and administrative burdens remain, causing some municipalities, including 8 out of 14 metropolitan cities, to opt out.

Interviewees suggested that introducing more intermediate steps could have improved the sequencing of implementation, the identification of impacted municipalities and resource distribution requirements. Although intermediate steps could have facilitated the detection of deviations from targets and improved the monitoring system, delays were already a concern. Flexibility in investment modification was limited by procedural and political factors. Procedurally, lengthy negotiations with the Commission were required to modify plans linked to objective circumstances (Corti et al., 2024). Politically, resistance to modifying planned objectives led to multiple reopened project proposals before acknowledging the targets' lack of feasibility.

Going beyond the NRRP level to the project level (Box 3), RRF beneficiaries reported that the monthly reporting requirements under the RRF are onerous and excessive, given the multi-annual nature of public projects in this intervention area.



**Box 3: RRF project case study in Italy**

The local authority beneficiary case study was on the Reggio Emilia municipality, which aims to enhance its early childhood education services offer through the development of a new Childhood Centre at Parco Ottavi. The ReGIS system (described in chapter 2) is used for monitoring and reporting of the project. The project promoter/beneficiary must regularly update project data covering procedural, physical, and financial aspects. Interviews with a local authority beneficiary indicate that the frequency of monitoring requirements by the national Ministry under the RRF presents challenges. The monthly frequency of reporting is seen as burdensome, particularly for public projects that may take a time to complete.

Source: Project case study (Annex 1)

The Belgian case study highlighted challenges linked to administrative delays, regulatory compliance, and strict deadlines to meet the EU's RRF target of December 2026 (Box 4), although support is provided through regular reminders, training and capacity-building resources to contribute to timely delivery.

**Box 4: RRF project case study in Belgium**

The primary objective of the RRF projects for Early Childhood Education and Care in Wallonia is to increase the availability of childcare places significantly, ensuring that all children have access to high-quality early education and care. The selected projects are monitored by ONE (Birth and Childhood Office), in consultation with SPW-IAS SPW IAS (Public Service of Wallonia, Interior and Social Action) and Forem, with quarterly evaluations of progress and the opening of places. Payments are made in tranches. For infrastructure projects, the subsidy is paid in two instalments: 70% at the start of the works (after notification) and the balance based on the final account. The implementation and performance of projects face several challenges:

- Administrative delays occur in receiving project authorisations and necessary information (e.g. the APE subsidy scheme). Setup delays, including in appointing coordinators and initiating projects, initially lasted one month.
- Ensuring compliance with eco-materials and other regulatory requirements adds complexity to project development and applications.
- Strict deadlines, especially to ensure that the EU's RRF deadline of December 2026 is met, has put pressure on project leaders.

When projects are selected, they receive support for project leaders by the SPW IAS and the ONE. Regular reminders and quarterly reporting help keep project leaders on track with deadlines and requirements. Documentation and training to project leaders on using the social action portal and other resources also addresses capacity support challenges.

Source: Project case study (Annex 1)

**Monitoring systems**

IT systems play a key role in monitoring the implementation of investments. An effective and efficient IT system is crucial for smooth interactions between the responsible authorities (ministries) monitoring the progress of the RRF measures in terms of procedures (project start and end dates, calls, procurement), physical progress (actual implementation) and financing (cost planning, commitments and payments). These different elements of the system need to communicate effectively for a well-functioning performance-based approach. While ministerial authorities set-up the measures (reforms

and investments) and define the milestones, targets and allocation criteria, the registration and implementation on the ground is done by the implementing authorities. Furthermore, a fully interoperable system allows for efficiency gains and can reduce potential crowding-out effects, whereby RRF funding are prioritised over CP spending. Several interviewees stressed that having a single interoperable IT system for both RRF and CP funding would not only facilitate a better coordination at local and regional level, but also help to increase synergies.

In Italy, the Regis system has various functions: monitoring financial, physical and procedural steps; verification and reporting of milestones and targets; providing a dashboard; early warning of delays or risks; and chronologically recording administrative steps. Based on the interviews conducted with local municipalities in charge of reporting, the new system worked better for most advanced cities like Florence, where a similar IT interoperable infrastructure was already in place, but less well for those already disadvantaged.

By contrast, in Belgium the absence of a single inter-operable system has undermined the performance-based approach. Each region created a separate IT system, not centralised, that aggravated delays in reporting and inefficiencies in monitoring. Another positive example of an IT system is Portugal's, which is based on a single sign-in authentication method and provides an interface with all local information systems. For those implementing bodies without their own IT systems for data collection, Portugal's coordinating body also provided a special application which communicates directly with the NRRP information system.

### ***Data quality and verification***

The quality and verification of data collected by implementing authorities is critical for monitoring performance. The European Court of Auditors (2023) identified obstacles related to the collection of aggregated data on targets from different implementing bodies and multiple final recipients. The timing of national audits on milestones and targets is crucial to avoid ex-post errors found by the Commission or the ECA. The RRF Regulation does not mandate audits before payment requests, nor specify timing for controls. To prevent problems, national authorities are encouraged to conduct ex-ante checks on data reliability and accuracy for milestones and targets in payment requests.

Italy provides a positive example of data quality, defined by completeness, coherence, and accuracy. The Finance Ministry's monitoring office has a dedicated data quality team, and collected data are openly accessible. Portugal offers a similar example, while Belgium lags in monitoring arrangement and data quality. This clearly does not imply that an interoperable system like Regis is immune from difficulties in data collection and, though effective, can still be improved. Even in cities like Florence and other metropolitan cities with pre-existing systems, transitioning to Regis posed challenges in data traceability and correct and timely reporting, with an associated misalignment of timing between operational and reporting standards.

Increased tasks, with a near-duplication of interventions to be managed over the year, required more staff, but hiring new municipal workers took longer than implementing the new system. This is also because the beneficiaries do not have the option of setting-up an ad hoc organisational structure. The solution chosen in some bigger cities in Italy was the creation within the municipal administration of a dedicated working group, capable - starting from the expertise consolidated with the use of similar funds - of focusing on the challenges related to the administrative management of the acts and collaborating in a coherent manner with the other actors involved, while respecting the regulatory perimeter set up.

### 2.2.3. Evaluating performance

The evaluation of the RRF and NRRPs differs significantly from the Cohesion Policy approach (Begg, Corti and Liscai, 2024). While Cohesion Policy requires Member States to evaluate programmes based on a comprehensive evaluation plan, the RRF mandates only a mid-term and an ex-post evaluation of the instrument itself, not the specific measures within the plans. Despite this, some Member States, like Italy, incorporate an ex-ante, ongoing, and ex-post evaluation framework. By contrast, this is not foreseen in the Belgian RRP. What follows therefore draws only on Italy.

The Italian ex-ante impact evaluation focused on the gender gap. This qualitative analysis examines the likely effects of the plan on indicators such as female inactivity rates, employment of women with children, gender asymmetry in domestic labour, and the number of women graduating in Science, Technology, Engineering, Mathematics (STEM) fields. Additionally, the plan evaluates its impact on the intergenerational divide, through indicators such as early exits from the education and training system, NEETs (young people not in education, employment, or training), youth employment rates, and the proportion of young people living with their parents.

The ongoing evaluation involves quarterly assessments including those done in advance of payment requests. It compiles information on milestones and targets linked to reforms and investments. For the ex-post evaluation, the Italian Ministry of Finance is currently discussing how to set up an evaluation framework. Various challenges have been indicated by interviewees:

- Looking beyond milestones and targets: evaluations need to consider broader impacts and results beyond the immediate milestones and targets.
- Data access, especially microdata: monitoring data need to be combined with other databases and administrative registers. Privacy issues must be addressed to ensure data security and compliance.
- System Capacity: strengthening ministries, particularly in connection with spending review initiatives, is crucial. Engaging the academic research community can enhance analytical capabilities.
- Causal impact analysis: some RRP measures are closely linked to broader national measures and structural funds, complicating the identification of causal impacts.

An Italian Parliament resolution in 2022 called for an analysis of the contribution of the implementation of the RRP to the achievement of the 2030 Agenda for Sustainable Development. To facilitate access to microdata and engage researchers, the Italian Ministry of Finance and the National Social Security Institute established a pilot program, VisitPNRR Lavoro. This promotes analysis, research and evidence on the policy measures by allowing selected research projects to access combined data from NRRP monitoring systems and labour market or welfare system data from the National Social Security Institute.

## 2.3. Conclusions and challenges for the next MFF

This chapter reviewed the functioning of performance-based budgeting in Cohesion Policy and the Recovery and Resilience Facility. The examination of indicators and methodologies for monitoring and assessing performance reveals differences and similarities between the two frameworks, highlighting areas for improvement and good practices that can inform future policy design and implementation. For the next MFF, an obvious aim should be to adopt the best of both approaches.

Beginning with the design of performance indicators, EU Cohesion Policy emphasises a mix of input, output, and result indicators. Common EU indicators are predominantly used to allow comparability

and accountability at EU level, with a balance between output and result indicators. The publication of comparative EU performance data for 2021-27 was planned for late 2024, in advance of the mid-term review. This timeline is consistent with previous periods and reflects delays in implementation and the need for data checks.

The RRF primarily relies on input and output indicators, with a noticeable lack of result indicators. Indicators track inputs and outputs (e.g. childcare infrastructure and places) rather than wider objectives (like increased female employment or children's participation in childcare). The emphasis on input and output indicators reflects a common pattern among Member States, influenced by uncertainties and methodological challenges in measuring results *ex ante*.

Turning to performance monitoring, systems and revision, Cohesion Policy has established relatively robust monitoring and IT systems that have developed over time to ensure comprehensive data collection and monitoring (as well as audit and control). However, beneficiaries and managers are critical of the amount and frequency of data required and data duplication across domestic and EU systems. For the RRF, the effectiveness of the performance budgeting approach relies heavily on the IT monitoring system. Italy's 'Regis' system serves as a comprehensive monitoring system, while Belgium's more fragmented IT infrastructure causes delays and inefficiencies. Flexibility in modifying plans is important, with Italy's experience highlighting the challenges of adjusting overly ambitious targets. Achieving the optimal balance between flexibility and administrative rigour should be a priority in the next MFF.

Performance evaluation is most advanced in Cohesion Policy, which features a comprehensive evaluation framework including *ex-ante* (voluntary), ongoing/mid-term and *ex-post* evaluations at both EU and national levels. Evaluations are guided by EU evaluation criteria, including a requirement for impact evaluation. Evaluation results are used to inform future programming, adjust measures, and reallocate funding as needed. However, the quality of evaluation varies and the genuine impact of evaluation finding on decision-making is questionable. While the RRF only requires EU-level midterm and *ex-post* evaluation, the Italian NRRP includes a proactive approach partially mirroring its Cohesion Policy system through *ex-ante*, ongoing and *ex-post* evaluations. These focus on the gender gap, intergenerational divide, and state of play for milestones and targets. Effective evaluation requires access to high-quality data and strengthened institutional capacity. Italy's initiative to integrate RRP data with labour market and welfare data for research exemplifies evaluation efforts in this direction.

Several policy implications arise from the comparative analysis. First, both RRF and CP frameworks emphasise the importance of selecting appropriate indicators and setting targets. Cohesion Policy's focus on standardised common EU indicators (with scope for additional programme-specific indicators), ensures comprehensive and targeted monitoring of outputs and results. The RRF's reliance on input and output indicators highlights the need for incorporating relatively more result indicators to measure broader impacts. Result indicators are important for formulating strategies and allocations, as well as tracking progress. However, the causal effects of interventions (results and impact) can be better assessed through evaluations and should not be linked to funding disbursements given the time lags involved and influence of external factors.

Second, effective monitoring IT systems are crucial for both Cohesion Policy and the RRF. While 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, interoperable systems, such as Italy's Regis IT framework, facilitate efficient data collection and reporting. Fragmented systems, as seen in Belgium for the RRF, underscore the need for streamlined approaches, although there is also scope in Italy to better harmonise data and systems.

Third, Cohesion Policy's extensive evaluation requirements provide valuable insights into programme achievements and effectiveness. However, direct evidence of impact on policy learning is limited, and the quality of evaluations varies. Moreover, the timing of evaluations does not align well with the midterm review and future programming deadlines. The RRF's limited evaluation approach could benefit from adopting more comprehensive practices, including ex-ante and ongoing evaluations to capture real-time impacts and inform future adjustments, including at the national level. Comprehensive evaluations require high-quality data, strengthened institutional capacity, and involvement of the research community.

Last, the ability to modify plans and reallocate resources is vital for both frameworks and needs to be revisited in the next MFF. Cohesion Policy's mid-term review and the RRF's flexibility mechanisms highlight the importance of adaptive approaches to address emerging challenges, over (or under) ambitious target-setting and ensure effective implementation.

Turning to a project-level perspective, the comparative analysis revealed that beneficiaries of both the RRF and Cohesion Policy (ESF+) view these EU instruments primarily as funding sources, with limited engagement in broader EU debates on performance frameworks and budgeting. This is partly due to their project objectives aligning with EU priorities. However, managing the administrative burden and eligibility deadlines of EU funds, especially the RRF, has proved to be challenging. Smaller local authorities found the demands problematic, even to the extent of discouraging them from applying for funding.

Based on these findings, some general recommendations for future policy design and implementation can be put forward, First, interoperable IT systems for data collection and monitoring to improve efficiency and data quality should be developed. Second, comprehensive evaluation frameworks should be adopted, embracing ex-ante and ongoing evaluations, to provide valuable insights on policies' design based on expected results and inform adaptive measures for both policies. Third, mechanisms for plan modification and resource reallocation should be established to help address unforeseen challenges and enhance policy responsiveness.

Fourth, while payments based on results or impacts can be challenging to justify because of the time lags and the influence of external factors, more attention could be paid to the definition of funding allocation criteria for projects to foster alignment with expected results. For example, the inclusion of result indicators in the allocation keys in the Polish childcare investments as a milestone to be fulfilled represents a strong result-oriented commitment. This approach contrasts with the Italian and Belgian plans, which use similar allocation keys but do not make these indicators a binding condition for funding disbursement.

Future research on the relationship between RRF and CP synergies – outside the scope of the present study – could shed light on how to integrate elements of PB from each policy. As highlighted by Lopriore (2022) and Corti, Pancotti and Pedralli (2024), there is still room for improving complementarities and synergies among RRF and Cohesion Policy, by – inter alia – further strengthening and combining their different PB approaches. This would contribute to the definition of a uniform, comprehensive and clear PB framework which could be put forward as the basis for renewed/new financing instruments.

### 3. ADMINISTRATIVE BURDENS AND IT INFRASTRUCTURE

This chapter first examines the administrative burden related to the RRF programme. It summarises the main findings of the survey of national coordinators prepared by Corti et al. (2024)<sup>15</sup> (henceforth referred to as 'the survey') for the mid-term evaluation of the programme, and complements it with findings from interviews conducted for this study with coordinators and other stakeholders. The focus is on the main issues mentioned in the interviews: reporting requirements and the audit procedure. This is followed by an analysis of the IT infrastructure required to support the collection, analysis, and visualization of performance data.

The national systems of Portugal, Estonia, and France are examined, paying particular attention to the integration of FENIX (a portal of the European Commission used, among others, to gather data from Member States on the RRF) and the RRF Scorecard (a publicly-available information source about the RRF). These systems facilitate data management and reporting, aiming to alleviate administrative burdens identified earlier. The IT infrastructure and choices on how to collect and portray data in the selected EU countries are explored, as well as an assessment of different methods used. This analysis aims to identify best practices and highlight potential areas for reducing the administrative burden associated with the RRF.

#### 3.1. Analysis of the administrative burden

As explained in chapter 2 above and in the report of the first phase of this study (Begg, Corti and Liscai, 2024), milestones and targets are central to the RRF approach and evidence is now emerging about how well the process is functioning. In early 2024, the European Commission completed the mid-term evaluation of the RRF. The interviews for this study included questions about the administrative burden of the RRF and related lessons for a future performance-based instrument. In-depth conversations followed, and if a respondent had not mentioned some of the most important burdens identified by the survey, supplementary questions about these issues were asked.

##### 3.1.1 Estimating the cost of the burden

The administrative costs of the RRF include expenses incurred by both the EU and the public administrations of Member States. According to Corti et al. (2024), most of the administrative costs at the EU level are those of the Commission, budgeted at EUR 88.2 million (or 0.026% of the total amount available for non-repayable support). The total administrative cost of Member States is more difficult to estimate. Table 2 provides a conceptual analysis summarizing the primary costs borne by Member States.

In the survey, national RRF coordinators were asked to estimate full-time equivalents (FTE) of activities mirroring those listed in Table 2. After converting FTEs to their monetary value using the average salary in each EU country, and adjusting for purchasing power standards, Corti et al. (2024) estimated administrative costs to be below EUR 10 million each for all Member States, except Portugal (an outlier). The mean cost was below EUR 5 million, with a median closer to EUR 2 million. The variation in costs may be attributed to differences in the number of projects, their nature, and the funding amounts specified in the RRFs. For all countries the administrative costs per million EUR are estimated at below EUR 2,500.

<sup>15</sup> As part of this evaluation, two surveys prepared by CEPS, a public consultation, and a series of interviews with stakeholders were conducted. The survey of RRF national coordinators obtained 40 replies. The second one was with national members of parliament, but due to an exceptionally low number of responses (5), it is not included in the analysis.



**Table 4: Activities related to the Recovery and Resilience Facility that generate administrative burden for EU countries**

One-time costs	Recurrent costs
Setting up the governance structure	Bi-annual reporting on milestones and targets
Drafting the NRRP	Bi-annual reporting on monitoring steps
Stakeholder consultation	Bi-annual reporting on other EU funding
Informal dialogue with the COM on plan submission	Reporting on common indicators
Official process of plan submission	Informal dialogue with the COM on payment request submission
Drafting the REPower chapter, plan amendments	Official submission of payment request
	Monitoring and performance management
	Audits by national authorities
	Audits by EU institutions (EC)
	Audits by EU institutions (ECA)
	Outreach activities

Source: Corti et al. (2024)

### 3.1.2. Comparison with the Cohesion Policy

Although the estimated FTE-equivalent suggests that the RRF is not an administratively costly programme, national coordinators surveyed by Corti et al. had a different perception. The RRF – especially through the performance-based approach – was expected to lead to a reduced administrative burden compared to Cohesion Policy. However, the Corti et al. interviews found, instead, that administrative burdens under the RRF were judged to be similar, or higher, than under CP<sup>16</sup>. However, some interviewees for the current study suggested that national coordinators responding to the Corti et al. survey do not deal with traditional cohesion projects, and hence were not well-placed to compare the administrative burdens of the RRF and CP.

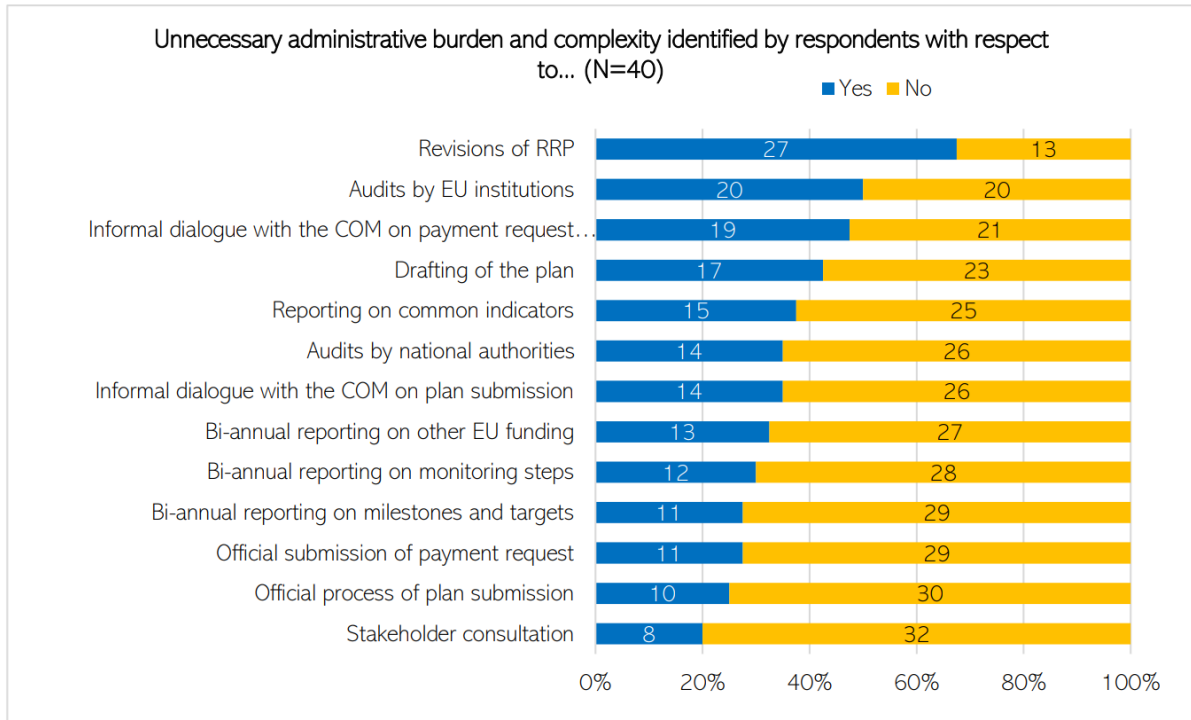
The responses of the interviewees' for this study were even more polarised, with some stating that the RRF imposes a lower administrative burden than the cohesion policy, while others expressed the exact opposite view. For some national representatives, the only burden resulted from the initially steep learning curve associated with the new system and adapting to the new procedures, but their institutions managed to overcome these challenges rather quickly. However, a larger proportion of the coordinators pointed to deeper systematic problems with the RRF that have continued to inhibit coordination of the programme.

All of activities reported to be sources of administrative burden related to the RRF (see Figure 3) are also present in Cohesion Policy.

<sup>16</sup> Only nine respondents answered a question directly comparing the administrative costs of RRF and CP, and five of them (more than 50%) viewed them as similar.



**Figure 3: Administrative burden of the RRF**



Source: Corti et al. (2024)

As for the RRF, CP programmes also involve various audit requirements, frequent changes to operational programs, informal discussions with Commission representatives, and extensive reporting obligations. Justifying the costs of cohesion projects, in particular, is often time-consuming and bureaucratic. In contrast, once the NRRP has been approved, there is no need for cost justification for the RRF.

Some coordinators interviewed for this study described the administrative burden related to the RRF as the natural consequence of a hastily prepared crisis response, with the RRF being referred to as ‘an experiment’. Those coordinators emphasised the importance of a multilateral monitoring system in gathering political support for the RRF prior to its approval. It was generally agreed that the initial burden was relatively high, not least because NRRPs had to be designed in a few months and many Member States did not have enough prior experience with performance-based budgeting, with the result that finding good projects and designing milestones and targets was difficult. However, once the plans were approved, learning-by-doing helped implementation.

Some other interviewees concurred, however, that certain elements of the RRF introduced an additional administrative burden. To enhance understanding of the main sources of administrative burden, evidence from the Corti et al. survey and interviews conducted for this study is examined in detail in the next sub-section.

### 3.1.3. Revisions of National Recovery and Resilience Plans

Among the primary burdens identified in the survey, the largest number of national coordinators (27 out of 40 interviewed) cited revisions to the NRRP as causing unnecessary administrative burdens (Corti et al., 2024). Changes to the NRRPs can be expected since the plans span six-year periods, which is rather long. The RRF Regulation outlines three reasons for modifying the plans: due to objective circumstances (Article 21.1), the addition of loans (Article 14.4), and adjustments to the 30% financial contribution (Article 11.2). Also, with the launch of RePowerEU initiatives, all Member States were encouraged to add a RePowerEU chapter to their plan.

By November 2023, all of them had submitted at least one request for modification of their national plans. However, 25 out of 39 national coordinators perceive the RRF to be unnecessarily rigid. The reason is that no distinction is made between small and major revisions, with the same procedure applied to each type. The procedure is also lengthy, as it can last up to one year. Additionally, several coordinators pointed to the need to obtain Council approval, even if it is only 'a formal step', especially when it comes to small modifications.

### **Auditing requirements**

Both the survey and the subsequent interviews indicate that audits by EU institutions are lead to an unnecessary administrative burden. Article 18(4)(r) of the RRF regulation indicates that it is the responsibility of Member States to describe control systems in NRRPs. According to Art. 19.3, the Commission should assess whether those control systems are fit for purpose. In the implementation phase, Member States *shall provide an effective and efficient internal control system and the recovery of amounts wrongly paid or incorrectly used* (Article 22). European Anti-Fraud Office (OLAF), ECA and European Public Prosecutor's Office can be engaged in the process. Additionally, the Commission performs ex-post audits on milestones and targets, measures implemented to protect the financial interest of the EU.

In the interviews for this study, the requirement to collect data, as mandated by Article 22 of Regulation 2021/241, was mentioned as being demanding, as was the infrastructure used for audit purposes. An interviewee from an EU institution, mentioned the requirement for Member States to have an IT system at the national level containing all contracts, the names of beneficiaries, sub-contractors, etc. However, some coordinators noted that the practical needs related to the requirement to collect data only became apparent after the infrastructure had already been established. This created subsequent frictions. Coordinators believe that the system should put more emphasis on the quality of audit control, rather than data collection, with one observing that collecting data does not inherently improve the system or reduce corruption.

Interviewees pointed out that audit is sometimes conducted by various bodies simultaneously, requiring a single person in the ministry of a MS to respond to multiple actors at once. This not only creates an administrative burden for national coordinators but risks duplication of efforts among auditors. Some interviewees mentioned that these audits last much longer than any national audit would. Other interviewees mentioned that national auditors tend to have more experience and be better qualified to work on projects similar to RRF than their counterparts from the EC. A single audit approach, where the European Commission is able to rely on the work of national audit authorities, was suggested as a potential solution. Specifically, if a national auditor certifies something, the Commission should accept it without redoing the work. Another solution mentioned was professional training of national auditors related to handling EU funds.

#### **3.1.4. Reporting requirements**

According to one national coordinator elaborated the problem with reporting requirements lies not so much in bi-annual reporting on milestones and targets, which was described as relatively straightforward. Instead, the burden arises from the reporting associated with payment requests. Reporting on common indicators has also been described as troublesome. According to the interviewee, it is difficult to establish a causal link between a project and an indicator. Several reasons have been presented for this: the inherent complexity of economic phenomena, the infancy of ex-post assessments, and the fact that RRF measures are not always distinct from interventions funded by national sources and can be co-funded with funds from different EU programmes (such as cohesion

funds). The latter issue makes it challenging to assess the impact of RRF funds when multiple funding sources have been used<sup>17</sup>.

### 3.1.5. Informal Dialogue

Informal dialogue with the Commission, is *'considered in part helpful but in part also a burden, which significantly slows down'* the modification of plans (Corti et al., 2024). According to the RRF Regulation (Article 21), Member States can submit a reasoned request to the Commission to propose amendments or replacements to the Council's implementing decisions when the goals and targets of the RRP are no longer achievable, either in part or in full, due to objective circumstances. However, the Commission's lengthy response times have elicited criticism.

### 3.1.6. Administrative burden: conclusion

The RRF, conceived as a rapid response to a crisis, inherently carried a high initial administrative burden due to the need for swift NRRP design and limited experience with performance-based budgeting. While learning by doing has facilitated smoother implementation over time, systemic issues such as complex audit requirements, and challenging reporting obligations persist. In July 2024, the Commission issued updated guidance on NRRPs, addressing some of the RRF's previously identified shortcomings<sup>18</sup>. The EC provided clearer guidance on modifying NRRPs and offered advice on enhancing synergies in the use of EU funds. Additionally, the amount of information required for bi-annual reporting was reduced, although interviewees did not consider this the most burdensome aspect of the programme.

## 3.2. IT implementation and infrastructure in selected EU countries

In the context of the RRF, the IT infrastructure is divided between national IT systems and tools provided by the European Commission. National IT systems are responsible for collecting data at the Member State level, ensuring that all relevant information regarding milestones and targets is accurately captured. Each Member State had to develop its own system specifically for the RRF to collect data from regions, as existing systems used for Cohesion Policy, relying on invoice-based reporting, were not suitable for the performance-based nature of the RRF.

**Figure 4: IT System Architecture**



Source: Own elaboration by Bruegel

<sup>17</sup> Multiple funding does not necessarily mean double funding by more than one EU funding source. For example, part of a train project could be funded by national sources, another part by cohesion policy, and yet another part by the RRF – thus, there is no double funding, because a particular intervention within the train project is not funded by two EU sources. However, due to multiple funding sources, it is difficult to establish what part of the impacts of the train project is attributable to the RRF and what part is attributable to other funding sources.

<sup>18</sup> European Commission (2024) Commission Notice on Updated Guidance on Recovery and Resilience Plans, available at [https://commission.europa.eu/document/download/3a3d5707-5adc-4f6a-a5b5-1d23f1a24235\\_en?filename=20240531\\_Draft\\_Guidance\\_on\\_recovery\\_and\\_resilience\\_plans.pdf](https://commission.europa.eu/document/download/3a3d5707-5adc-4f6a-a5b5-1d23f1a24235_en?filename=20240531_Draft_Guidance_on_recovery_and_resilience_plans.pdf)

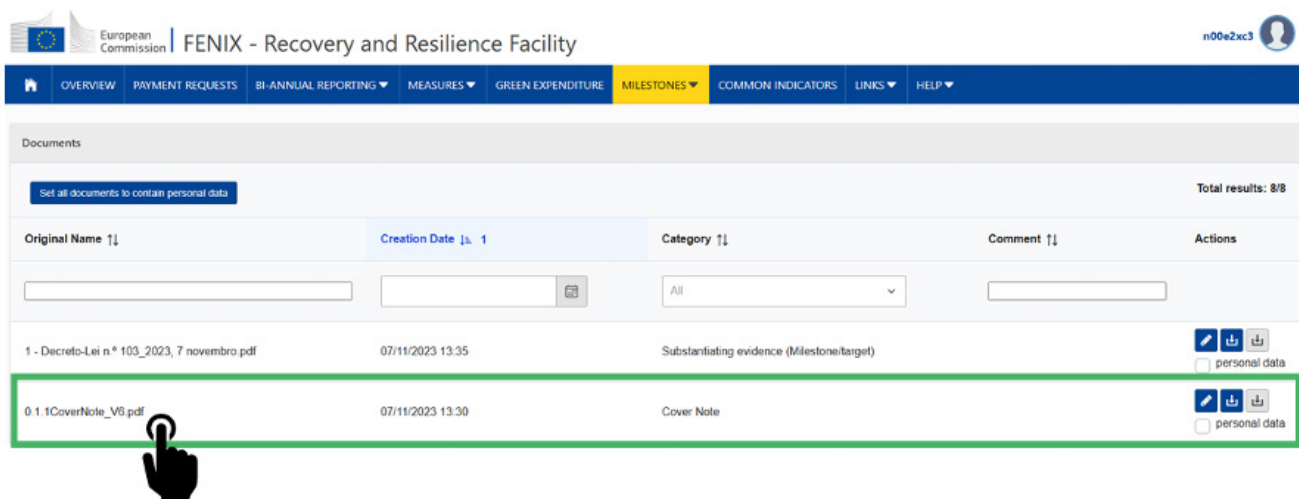
The flow of data within the RRF framework begins with national systems, where each country collects data on milestones and targets (Figure 4). These data are then submitted to FENIX, the tool provided by the European Commission for consolidating and validating the submitted information. Then, each country creates a report based on the data and submits it to the Scoreboard, which provides an overview of the implementation and progress of the RRF across all Member States.

### 3.3. IT systems at the European Commission level

#### 3.3.1. FENIX

The FENIX data collection tool is designed to be user-friendly and capable of automatic integration with national systems. However, due to the limited time available for the preparation of these national systems, this automatic integration is often not fully utilised. Consequently, Member States frequently have to input data manually, which adds to the administrative burden. Despite this challenge, FENIX remains relatively straightforward to use, facilitating the process of data collection and validation for milestones and targets. Its user-friendly interface aids in streamlining administrative tasks, even though the necessity for manual input still presents a significant challenge (Figure 5).

**Figure 5: The interface of FENIX**



Source: Presentation by RRP’s Coordinating Body in Portugal Task Force “Recover Portugal”, 24 November 2023

Given that FENIX is primarily designed to collect evidence and data for reporting purposes and requires validation of possibly confidential information, it is not an obvious source for the EP to be able to access. Instead, the scoreboard, is more informative for the EP, as it provides the necessary insights and comprehensive data on RRF implementation and progress. This approach would allow the EP to benefit from detailed and structured information without needing to navigate the complexities of the FENIX system itself.

#### 3.3.2. The Scoreboard

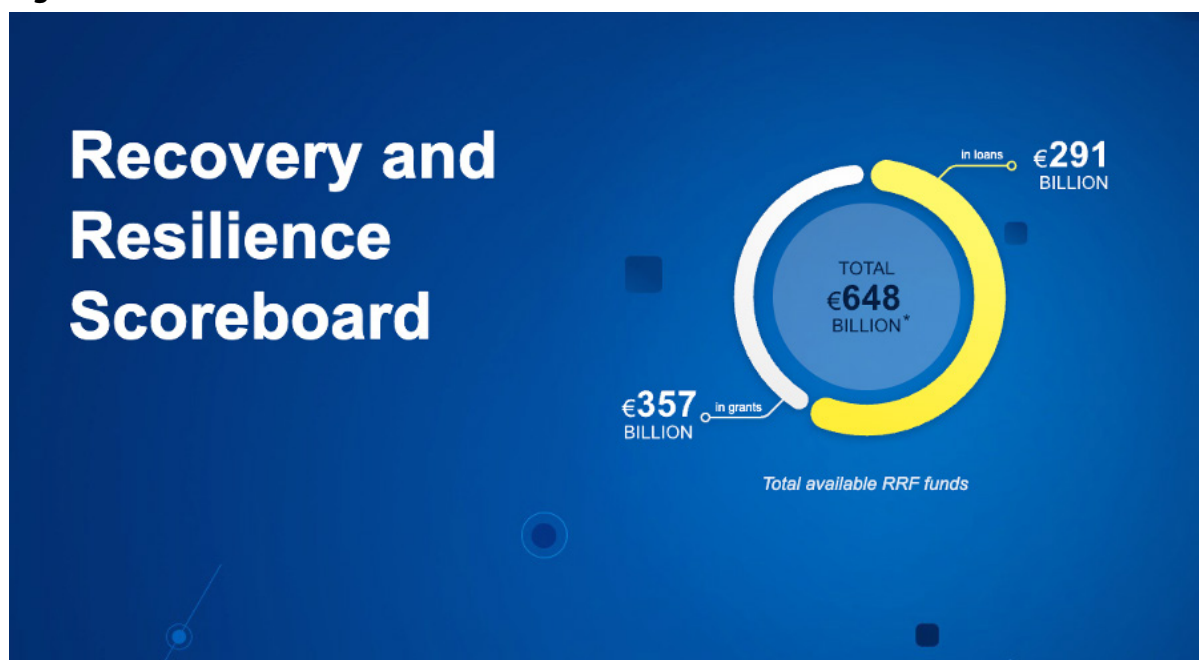
The Recovery and Resilience Scoreboard offers a robust interface (see figure 6) for reporting on the implementation and progress of the RRF. While it excels in usability, concerns about data quality persist, as Member States often submit estimated indicators rather than actual figures. This reliance on estimates can undermine the accuracy and reliability of the reported data. Additionally, the descriptions of these indicators sometimes lack transparency, which can misrepresent the true state of progress and implementation across countries. These issues could be awkward for the European

Parliament and individual MEPs, as the subjectivity of the data may lead to varied interpretations and challenge their oversight role. These issues underscore the need for continuous improvement in data reporting practices to ensure that the scoreboard provides a clear and accurate picture of the RRF's impact.

### 3.4. IT systems in selected EU countries

Member States were obliged to create custom IT systems specifically for the RRF, as existing systems designed for cohesion policy had features primarily designed around invoicing. The limited time available for the implementation of these new systems initially added to the administrative burden. However, all Member States managed either to develop new systems or to adapt existing ones to meet the requirements. This section focuses on analysing how effective these systems were at the national level, evaluating their ability to manage and report on performance data efficiently.

**Figure 6: The interface of the RRF scoreboard**



Source: [https://ec.europa.eu/economy\\_finance/recovery-and-resilience-scoreboard/index.html](https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html)

The focus here is on the IT systems in Portugal, Estonia, and France, chosen because of their varied approaches to implementing IT systems for the RRF. They provide a diverse perspective on how different administrative and technological frameworks can influence the effectiveness and efficiency of RRF reporting. Thus:

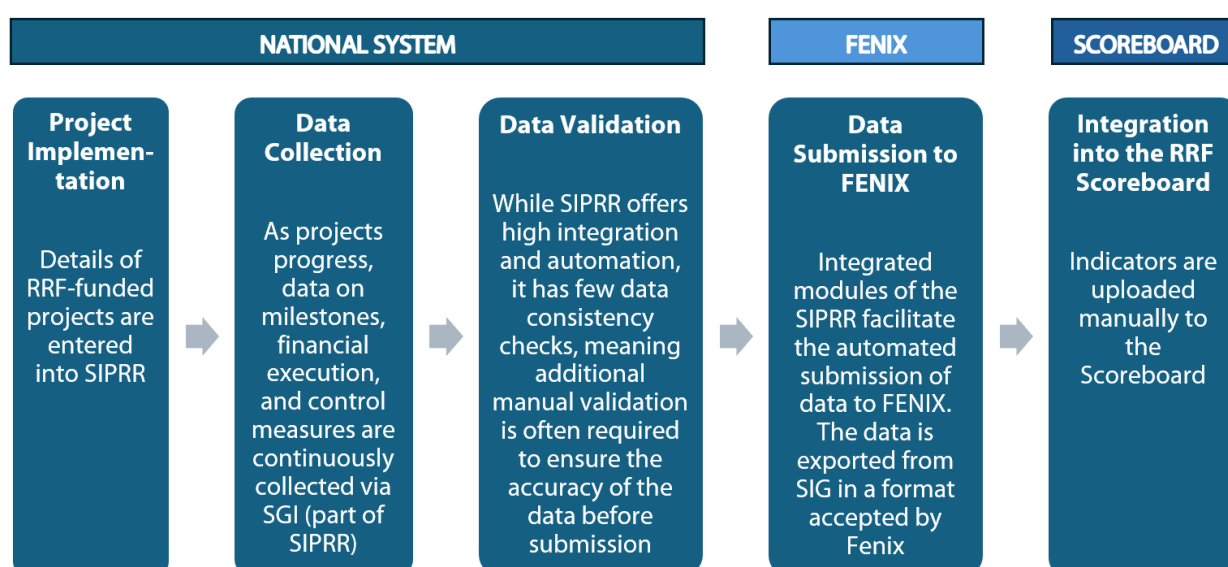
- **Portugal** was selected due to its highly integrated and automated IT infrastructure, exemplifying best practices in real-time monitoring and interoperability;
- **Estonia** is renowned for its pioneering digital government initiatives, making it a leader in e-governance and providing a model of efficient data exchange and e-budgeting tools; and
- **France** was chosen for its robust financial management system, which supports reliable reporting of the RRF.

### 3.4.1. Portugal

Portugal implemented specialised IT systems to meet the RRF reporting requirements efficiently. A prime example is the Sistema de Informação do Plano de Recuperação e Resiliência (SIPRR), which comprises the Information Management System (SGI) and the Monitoring and Follow-Up System (SAM). These systems (figure 7) facilitate the collection, processing, and reporting of data related to RRF-funded projects. The SGI gathers information on the progress of milestones and targets, financial execution, and control measures from both direct and intermediary beneficiaries. This integrated approach ensures that all necessary data are accurately captured and reported to the European Commission, streamlining the overall management of the RRF.

#### Process flow

**Figure 7: The reporting process of Portugal**



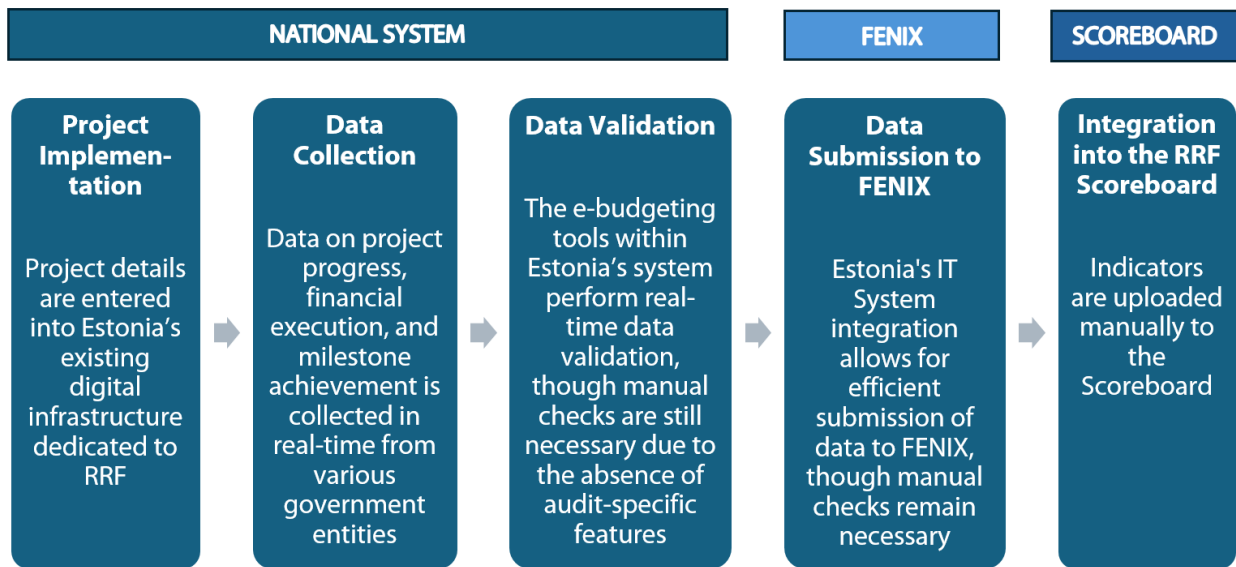
Source: Own elaboration

### 3.4.2. Estonia

From a technical perspective, it was much easier for Estonia to adapt its internal IT system to the requirements of RRF reporting due to existing modules such as the X-Road data exchange layer and e-budgeting platforms. The former is a fundamental component of Estonia’s digital infrastructure (figure 8), enabling secure and standardized data exchange between various information systems, and ensuring seamless communication and data sharing across different government entities, both essential for performance-based budgeting. Estonia’s use of advanced e-budgeting tools, integrated into its broader digital ecosystem, provides real-time data, facilitating precise budget planning, monitoring, and reporting. These components collectively streamline the reporting process and enhance the accuracy and efficiency of RRF reporting.



**Figure 8: The reporting process of Estonia**



Source: Own elaboration

**Strengths and weaknesses**

Strengths	Weaknesses
High integration and interoperability	Still requires a manual check of the data quality
Easier to control the quality of information	No specific features designed for audit
Real-time monitoring	

**Impact on administrative burden**

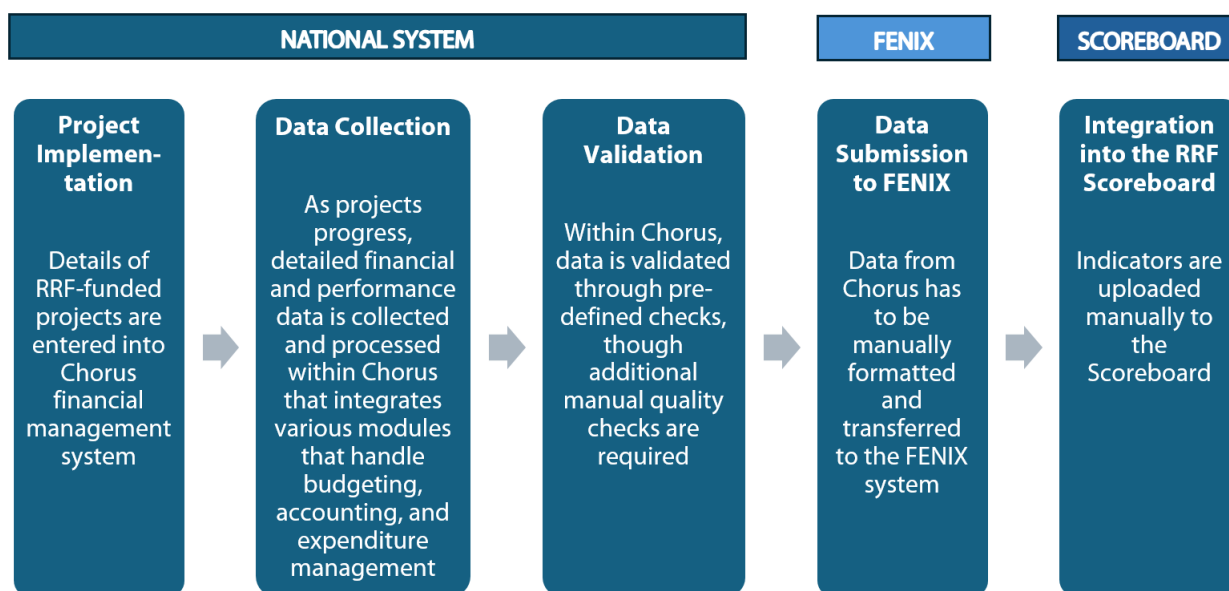
Estonia's advanced digital infrastructure significantly streamlines data sharing and reporting, reducing administrative burden. However, the requirement for manual data quality checks persists, which adds to the workload of administrative personnel. Although the system's high integration and real-time monitoring capabilities reduce some burdens, the absence of audit-specific features means that considerable manual effort is still needed to prepare for and manage audit processes, which could have been alleviated with more automated solutions.

**3.4.3. France**

France has implemented IT systems to comply with the stringent reporting requirements of the RRF (figure 9). A key element is the Chorus information system, which is used for public finance management. Chorus supports the entire lifecycle of public expenditure and revenue, from budgeting to execution and accounting.



**Figure 9: The reporting process of France**



Source: Own elaboration

This system integrates various modules for financial data collection, processing and reporting, ensuring transparency and accuracy in managing RRF funds.

Chorus is France’s primary financial management system, integrating various financial processes, including budgeting, accounting, and expenditure management. It supports RRF activities by providing integrated reporting and facilitating performance monitoring. The data collected in Chorus systems are then transferred to FENIX for reporting.

**Strengths and Weaknesses**

Strengths	Weaknesses
Comprehensive financial reporting	Data has to be transferred manually to FENIX
Robust digital infrastructure	Still requires a manual check of the data quality
Strong regulatory framework	

**Impact on administrative burden**

France’s IT system ensures comprehensive reporting and supports the entire lifecycle of public expenditure management. However, the need for manual data transfer to FENIX and quality checks adds to the administrative burden. This manual transfer process can be time-consuming and prone to errors, requiring additional resources to verify data accuracy. Furthermore, the lack of audit-specific features in the system means that significant manual effort is needed to prepare for audits, similar to the issues faced by Portugal and Estonia.

**3.5. IT practices and how they could be enhanced**

The IT supporting the administration has strengths and weaknesses offering insights for the next MFF. This section highlights certain ‘best practices’ and opportunities for improvements.

### 3.5.1. Commission-level systems: FENIX and Scoreboard

FENIX and the scoreboard are highly effective systems, equipped with all necessary features to streamline and facilitate RRF reporting. These platforms offer robust data collection, processing, and reporting capabilities, ensuring transparency, accuracy, and compliance with EU regulations. Their robust infrastructure supports detailed financial and performance reporting, making them invaluable tools for managing RRF funds efficiently.

### 3.5.2. National-level systems

A crucial requirement of IT infrastructure supporting performance-based budgeting is the development and implementation of integrated systems. These systems should ensure a high level of interoperability and data exchange between various government departments and agencies. For example, Estonia's X-Road data exchange layer illustrates best practice and exemplifies how integrated systems can facilitate efficient data sharing and real-time updates across multiple platforms. This integration reduces redundancy and ensures that all stakeholders have access to consistent and up-to-date information, thereby enhancing decision-making and operational efficiency.

#### a. User-Friendly Interfaces

Another best practice is the creation of user-friendly interfaces that simplify the processes of data entry and retrieval. Systems like France's Chorus and Portugal's SIPRR should prioritise ease of use to encourage widespread adoption and accurate data input. Simplified interfaces also help to reduce the training burden on staff and minimise errors in data handling. They also ensure that users at all levels of government can efficiently access and use performance data for budgeting and reporting purposes.

#### b. AI Integration

Integrating artificial intelligence (AI) into performance-budgeting IT systems can significantly enhance data quality, error checking, and predictive filling, thus optimising the budgeting process and reducing manual workload. AI can automate the verification of data integrity and accuracy, ensuring high-quality data inputs across all levels of government operations. AI tools can perform advanced error checks by identifying inconsistencies and anomalies in large datasets, allowing for immediate corrections.

Such automation reduces the likelihood of human error and ensures that the data used for budgeting and reporting are reliable and accurate. Additionally, AI can facilitate predictive filling (co-pilot) by suggesting likely data entries based on historical patterns and trends. This feature not only speeds up the data entry process but also helps maintain consistency and accuracy in the data. By learning from past data, AI can predict future entries, making the process more efficient and less prone to errors.

## 3.6. Reducing administrative burdens: IT challenges for the next MFF

As the preceding analysis demonstrates, there are several ways to exploit opportunities to use IT more effectively to ease administrative burdens. These are summarised in this sub-section.

### Automation of reporting in FENIX

Simplifying the reporting process reduces errors and administrative effort. Enhancing national systems with user-friendly interfaces and automated reporting tools that align with FENIX's requirements, along with providing regular training for staff and developing support resources, would ensure efficient use of these tools. 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 would pay dividends. It would also be worth creating a centralised knowledge hub for best practices and troubleshooting.

### ***Reducing subjectivity in common indicators***

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. Additionally, providing comprehensive training for national staff on consistent measurement and reporting practices is necessary. Developing a centralized data repository where these indicators are automatically calculated based on input data from Member States can further enhance consistency. Any future instruments similar to the RRF should incorporate provisions for standardisation through implementing acts, mandating the use of consistent indicators and reporting formats across all Member States. This would facilitate accurate and comparable assessments to ensure uniformity and reliability in performance assessments across all countries.

### ***Incorporation of AI modules***

Integrating AI into existing IT systems to automate data entry, validation, and analysis, and using AI-powered chatbots to offer immediate assistance, will reduce the time staff spend on troubleshooting. This involves developing AI algorithms that can learn from historical data to predict and suggest accurate data entries, creating AI-driven tools that perform real-time error checking and validation of data inputs, flagging any inconsistencies for review, and implementing AI-powered virtual assistants that can guide users through complex processes and answer common queries, improving overall efficiency. In its capacity as one arm of the Budgetary Authority, the EP could encourage the initiation of pilot projects to test these AI integrations in a controlled environment, gathering feedback to refine processes before wider implementation.

While the full integration of AI modules requires thorough testing, particularly there were to be RRF-like programmes in future, immediate gains can be achieved using existing tools. For instance, current technologies can assist in filling out reporting fields and performing real-time consistency checks of the data. These improvements can be implemented quickly with tools already available on the market. For future programmes, the European Parliament should use its influence on formulating programme regulations to insist on the inclusion of AI-driven solutions from the outset, ensuring that these tools are rigorously tested and integrated into national IT systems to streamline operations and reduce administrative burdens across Member States.

### ***Audit processes***

Automating audit processes can drastically reduce the time and resources required for compliance and accountability. Implementing audit modules within national IT systems that perform real-time data validation and create audit trails is key. This can be achieved by leveraging existing IT infrastructure and integrating AI tools for continuous monitoring and anomaly detection (figure 10).

Specifically, this could involve developing centralized audit modules that automatically cross-check data entries against predefined rules, creating real-time alerts for anomalies detected in the data, and using blockchain technology to ensure the immutability and transparency of audit trails. In future EU programmes, the EP could champion funding and support for Member States to develop and implement such automated audit technologies.

Figure 10: Illustration of a potential AI module for data validation

The screenshot displays the FENIX - Recovery and Resilience Facility interface. The top navigation bar includes 'OVERVIEW', 'PAYMENT REQUESTS', 'BI-ANNUAL REPORTING', 'MEASURES', 'GREEN EXPENDITURE', 'MILESTONES', and 'COMMON'. The 'MILESTONES' tab is active. The main content area is titled 'MILESTONE / TARGET' and contains the following fields:

- Milestone / Target:** PT-C[C01]-R[r01]-M[1.1]: Entry into force of legal acts in the field of primary health care
- Type:** Milestone
- Description:** Revision of legal acts in the field of primary health care, namely: i) the legislation underpinning the functional units of primary health care centres (including, the Decree-Law No 73/2017 for Model B family health units, the Government Order No 1368/2007, the rules and remuneration model of Model B family health units and the associated legal act, and the legal acts underpinning the functioning of other types of primary health care units); and, ii) the legislation underpinning health centre groups (including, the legal acts underpinning health centre groups, namely the Decree-Law No 28/2008).
- Payment Request Reference:** 4th Payment request
- Progress status:** Completed
- Initial target date:** Q2/2023
- Target date for implementation:** 30/09/2023

On the right side, there is a 'QUALITATIVE INDICATOR' section with a 'Current status' field. An AI validation overlay is present, showing a chat interface with the following text:

- Input: Help me create a description for revision of legal acts based on Decree-Law No 73/2017 for Model B family health units
- Output: "Revision of legal acts under Decree-Law No 73/2017 for Model B family health units to ensure compliance and updated operational standards."
- Justification: Anomaly detected: Milestone / Target is not valid. Did you mean PT-C[C02]-R[r01]-M[1.1]: Entry into force of legal acts in the field of primary health care

Source: Own elaboration

## 4. USE OF PERFORMANCE INFORMATION BY THE EUROPEAN PARLIAMENT: OPTIONS FOR ENHANCEMENT

Parliaments play a vital part in the public finances, notably as the ultimate decision-maker or being an arm of the budgetary authority (the European Parliament) and have several motivations for engaging with performance budgeting. Holding governments to account is, plainly, a core function, but scrutiny can be enhanced where PB enables parliaments to assess whether spending decisions are well-aligned with government policies. In addition, parliaments able to exploit PB information can be more effective in monitoring the more political issue of whether the spending is achieving what governments have undertaken to do.

An OECD (2019) investigation found ‘that increasing transparency and parliament’s ability to engage are the most readily attainable objectives for a performance budgeting system’. There can be further advantages: in more developed systems of PB, another possibility for parliaments would be to enable them to acquire information early enough to allow them to have input into policy development.

Whether parliaments can realise these aims depends on how performance information is collected and presented, its quality and whether members and secretariats have sufficient capabilities to digest the information. It is also shaped by the relationships between different institutions, such as the timeliness of data provision by the executive and the opportunities for hearings or similar means of bringing parliamentarians together with government representatives and implementation authorities. The ability of parliaments to exploit such opportunities will, in turn, be affected by their analytic and support capacities. Expertise in secretariats, appropriate committee structures and, prone to be overlooked, adequate time for members to devote to the more detailed scrutiny processes required are among relevant factors.

Much of the study of PB concerns the management of the public finances and the functioning of government, including connections with the new public management approach. Relatively few studies go much beyond describing in procedural terms how parliaments fit into the budgeting process. Variations on the word ‘parliament’ appear 98 times in a 160-page World Bank study covering seven countries and entitled ‘Toward next generation performance budgeting’ (Moynihan and Beazley, 2016). Yet most of these instances are either in the titles of documents and legal texts or are about steps in processes. Barely a dozen relate to analytic points about how parliaments are involved in, and use, PB information. Examination of another collection of studies (de Vries et al., 2019) reveals similarly few references to parliaments, mainly about their functions.

Against this backdrop, this section of the study first recalls how performance information is provided to, and used by, the European Parliament in Cohesion Policy and the RRF. Subsequent sections draw on experience in other parliaments in an attempt to identify both good practices and examples of not so good practice, and the last section tries to draw out implications for the European Parliament in reviewing its own approach to PB in the perspective of the next MFF.

### 4.1. Performance Frameworks for Cohesion Policy and the RRF

Performance-based budgeting was strengthened in the EU when the European Commission launched its *Budget focused on results initiative* in 2015, partly in response to calls from the European Parliament. The latter had welcomed the establishment of an Inter-institutional Working Group on Performance-Based Budgeting - with balanced representation from the EU institutions as a true forum for technical cooperation (Downes et al., 2017). The Working Group’s remit was to consider practical measures and a timeline for coherent implementation of performance budgeting. As described by Sapala (2018) ‘one

of the main issues raised by the Group in relation to reporting documents has been the presentation of the achievements of the Europe 2020 strategy, and how they were linked to the Commission's 10 political priorities'.

The performance frameworks for Cohesion Policy and the RRF were described in detail and assessed in phase 1 of the study (Begg, Corti and Liscai, 2024) and are not repeated here. To recapitulate, however, the core legal document for Cohesion Policy is the Common Provisions Regulation, as amended in 2021 (2021/1060), complemented by the regulations governing the individual funds.

Article 16 defines the performance framework and the following two articles relate to the methodology to be applied, and to the mid-term review and flexibility provisions. Art. 18.6 requires the Commission to report to the Parliament in 2026 on the mid-term review. Reporting to the EP will only happen in 2026, well after the mid-term implementation itself and also after the first EC proposal for the next MFF 2028-2034 (expected by mid-2025). This timetable is bound to limit the opportunities for MEPs to use performance information to contribute to the design of the next programming period. A better alignment of the timetables would be desirable.

The second article is Article 19 concerning compliance with sound economic governance, particularly Council recommendations from the Semester process, and covering procedures leading to a suspension of funding. The Commission is expected to inform the EP (Art. 19.14) of implementation of the article and allows the EP to request a 'structured dialogue', as well as to be informed of outcomes of the process. Similar provisions cover other obligations.

For the RRF the corresponding legal act is Regulation 2021/241. Performance is emphasised in recitals 53 and 66, and articles 29 and 30 (under the heading of monitoring of implementation) refer to the efficient collection of information and the scoreboard as the 'reporting system of the Facility'. For the most part, the regulation provides only for the EP to be informed and gives it the opportunity to invite the Commission to hearings. Article 16 specifies a review to be presented to the EP (and the Council) by 2022, while Article 25 is about transparency and Article 26 about dialogue. Both are notable for the use of terms like 'may invite' or 'may express its views' (referring to EP committees) rather than harder obligations.

#### 4.1.1. The limits of EP engagement

The Common Provisions Regulation for Cohesion Policy does not require the Commission to inform the EP and the Council about Member States' compliance with enabling conditions in the 2021-2027 period. More comprehensive reporting would, undeniably, have been useful for the EP in formulating its 'general guidelines for the preparation of the budget', not least in relation to qualitative aspects of the budget process where there is scope for building on cooperation with the ECA. Moreover, as Downes et al. (2017) stresses, 'when the cycle moves on to consideration and approval of the draft budget, the EP's role is relatively muted'. This manifestly detracts from the ability of the EP to influence the approach to performance budgeting. It is principally during the discharge process that the EP is able to exercise some scrutiny of performance, in addition to verifying the budgetary information and the soundness of financial management.

The OECD notes that the 'Budget Committee has expressed its views regarding the need for enhanced performance information in the budget and the Budgetary Control Committee has provided extensive, considered commentary on various aspects of this subject' (Downes et al., 2017). But the organisation's rather critical verdict is that 'the current budgetary procedures provide only limited "windows of opportunity" for Parliament to engage in performance-related scrutiny with any degree of intensiveness or continuity'. Options could include furthering cooperation between the CONT Committee and the ECA, drawing in particular on the ECA's Performance Audits.



Additionally, sectoral EP Committees should be encouraged to participate in sessions held by the ECA to present the findings of their special reports, especially when related to topics within their policy domains. Different EP committees should strive for coordination and integration of their activities to optimise the use of performance information. This requires a systematic approach to collaboration and interaction among the Budgetary Control Committee, the Budget Committee and the Standing Committees, ensuring that policy insights are effectively communicated and relayed from the initial budgetary approval phase to the subsequent accountability (and even discharge) stages.

Turning to the RRF, Articles 25 and 26 of the Regulation and the Interinstitutional Agreement on cooperation on budgetary matters, enable the EP to scrutinise the Commission's work. However, the off-budget nature of NGEU is clearly an obstacle to more intensive scrutiny, to the extent that the EP role as one arm of the budgetary authority is (largely) by-passed, other than in discharge and in its involvement in the dialogue on the European Semester. Given that future EU budgets will be called upon to service and repay NGEU loans, there could be tensions which, though not directly related to performance budgeting, would still need to be resolved. In this context, the obligations on the Commission to inform the Council and the EP on the recovery and resilience plans, including implementing decisions and performance reports, are worth noting.

EP representatives participate in the interinstitutional meetings on the implementation of the NGEU, taking place at least three times a year. Members of the Committee on Budgets (BUDG) also take part every two months, along with the Committee on Economic and Monetary Affairs (ECON), in recovery and resilience dialogues with the European Commission (based on Article 26 of the RRF Regulation) in order to exchange performance information. Telegraphically key features of EP engagement are as follows:

- There is an EP standing working group on scrutiny of the RRF which informs information exchange and debate; and
- The Committee on Budgetary Control (CONT) is responsible for scrutiny of the unprecedented level of expenditure under NGEU.

## 4.2. Overview of research examining use of PB by national legislatures

In many countries, EU and elsewhere, there is a long experience of performance budgeting. Most of this work is orientated towards the government, but some insights can be gleaned into interactions with parliaments. Especially interesting examples are Austria, Australia, Canada, France, Ireland, the Netherlands and Sweden. They shed light on different facets of performance budgeting. Both Austria and Canada have well-developed systems which are described, respectively in boxes 5 and 6, while the Netherlands has been the subject of extensive academic research, insights from which are summarised in section 4.2.1.

### **Box 5: Austria**

There is a comprehensive performance management system, overseen by a Federal Performance Management Office, designed to compare actual performance against targets (Reichard and Küchler-Stahn, 2019). Budgets follow what is described as a pyramid structure with increasing detail at lower levels, but the parliament is expected only to engage in higher 'layers'. Interestingly, at least one of the targets in each 'layer' of budgeting has to be gender-related – pointing to a form of mainstreaming and signalling why Austria is regarded by the IMF (2017) as a leader in gender budgeting (Alonso-Albarran, 2021). A National Council can use performance information for a more strategic discussion on policy outcomes and financial resource allocation based on performance information, as measured by a wide range of indicators.



The proliferation of indicators can frequently lead to information overload and make it difficult to identify political priorities. A distinctive solution in Austria is having a Parliamentary Budget Office which provides material for debate, analyses documents and generally supports the legislature. There are also regular improvements in the structure and comprehensiveness (overviews, explanations) of the reports. Parliament is able to discuss, as well as question, the strategic approaches and political objectives in Committee debates. Moreover, it can influence the choices of output and result aims, and the indicators used to track them, as part of the annual budget bill.

Performance budgeting and results orientation were acknowledged as a major step forward, but have faced criticism that insufficient attention is paid to qualitative improvements in performance. More could also be done to extend the approach to the sub-national level.

Source: own elaboration drawing on several sources

### **Box 6: Canada**

According to OECD experts consulted for this study, Canada's long experience with PB can be of value in reviewing the EU system. Like Austria (and the US which led the way in this respect), it has an independent, non-partisan parliamentary budget office. It was established in 2006 under a Federal Accountability Act, and had its statutory basis amended in 2017.

The main use of performance budgeting by the parliament, according to a study by McCormack (2008 - admittedly, rather dated), is in enabling it to hold the government to account. The paper finds that parliamentarians would like 'simpler, more integrated information with useful context and analysis'. There have been improvements in this regard and the OECD (2019) singles out Canada for its 'good practical guidance on performance indicators' and for the quality of its infographics and other forms of presentation. A more nuanced approach to evaluating results at the departmental level and at the level of spending departments is also highlighted.

McCormack identified five lessons from the experience of 30 years of using the PB approach. These do not really link to the legislature (though lesson five partly does), but are included for precisely this reason, as they indicate that the core of PB is much more with the executive.

'Lesson one: There is no substitute for central leadership if you want to move the whole government in a new direction

Lesson two: A detailed understanding of the links between resources and results at a programme level is essential and needs to be constantly maintained.

Lesson three: There is no substitute for evaluation but you need to give it regular attention

Lesson four: A common framework is essential if you want to apply results-based management principles government wide.

Lesson five: Managing for results depends on clear expectations, sound underlying management practices, regular assessment and public accountability'.

Source: McCormack (2008)

### **4.2.2. The Netherlands**

As explained by Budding et al. (2019: 81) the Dutch constitution 'guarantees that the parliament [study authors' note: meaning the Tweede Kamer or House of Representatives] and the senate are involved in the preparation of the budget and the annual report. Changes were undertaken in 2013 in the

Netherlands, widely regarded as a leader in PB, partly to overcome the problem that performance information had 'become more aimed at legitimising funding and compliance than in providing useful insights for oversight or to learn and improve' (OECD, 2019, citing de Jong et al., 2013). The reform sought to facilitate closer oversight of spending by parliament, through more detailed and better presented information. Even so, the OECD notes possible tensions between the parliament's desire to hold the government to account and the latter's wish for flexibility. This has echoes of some of the debates around the RRF.

Budding et al. also refer to an initiative taken by a member of the parliament to enable 'a systematic approach for parliamentarians to review the country's national budget'. They describe it as a parliamentary version of an audit, using a standardised questionnaire, looking into 'aspects of input, output, throughput and (intermediate or final) outcomes'. Several committees use the approach which would appear to demonstrate practical application of PB. One other use noted by Budding et al. is a move towards thematic use of PB rather than a financial focus. An example is a monitoring report on health care aimed at transparency. Nevertheless, the parliament remains at some distance from policymaking, but data and interpretation of it do allow the legislature to influence the executive and to raise the likelihood of resources being used well.

The Dutch 'Accountable Budgeting' approach does, consequently, seem to be working well, but continues to evolve. Fitz Verploegh et al. (2023) explain an emerging approach in the Netherlands which they call 'policy control' and portray as an alternative to PB. They explain how 'the Government Accounts Act was amended in 2019, with a new rule prescribing that all proposals and intentions that will be sent to parliament need to include an explanation of the effectiveness, efficiency, policy instruments and financial consequences'. However, much of the approach is about how the ministry finance interacts with line ministries through having 'policy controllers' who go beyond financial control to influence the policy itself. Their role appears to be to pose questions about the anticipated benefits of policy changes. It is not obvious that the approach greatly alters the role of the parliament.

#### 4.2.3. Other countries

A PB approach has long been in place in some countries, such as Sweden, but is more recent in others. In some the parliament has limited involvement, although it may have been instrumental in adopting PB. Sweden has distinctive features, reflecting the prominent role of the parliament in the budget process, including voting both medium-term expenditure totals and, subsequently, ceilings for departments. Its audit office works closely with the parliament and analyses performance data. A key element is informal working groups composed of Ministry of Finance officials and members of the parliament's budget committee. Meeting regularly and being open to other participants, the group is able to put forward ideas on how performance information can be used and refined.

Although, parliaments may nominally have extensive opportunities, including through formal processes, to scrutinise performance, questions arise about whether they make use of them. Looking at Ireland, Ward (2015) finds that performance reports submitted by government departments were largely ignored in the *Dail Eireann* (the lower house of Parliament). He identifies limited support for members as one constraint, and suggests another is the asymmetry of power between parliamentarians and the executive which can mean that even where the latter generate information intended to redress the imbalance, parliamentarians struggle to use the material.

Ireland has now established a Parliamentary Budget Office, following a review conducted by the OECD. As described on its web-site, 'the PBO provides tailored support, advice and analysis on economic and fiscal matters to the Houses of the Oireachtas, its members and committees as they to fulfil their role in approving and providing oversight of the Irish State's finances. In particular it supports the [Committee](#)

on [Budgetary Oversight](#) as it conducts ex-ante scrutiny of budgetary matters'. The French parliament has also struggled to cope with large volumes of performance data. Its members appear not to use performance data much to question civil servants. This lack of political interest from both the executive and the legislative branches is prejudicial to improving performance' (Mordacq, 2016).

For Australia, also recognised as a leader in using PB, Rana et al. (2019) observes that scrutiny tends to be 'dominated by compliance and financial management' adding that 'when public servants get in front of parliamentary committees, almost inevitably 90% of the questions are about process'. It could be argued that altering the focus is in the gift of parliaments and it may also be that questions posed reflect past practices. Australia's Public Governance, Performance and Accountability legislation includes a rule 'designed to provide insights into whether publicly funded programs and activities are achieving their objectives and outcomes'. This includes providing meaningful information to the Parliament and the public about planned and actual performance of Commonwealth [i.e. central government] entities and companies. The underlying purpose is to ensure Parliament has the mean to assess performance, in the interest of accountability. Crucially the national audit office examines not just the performance measurement but the overall system.

Clearly, there is scope for parliamentarians to learn how to exploit emerging sources of performance information – a form of learning by doing. Raudla (2022) sheds some light on this, observing that 'support structures available for politicians are likely to affect their use of PI'. Such structures are, generally, more extensive for politicians in executives, but Raudla identifies having parliamentary budget offices (as in Austria and Ireland – see above) and analytic staff available to budget committees as elements conducive to better use of performance information.

France has tried to streamline the indicators to make them clearer, and thus more usable to Parliamentarians. Raudla (2022) explores in detail how politicians make use of PB information, finding that the evidence is mixed and sometimes contradictory. Some dimensions, such as being an opposition parliamentarian, do not directly apply to the EU in that the executive (the Commission) is not party-partisan, Hence there is not a sense of a government versus opposition in the EP. She comments that 'legislative requirements to incorporate PI and the existence of institutional support structures (like parliamentary budget offices) that digest the PI produced by the executive and make it more palatable to politicians [and] facilitate PI use'.

In New Zealand, the implications for the parliament of changes enacted in 2013 in the legislation covering budgetary matters (Public Finance and State Sector Acts) are summarised by the OECD as follows:

*'[They] support more meaningful information so that Parliament and the public can more easily see what taxpayers' money has achieved, and how agencies are progressing against priorities; through greater emphasis on reporting what is intended to be and has been achieved; lifting the strategic focus of statements of intent; and greater emphasis on flexible reporting arrangements'.*

The OECD argues for performance information to be integrated into the documentation put before parliaments in deciding on appropriations, but that if this is not feasible a separate report is still helpful. Moynihan and Beazley (2016) examine what he asserts is the consensus view that politicians do not use performance data because they lack the requisite specialist knowledge and tend to be more interested in ideology or in what concerns voters. The sheer volume and technical complexity of such data can also be an obstacle. However, he suggests a more nuanced view, including that politicians are more concerned about negative performance information and will be more inclined to use information critical of political opponents than of those they support.

Parliaments can lead the way in demanding performance budgeting, thereby improving transparency, as well as using the information for monitoring and accountability purposes. Presentation can be part of the process, including (as in Canada) resort to infographics and interactive tools to bring together key information.

The implication of the evidence from different national experience is that parliaments may regard performance information as tangential to their normal scrutiny. The wide-ranging study for the World Bank edited by Moynihan and Beazley (2016) suggest a number of areas for improvement, though it is noteworthy that they only tangentially concern parliaments:

- ‘Avoid Information Overload: A common tendency when countries introduce performance budgeting is to create a complex architecture of programs, subprograms, and activities, each with its own performance indicators. Countries with the most experience with performance budgeting have steadily reduced the number of programs and indicators over time’.
- ‘Guard against unrealistic expectations for performance budgeting, and to acknowledge the trade-offs involved and the investments needed. Governments are too quick to abandon rather than adapt past efforts, and too uncritical of the claimed success stories of others’.
- ‘Invest in Capacity: Budget analysts typically need new skills to deal with program structures, performance indicators, and the costing of programs.’

### **4.3. Conclusions, lessons for the European Parliament and challenges for the next MFF**

Although four, progressively more complex, categories of performance budgeting can be identified (‘presentational’, ‘performance informed’, ‘managerial’ and ‘direct’; OECD, 2023; see also Begg, Corti and Liscai, 2024) an alternative perspective is to start from what a stakeholder, such as the EP, wants to obtain. PB as a management tool or as a means for an implementing agency to learn are arguably of limited salience, because Parliaments typically have little influence on the details of project implementation. By contrast, parliaments tend to have a much greater interest in monitoring the effects of policies (not least in checking whether governments are achieving value for money), being involved in policy development and fulfilling their obligations vis-à-vis citizens and other institutions.

In these latter respects, part of the logic behind performance budgeting is to lessen the information asymmetry between the legislature and the executive: this is a form of principal-agent problem. However, effective use of PB information is not cost free for parliaments which have to devote time and resources to the task. In addition, incentives have to be considered, including in selection of indicators. They need to be attuned to the goals of the parliament (the principal in this context, representing citizens), while also being useful for the executive (the agent). A relevant aphorism (and possible concern) is ‘you get what you measure’ (Hatry, 2006).

It is not easy for parliaments to adapt to, and make effective use of, performance information, even if the principle of trying to understand ‘what works’ sounds attractive and even straightforward. However, a key finding is that it takes time to learn how PB functions and requires persistence by ‘users’ (including parliamentarians) in making effective use of it. A consistent message from looking at national parliaments is the importance for parliaments of capacity building to facilitate better usage of PB information. Moreover, collaboration between the audit authority and the Parliament can be crucial, going beyond the control function.

A further important lesson is that overcoming the obstacles facing PB requires fundamental rethinking of budget processes. Nemeč and de Vries (2019) cite three crucial determinants identified by Lu et al.

(2015): quality of measurement, political support and executive leadership. They add two more: patience and forethought. What does not emerge from these assessments is how legislatures can contribute or have their specific requirements taken into account in the design of performance systems.

However, several aspects of the engagement of parliaments can be delineated. A first is expertise, both of members and of the supporting services. Members of parliaments are busy and have to cover a wide range of subjects in their day-to-day activities. Even if some are able to find the space and time to specialise in the performance dimension of public budgeting, they cannot be expected to grasp all the details.

In its guidance on good practices for parliaments in budgetary policies, the OECD (2023) advises the Budget Committee to take the lead role, but also to coordinate with sectoral committees, stressing that the latter may often be best placed to review performance budgeting information. The same guidance reports that around one third of parliaments have 'specialised budget research or scrutiny units' – the UK being a good example. Its Scrutiny Unit, works horizontally across all committees to provide financial advice and it is staffed by lawyers, accountants and economists. With a growing number of countries having independent fiscal institutions, a specific feature in some of them is having these bodies directly answerable to the legislature.

The US Congressional budget office is long-established (it was set up by the Congressional Budget Act of 1974) and non-partisan, and fulfils a range of roles in advising Congress and individual members, including significant efforts on the use and interpretation of data. As noted above, Ireland and Austria also have such offices, providing inputs to members and analyses of budget issues. In Italy, the Ufficio Parlamentare di Bilancio has a narrower scope of activity in acting as a fiscal watchdog.

Institutional hierarchies can also be influential. For example, in the Netherlands, the Minister of Finance is legally empowered to assess PB information and spending reviews, and decisions affecting spending cannot be presented to the parliament until the Minister has issued an opinion. Shortcomings in the information generated through PB mechanisms led to a reduced emphasis on PB in the reform (Accountable Budgeting) introduced in 2013. In particular, if information is not used by the parliament or other stakeholders, it is not worth collecting, prompting a reduction in indicators.

What information to seek is also a contentious matter. There is an evident paradox around indicators: the temptation is often to seek more and better ones, yet a proliferation can obscure, rather than shed light on, what policies produce. Risks can arise if the government or implementing bodies learn how to 'game' the system by concentrating on indicators that flatter their efforts, but are hard for busy parliamentarians to appraise. In some countries (France and the Netherlands are good examples), simplification of data is being sought.

In the light of these findings, some avenues to explore for the next MFF include the following:

- Adapting an aspect of the Swedish approach by convening technical PB workshops, where EC, EP and Council meet to discuss PB processes.
- At the EU level a similar action could be taken by engaging different sectoral committees further in PB, possibly supported by the Budget and Budgetary Control committees, and if relevant a specific new EP budget office for technical support.
- The EP could envisage the creation of specific units in the secretariat, or specific advisory councils. Emulating the United Kingdom, where the House of Commons Scrutiny Unit was created to support PB in the UK's Parliament.

- More radically, the EP could benefit from a parliamentary budget office, taking inspiration from various models such as in Austria, Ireland or even the US, recognising that it would entail a fairly profound reorganisation of support services and a need for appropriate boundaries in relation to the BUDG and CONT committee secretariats. A PBO could be charged with analysing documents and information related to performance and PB from the Commission and helping MEPs to engage constructively with performance information.



## 5. CONCLUSIONS AND RECOMMENDATIONS

Performance-based budgeting has undoubted strengths and the potential to enable better use of the limited resources available to the EU budget, but it is not a panacea and the translation of the conceptual models into practical applications faces many challenges as highlighted in chapter 2 of this study and in phase 1 of this study (Begg et al. 2024). Much the same is true of mainstreaming which can be portrayed as a complementary means of ensuring that political priorities are sufficiently integrated into budgetary decision-making. Yet, the evidence in chapter 1 of this study suggests that it is only partially successful in being transformative, in part because of deficiencies in implementation, and the comparison of its application in different thematic areas raises concerns. As discussed in the recommendations below, reasons include how the approach is applied at the EU level as well as the need for learning-by-doing in areas in which a mainstreaming approach is new.

It is no coincidence that the PB approach has been developed for EU programmes (CP and RRF) which focus on investment, because the logic of intervention is that such spending should generate outputs that lead to results and, subsequently, societal impacts. In the public finance terminology, distributive programmes such as direct payments are likely to be much less amenable to a PB approach than those which can be classed as allocative. Other EU budget lines, including Horizon and External Action, could move some way towards a PB approach, but significant difficulties would be expected in developing relevant indicators and other forms of monitoring. The questionable value of mainstreaming SDGs invites caution in keeping it.

Conceptually, PB and mainstreaming can evolve as new methodologies are developed and tried, and there is bound to be an element of learning-by-doing in how budgetary authorities build on previous experience. Equally, the two frameworks have to reconcile competing demands, and deal with evident constraints and intractable trade-offs. There can also be a pronounced gap between what a framework is intended to deliver and the practicalities of implementation, including keeping administrative burdens in check and the feasibility of collecting the information essential for judging policy effectiveness. Whether the gaps revealed in this study between principles and practices can be overcome is a crucial question as the EU moves towards the next MFF and tries to ascertain whether the experience of the RRF points to new solutions.

This chapter presents a range of propositions and recommendations for enhancing the EU approach to performance budgeting and the challenges to be overcome (notably for the European Parliament), complementing the proposals introduced in the previous chapters.

Performance budgeting takes a variety of forms, described in the publication resulting from phase 1 of this study (Begg, Corti and Liscai, 2024), characterised by different intensities of information required and extent of objectives. The more straightforward end of the spectrum concerns monitoring aimed at establishing whether a policy is delivering what is expected. It goes beyond more traditional scrutiny on whether public money has been spent correctly (nevertheless, still a vital question for budgetary control) to ask whether spending programmes do enough to fulfil the expectations of them.

The evidence from the examination of cohesion policy and the RRF is that, although an approach using common indicators has its attractions, it creates tensions and, conceivably, a false prospectus about what is being achieved by EU policies. Broadly defined indicators may only loosely capture changes, but any changes may also be caused by other policy measures and be incorrectly attributed to the EU policy in question. Yet parsimony in data collection also seems to make sense. Consequently, a careful look at the added value of each and every indicator or reporting process should be undertaken.



That said, a key consideration is timeliness of feedback. At the more detailed end of the PB spectrum, rapid and well-targeted feedback mechanisms have the potential to enhance all stages of the policy process. In part this relates to the limitations of evaluation: can sufficiently useful lessons, germane to future programmes, only be learned from spending programmes already completed? PB could facilitate decisions at an earlier stage, including the options of adjusting or terminating programmes early enough to allow for alternative uses of funding.

In anticipation of the next MFF and, plausibly, further resort to substantial off-budget funding mechanisms, debate is needed on the purposes of an extended PB approach and on whether there is a demand for more elaborate forms of PB. Lessons are emerging. First, in some respects, the milestones and targets in the RRF work well, but the evidence that the RRF approach is tilted towards inputs and outputs and sheds little light on results is disconcerting.

Second, like many innovations in public management, PB places demands on administrations which can cause friction or result in costs, often both. There can also be methodological challenges to resolve, some of which may not have clear solutions. The information in earlier parts of this study provides valuable new evidence on costs and risks, while also pointing to ways of easing them, not least by exploiting the IT opportunities discussed in chapter 3.

A third is that performance-based budgeting should ideally focus on achieving results, although assessing the results and impact of policies and programmes is intrinsically challenging given that complex and external factors may impact on performance. Key principles for implementing PB include the ability to identify specific, measurable results (maybe also impacts) ex-ante. The application of performance budgeting is most suitable for policies, programmes or projects with predictable results, under conditions unlikely to change significantly over time and where historical data on past performance can support the setting of ambitious but realistic targets (Santin, 2022; PPMI, 2023). While outside the scope of this study, further insights on the uptake and suitability of financing not linked to cost models in Cohesion Policy across levels of government, types of instruments and costs is expected in a forthcoming DG REGIO study (European Commission, forthcoming).

Several policy options and recommendations have been identified in the study to develop an updated EU performance budgeting (encompassing mainstreaming) and deliberative framework for the next MFF. These recommendations aim to ensure a high qualitative level of scrutiny, deliberation, and overall democratic accountability while addressing opportunities associated with such an updated framework. They draw both on the analyses presented in earlier chapters and the views expressed by participants in a validation workshop. The study team found these workshop contributions to be both constructive and instructive.

## 5.1. The performance budgeting and mainstreaming frameworks

### *The definition and expectations of performance budgeting*

- Have realistic expectations about what PB can deliver.
- Recognise that ‘financing not linked to costs’ is not a synonym for performance budgeting because FNLC concerns how payments are determined, whereas PB has much broader objectives in shedding light on the achievements of programmes and projects. Whether these objectives are realised requires information on the efficiency and effectiveness of policy interventions, as well as mechanisms to facilitate policy learning about what does or does not work well.

- Where FNLC is preferred, there are interactions with, notably, the Financial Regulation to take into account, because obligations to spend 'properly' still need to be fulfilled.
- In trying to build on PB for the next MFF, focus on what works and what can be improved without adding further administrative burdens. For the next MFF, the focus should remain on investment spending, primarily within Cohesion Policy, but initial steps could be taken in extending the approach to Horizon.
- In both CP and the RRF, the emphasis is on public investment and the corollary is that such investment should lead to demonstrable outputs and results. Such a 'rate of return' is likely to be much harder to show in areas of substantial EU spending like direct payments, where income support is the primary rationale, or border control for which performance metrics will not be easy to define.
- Research funding already makes use of milestones, but targets analogous to those in the RRF would need careful consideration, if only because it is in the nature of research that some investigations do not lead to hoped-for results. Monitoring of publications or similar outputs risks being of limited use without a sense of whether they lead to viable results or impacts.
- To avoid an excessive burden on project managers, achievements in investment-orientated spending should be assessed at the level of programmes rather than individual projects.

#### ***Improve the mainstreaming framework of the EU budget***

- Mainstreaming should rely on quantifiable targets, which should be embedded into sectoral regulations as legally binding targets (as is the case for climate, but not for the other mainstreaming objectives). For gender mainstreaming, the Commission should aim to enhance quantifiable targets, while biodiversity mainstreaming would benefit from the adoption of sector-specific targets.
- However, mainstreaming is not only about the EU budget and the connections between funding and wider political objectives should not be neglected. In particular, the interplay between regulatory interventions and funding matters.
- The Commission should strive to develop further and harmonise the definition and application of the DNSH principle, as significant inconsistencies across programmes and numerous exclusions weaken its coherence and effectiveness in achieving its objectives. Such harmonization could be legally enshrined in the next MFF Regulation, as well as in a forthcoming IIA on budgetary discipline and in future revisions of the Financial Regulation
- A more granular scoring system (say on a scale of five: 0%, 25%, 50%, 75% and 100%) would allow a better quantification of spending on the mainstreaming goals than the currently employed scale of three (0%, 40%, 100%).
- The DNSH principle should be consistent with adequate scrutiny of the EU's activities, which could be compromised if the scoring systems do not allow for adverse effects of EU spending. The Commission should further reform the system of tracking coefficients by allowing for negative scores.
- Mainstreaming should not only be assessed ex ante (evaluating the expected future impacts), but also ex post, after the interventions are completed. In this way, a better understanding of synergies with the PB approach could be assured.

- The greater visibility of mainstreaming in the 2024 update of the Financial Regulation should be complemented in the IIA accompanying the next MFF, in a future MFF Regulation and in equivalent legislation for any new off-budget mechanisms.
- When quantification is difficult, such as with the Sustainable Development Goals, the usefulness of budgetary mainstreaming should be reconsidered.
- To avoid the risk of over-loading the system, cautions should be exercised in extending the mainstreaming approach to other policy areas.

***Developing systematic feedback loops through improved feedback mechanisms, regular exchange and integrated evaluation***

- Enhance feedback mechanisms between performance information and programme design. Establish continuous monitoring systems that allow real-time data collection and analysis, such as the Regis RRF system in Italy, and through improvements to EU data systems, notably the Cohesion Open Data system to ensure earlier checks and publication of performance data. This can contribute to timely feedback, benchmarking and adjustments during the programme lifecycle.
- Ensure that impact evaluations are carried out in time to inform the design of both EU regulations and national/regional programmes.
- While paying attention to limiting administrative burdens, facilitate regular consultations with stakeholders, in particular with local authorities, implementing bodies and final beneficiaries, to gather on-the-ground insights and feedback on programme performance and design adjustments.
- Integrate ex-ante, ongoing, and ex-post evaluations across all MFF programmes. This will ensure that evaluations inform the redesign and improvement of programmes. The RRF did not require ex-ante evaluation, and incentives for national evaluations are weak, as in other direct management instruments.
  - The Italian NRRP's evaluation approach to ongoing and future evaluation of measures is a useful model in the RRF case that should be incentivised across the EU, including in other direct management instruments.
  - Cohesion Policy has a more advanced evaluation system, although ex-ante evaluation is no longer required.
  - Moreover, improvements are needed to encourage more use of robust impact evaluation, the use of findings for policy learning, and identifying and sharing best practices across different Cohesion Policy funds and with other EU policies.

## **5.2. Governance considerations**

***Ensuring informed and deliberative integration of AMPRs and performance indicators***

- Develop an EP-structured framework for budgetary process integration by institutionalising performance reviews ensuring informed decision-making by establishing a dedicated EP committee or sub-committee, and at a minimum, greater interactions between all committees responsible for MFF programmes focused on performance budgeting. Ensure that performance reviews and budgetary discussions are transparent, with clear documentation and public access to information.

- Explore the scope for strengthening democratic accountability by encouraging national/regional parliament participation in EU committees, performance reviews and budgetary discussions, including by establishing novel forms of consultation.
- As a directly-elected body representing citizens, the European Parliament could push for the inclusion of such provisions in future, obliging Member States to develop means of obtaining the views of citizens, thereby providing a counter to decisions taken almost exclusively by elites.<sup>19</sup>
- The connections with reforms relying on the country-specific recommendations need to be distinguished from the mechanisms for triggering payments.

### 5.3. Indicators and how data are presented and visualised

#### ***Improve the system of performance indicators, simplify reporting requirements, and reduce parallel audits***

- Demands for ever more data need to be moderated and every indicator justified.
- Standardise performance indicators and data collection methods across different policies to ensure consistency, reduce subjectivity in indicators reporting, and avoid duplication. Lessons can be drawn from the EU Cohesion Open Data Platform approach, which visualises and provides open data on hundreds of national, regional and interregional programmes funded by the EU Budget managed by multiple DGs (AGRI, EMPL, HOME, MARE, REGIO). Specifically, it provides data on allocations, implementation, and achievements on Cohesion funds (ERDF, ESF/ESF+, CF, JTF), agricultural, rural and fisheries funds (EAFRD, EMFF/EMFAF), and security-related funds (AMIF, BMVI, ISF). Additionally, data is available on the EU Solidarity Fund (EUSF), the Instrument for Pre-Accession (IPA), the Neighbourhood, Development and International Cooperation Instrument (NDICI), and the Fund for European Aid to the Most Deprived (FEAD). The platform includes data stories and analysis, complementing and linked to standard Commission reports to EU institutions.

#### ***Focus on results-oriented visualizations***

- Current performance visualisations often focus on inputs and outputs, such as how much money has been spent or the number of projects completed. This approach, while useful for basic monitoring, fails to provide a clear understanding of results, such as jobs created, emissions reduced, or other impacts on key performance indicators. It is critical to shift towards results-oriented visualisations that highlight the real-world effects of projects.
- To facilitate better decision-making, dashboards and visual tools should clearly differentiate between financial and operational metrics, providing insights into the effectiveness and efficiency of programmes in achieving their intended goals. This approach will allow policymakers and stakeholders to assess the value delivered by investments and make adjustments to the ongoing program.

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<sup>19</sup> See Mendez et al. (2024) for more detail on how citizens can feed into regional policy

## 5.4. Administrative simplification and innovation

### ***Listen to what Member States and implementing bodies say about administrative burdens***

- Simplify reporting requirements and align them with national systems to reduce administrative burdens and, crucially avoid redundancy. Learning from the interoperability of the RRF system in Italy could be an example to build upon.
- Avoid parallel audits of the same project by the EC, ECA and national auditors by coordinating their audit activities. For a particular project, a single audit approach – whereby an audit by an institution is accepted by the others – has merits.
- Recognise that the legal or regulatory frameworks for access to data may potentially oblige leading statistical authorities to restrict access, and establish arrangements to counter this constraint on data sharing.

### ***Call for funding and support for the development of national automated reporting tools and audit***

- Facilitate information sharing about best practices for national IT infrastructure supporting performance-based budgeting. These should include ensuring 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.
- Creating user-friendly interfaces that simplify the processes of data entry and retrieval is crucial. Integrating artificial intelligence (AI) into performance-budgeting IT systems can significantly enhance data quality, error checking, and predictive filling, thus optimising the budgeting process and reducing manual workload. The use of AI tools can also facilitate audit processes and reduce their administrative burden.

### ***Leverage AI technology to reduce administrative burdens and enhance data quality***

- Exploit digital/AI opportunities. Encourage the use of advanced data analytics and AI tools to enhance performance tracking, evaluation, and reporting at national and EU levels. Pilot experiments in Italian Cohesion Policy (Lombardia) have shown that AI techniques could streamline evaluations of EU projects freeing up resources for performance management. Multilingual digital platforms can also be used to encourage public deliberation on MFF programmes, following the approach used in the Conference on the Future of Europe, and existing practices of digital deliberation in many local/regional authorities across the EU.
- The collection and visualization of performance data can be resource-intensive, particularly when administrative burdens are high due to complex reporting requirements.
- Integrating AI into performance monitoring systems offers a solution to these challenges. AI tools can automate data entry and validation, streamline performance reporting processes, and improve the accuracy of visualizations. By reducing manual workloads, such technology also frees up resources that can be reallocated towards more strategic analysis and performance management tasks. This will enable a more efficient and effective use of data.
- AI modules could be added into existing systems using an iterative test-and-learn approach to reduce time and budget needed for implementation.

## 5.5. Extending and refining the PB and mainstreaming approaches

- Although the experience of the RRF and the move towards PB in Cohesion Policy is recent and will be the subject of further research, the scope for both extending and refining the approach warrants attention in anticipation of the next MFF.
- An important question is whether new areas should be subject to mainstreaming. The EU's renewed attention to competitiveness suggests one possibility, and some forms of social mainstreaming (for example for youths or for dimensions of equality other than gender) could be explored, but both would require careful consideration of practicalities such as whether suitable indicators could be devised.
- Finding ways to move beyond outputs to give much more prominence to results should be explored, but extending monitoring to impacts is likely to be unrealistic.
- The scope for adopting PB-related financing models (simplified costs; financing not linked to costs) more extensively, including in policy areas other than Cohesion Policy, in the next MFF should be considered.

## 5.6. How the European Parliament deals with the performance and mainstreaming approaches

### *The expectations of the European Parliament regarding PB need reflection*

- The evidence that many parliaments have promoted PB and mainstreaming, yet have been unsure of, or unable to work out how best to use them, both politically and in conducting scrutiny suggests that the newly elected European Parliament has an opportunity to clarify its expectations and demands on other institutions and stakeholders.
- Engagement with Member States is needed, recognising that planning, control and implementation call for differing approaches. In this context, collaboration between the EP and national (sometimes also sub-national) legislatures could be valuable.
- The EP should actively engage in further developing the architecture of performance-based instruments. This should be accompanied by efforts to streamline audit requirements associated with these programmes, ensuring that the evaluation processes are efficient and effectively aligned with the desired outcomes.
- The same is true for mainstreaming within the EU's budget where clear stance of the EP is needed on the scope of mainstreaming tools within the EU budget. This includes giving greater consideration to how the mainstreaming architecture should be tailored to the specific characteristics and needs of the EU's various horizontal goals. The EP should also explore creating incentives for Member States to develop systematic investment approaches that align with horizontal goals, with the effectiveness of these systems to be assessed through ex-post evaluations
- At the same time, it should be incumbent on the Commission, especially, to tailor the information generated to the needs of the Parliament and of individual MEPs and to review how it is presented. If requested by the EP the Commission should be receptive to providing guidance on using the information.

- Internally, the EP would benefit from developing specialist expertise on PB (maybe also on mainstreaming) to strengthen the activities of the BUDG and CONT committees, but also to facilitate engagement with sectoral committees.
- Performance reviews should be institutionalised within the EP through a dedicated committee/sub-committee, paying particular attention to scrutinising AMPRs. Democratic accountability should be strengthened by involving national and regional parliaments in performance reviews.
- Creating a Parliamentary Budget Office, or equivalent, may be radical, but could be an answer to boosting the analytic capabilities of the EP.



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## INTERVIEWS

Luna Fragomeni, Municipality of Reggio Emilia, 17 June 2024,

Sabrina Rosati, Fondazione E35, Reggio Emilia, 17 June 2024

Denis Xhrouet, director at Le Chemin Vert, written response to questions

Anne-Sophie Leriche, coordinator A DO MI SI’L – Alternative-Répit, Written response to questions

Emeline Legrain, Operational coordinator of the crèches and AS infrastructure unit in Wallonia, 6 June 2024

Chiara Goretti, Ex Coordinator of the Italian NRRP Technical Secretariat, 17 May 2024

Alessandra Barbieri, Director of the Funding Research Service and National Operational Programme in Florence, 17 May 2024

Alessandro Dreoni, Director of Technical Services in Florence, 17 May 2024

Radosław Antoszek (Poland)

Franck Conrad (DB BUDGET of the European Commission)

Julius Langendorff (DG CLIMA of the European Commission)

Hélène Perier (DG Environment of the European Commission)

Pierre Vanheuverzwijn (Belgium)

Representatives of Germany and the RECOVER task force of the European Commission, who preferred to remain anonymous

## ANNEX 1. COMPARATIVE ANALYSIS OF RRF AND ESF+ PROJECTS

### 1. INTRODUCTION

This chapter presents four case studies of educational investments financed under the ESF+ and the RRF. The aim is to compare the project selection, monitoring and reporting systems of the two instruments and assess how they track performance. This comparative assessment identifies the advantages and limitations of each instrument from the perspective of beneficiaries on the ground. To ensure consistency with Chapter 2, the same EU investment field were selected as case studies: these are Early Education and Childcare under both policies, including ESF+ and RRF projects in the same regions (Emilia-Romagna, Wallonia).

Drawing on interviews and documentary analysis, the case studies explore the project selection process, performance measures, monitoring and reporting methods, and, as far as possible, evidence of results or expected outcomes. Additionally, the analysis identifies administrative and data collection challenges and the implications for policy development. A concluding section presents comparative finding and policy implications.

#### 1.1. RRF case study 1: Emilia-Romagna

The RRF case study is the creation of a new early childhood centre, led by the Reggio Emilia municipality as part of the NRRP investment Measure 1.1 'Plan for nursery, preschools, and early childhood education and care services'. The measure aims to increase the educational offer for children aged 0-6 age and reduce waiting lists for nurseries, thereby supporting families and promoting female employment. A total national budget of EUR 3 billion is allocated through public calls, led by the Ministry of Education. A total of 2,552 projects have been funded to date.

##### 1.1.1. Project description and objectives

The Reggio Emilia municipality will enhance its early childhood education services offer through the development of a new Childhood Centre at Parco Ottavi. This initiative aims to increase the availability of educational spaces for children aged 0-6 and reduce waiting lists for nurseries, thereby supporting families and promoting female employment in particular. Initially approved in a national call in 2022, the project received final approval and local funding from the Reggio Emilia city council in March 2024. It includes NRRP funding of EUR 2.9 million, an additional EUR 0.3 million to cover price increases, and EUR 1.1 million from local funds, bringing the total investment to EUR 4.2 million. For context, NRRP initiatives in Reggio Emilia total EUR 22 million, with EUR 8.5 million dedicated to childcare and education facilities.

Renowned for its educational approach, Reggio Emilia faces a high demand for early childhood education, resulting in long waiting lists. The new project aims to accommodate 96 children across three nursery sections and two preschool sections, significantly boosting educational offerings for the 0-6 age group and alleviating pressure on existing waiting lists. Objectives include increasing the number of educational places for children aged 0-6 by 96, reducing waiting lists for nurseries and kindergartens, creating a modern and sustainable educational environment, and enhancing the relationship between indoor and outdoor learning spaces.

### 1.1.2 Project selection

The project was submitted by the local authority to a national RRF call under a competitive selection process. It was one of seven projects submitted by the local authority, all of which were approved for funding by the national Ministry.

Project selection criteria for nurseries include: the current absence or severe lack of educational services for the 0-2 age group (45 points), with higher points awarded for lower coverage percentages; the type of intervention, with new construction or major renovations scoring highest (20 points); the increase in service coverage, in percentage terms, compared to the current situation (20 points); inclusion in national or regional planning for school buildings (10 points); and being located in internal, mountainous, or island areas (5 points).

Project rankings were determined by applying these criteria and scores. Where scores were equal, preference was given to applicants with the lowest level of services or the highest percentage of target coverage. Applications were verified by the Ministry of Education against local authority and ISTAT data. Projects had to meet relevant national and EU regulations, including environmental regulations and the NRRPs eligibility timeline.

### 1.1.3. Monitoring and reporting

The ReGIS system (described in chapter 2) is used for monitoring and reporting. The project promoter/beneficiary must regularly update project data covering procedural, physical, and financial aspects. The main monitoring stages include awarding construction contracts and tracking work progress. Interviews with a local authority beneficiary indicate that the frequency of monitoring requirements by the national Ministry under the RRF presents challenges. The monthly frequency of reporting is seen as burdensome, particularly for public works projects that may take a long period of time to complete.

Project reports have to be submitted with interim payment requests, such as after awarding works and checks, based on work progress or certified expenses. The national Ministry is responsible for checks to verify progress.

The local authority does not foresee challenges in meeting its objectives for the RRF milestones. Funding is released in tranches, with initial pre-financing followed by additional funds after justifications. While this approach is seen as manageable at the European level, its implementation by the Italian ministry presents administrative challenges for municipalities, according to interviewees.

The project call required compliance with a wide range of NRRP and domestic rules, including monitoring and reporting obligations. Local authorities had to provide necessary documentation, conduct publicity activities displaying NRRP details, and ensure compliance with all EU and national legislation. For instance, financial management practices must prevent conflicts of interest, fraud, and corruption, and environmental compliance (not least, DNSH) must be respected. The project must be implemented as described in the agreement, following NRRP milestones and targets, and public procurement rules. Risk management and reporting are important, with authorities required to mitigate delays and manage project-related risks effectively.

Audit and control rules for local authority beneficiaries are perceived to be largely in line with those of Cohesion policy (e.g. cost-based, evidenced through invoices), but to date there have been no audits undertaken on the Reggio Emilia RRF projects.

#### 1.1.4. Performance

This project is strategically important for enhancing the educational infrastructure of Reggio Emilia. It underscores the city's commitment to investing in early childhood education, providing nearly 100 new places for children and helping to reduce waiting lists. The initiative will serve as a model for high-quality educational services, reinforcing Reggio Emilia's reputation as a leader in early childhood education.

The project has been lauded for its innovative design, for integrating indoor and outdoor spaces, and for ensuring energy self-sufficiency by having photovoltaic panels that ensure zero energy consumption and the potential to sell excess energy. This approach will significantly reduce operational costs and greenhouse gas emissions, aligning with broader sustainability goals.

Reggio Emilia has an integrated public education system offering over 80 educational services. The new Childhood Centre will augment this network, which includes 25 nursery schools and 67 pre-schools, characterised by high enrolment rates and a robust framework for early childhood education. This addition will further strengthen the city's educational infrastructure and support its commitment to providing top-tier early childhood education.

The project received approval from the city council in March 2024 and will be put out to tender in Spring 2024, and construction due to start in Summer 2024 and to take until 2026. Once the centre reaches full operational capacity, ongoing assessments will ensure that objectives are met.

In terms of sustainability, a local authority noted that it would be beneficial if the NRRP funding, particularly in the education sector, also covered management and maintenance costs of new buildings since the operational costs fall on local authorities after construction in a challenging funding context.

## 1.2. ESF+ case study 2: Emilia-Romagna

Emilia-Romagna launched an ambitious program in 2023-24 to provide free nursery education for families living in mountain and inland areas. A complementary measure reducing fees in other areas has continued since 2019, as part of a broader commitment to enhancing early childhood education, reduce waiting lists, decrease fees, and support gender equality. With an investment exceeding EUR 70 million, the program addresses several key challenges:

Economically and socially, the region supports both economic and social growth by providing free nursery education, enabling parents, particularly women, to remain in the workforce. This measure is crucial for combating depopulation, encouraging families to stay in mountain and inland areas. Ensuring access to quality education for all families, irrespective of their economic background or location, promotes inclusivity and equal opportunities.

The total investment of EUR 70 million includes EUR 18 million from the European Social Fund Plus (ESF+) for the 'At the Nursery with the Region' measure and EUR 10 million to eliminate fees in mountain and inland areas. National and regional funds also contribute significantly, with EUR 27.5 million from MIUR for the integrated educational system (mainly for 0-3 year olds) and EUR 7 million from regional funds for educational services.

The objectives include the expansion of the educational offer to reduce waiting lists, with a total investment of EUR 15 million dedicated to this purpose. Municipalities creating new nursery places receive a contribution of EUR 5,300 per year for each new place. To promote inclusion, nursery fees are significantly reduced for families with an ISEE (Equivalent Economic Situation Indicator) of EUR 26,000 or less, in combination with the INPS nursery bonus.

Innovative projects are also a key component of the programme. For example, the 'Hear English in the 0-3-6 Range' project introduces children to the sounds of the English language in a playful dimension, involving 305 services and nearly 14,000 children in the 2022-23 educational year. The initiative supports access to educational services, particularly benefiting populations in disadvantaged economic or territorial conditions. Specifically, the investment contributes to the consolidation, qualification, and accessibility of the educational offer through actions for municipalities to reduce fees for families under a specified income threshold for 2024/2025, with a larger threshold for mountain municipalities and those classified under the STAMI (territorial strategy for interior and mountainous areas) of the province of Ferrara

### 1.2.1. Project selection

Municipalities submit the request for financing online in response to annual calls. Applications are reviewed by an evaluation committee based on predefined criteria, including project relevance, financial viability, and alignment with regional objectives. The committee can conduct interviews or request additional information if necessary.

Project applications that are found to be eligible and validated are to be approved by the region's DG for Knowledge, Research, Work, and Business within 45 days of the submission deadline.

The types of educational services eligible for funding are nurseries and experimental services, with the latter exclusively related to the number of places intended for the 0-3 age group. The places for which funding can be requested must fall within the system of public provision of educational services for the 0-3 age group.

### 1.2.2. Monitoring and reporting

Beneficiaries are required to submit periodic progress reports detailing project implementation and financial expenditure, including all the indicators required by the ESF+ Regulation. The regional authorities may conduct on-site inspections or audits to verify the accuracy of reported information. Upon project completion, beneficiaries must submit a final report. An independent audit may be conducted to ensure compliance with funding regulations and verify the proper use of funds. Sanctions and penalties are also possible. Non-compliance with project requirements or misuse of funds can result in penalties, including reimbursement of paid funds and legal action. Beneficiaries must adhere to all regional and EU regulations regarding transparency, accountability, and anti-fraud measures.

Project payments are made after checking the eligibility of the expenditure, in a maximum of three tranches. Approved projects receive a notification of funding, outlining the value and the disbursement schedule. The first tranche<sup>20</sup> (40% of the total approved amount) is disbursed after project approval, with subsequent tranches (remaining 60%) disbursed based on the delivery of the service and satisfactory progress reports.

The local authority interviewed perceives the delivery of ESF+ (and ERDF) projects, including monitoring and reporting, to be relatively easier than is the case for the RRF. This is largely due to pre-existing experience with Cohesion policy funding and because reporting is less frequent under the ESF+.

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<sup>20</sup> The 'simplified cost options' which aims to estimate real costs using so-called scales/lump sums rather than accounting for all real costs is used for the first and subsequent tranches

### 1.2.3. Performance

The current project has not yet been implemented. However, it is expected to contribute to better access to childcare in the region. Recent results reported by the regional government in relation to the ESF+ measure in Early Childhood Education and Care point to a significant increase in attendance at nursery schools for children aged 0-3, rising from 29.3% in 2012/2013 to 39.4% in 2022-2023. The programme aims to promote parental participation in the workforce, especially mothers, thereby providing substantial support for families and promoting gender equality.

Challenges are not expected in spending the funding or achieving the required output indicators. The municipality consistently uses all the ESF+ project funds secured, ensuring full use of resources. Progress is monitored and reviewed by the regional government MA for 2021-2027 ESF+ interventions.

However, there are challenges relating to compliance with ESF+ regulations, managing the administrative of monitoring and reporting, and mitigating delays and risks. Despite this, the initiative is expected to contribute to equitable, high-quality early childhood education.

## 1.3. RRF case study 3: Wallonia

Belgian residents are entitled to use the public childcare subsidised by the government. However, there is a pressing need for more childcare places at nurseries. The creation of 3,143 subsidised places is planned by the end of 2026 (1,757 via the RRF, and 1,386 via the Walloon regional budget), alongside 1,960 more unsubsidised places. A total budget of EUR 131 million has been allocated to the intervention. This initiative is managed in partnership between the Wallonia-Brussels Federation, the Walloon Region (Equilibre Plan 2021 – 2026) and the Brussels-Capital Region, involving multiple agencies - the Office of Birth and Childhood (Office de la Naissance et de l'Enfance, hereafter ONE) and the APE (Aide à la Promotion de l'Emploi) system.

The Wallonia-Brussels ESF+ 2021-27 programme aims to promote social inclusion through support to projects targeting vulnerable populations. In Early Childhood Education and Care, the intervention aims to improve the participation of children in poverty and help to implement the European Childhood Guarantee. With a budget of EUR 13 million, the measure enhances the social function of childcare places through active inclusion, including transforming daycare centres to serve families in poverty, involving children in participatory projects or recreational activities, and providing tailored social support for parents.

### 1.3.1. Project description and objectives

The primary objective of the RRF projects for Early Childhood Education and Care in Wallonia is to increase the availability of childcare places significantly, ensuring that all children have access to high-quality early education and care. This initiative is designed to support families, promote social inclusion, and contribute to the development and well-being of children from an early age. The specific objectives of the projects are to:

- Increase childcare capacity by creating 3,143 new subsidised childcare places by the end of 2026, distributed across various provinces in Wallonia.
- Enhance accessibility and ensure that new childcare facilities are easily accessible, located in areas well-served by public transport and close to other essential public services such as Centre public d'action sociale (CPAS), public digital spaces, and training centres.



- Improve quality by imposing high standards for energy and environmental performance in new facilities, including efficient thermal insulation and the use of bio-sourced construction materials.
- Support families through additional support for improved childcare options, helping to alleviate some of the pressures on parents and guardians.
- Promote employment by generating new employment opportunities within the childcare sector through the creation and expansion of these facilities.

### 1.3.2. Project selection

A call for projects, open to public authorities and NGOs, was launched in April 2022. As a result, over 70 projects were selected in December 2022 with over 3,500 childcare places distributed across 114 communes in Wallonia. The approved projects envisage 115 places opening in 2023 rising to 278 in 2024, followed by still more in 2025/26.

Several project proposals were rejected due to issues in the procurement process and the qualitative requirements, including problems with the distribution of assistance by province, unmet criteria, and high costs. The procurement process could not be relaunched due to time constraints. In February 2024, ten new nursery projects were approved following the withdrawal of some selected projects in December 2022.

The projects must involve the creation of a new daycare center, the expansion of capacity in a daycare center, the transformation of a care facility into a daycare center with at least 7 new places, the transformation of co-hosts contracted with a Childcare Service into a daycare center with at least 3 new places or a combination.

Project applications are submitted and validated via the online form on the Cigogne pages of [pro.one.be](http://pro.one.be). Applications must specify the number of requested places, subject to a minimum, and a declaration of any planned closures. Only non-profit organizations (ASBL), foundations, public authorities, and cooperative societies recognised as social enterprises are eligible to apply.

Projects are ranked primarily based on the subsidised coverage rate criterion (the ratio between the number of subsidised care places, including those yet to be opened under previous Cigogne plans, and the number of residents aged 0 -2.5 years). For the RRF strand, eligible projects located in one of the municipalities are ranked by municipality based on the subsidised coverage rate, with priority given to the lowest rates.

The key project eligibility criteria relate to the eligibility date, energy and environmental performance standards. The planned infrastructures must primarily be located in accessible areas e.g. close to public transport and public services (CPAS), public digital space, associations.

Project applications and data collection are organised through an IT platform. Initial manual handling of requests was required due to delays in IT system updates. Capacity support is provided for data collection and related challenges including technical and legal assistance for understanding public procurement questions, eco-materials, and compliance. There are ongoing IT developments to integrate project-specific functionalities like the plans 'Cigogne 5200+' and 'Balance 21-26' into the APE (Aide à la Promotion de l'Emploi) system application.

### 1.3.3. Monitoring and reporting

Projects are monitored through a structured process involving several key steps. The initial step is a plenary meeting, where the educational project and plan are presented. Following this, modified plans are created post-meeting, which serve as the basis for the rest of the project. The project file validation



step involves checking the tender specifications before launching a call, and checks to ensure the correctness of the procedure and the validity of the bidder. Quarterly reporting ensures compliance with commitments and deadlines, and continuous support is provided for monitoring technical and legal assistance, verifying market questions, eco-material compliance, and monitoring deadlines and energy objectives.

The selected projects are monitored by ONE, in consultation with SPW-IAS and Forem, with quarterly evaluations of the project's progress and the opening of places. ONE may exclude an initially selected project if it finds that the sponsor does not comply with the monitoring process or if it becomes clear that the project's places cannot be opened before the specified period ends.

Regardless of the August 2026 deadline for project eligibility, project promoters must open the childcare places by the end of the quarter indicated in their application or face penalties. If places are not opened by the end of the year following the quarter announced by the sponsor, the project is automatically disqualified. Non-compliance with eligibility criteria and public procurement legislation results in automatic non-payment. Deviating from the planned operational quarter, project types or environmental standards also incurs penalties. Payments are made in tranches. For infrastructure projects, the subsidy is paid in two instalments: 70% at the start of the works after notification, and the remaining balance based on the final account.

#### 1.3.4. Performance

While the RRF indicators focus on nursery places and coverage, the expected impact is broader. Infrastructure development aims to enhance infrastructure for educational projects. Energy efficiency compliance with eco-material requirements is expected to improve energy efficiency. Job creation through the APE (employment aid) integration is anticipated to create new jobs in the educational sector. Quality education improvements in educational facilities and better-structured educational projects are expected to enhance the quality of education.

The implementation and performance of projects face several challenges. Administrative delays occur in receiving project authorisations and necessary information (e.g., APE subsidy scheme). Initial setup delays, including in appointing coordinators and initiating projects, initially lasted one month. Ensuring compliance with eco-materials and other regulatory requirements adds complexity to project development and applications. Strict deadlines, especially to ensure that the EU's RRF deadline of December 2026 is met, has created pressure on project leaders.

When projects are selected, they receive support for project leaders by the SPW IAS (Public Service of Wallonia, Interior and Social Action) and the ONE (Birth and Childhood Office). For example, assistance in training, answers to questions, project drafting, monitoring and management. Regular reminders and quarterly reporting help keep project leaders on track with deadlines and requirements. Ensuring communication and coordination among multiple stakeholders, including Forem, NE, and project leaders, is seen as important. Documentation and training to project leaders on using the social action portal and other resources also addresses capacity support challenges.

Meetings with project promoters and beneficiaries have highlighted several issues. One relates to budget and financial management, with clarity needed on the implementation and management of the additional 5% budget increase. Project approval and delays are also a concern, including aligning APE requests with ONE authorisations, due to lengthy processes impacting project initiation. There have also been questions about the scope of eco-material requirements e.g., whether they apply to the entire building or specific parts like insulation, and their cost implications are also prevalent.

Coordination and support issues have involved clarifying the role of coordinators in managing documentation and plans, and the types of support provided, including on-site and generalist support. Project monitoring and deadlines raise concerns about meeting the strict final deadline of 31 August 2026 and potential penalties for delays, with participants keen to have flexibility in applying penalties and information on the benefits of quarterly reporting. Administrative processes and IT issues include concerns about the duration of administrative processes, like the four-month validation period, and ongoing IT developments to handle requests efficiently.

Project promoters have also requested details on available assistance, including technical, legal, and eco-construction support, and guidance on using the social action portal for project information. Lastly, communication and response issues include the need for assurance that queries will be addressed promptly despite potential delays due to meetings or file analyses, with regular updates on project status.

## 1.4. ESF+ case study 4: Wallonia

The Wallonia-Brussels ESF+ Programme aims to include social inclusion through support to projects that target the most vulnerable populations. This case study examines the ESF+ intervention with a particular focus on the *Progres'IIIF* plus project, undertaken by Le Chemin Vert in Chimay, Wallonia.

Le Chemin Vert provides accommodation for children and young people who are subject to a form of removal from the family environment, with a view to future reintegration or independent support. The establishment has four buildings. Each house is set up in a 'family' mode and accommodates up to 18 young people. Two of the buildings have a collective part and a part dedicated to learning to be independent with six small individual studios. The residential services teams provide multidisciplinary care 7 days a week, 24 hours a day.

### 1.4.1. Project description and objectives

The *Progres'IIIF* plus is due to run from July 2023 until December 2025, has a budget of EUR 522 thousand, with 50 percent ESF+ co-funding, and has three primary objectives. First, it aims to develop a network with various care structures promoting social inclusion: nurseries, ONE caregivers and kindergartens. This involves establishing strategic contacts, facilitating collaboration protocols and the creation of a personalised network around families. Second, the project provides intensive support for parents and children to prevent social exclusion and raises awareness of the importance of positive socialisation from an early age. Last, the projects facilitates exchange of good practices, skills and resources to harmonise practices and evaluate progress through regular meetings.

### 1.4.2. Project selection

The *Progres'IIIF* plus project was selected in April 2023 as part of the first call for ESF+ projects launched in March 2022. It was appraised and selected by the government of the Wallonia Brussels Federation to improve the quality and accessibility of childcare, and aligned with the Walloon Poverty Reduction Plan 2020-2024.

Projects for ESF+ plus are selected based on both general and specific selection criteria. In addition to the general selection criteria common to all priorities and specific objectives of the ESF+ OP (75 points), specific selection criteria for this intervention focus on two main aspects (25 points). The first is a person-centred approach aimed at reaching children at risk of poverty and their families (15 points). The second is to develop an inclusive and innovative approach to open childcare facilities to the targeted audiences (10 points).

The supported groups will be aged 0 to 17 years. Subsidised places for nurseries, childcare services, and independent childminders specify particular social situations (e.g. care for sibling groups, children with disabilities, emergency care for children in prevention or protection measures, or children whose parents are socio-economically vulnerable). From this list, care for sibling groups and care for children in the process of adoption are not covered by the 21-27 Programme.

#### 1.4.3. Monitoring and reporting

The progress of the specific indicator 'Cumulative days of presence of children under 18 in precarious situations welcomed in day-care facilities and out-of-school settings' will be monitored as follows: each year: the information will be provided by the beneficiary and will be accumulated throughout the program. This will allow for a comparison between the situation at the beginning of the project and at the end of the program. The numerical data on the indicators are to be entered into the ESF+ website every six months, with signed childcare receipts by parents as proof for the data.

Collecting and reporting data is not seen as a challenge for ECEC projects since these data are collected routinely. However, beneficiaries feel there is repetition in the data reported, which requires encoding, as well as introducing project updates each year.

The childcare facilities have case managers with responsibility for reporting on the performance indicators. The first audit control for this specific project will take place in July 2024. To date, there is no agreement with the file manager regarding the reporting of the indicators for the project. However, there is an ongoing process and structured reporting mechanism to track and document the performance indicators.

The primary challenges associated with ESF+ funding for the project beneficiary are administrative workload due to these being new processes for the applicant. There are data collection and performance reporting challenges, but these are anticipated to be manageable once processes are clarified, and once the upcoming audit and control inspection is completed, it is expected that there will be improved understanding of the financing requirements.

If an ESF+ project fails to comply with obligations to provide detailed documentation and tracking of project participants, compliance with defined indicators and performance targets, and respect for public procurement regulations and proper project execution, sanctions can be imposed on the beneficiaries. These sanctions include financial penalties, recovery of disbursed funds, legal actions and potential exclusion from future funding opportunities. These obligations and sanctions apply to all interventions in the Programme, not only to ECEC projects.

The beneficiaries are not in receipt of RRF funding and have not experienced any challenges such as competition for funding between the two policies.

#### 1.4.4. Performance

The expected results of the project include achieving an 3,042 cumulative hours of children spent in the facility by children, with a focus on creating a personalised network (roadmap) for the family. The project expects that through networking, effective and efficient partnerships will be created in the Charleroi region. Additionally, the result indicator aims for 5% of the support to be reflected in the number of days of attendance in care settings (nurseries, schools, ONE caregivers, etc.).

The project intervention is Support for Early Childhood Education and Care (ECEC) (excluding infrastructure) (IC 148). In the Wallonia-Brussels ESF+ OP 2021-2027, this intervention is part of specific objective 4.12 to 'Promote the social integration of people exposed to the risk of poverty or social exclusion, including the most deprived people and children (ESF+)'. This aligns with the Walloon

Poverty Reduction Plan 2020-2024, aiming to create and develop 3,143 subsidised childcare places (1,757 via the RRF plan and 1,386 via the Walloon plan), and 1,960 unsubsidised places.

The output indicator used to measure specific objective 4.12 is the number of participant 'Children under 18 years old'. The result indicator for the objective is 'Cumulative days of presence of children under 18 in precarious situations welcomed in daycare facilities and out-of-school settings'. The beneficiary considers that the indicators are objective and provide measurable results, and are sufficient to gauge the project's performance due to their objectivity.

## 2. CONCLUSIONS

This chapter presented four case studies of educational investments financed under the ESF+ and the RRF. The aim was to compare the project selection, monitoring, and reporting systems of the two instruments and assess how they track performance. The key findings, interpreted through the lens of performance budgeting, show mixed results.

While aligning project goals with EU performance objectives and indicators did not present challenges for the project case studies, the high administrative demands of managing new EU funding instruments, such as the RRF, combined with other EU and national funding, was problematic and even deterred some municipalities from participating or applying for the available funds. This was seen in smaller local authorities in Emilia Romagna, while project bids by some local authorities in Wallonia were rejected due to complexities in calls linked to procurement issues, unmet qualitative criteria and high costs. This highlights the need for streamlining of EU funding streams or avoiding duplication in fields of intervention across EU instruments. Additionally, local capacity-building is important to equip authorities with the necessary skills and resources to manage complex EU project requirements. However, restrictions on hiring new administrative staff, as seen in Emilia-Romagna, suggest capacity-building may be difficult to achieve in practice, beyond 'soft' interventions such as training.

Second, administrative and performance reporting posed challenges. Emilia-Romagna's local authority noted difficulties with more frequent reporting requirements under the RRF compared to the ESF+, along with the need for compliance with numerous regulations and a new reporting system for the RRF. In contrast, ESF+ project reporting benefited from pre-existing experiences in managing Cohesion Policy funding. Wallonia's RRF projects encountered delays in project approval and compliance with environmental requirements, as well as delays in setting up IT systems. While the ESF+ project also faced administrative workload and detailed documentation requirements, these were perceived to be manageable. These findings indicate the need to streamline reporting processes, providing targeted administrative support, and developing integrated IT platforms to reduce administrative burdens and facilitate better data management.

Third, all projects expected to deliver on their performance objectives, although flexibility in milestone deadlines and achievement of performance indicators is considered important by some beneficiaries to accommodate varying implementation schedules and project delays (e.g. lengthy procurement process for infrastructure works). In particular, stricter deadlines to meet EU RRF deadlines have created pressure on project leaders, suggesting the need for flexibility and support to meet deadlines.

A final issue for the EU is the need for enhanced EU-level transparency and accountability in PB at the project level to ensure effective monitoring and accountability to EU institutions and national authorities, stakeholders and citizens. Both of the current European Commission [project-level platforms on the RRF](#) and Cohesion Policy ([Kohesio](#)) identify subsets of EU-funded projects and describe their aims in general terms. However, a critical gap from a PB perspective is that they lack

project-level information on ex-ante performance indicators and on achievements during or after implementation, even for completed projects.

The projects do not identify EU common output or result indicators against which project performance is monitored and evaluated. Efforts are therefore needed to improve EU project platforms/databases on the Commission's website, potentially drawing on the more advanced approaches deployed in some countries such as Italy's OpenCoesione platform, which reports on the achievement of core performance indicators at the project level for Cohesion policy.

### Recommendations

- **Streamline reporting processes:** Simplify and align the timing of reporting requirements for RRF and Cohesion Policy projects to reduce the administrative burden on local authorities. This could include less frequent but more comprehensive reporting intervals, where national authorities set monthly reporting expectations.
- **Enhance administrative support:** Provide targeted administrative support and capacity-building resources, especially for smaller municipalities, to manage the high administrative demands of new funding streams such as the RRF.
- **Develop integrated IT Platforms:** Invest in the development of integrated and user-friendly IT platforms to facilitate better data collection, monitoring, and reporting for both RRF and ESF+ projects.
- **Introduce flexibility in milestones:** Allow for some flexibility in milestone deadlines and performance indicators to accommodate the varied pace of project implementation across beneficiaries and regions.
- **Improve EU transparency and accountability on projects:** Revamp the EU project dashboards to include project-level performance data, including quantified ex-ante indicators and progress updates on quantified achievements, especially at the end of the project, to provide a clearer picture of project performance outcomes and effectiveness.

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Performance-based budgeting by focusing on ‘what works’, as opposed to whether money has been properly spent, aims to improve the quality of public spending. This study examines how successful the approach has been in the EU, looking at the multi-annual financial framework and the Recovery and Resilience Facility. The study looks, in particular, at the role of the European Parliament and how it could be enhanced, drawing on lessons from use of the approach in national settings.

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