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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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Delegations will find attached document COM(2021) 366 final.

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Brussels, 8.6.2021  
COM(2021) 366 final

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT AND THE COUNCIL**

**on the performance framework for the EU budget under the 2021-2027 MFF**

{SWD(2021) 133 final}

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## Introduction

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The 2021-2027 multiannual financial framework (MFF) is at the heart of the EU's economic policy framework, more so today than ever before. The EU budget will power the EU's response to the COVID-19 pandemic. It will help to address the ongoing health emergency, kick-start the recovery, steer our economies and societies towards a more sustainable, digital and resilient future, and strengthen the EU's geopolitical role.

Over the next seven years, unprecedented amounts of funding will be channelled through the EU budget to address these challenges. Together with NextGenerationEU – the EUR 750 billion recovery instrument – the 2021-2027 MFF amounts to more than EUR 1.8 trillion. This is close to double the size of the budget for 2014-2020 and is the largest investment package ever financed through the EU budget.

The European Commission is fully committed to ensuring that the 2021-2027 MFF is implemented in full accordance with the highest standards of financial management, is as effective as possible in achieving its key objectives, and delivers value for all EU citizens. In other words, the Commission will put performance of the EU budget front and centre. For that, a sound **performance framework** is crucial. This framework comprises all the tools and procedures necessary to set objectives and measure and monitor progress towards them. It covers all EU programmes, including those financed from NextGenerationEU.

The performance framework of the EU budget builds on solid foundations: the OECD concluded that the system of performance budgeting under the 2014-2020 MFF<sup>1</sup> was best in class among OECD countries. However, as the EU budget evolves to meet new needs in a changing world, so do the demands on its performance framework.

This Communication sets out the main features and functions of the performance framework. It explains how the information generated will help drive the EU's political goals, improve the capacity to react flexibly to unforeseen urgencies, ensure accountability, and allow the EU to communicate effectively with stakeholders and citizens about the EU budget and how it adds value to the lives of EU citizens.

The Commission cannot implement a modern and strong performance framework alone. Boosting the effectiveness and transparency of EU programmes requires a coordinated effort, and the Commission warmly welcomes the increasing emphasis placed on performance by the European Parliament, the Council, the European Court of Auditors and the Member States. By working together, we will help ensure that this EU budget of unprecedented size and ambition delivers its full potential.

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<sup>1</sup> <https://www.oecd.org/gov/budgeting/budgeting-and-performance-in-the-eu-oecd-review.pdf>

## Putting performance at the heart of budget implementation

An important part of budget implementation is making sure that money is spent in full **compliance** with all applicable rules. The EU budget is subject to strong safeguards against fraud, conflicts of interest and double funding. These controls have been strengthened under the 2021-2027 MFF. The Commission is fully committed to the highest standards of financial management, which includes robust action to correct errors when they occur and zero tolerance towards fraud, conflicts of interest and other serious irregularities. This is the basis for trust in the EU budget.

At the same time, it is vitally important that money spent actually addresses the challenges and delivers the expected results on the ground. How this is achieved varies across the different spending programmes, depending on their particular objectives and how the money is spent (see examples in Box 1). But bringing about tangible results and positive change in the lives of citizens and other beneficiaries is, and will remain, a key priority for the Commission in all the interventions supported by the EU budget. Presenting this in an open and transparent way is a crucial feature of the Commission's accountability.

### *Box 1 – Performance at the heart of policy implementation*

The EU budget already places performance at the forefront of its activities and its approach continues to evolve in the 2021-2027 period.

One example is the Recovery and Resilience Facility – by far the largest programme in the 2021-2027 period. The Recovery and Resilience Facility is performance-driven by design, as payments are explicitly linked to Member States' fulfilment of milestones and targets linked to investments and reforms in the national recovery and resilience plans financed through the Facility.

Already in 2014-2020, cohesion policy contained a performance reserve that was allocated in 2019 on the basis of a performance review. For 2021-2027, that performance link has been further developed. Initially, only the years 2021-2025 will be programmed in full. Allocations for half of the commitments for the last 2 years will be made on the basis of a mid-term review. The review will assess the priorities and objectives of the programmes and the progress made by the end of 2024, taking account of changes in the socio-economic situation and new challenges identified in country-specific recommendations in 2024, lessons learnt and other factors.

## A modern performance framework for a modern EU budget

The Commission bases its interventions, whether legislative proposals or spending programmes, on solid evidence and a precise description of what the intervention is intended to deliver, and how. In its recent Communication on Better Regulation<sup>2</sup>, the Commission has further strengthened this system with important new features, for example in relation to consultation of stakeholders, efforts to simplify and reduce burdens, mainstreaming sustainability into the better regulation policy and integrating strategic foresight into policy-making.

A modern performance framework for the EU budget has to be based on: a) clarity and transparency about the way programmes are designed to address the identified challenges through their objectives; and b) a meaningful and robust system to allow progress towards the objectives to be measured – and action taken where needed.

### Clear objectives

Once a challenge has been identified and it is clear that the challenge is best addressed at EU level, clear objectives need to be set. The spending programme will finance interventions that help to achieve these objectives and address the underlying challenges. Well-defined objectives are therefore key both to the design of the spending programmes and to measuring their performance. Given their

<sup>2</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Better regulation: Joining forces to make better laws

central role, these objectives are enshrined in the relevant legal acts for each EU spending programme.

The accompanying **Programme and Performance** fiches set out the key features of each EU spending programme under the 2021-2027 MFF, namely the challenges to address and why an intervention at EU level can add value, the programme's objectives, and the types of interventions it will finance to help achieve these objectives.

### Meaningful indicators

A system to measure progress towards the objectives requires meaningful performance indicators that monitor how the spending programmes are progressing, how the spending is delivering results, and how these results bring the programmes closer to their stated objectives. A balanced set of indicators will cover the short-term outputs, the medium-term results and the longer-term impacts of the programme to provide information on progress made throughout the programme's lifetime. The number of indicators should be limited and focus strongly on the key aspects of performance. Data need to be available for these indicators on a regular basis and must be of sufficient quality and reliability; given limited resources, the collection of such data should also be cost-efficient.

The Commission has made a major effort to identify a high-quality set of indicators for the new programmes. The overall number of indicators has been reduced from over 1 100 in the 2014-2020 period to around 700 for 2021-2027. The indicators have been carefully selected to provide a representative indication of performance on an annual basis throughout the cycle (see example in Box 2) and have been included in the basic legal texts for each programme. The Commission has worked closely with the European Parliament and the Council to make sure that these improvements were reflected in the final programmes that were adopted.

*Box 2 – Example of indicators to monitor the progress throughout the programme life cycle*

#### Horizon Europe (Programme for Research and Innovation)

Specific objective: Achieve scientific impact by creating high-quality new knowledge, strengthening human capital in research and innovation, and fostering diffusion of knowledge and Open Science.

Measuring output resulting from the financed actions: Number of peer-reviewed scientific publications.

Measuring mid-term results: Field-Weighted Citation Index of Horizon Europe peer-reviewed publications.

Measuring longer-term impacts: Number of peer-reviewed publications that are core contributions to scientific fields.

To make sure the indicators provide data that are reliable, trustworthy and comparable, the Commission is also clarifying, for each indicator, the source of information, what exactly the indicator measures, and when data will be available, together with other supplementary information. This way, all interested parties will have at their disposal all the necessary information to check the robustness of the results. The Programme and Performance fiches present the indicators together with a selection of this information for each programme.

The indicators set out in the legal bases will, in most cases, be complemented with a more comprehensive set of indicators as part of the **monitoring and evaluation framework** for each programme. This reflects the importance of robust data measuring the impacts of EU spending programmes, which the recent Commission Communication on Better Regulation highlighted again. These indicators will allow for deeper analysis of performance in the interim and ex post evaluations of the programmes, the results of which are an essential input to the design of future programmes.

### Ambitious targets

The Commission considers that it is important to set ambitious but realistic targets for the indicators, as well as intermediate milestones where appropriate. Such targets are crucial to demonstrate the value that the EU budget brings and to enhance transparency and accountability, while taking account of all the factors that can affect the pace of programme implementation. The process of setting targets must include partners, particularly Member States, in cases where the Commission relies on their cooperation for implementation.

The last part of the Programme and Performance fiches explains the methodology that the Commission is planning to use to set or update baselines and targets for each indicator. The Commission will communicate values of the baselines, milestones and targets in the programme statements accompanying the 2023 draft budget.

## Towards state-of-the-art performance reporting

The Commission has invested heavily in its performance reporting. This reflects the importance the Commission attaches to presenting coherent and user-friendly information about performance to the budgetary and discharge authorities, as well as to all other interested stakeholders, as part of the culture of transparency and accountability that the Commission has built around the EU budget. The Commission's reports on the EU budget bring together and assess both qualitative information and quantitative data on the amounts spent and results achieved. They draw on all available information from the regular annual monitoring of the programmes and, when available, the findings of in-depth evaluations. Box 3 provides an overview of the main EU budget performance reports.

The Commission's flagship report on the performance of the EU budget is the **Annual Management and Performance Report**. This summary report provides the most important facts and figures relating to performance and the Commission's management of the EU budget<sup>3</sup>. The report is sent to the European Parliament, the Council and the European Court of Auditors in the context of the annual discharge procedure, through which the implementation of the previous year's EU budget is scrutinised.

Further detail on the performance of EU programmes is provided in an Annex to the report, the **Programme Performance Overview**. It contains short fiches on each spending programme that summarise the key implementation and performance information. This is a recent innovation and has been welcomed by the European Parliament, the Council and the European Court of Auditors<sup>4</sup>.

### Box 3 – Main annual reports on the performance of the EU budget



These reports draw on information contained in the detailed **Programme Statements** accompanying the draft budget each year. The Programme Statements present comprehensive data that include and go beyond the reporting required in the legal acts and provide valuable information to support budgetary decision-making.

The added value of these reports is not only to present data, but also to analyse what these data tell us, making use of all available information. In recent years, the Commission has included a dedicated **performance assessment** section in both the Programme Performance Overview and Programme

<sup>3</sup> Article 247 of the [Regulation \(EU, Euratom\) 2018/1046](#) of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union

<sup>4</sup> European Court of Auditors: Report on the performance of the EU budget – Status at the end of 2019, adopted on 19 November 2020, section 1.40: *Most recently, the PPO, which contains a selection of indicators from the programme statements, has become an annex to the AMPR. This has made EU budget performance reporting more coherent.*

Statements, providing essential context and a balanced assessment of what the available information reveals about programme performance and implementation.

These assessments can only be as reliable as the data that underpin them, which is why the Commission puts strong emphasis on data quality and reliability. Here, the Commission relies crucially on information provided by Member States and other implementing partners or organisations. Their cooperation will be essential to further progress.

The Commission is also working to improve **data quality** management and to mitigate risks by developing a robust data quality control framework and upgrading its systems for storing and sharing performance data both within the Commission and with external stakeholders. Here, the Commission can draw on a number of existing platforms and projects (see Box 4).

All this work will be essential to further improve the information offered and its presentation and accessibility on the Commission's website to everyone interested<sup>5</sup>.

*Box 4 – Example of performance data sharing: Cohesion Open Data Platform*

The Commission already provides high-quality information on the implementation of the EU budget through a number of outlets. An important example is the main website for the cohesion policy funds, the Cohesion Open Data Platform. This provides comprehensive data and user-friendly visualisations on investment financing and achievements under the European Structural and Investment Funds 2014-2020, and there are plans to extend coverage to the 2021-2027 programmes. The platform received the first-ever Ombudsman award for excellence in open public administration.

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## Using the EU budget to drive crosscutting policy objectives

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The EU budget is more than the sum of its parts. Every spending programme has its own set of objectives and tools, designed to tackle a particular set of challenges. The dedicated programme EU4Health, newly created to address specific challenges related to health, is a case in point. However, the EU budget is at its most powerful when programmes work together to unlock synergies and promote, in a coherent way, the EU's overarching political priorities.

The EU's objective to become climate neutral by 2050, for example, will require the use of all available means, legislative as well as financial, cutting across many different policy areas and programmes. The EU budget remains relatively small compared to the overall investment needs, but by mobilising all relevant programmes and acting as a catalyst for other public and private sector investment, it can help achieve the EU's ambitions. Similarly, by emphasising in its annual reporting the progress achieved through EU programmes on the United Nations' Sustainable Development Goals, the Commission underscores the EU's commitment to playing a key role globally in supporting their achievement.

The new performance framework will progressively integrate crosscutting policy objectives into the design and implementation of the EU budget. For each of its spending programmes, therefore, the EU will address objectives specific to the programme alongside these crosscutting policy objectives. This is **policy mainstreaming**: including crosscutting policy goals in all phases of the policy cycle of the relevant programmes – design, preparation, implementation and evaluation. Box 5 covers the main themes of policy mainstreaming for the 2021-2027 period as agreed in the inter-institutional agreement.

*Box 5 – EU commitments on crosscutting policies*

Under the **inter-institutional agreement** accompanying the 2021-2027 MFF, the European Parliament, the Council and the Commission have committed to a number of important steps towards integrating crosscutting objectives into the EU budget.

A key commitment is to spend at least 30% of all resources available under the 2021-2027 MFF and NextGenerationEU on addressing the climate challenge, up from 20% in the previous period. In total,

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<sup>5</sup> [https://ec.europa.eu/info/strategy/eu-budget/performance-and-reporting/programmes-performance\\_en](https://ec.europa.eu/info/strategy/eu-budget/performance-and-reporting/programmes-performance_en)

this amounts to a historic investment package of more than EUR 600 billion. This ambitious commitment is essential to drive the EU's climate efforts and leverage other sources of financing.

In addition, the institutions have taken important commitments in relation to:

**Biodiversity:** an ambition to support biodiversity objectives with 7.5% of annual spending in 2024 and 10% in 2026 and 2027, on the basis of an effective, transparent and comprehensive methodology;

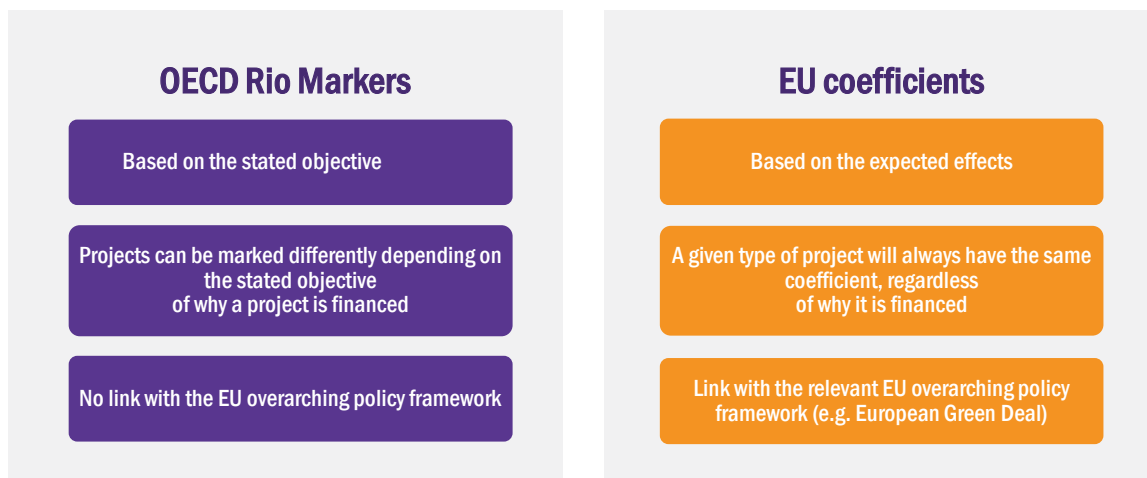
**Gender equality:** the development of a new methodology to measure the expenditure in programmes on equality between women and men and the mainstreaming of those objectives for pilot use as of 2023;

**Sustainable Development Goals:** annual reporting on the implementation of the United Nations Sustainable Development Goals in all relevant programmes.

Effective and credible policy mainstreaming requires a robust system to measure the contributions made by different EU spending programmes to a given overarching policy priority: this is known as **tracking**. Tracking requires a detailed understanding of how specific actions contribute to a given policy priority; these actions need to be identified in a way that allows the related financial resources to be counted, or tracked, and then aggregated at the level of the entire EU budget to monitor progress.

The Commission has implemented tracking methodologies for climate and biodiversity under the 2014-2020 MFF. These methodologies were based mainly on the *intent* of the financed action – i.e. whether the actions were designed to help achieve the overarching objective or were only expected to make a significantly positive contribution. The Commission is now further developing its tracking methodologies to take into account not just intent but also *expected effects* of the actions, which is what will ultimately make the difference (see Box 6).

#### Box 6 - From OECD Rio markers to EU coefficients



The OECD Rio marker system assigns a marker to each project depending on whether that project is financed because of climate considerations – principal relevance / 100% – whether it is financed for other reasons but makes a significant, positive contribution – significant relevance / 40% – or not – no relevance / 0%. That system is simple to use with low administrative cost, given that projects are categorised based on why they are financed without requiring a deeper understanding of their effects.

Given the risk that the same action would be categorised differently depending on why it was financed<sup>6</sup>, the Commission started moving already in the 2014-2020 MFF towards a system of classification by type of action. For the 2021 – 2027 MFF, the European Commission is further developing that tracking system to use **EU climate coefficients**. These retain the three-tier system from the OECD Rio markers but further reinforce a classification of types of action by their expected effects on climate that is consistent across the EU budget.

<sup>6</sup> A building renovation project, for example, would be classified differently if done to address energy efficiency concerns or to increase living surface, even if the effect on energy consumption was the same.



An important first step was taken in the climate tracking methodology for the new Recovery and Resilience Facility where substantive conditions have been included in the categories to reflect considerations of effect to the extent possible. The Commission is working on extending this system across the EU budget, reflecting new policy developments, in particular the European Green Deal and the new “Taxonomy of Sustainable Finance”<sup>7</sup>.

Reaching the overall **target** for climate spending or the ambition level set for biodiversity will require all contributing programmes to do their part. This means that the overall target must be translated into objectives and targets at the level of individual spending programmes. Where spending programmes are implemented jointly by the Commission and the Member States, national and regional authorities need to work together with the Commission to assign relevant targets to the respective programmes at national and regional level.

For multiannual spending targets, such as for climate, there also need to be appropriate **adjustment mechanisms** to ensure that any shortfalls in earlier years can be made up through changes in programming in later years. Here, all institutions – the European Parliament, the Council and the Commission – need to work closely with all budget implementation partners, particularly the Member States, to ensure that the EU can live up to the targets.

Next to the green transition, the digital transition is critically important, as also highlighted by the COVID-19 crisis. At least 20% of expenditure under the Recovery and Resilience Facility will support investments and reforms in the field of digital transformation. Also through the MFF, many programmes such as Horizon Europe, the structural funds, and InvestEU will include significant funding for the digital transition. The Commission is committed to further integrating the digital dimension into the performance framework.

Of course, tracking expenditure is only the start. What ultimately counts is whether this expenditure is effective at achieving policy goals, be they fighting climate change, advancing the digital transformation, or promoting gender equality. Here, the effects of various different programmes need to be assembled and aggregated. The Commission is developing suitable methodologies for this purpose. This work will provide crucial information about how to identify and harness synergies in the budget and integrate horizontal priorities most effectively in future budgetary cycles.

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## Using performance information for decision-making and policy design

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A modern performance framework will generate high-quality performance information, providing a clearer picture than ever before of what the EU budget is achieving. It will deepen the understanding of what is working well and where improvements might be needed depending on early warning signals of potential challenges in the performance of individual programmes and in the contribution to crosscutting policies. In other words, it will provide a powerful **management tool**, allowing the Commission to better diagnose problems and take the necessary corrective steps, where required, in a timely manner.

Performance information can also help to inform decision-making on the budget. The EU budget is by design an investment budget, in which predictability of financing streams over time is crucial. This also means that the performance of funding programmes can only be measured and understood comprehensively over the medium to long term. Nonetheless, annual monitoring further increases the capacity of the Commission and of the budgetary authority to react flexibly and quickly to unforeseen urgencies and evolving priorities, and to assess and justify shorter-term changes in how resources are allocated.

In the longer run, comprehensive performance information will play a vital role in the design of future programmes. Evaluations will assess how well programmes have achieved their objectives, how relevant they are in adding value to EU citizens’ lives, and how coherent they have been with the broader policy objectives. They will provide a comprehensive analysis of results and impacts, allowing

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<sup>7</sup> [Regulation \(EU\) 2020/852](#) of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment; [EU taxonomy Climate Delegated Act](#)

lessons to be drawn on the strengths and weaknesses of the programmes. This will provide important insights for the design of future spending programmes.

Implementing a harmonised performance framework will mean that this analysis is not limited to individual programmes. Rather, the Commission's ambition is to integrate performance information from across the EU budget to build a comprehensive overview of its performance as a whole. The Commission will work towards integrating this overview with a better understanding of the interaction and synergies between spending programmes, of the pros and cons of different modes and tools of budgetary implementation, and of how EU programmes can contribute most effectively to crosscutting policy goals.

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## Conclusion

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The EU budget is evolving in a rapidly changing world. The largest package ever financed through the EU budget will help the EU to recover from the immediate economic and social damage done by the coronavirus pandemic, kick-start the recovery and prepare for a better future.

It is a unique opportunity to ensure that this historic package delivers results on the ground. This is the essence and core of a modern performance framework for a modern EU budget. Success will require the shared commitment of all involved in designing and implementing the budget: the EU institutions, but also the Member States, as well as all other European and international partners involved in budget implementation.

We have already made significant progress in strengthening the performance framework for the EU budget, and the new spending programmes mark a watershed in its development. Now, it is time to take this ambition forward together. European Parliament, Council and Commission should use the available information to make better budgetary decisions. Member States and the Commission should jointly translate crosscutting spending targets into operational targets in individual programmes. Member States and the Commission should work together on data quality and timeliness. The EU should communicate clearly and proudly what its policies and programmes are delivering for all Europeans. It should remain transparent about challenges faced, and be ready to take appropriate action where required.

All this work, ultimately, is undertaken for the benefit of our citizens. We must be able to demonstrate not only that the EU budget is managed responsibly, but that it is delivering for all. This is why the new EU budget has been designed with performance at its core. It is now time to put this new budget – and this new performance framework – into action. To show that the EU provides value for money and is worthy of citizens' trust.