

Control, transparency and traceability of performance-based instruments

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The Committee on Budgetary Control adopted an own-initiative report by Monika HOHLMEIER (EPP, DE) on the control, transparency and traceability of performance-based instruments.

Performance-based instruments are reshaping the way the European Union finances its policies. By linking payments to the achievement of milestones and targets, rather than to the reimbursement of eligible costs, they promise to accelerate reforms and strengthen the focus on results. The Recovery and Resilience Facility (RRF) was the first large-scale application of this model, and the Commission has proposed to embed it more widely through National and Regional Partnership Plans in the next Multiannual Financial Framework.

Issues related to transparency, accountability and effective control of performance-based instruments

Members reaffirmed that performance-based instruments must **respect the principles of legality, regularity, economy, efficiency, and effectiveness**, and that simplification should never come at the expense of sound financial management and transparency. They called for **risk-based and proportionate controls** and insisted that indicators for performance-based instruments should capture tangible results and the EU's added value rather than just predefined outputs.

Members are concerned that Commission proposals envisage using a model similar to the RRF in the next Multiannual Financial Framework (MFF) for most of the Union's funding programmes. They consider it important to **learn from the shortcomings** identified in the RRF's centralised, performance-based implementation model, in particular reduced accountability and limited EU-level oversight of compliance with rules and regulations.

The report emphasised the need to:

- ensure **transparency regarding the final beneficiaries** through a uniform and interoperable information system at Union level, which is accessible to the Commission, the European Court of Auditors, the European Public Prosecutor's Office and Parliament;
- ensure that future performance-based instruments are accompanied **by more specific key performance indicators**, are harmonised from one Member State to another, are designed transparently and are stable over time;
- provide adequate safeguards to ensure **sound financial management** in the implementation of Union funding;
- ensure that any application of non-cost-related financing is fully compliant with the **rule of law** conditionality regulation.

The report states that the widespread use of non-cost-related financing increases the risk of irregularities, double funding, and fraud. Concerns exist regarding the Commission's capacity to effectively monitor the implementation of the Revenue and Reconciliation Fund (RRF). Members are concerned that performance-based instruments using non-cost-related financing focus more on auditing systems than on monitoring actual expenditure incurred. They deplored the fact that, for instruments such as the RRF, the European

Court of Auditors has found audit trails to be incomplete. They also expressed regret over the heavy reliance on national authorities and external auditors, as well as the fragmentation of IT and data systems across Member States.

Recommendations

The report warned against the widespread use of financing not linked to costs: this should be **limited to small projects**, while complex projects should remain cost-based. Moreover, Members stressed that budget simplification must also lead to **budget transparency**. They advocated for a **unified accountability system** that enables the traceability of EU budgetary contributions to specific projects and their real final beneficiaries. EU funding should only be granted to **measures directly linked to concrete and verifiable projects** that demonstrate tangible progress and measurable results, contribute to achieving the EU's strategic objectives, and are subject to effective monitoring and controls.

The report recommended, *inter alia*:

- the establishment of a single, integrated and interoperable **information and monitoring system**, including a single data mining and risk-scoring tool; the use of this new interoperable system must be a precondition for accessing Union funding in the next MFF;
- the evaluation of the **achievement of milestones and targets** by the Commission, taking into account data provided by Member States and following a standardised and transparent method;
- greater **transparency in the implementation** of performance-based instruments so that Parliament, the European Court of Auditors and citizens can scrutinise the use of Union funds;
- better access for the European Court of Auditors to all **databases** and information systems of the Commission used for the collection, exchange and monitoring of data between the Commission and Member States;
- strengthening the **reporting of information** on performance-based instruments in order to include project-level data;
- improving **audit trails** and putting in place robust safeguards to ensure consistency, independence and quality of audit work in all Member States;
- the introduction of **AI-based predictive analytic tools** that would enable auditors to conduct real-time assessments, detect anomalies and conduct targeted reviews in the event of systematic deficiencies identified by the European Court of Auditors;
- enhancing transparency by expanding the **RRF scoreboard** model to all performance-based instruments.