



2025/2032(INI)

10.11.2025

DRAFT REPORT

on control, transparency and traceability of performance-based instruments
(2025/2032(INI))

Committee on Budgetary Control

Rapporteur: Monika Hohlmeier

CONTENTS

	Page
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION.....	3
EXPLANATORY STATEMENT	12

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on control, transparency and traceability of performance-based instruments

(2025/2032(INI))

The European Parliament,

- having regard to Articles 311, 312, 319, 323 and 324 of the Treaty on the Functioning of the European Union (TFEU),
- having regard to Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027¹ and to the joint declarations agreed between Parliament, the Council and the Commission in this context and the related unilateral declarations,
- having regard to Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union² (the Financial Regulation),
- having regard to Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget³ (the Rule of Law Conditionality Regulation),
- having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97⁴,
- having regard to its resolution of 15 December 2022 on upscaling the 2021-2027 multiannual financial framework: a resilient EU budget fit for new challenges⁵,
- having regard to its position of 27 February 2024 on the draft Council regulation amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027⁶,
- having regard to the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources⁷ (the IIA),

¹ OJ L 433 I, 22.12.2020, p. 11, ELI: <http://data.europa.eu/eli/reg/2020/2093/oj>.

² OJ L, 2024/2509, 26.9.2024, ELI: <http://data.europa.eu/eli/reg/2024/2509/oj>.

³ OJ L 433 I, 22.12.2020, p. 1, ELI: <http://data.europa.eu/eli/reg/2020/2092/oj>.

⁴ OJ L, 2024/1263, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1263/oj>.

⁵ OJ C 177, 17.5.2023, p. 115.

⁶ OJ C, C/2024/6750, 26.11.2024, ELI: <http://data.europa.eu/eli/C/2024/6750/oj>.

⁷ OJ L 433 I, 22.12.2020, p. 28, ELI: http://data.europa.eu/eli/agree_interinstit/2020/1222/oj.

- having regard to its position of 16 December 2020 on the draft Council regulation laying down the multiannual financial framework for the years 2021 to 2027⁸,
- having regard to the European Court of Auditors (ECA) annual report of 10 October 2024 on the implementation of the EU budget for the 2023 financial year, together with the institutions' replies,
- having regard to ECA special report 13/2024 of 2 September 2024 entitled 'Absorption of funds from the Recovery and Resilience Facility – Progressing with delays and risks remain regarding the completion of measures and therefore the achievement of RRF objectives', ECA special report 14/2024 of 11 September 2024 entitled 'Green transition – Unclear contribution from the Recovery and Resilience Facility', and ECA special report 22/2024 of 21 October 2024 entitled 'Double funding from the EU budget – Control systems lack essential elements to mitigate the increased risk resulting from the RRF model of financing not linked to costs',
- having regard to ECA review 03/2025 of 16 June 2025 entitled 'Opportunities for the post-2027 Multiannual Financial Framework', ECA review 04/2025 of 19 June 2025 entitled 'The Future of EU Cohesion Policy: Drawing lessons from the past',
- having regard to its resolution of 7 May 2025 on a revamped long-term budget for the Union in a changing world, and to the opinion of the Committee of Budgetary Control for the Committee on Budgets on a revamped long-term budget for the Union in a changing world⁹,
- having regard to the report of its Committee on Budgetary Control of 23 April 2025 on discharge in respect of the implementation of the general budget of the European Union for the financial year 2023, Section III – Commission, executive agencies and the ninth, tenth and eleventh European Development Funds,
- having regard to the Commission report of December 2023 entitled 'Study supporting the mid-term Evaluation of the Recovery and Resilience Facility',
- having regard to the 2024 annual report of the European Public Prosecutor's Office (EPPO), published on 3 March 2025,
- having regard to the report of September 2024 by Mario Draghi entitled 'The future of European competitiveness' (Draghi report),
- having regard to the opinion of the European Committee of the Regions of 8 October 2024 entitled 'Mid-term review of the post-COVID European recovery plan (Recovery and Resilience Facility)'¹⁰,
- having regard to the information published on the Recovery and Resilience Scoreboard (RRF Scoreboard),

⁸ OJ C 445, 29.10.2021, p. 240.

⁹ Texts adopted, P10_TA(2025)0090.

¹⁰ OJ C, C/2024/7057, 4.12.2024, ELI: <http://data.europa.eu/eli/C/2024/7057/oj>.

- having regard to its in-house research, in-depth analysis and briefings related to the implementation of the RRF,
 - having regard to the report of 17 April 2024 by Enrico Letta entitled ‘Much more than a market – speed, security, solidarity: empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens’ (the Letta report),
 - having regard to the report of 20 February 2024 of the Commission’s High-Level Group on the Future of Cohesion Policy entitled ‘Forging a sustainable future together – Cohesion for a competitive and inclusive Europe’,
 - having regard to the Commission communication of 11 February 2025 entitled ‘The road to the next multiannual financial framework’ ([COM\(2025\)0046](#)),
 - having regard to the Commission communication of 29 January 2025 entitled ‘A Competitiveness Compass for the EU’ ([COM\(2025\)0030](#)),
 - having regard to the European Council conclusions of 20 March 2025, 6 March 2025 and 19 December 2024,
 - having regard to the political guidelines for the 2024-2029 Commission term, presented by the President-elect of the Commission on 18 July 2024,
 - having regard to the opinion of the European Committee of the Regions of 20 November 2024 entitled ‘EU budget and place-based policies: proposals for new design and delivery mechanisms in the MFF post-2027’¹¹,
 - having regard to the Commission proposal of 16 July 2025 for a regulation of the European Parliament and of the Council establishing a budget expenditure tracking and performance framework and other horizontal rules for the Union programmes and activities (COM(2025)0545),
 - having regard to its resolution of 18 June 2025 on the implementation of the Recovery and Resilience Facility¹²,
 - having regard to the report of the Committee on Budgetary Control (A10-0074/2025),
 - having regard to Rule 55 and Rule 148(2) of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A10-0000/2025),
- A. whereas sound financial management, as defined in the Financial Regulation, requires that Union funds be implemented in accordance with the principles of economy, efficiency and effectiveness, ensuring that resources are used in a cost-effective manner, that objectives are achieved in due time, in appropriate quantity and quality, and at the best price, and that the intended results and impacts are delivered;

¹¹ OJ C, C/2025/279, 24.1.2025, ELI: <http://data.europa.eu/eli/C/2025/279/oj>.

¹² Texts adopted, P10_TA(2025)0128.

- B. whereas, when Union financing takes the form of support not linked to the reimbursement of eligible costs but to results, outputs or other performance indicators, payments depend on the achievement of predefined milestones or targets, which must be verified before any disbursement is made;
- C. whereas this approach, by decoupling disbursements from actual expenditure, severely limits the availability of data on actual costs and therefore limits the ability to assess economy, efficiency and effectiveness;
- D. whereas the absence of expenditure verification increases the risk of inflated or unrealistic cost estimates, undermining sound financial management, transparency and accountability; whereas the ECA has repeatedly warned of shortcomings in cost assessments, variability in national audit standards, and weaknesses in Commission oversight capacity;
- E. whereas wide discretion in assessing whether milestones and targets have been fulfilled may lead to inconsistent treatment of Member States;
- F. whereas the ECA has identified numerous weaknesses in the design of the Recovery and Resilience Facility's control system, including over-reliance on national bodies, incomplete audit trails, systemic failures and risks of inconsistent application across Member States;
- G. whereas democratic accountability requires that Parliament's role as legislator and budgetary and discharge authority be safeguarded, with strict accountability mechanisms and full transparency on the final recipients of Union funds, and whereas Member States and other national authorities should not be considered final recipients of Union funding;

Challenges affecting the transparency, accountability and effective control of performance-based instruments

1. Reaffirms 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;
2. Notes that the Recovery and Resilience Facility is the first major performance-based instrument at EU level that is exclusively based on financing not linked to costs (FNLC); further notes that the RRF model has been replicated in other financial instruments such as the Ukraine Facility and the Western Balkans Facility; takes note of the proposals of the Commission to use a similar model in the next multiannual financial framework (MFF) for most EU financing programmes;
3. Reiterates its concern that the centralised, performance-based delivery model of the Recovery and Resilience Facility has revealed critical weaknesses, acknowledged by the Commission, including reduced accountability and limited EU-level oversight of compliance with rules and regulations; underlines that transparency regarding final recipients remains insufficient, and that the added value for the EU has been weakened by the limited number of cross-border projects and the inadequate decision-making

power of subnational entities, in particular local and regional authorities, in the design and implementation of the facility;

4. Considers that, although the RRF is intended to be a performance-based instrument, its financing is often not linked to performance since it focuses more on outputs than on results; believes that future performance-based instruments should establish more specific key performance indicators, ensuring that investments align with the objectives of the instrument and deliver clear added value for the EU;
5. Stresses that reliance on ex ante cost estimates without verification of actual expenditure creates a structural accountability gap, limits the possibility of assessing value for money, and thus risks undermining the principles of economy and efficiency in the implementation of EU funds;
6. Is extremely concerned by the Commission's proposals to make generalised use of FNLC in the next MFF, without adequate safeguards to ensure sound financial management in the implementation of Union funding; stresses its concern about such a major shift towards a new model of budget implementation without adequately addressing the shortcomings identified in previous or existing performance-based instruments and without a comprehensive evaluation of the Recovery and Resilience Facility;
7. Asserts that the generalised use of FNLC increases the risk of irregularities, double funding and fraud, thereby reducing transparency and traceability of EU funds; stresses that this could ultimately hinder Parliament's scrutiny over the implementation of the EU budget and undermine its role as discharge authority;
8. Notes with concern that, at the end of 2024, the EPPO was handling 311 active cases related to NextGenerationEU, all but four of which concerned the RRF, representing approximately 17 % of all active expenditure fraud investigations; notes further that the estimated damage to the EU's financial interests amounts to EUR 2.8 billion, representing 30 % (2023: 25 %) of the total estimated damage resulting from all EU expenditure fraud;
9. Expresses concern that performance-based instruments using FNLC focus more on system audits rather than controls on actual expenditure incurred; warns that such system audits may not reveal underlying issues which can spill over and seriously undermine the sound financial management of the Union budget and the protection of the financial interest of the Union; believes that even under the current financial architecture and model of implementation for EU funding, control systems of several Member States have shown systemic weaknesses, resulting in a failure to detect and prevent fraud or other irregularities, such as for the OPEKEPE case in Greece or the cases involving rural development funds in Slovakia; calls therefore on the Commission to take decisive corrective measures, strengthen audit and accreditation procedures, and ensure that similar systemic failures cannot recur, while respecting the principle of proportionality regarding reporting and documentation duties;
10. Notes with concern the absence in the legislation of performance-based instruments, such as the RRF, and in the Commission proposals for the MFF 2028-2034 of clear standards and thresholds for when national management and control systems are

considered insufficient or unreliable, thereby leaving corrective measures or suspensions to discretionary judgement;

11. Underlines that the generalised use of FNLC requires the European Court of Auditors and national audit authorities to significantly adapt their activities and move towards a different auditing approach; warns that such a shift, without ensuring the readiness of audit authorities, will pose significant challenges and could create a structural gap in the audit trail with serious consequences for both the sound financial management of the Union budget and the discharge procedure;
12. Regrets the incomplete audit trails observed by the ECA under the performance-based instruments, such as the RRF, which weaken traceability and limit the ability of Parliament and the ECA to exercise scrutiny;
13. Emphasises that heavy reliance on national authorities and external auditors, without strong safeguards and detailed Commission guidance, technical assistance and dedicated training on performance audit methodology, risks variability in quality and independence of controls;
14. Insists that audit bodies in Member States comply with internationally accepted audit standards; warns that failure to do so undermines the reliability of their work and poses risks to the Single Audit approach; notes the ECA's repeated findings of certain national audit authorities' shortcomings in terms of scope, quality, documentation and reporting; stresses the need for a clear framework of responsibilities to guarantee quality and consistency;
15. Emphasises that fragmented IT and data systems across Member States increase the risk of errors, irregularities, double funding, delays and inconsistent reporting; recalls that, in order to ensure full traceability of EU funds, Parliament has repeatedly called for the establishment of a single, integrated and interoperable information and monitoring system, including a single data mining and risk-scoring tool, building on – but not limited to – existing tools and databases in the context of the recast of the Financial Regulation; regrets, however, the refusal of Member States to make the use of such a system compulsory from the beginning of the next MFF; welcomes the Commission's ongoing effort to develop such an interoperable system, building on the ARACHNE tool and urges all Member States to make full use of this system; stresses that the effectiveness of any new funding model depends on the reliability and consistency of the underlying data and monitoring tools; underlines that such a system must provide accurate and timely information, minimise false positives, and function in a stable and dependable manner;
16. Stresses that shared management in the next MFF must involve regional and local authorities and stakeholders including in the case of performance-based instruments, both in the decision making and planning phase and in the implementation phase, to ensure the added value for the EU of cross-border projects and to focus on measurable results rather than outputs;
17. Notes that combining grants and financial instruments in performance-based frameworks adds complexity and increases the risks of double funding, irregularities, fraud, over-compensation and weak accountability chains; stresses in particular that

when financing is not linked to costs, the absence of cost verification further heightens the risk of overlaps between different funding streams and undermines assurance of sound financial management;

18. Points out that performance-based monitoring does not necessarily reduce administrative burdens, but that, on the contrary, weak verification systems may create hidden costs without ensuring stronger assurance; considers that any shift to the use of performance-based delivery models requires capacity building at the EU level and in Member States as the monitoring, control and audit needs in the case of performance-based delivery models differ from those of instruments based on the reimbursement of eligible costs;
19. Warns that the growing use of performance-based instruments, without strengthening parliamentary scrutiny, risks shifting institutional balances in favour of executive discretion and away from democratic accountability; insists that any governance model for performance-based instruments must involve Parliament and the Council on equal terms; rejects any proposal to upset the institutional balance and undermine Parliament's role as the budgetary and discharge authority;

Recommendations for strengthening control, transparency and accountability of performance-based instruments

20. Believes that the FNLC model for performance-based instruments should not be used as a generalised method of implementation or reimbursement between the Member States and beneficiaries, except for smaller beneficiaries implementing projects under certain financial thresholds; underlines in particular that large-scale and complex projects should remain cost-based, as their scope, duration and multi-level financing require detailed financial reporting and verifiable expenditure data to ensure proper monitoring and accountability; calls for the continued and expanded use of lump sums and simplified cost options, in particular for smaller or medium-scale investments, as effective and proportionate tools to reduce administrative burdens, increase accessibility for smaller beneficiaries, and maintain accountability and traceability in the use of Union funds;
21. Stresses that Union financing should be granted only for measures directly linked to concrete, verifiable projects that demonstrate tangible progress, measurable results, contribute to Union policy objectives, and can be effectively monitored and audited;
22. Calls on the Commission to refrain from introducing complex or speculative cost estimation methodologies, which risk undermining transparency and comparability across Member States; urges instead the development and wider use of harmonised and verifiable simplified cost options that provide clarity, reduce administrative burdens and maintain an appropriate level of accountability;
23. Calls for unambiguous compliance criteria to determine when any performance-based instruments fulfil planned outputs or results, with uniform definitions across Member States;
24. Calls for periodic assessments of real costs incurred in the implementation of performance-based instruments against the cost estimates of Member States in order to

prevent discrepancies; believes that such assessments should automatically trigger controls and audits in cases where there are significant differences between real and estimated costs;

25. Insists that any use of the FNLC model must require a correlation between the payment applications and the fulfilment of milestones and targets on the one hand and the implementation of concrete projects on the other hand; stresses that without such correlation, the traceability of Union funding is severely compromised;
26. Calls for the establishment of a single, integrated and interoperable information and monitoring system, including a single data mining and risk-scoring tool; demands that the use of this new interoperable system should be a precondition for accessing Union funding in the next MFF;
27. Demands that the Commission establish and publish clear thresholds for corrective measures, including severity levels, to guarantee equal treatment and consistent enforcement;
28. Insists that the assessments of the fulfilment of milestones and targets must be performed by the Commission and not Member States and must follow a transparent and standardised methodology, with documented scoring and substantiated justification for any deviations above the legal threshold; calls for all assessment files to be made available to Parliament and the ECA;
29. Demands greater transparency in the implementation of performance-based instruments, including the timely publication of all Commission assessments, national reporting data, audit summaries, and recovery actions, in a format that is accessible, comparable and verifiable, ensuring that Parliament, the ECA and citizens can scrutinise the use of Union funds; stresses that access to information should follow a cascade approach – ensuring full and unrestricted real-time access for the ECA, a guaranteed and unrestricted right for Parliament to pose questions and request information, and appropriate, transparent access for citizens following the rulings of the Court of Justice of the European Union; recalls that all transparency measures must comply with data protection requirements under the General Data Protection Regulation and relevant Union legislation; emphasises that the public available data must accurately reflect the actual implementation and progress of projects, rather than planned commitments or disbursements made solely for the fulfilment of milestones and targets under national plans, thereby providing a genuine picture of results achieved on the ground;
30. Stresses that all Commission databases and information systems used for the collection, exchange and monitoring of data between the Commission and the Member States must be accessible to the ECA; underlines that the ECA should have direct and prompt access to the original data as recorded in the system, without prior modification, aggregation or editing by national authorities or Commission services; emphasises that such access is essential to ensure the independence, reliability and effectiveness of audits and to uphold transparency and accountability in the implementation of the Union budget;
31. Calls for enhanced reporting of performance-based instruments to include project-level data similar to that of the Cohesion Policy, providing the geographical distribution of funding and interventions at subnational level;

32. Calls for improved audit trails by requiring systematic documentation of verification steps and ensuring that records are complete, accessible and auditable at both EU and national levels;
33. Demands that the Commission put in place robust safeguards to ensure consistent, independent and high-quality audit work across all Member States, including through detailed methodological guidance, sustainable technical assistance wherever audit authorities show persistent weaknesses, and dedicated training on performance audit standards; insists that reliance on national authorities and external auditors must be conditional on compliance with these safeguards to prevent variability in control quality and independence;
34. Calls for the introduction of predictive analytic tools powered by AI as well as machine learning capabilities that would enable auditors to conduct real-time risk assessments and identify anomalies more effectively;
35. Requests that the Commission strengthen safeguards for financial instruments, including stricter management fee ceilings, transparent rules for direct awards, and controls to prevent double funding and breaches of State aid rules; demands that the management fee ceilings, in particular for direct awards to fund managers for equity or quasi-equity products should not erode the value for money of Union support, especially where the volume of operations is modest;
36. Reiterates the need to enhance transparency by expanding the RRF Scoreboard model to all performance-based instruments, to improve the timeliness and comparability of national reporting, and ensure public access, traceability and accountability; urges the Commission to ensure full interoperability of EU and national data systems, to reduce manual inputs, improve data quality and enable real-time traceability down to the level of final beneficiaries; calls in this context on the Commission to ensure that data on the real, final recipients of performance-based instrument funding, including contractors and sub-contractors, is available in real-time to audit and discharge authorities as well as to the EPPO and the European Anti-Fraud Office;
37. Insists that Parliament's prerogatives as legislator, budgetary authority and discharge authority must be fully respected, and that it be granted access to all necessary data to exercise its functions;
 - o
 - o
 - o
38. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

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.

This shift has undeniable advantages: it simplifies procedures, emphasises outputs, and can increase political ownership of reforms. Yet it also introduces significant risks for control, transparency and accountability. The European Court of Auditors has already identified weaknesses in the design of the RRF control system, including incomplete audit trails, heavy reliance on national authorities and variability in control quality across Member States. The European Parliamentary Research Service has highlighted shortcomings in national reporting and the limits of transparency tools such as the RRF Scoreboard and expert groups. The recent European Parliament's study on performance and mainstreaming framework for the EU budget for the Committee on Budgets has further underlined gaps in data systems, monitoring weaknesses, and the limits of the European Parliament's engagement.

These lessons must be taken seriously. Without access to data on actual costs of EU-funded interventions, it is difficult to demonstrate value for money. Without clear thresholds for corrective action, enforcement risks becoming inconsistent or arbitrary. Without transparent methodologies for assessing milestones and targets, there is a danger of unequal treatment between Member States. And without stronger parliamentary involvement, democratic accountability is weakened.

This report therefore calls for a stronger framework of control and transparency for performance-based instruments: harmonised methodologies, interoperable data systems, robust audit trails, and clear criteria for corrections. It urges the Commission to expand transparency tools, to ensure full traceability of beneficiaries and final recipients and to strengthen safeguards for financial instruments. Most importantly, it insists on a greater role for Parliament in the governance of performance-based instruments.

The European Commission is proposing to channel hundreds of billions of euros through this model in the coming years. If designed well, performance-based instruments can deliver reforms effectively and can reinforce trust in the EU. If not, they risk eroding accountability and weakening the link between EU financing and sound financial management. This own-initiative report aims to ensure that the lessons from the RRF are fully incorporated into the next generation of instruments, so that performance is matched by integrity, transparency and democratic oversight.