



REPLIES OF THE EUROPEAN COMMISSION

TO THE EUROPEAN COURT OF AUDITORS' SPECIAL REPORT

The Recovery and Resilience Facility's
performance monitoring framework
Measuring implementation progress but not sufficient to
capture performance

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This document presents the replies of the European Commission to observations of a special report of the European Court of Auditors, in line with Article 259 of the [Financial Regulation](#) and to be published together with the special report.

I. THE COMMISSION REPLIES IN BRIEF

The Recovery and Resilience Facility (hereinafter “RRF”), at the heart of the EUR 800 billion NextGenerationEU recovery plan for Europe, was established in the midst of the COVID-19 pandemic to help the Member States recover faster and become more resilient.

It provides a powerful tool at the European level to support an accelerated and ambitious green and digital transition. Yet, its implementation is taking place in a constantly evolving context, marked by Russia’s unprovoked invasion of Ukraine, high inflation, and an energy crisis. To address these new challenges, national plans are being complemented by REPowerEU Chapters to reduce EU’s dependence on Russian fossil fuels, accelerate the clean energy transition, support the reskilling of the workforce, and address energy poverty.¹

The Facility is an innovative, performance-based instrument, where payments are made to Member States, as beneficiaries, upon delivering reforms and investments pre-agreed in national recovery and resilience plans. Therefore, payments under the RRF are - by nature – linked to the satisfactory fulfilment of milestones and targets and not to actual costs.

Milestones and targets are the backbone of the RRF performance monitoring framework.

These are proposed by Member States, assessed by the Commission, and ultimately adopted by the Council. If relevant, they can be further specified in the Operational Arrangements (OA). As the ECA notes, milestones and targets differ in their level of ambition (§27). The Commission confirms that this is the case as each milestone or target is tailored to capture the nature of each reform and investment at stake, taking into account the specificities of their implementation at national level. The Commission does not consider that this is a limitation that hampers the capacity of milestones and targets to measure the implementation of the RRF. Similarly, the Commission recalls that the verification mechanisms set out in the Operational Arrangements are not binding (§29), as their purpose is not to modify the requirements to be met for the fulfilment of milestones and targets, but to build common understanding with Member States on the type of evidence that could be provided to justify the fulfilment of milestones and targets. Finally, the Commission highlights that according to the RRF Regulation, milestones and targets are intended to measure progress towards the achievement of investments and reforms to be carried out under the RRFs. Therefore, the Commission sees no requirement in the RRF Regulation for milestones and targets to cover all measures contained in RRFs until their full completion (**see Section II.1**).

Other elements to monitor the performance of the Facility include the common indicators (established by means of Delegated Act) which measure the progress of the RRF towards its specific and general objectives set out in Article 3 of the RRF Regulation.²

The ECA considers that the common indicators cover to a limited extent the six pillars and the policy areas linked to each pillar (§42). However, the Commission notes that neither the RRF Regulation, adopted by the co-legislators, nor the Delegated Act 2021/2106 envisage the coverage by common indicators of policy pillars (defined in Article 4 as the scope of RRF Regulation), nor of policy areas, which were defined by the Commission at technical level solely for communication purposes (**see section II.2**).

¹ Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC

² REGULATION (EU) 2021/241 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 12 February 2021 establishing the Recovery and Resilience Facility

Member States report on common indicators twice a year and are responsible for the quality of data. The Commission recalls that it has provided extensive guidance to national authorities and stands ready to further support Member States in complying with their reporting obligations. The support provided by the Commission includes the set-up of an IT reporting tool (“FENIX”) which facilitates the reporting by Member States in a user-friendly and standard format. However, the Commission has no legal ground to assess, alter or refuse data submitted by the Member States when reporting on common indicators (§67) (see section II.3).

Information reported in FENIX are regularly published by the Commission in the Recovery and Resilience Scoreboard³. This online platform contains data on several aspects of the RRF and the national plans, ensuring a high degree of transparency and accountability. Its features and content are regularly updated and improved by the Commission. Among other information, the Scoreboard displays the disbursements by pillar, namely the contribution of fulfilled milestones and targets to the six pillars (§79). In this respect, the Commission considers that the ECA’s recommendation to report on actual expenditures by pillars (Recommendation 4(b)) would be technically and legally impossible, as Member States are not obliged to report on incurred costs under the RRF Regulation (see section II.4).

Finally, the RRF Regulation provides for the publication by the Commission of several reports and for its regular dialogue with the European Parliament to inform on the progress of the RRF. In line with the ECA’s view, the Commission will further develop its guidance to ensure streamlined terminology used in country reports (§90). The Commission also agrees that the methodology underlying the data displayed in the Scoreboard could be further clarified (§80-83). However, the Commission considers that the ECA’s recommendation that the annual report should provide data on actual expenditures would not be feasible and would sit out of the scope of the RRF Regulation for the reasons referenced earlier (§87). The Regulation is clear on the performance nature of the RRF and explicitly provides in Article 29(3) that specific reporting on expenditure must be based on the break-down of the estimated expenditure of the RRFs (see Section II.5).

II. COMMISSION REPLIES TO MAIN ECA OBSERVATIONS

1. Milestones and targets

The Commission notes that the ECA acknowledges that overall, the **milestones and targets are suited to measure the progress made in implementing investments and reforms** (§27) - in line with Article 2(4) of the RRF Regulation.

Milestones and targets are indeed designed to capture the progress in implementing measures included in each specific plan, in very different national contexts. To this end, they are tailored to the Member States and the type of reform and investment at stake, and their level of ambition is not expected to be comparable across Member States (§Box 1).

Milestones and targets are proposed by the Member States, assessed by the Commission, and ultimately adopted by the Council through an Implementing Decision. With a view to further clarifying technical elements related to the implementation of the plans, Article 20(6) of the RRF Regulation states that Member States and the Commission shall agree on additional details regarding

³ https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/

milestones and targets and verification mechanisms to be included in operational arrangements (OA). Such *verification mechanisms* indicate a general agreement between the Commission and the Member State on how the latter intends to demonstrate fulfilment of milestone and target requirements. The same document contains, in addition, *further specifications* which indeed are meant to clarify the requirements that milestone and targets should meet, in line with Article 20(6) of the RRF Regulation. For this reason, **during the assessment of payment requests, the Commission considers only further specifications as binding elements, not the verification mechanisms** (§29).

Finally, the Commission acknowledges that **ensuring good coverage of reforms and investments by milestones and targets is key to measure their progress**. The Commission is of the view that this is the case for all agreed plans. The Commission also observes that only in very rare instances the last milestone or target does not indicate completion (§31-32). In any case, **the Commission notes that there is no requirement in the RRF Regulation for milestones and targets to measure the completion of reforms and investments**. The inclusion of completion milestones and targets for all type of measures is not always relevant or possible and would have created disproportionate burden for both national authorities and the Commission, with little impact on the final results. Ultimately milestones and targets are proposed by the Member States as the plans reflect the specificity of national contexts. For this reason, the Commission cannot oblige Member States to abide to a standard structure.

2. Common indicators

Common indicators are meant to report on the progress of the Facility towards its objectives, for the purposes of monitoring and evaluation (RRF Regulation, Article 29(4)). To this end, Member States report on common indicators twice a year (Article 29(5)), and the Commission publishes this data in the Recovery and Resilience Scoreboard (Article 30) and in the annual reports (Article 31).

The ECA acknowledges the overall clarity of common indicators in terms of what needs to be measured and how, **and that Member States representatives also found the guidance provided by the Commission clear and prompt** (§38).

The decision by the co-legislators to establish common indicators by means of a delegated act⁴ - as foreseen by Article 29(4) of the RRF Regulation - explains the timing of their adoption and the consecutive late introduction in the process (§40). The draft Delegated Act was indeed available from July 2021 and was adopted by the Commission in September 2021. Its entry into force took place in December 2021, following the end of the scrutiny period by the Council and the Parliament (§40). In addition, common indicators reflect the position of the co-legislators and - in order to capture contributions of all 27 RRFs - their formulation differs depending on the sector. More precisely, under the RRF, **common indicators are expected to cover aspects which are common across most of the plans and not the contributions by specific plans. This justifies their different level of details and scope** (§39).

The Commission considers that some of the ECA's observations go beyond the requirements of the RRF Regulation and the Delegated Act. The ECA assessed that common indicators cover the RRF's objectives only partially (§41). However, in the Commission's view the RRF Regulation does not require that common indicators should cover every element of the specific and

⁴ Commission Delegated Regulation (EU) 2021/2106 of 28 September 2021 on supplementing Regulation (EU) 2021/241 of the European Parliament and of the Council establishing the Recovery and Resilience Facility by setting out the common indicators and the detailed elements of the recovery and resilience scoreboard.

general objectives laid down in Article 4 of the RRF Regulation. Furthermore, the RRF Regulation does not require the common indicators to cover the six pillars set out in Article 3 (§42).

Additionally, the ECA observes that common indicators do not cover all policy areas under each pillar (§43). In this respect, **the Commission notes that these policy areas are not mentioned in the Regulation and have been introduced by the Commission at technical level only for communication purposes.** Furthermore, the Commission stresses that, in line with the RRF Regulation, the purpose of common indicators, is to report on progress of the Facility as a whole towards RRF objectives – and not of single measures. Therefore, they do not need to comprehensively cover all investments and reforms included in the RRFs.

Finally, common indicators were designed to capture – to the maximum extent possible - the results of the Facility. However, **there is neither a legal requirement to distinguish between result-based and output-based common indicators nor for common indicators to capture the impact of the Facility** (§48). The Commission stresses that there is a difference between the monitoring of the progress of the Facility during its implementation, and the ex-post evaluation of its impact, which is a separate exercise foreseen in the Regulation through two reports (Article 32, RRF Regulation) and which is not the aim of the common indicators.

3. Member States reporting and data quality

The ECA considers that the Commission and Member States managed to set up IT systems and governance and control structures for the RRF within a short timeframe (§54). **In addition, several Member States have put in place automated procedures to transfer data across IT systems, with a benefit for the quality and reliability of data** (§61). Ensuring simple and standard reporting by Member States has been key to allow a proper collection, monitoring, and verification of data, for control and communication purposes. For this reason, the Commission has put strong efforts to timely set up the FENIX reporting tool in a context of crisis. FENIX proved to be fit for purpose and flexible enough to adjust to the evolving context, integrating new functions and set of data (e.g. REPowerEU) (§54-57).

The Commission is indeed performing regular system audits and audits on milestones and targets in all Member States and has accepted the inclusion of additional milestones in the plans to ensure that the national control systems were adequate to prevent, detect and correct fraud, corruption, and conflicts of interests. In addition, national authorities accompany each payment request with a summary of the audits carried out at national level, as well as a management declaration (in line with Article 22(1)(c)). Finally, the fulfilment of milestones and targets is scrutinised by the European Court of Auditors in the framework of Statement of Assurance Audits.

Concerning the timing of quality checks performed by Member States on fulfilled milestones and targets, the Commission has indeed encouraged national authorities to perform audits before the submission of the payment request in order to underpin the statements made in the management declaration (§63). It has also provided guidance and highlighted good practices of Member States which are already performing this type of audits⁵. However, it should be noted that **the RRF Regulation does not require Member States to carry out audits before submission of payment requests and does not envisage specific timing for such controls.**

⁵ See the minutes of the “15th meeting of the informal Expert Group for the implementation of the Recovery and Resilience Facility”, of 23 September 2022: [Register of Commission expert groups and other similar entities \(europa.eu\)](https://register.consilium.europa.eu/doc/serve/-/10170/20220923)

Regarding data on common indicators, **the Commission confirms that the Regulation establishes lighter reporting duties with respect to common indicators, considering that these are not linked to disbursements (§67)**. Despite not being responsible for the quality of data on common indicators – as this lies solely with the Member States – the Commission provided extensive guidance to national authorities⁶ and performed basic plausibility checks, requesting clarifications and corrections where needed, going beyond the requirements of the Regulation. However, **the Commission wants to stress that the quality of the data on common indicators is ultimately the responsibility of the Member States and that it has no basis to alter or refuse specific reporting by Member States (§68)**. It is also important to recall that, the ECA's observations on the quality of data on common indicators are based on the first two rounds of reporting, at an early stage of the implementation of the RRF (§65).

Considering the early stages of implementation, the Commission considers that allowing Member States to provide estimates when reporting on common indicators enabled them to start reporting on achieved progress of the Facility taking into account reforms and investments which are operational but not yet completed (§69-70). Clearly, asking national authorities to report only on already collected data would exclude relevant progress which cannot be easily or promptly measured (e.g. because of time lags in the data collection). Finally, **common indicators are broad in their definition and more high-level by nature to be able to fit the diverse RRFs and reporting systems**. Hence, using estimates is often the best available manner to report on the contributions of some measures to the common indicators. When doing so, Member States must provide a methodological explanation in FENIX of how this estimate is calculated, which is checked by the Commission.

4. Scoreboard

The Commission shares the view of the ECA that the Recovery and Resilience Scoreboard is user-friendly, interactive, and easy to navigate, with information presented in a visually attractive way (§74-75). It also notes that, according to the ECA, the way the RRF's progress under the six pillars is presented is misleading and the Scoreboard is not always transparent in presenting data for the common indicators (§80-81). The Commission agrees to the ECA's recommendation to improve the clarity and transparency of the data reported on the Scoreboard.

As regards the disbursements per pillar displayed in the Scoreboard (§79), **the Commission would like to recall that reporting on disbursements by policy pillars cannot be based on actual costs, due to the very nature of the RRF according to which disbursements are linked to satisfactory fulfilment of milestones and targets and not to incurred costs**. Considering the performance-based nature of the RRF, the importance of both reforms and investments for the recovery and resilience of Member States and the lack of information on actual costs, the Commission considers that the methodology that it uses to report on disbursement by pillar provides a good approximation to capture the contribution to the six pillars of the disbursements paid under the RRF.

⁶ To facilitate the reporting on common indicators by Member States, the Commission provided a guidance note, a user-friendly reporting tool (FENIX) and a template for the mapping of common indicators. For further information, see 9th and 13th meeting of the "Informal expert group on the implementation of the Recovery and Resilience Facility (E03772)" at the online "Register of Commission expert groups and other similar entities" available at <https://ec.europa.eu/transparency/expert-groups-register/screen/expert-groups/consult?lang=en&groupID=3772>

5. Reporting obligations for the Commission

In addition to the general reporting obligations for the Commission – namely the annual activity report, annual management and performance report for the EU budget, and programme statements – **the RRF Regulation provides for specific reporting to ensure a high degree of transparency and accountability.** This includes the publication of a review report in 2022 (Article 16), of annual reports on the implementation of the Facility (Article 31), and the regular provision of information to the European Parliament through the Recovery and Resilience Dialogue (Article 26), whose timing and frequency is deemed appropriate by the ECA (§89). Further information is also displayed in the Recovery and Resilience Scoreboard (Article 30) and, considering the close link between the RRF and the European Semester, a dedicated chapter on the advancement of RRP has been included in each country report (§84).

The early stage of implementation of the RRF has limited the amount of information that the Commission could include in the annual and the review reports issued in 2022 (§86 and §88). However, **the Commission does not consider that the RRF Regulation is unclear whether the annual report should refer to actual or estimated expenditure when presenting disbursement by pillars.** The Commission considers that the Regulation clearly lays out the RRF as a performance-based instrument where incurred costs are not taken into account, in line with the rules on simplification relating to financing not linked to costs laid down in Article 125(1) of the Financial Regulation 2018/1046. More precisely, **the Regulation explicitly provides in Article 29(3) that specific reporting on expenditure must be based on the break-down of the estimated expenditure of the Recovery and Resilience Plans.** Therefore, there is no legal ground for the Commission to otherwise collect, or to disclose or report on any such data for performance reporting purposes.

Furthermore, **the Commission recalls that programme performance statements are meant to present the budget allocation and implementation state of play, the common indicators as well as the annual performance assessment of the programme and its contribution to the EU's transversal priorities, in particular climate, biodiversity and gender equality.** The programme performance statement for the RRF covers all this information (§90).

Finally, concerning the country reports, the Commission has already developed guidance for the drafting of country reports and has centralised the drafting of the RRP Annex to improve consistency across the reports. **The Commission accepts to ensure streamlined terminology as suggested by the ECA (§90).**

III. COMMISSION REPLIES TO THE CONCLUSIONS AND RECOMMENDATIONS OF THE ECA

Recommendation 1 – Ensure a comprehensive performance monitoring and evaluation framework

When designing instruments based on financing not linked to costs, the Commission should address in its performance monitoring and evaluation framework the main policy areas and the most significant effects, including, where possible, results and impacts.

Target implementation date: when designing instruments based on financing not linked to costs.

The Commission **partially accepts** this recommendation. This recommendation prescribes elements of future legislation and programme design, going beyond the RRF. The Commission cannot prejudge the content of future potential legislative proposals and monitoring and evaluation frameworks, which will need to be tailored to the specific situation and as such cannot be subject to an ex-ante framing. This is particularly important for making sure that legislative proposals reflect an evidence-based approach, following the principles of Better Regulation. In this context, before taking a decision on the appropriate reporting framework, the Commission will notably carefully assess the costs implications for Member States' administrations, stakeholders, project promoters and the Commission services.

Recommendation 2 - Improve the quality of data on the common indicators

The Commission should:

- (a) in cooperation with Member States, improve the quality of the data reported for the common indicators, as these play an important role in performance reporting and evaluation;**
- (b) ensure that the data reported for the common indicators only includes RRF-supported interventions once they are completed or, in the case of infrastructure, operational.**

Target implementation date: for each round of reporting on the common indicators, starting from February 2024.

The Commission **partially accepts** Recommendation 2(a).

Firstly, the Commission recalls that, according to the RRF Regulation, it is the Member States' responsibility to report to the Commission on common indicators (Article 29(5)). As a result, the Commission has no legal ground to alter or refuse specific reporting by Member States nor to perform systematic thorough checks on data submitted by the Member States.

Secondly, the Commission recalls that Article 29(1) of the RRF Regulation requires that the monitoring of implementation shall be targeted and proportionate to the activities carried out under the RRF.

To help national authorities in the reporting, the Commission has provided guidance and requested clarifications and corrections of the data where needed, following the basic plausibility checks performed and therefore going beyond the requirements of the Regulation. Nonetheless, the Commission accepts to provide further support to member States to help them improve the quality of the data on the common indicators.

The Commission **partially accepts** Recommendation 2(b).

The Commission recalls that it is the Member States' responsibility to report to the Commission on common indicators and that the Commission does not have access to the underlying data used by National authorities to report on common indicators. The Commission therefore cannot 'ensure' that specific data are or are not included in the reporting by the Member States. However, the Commission accepts to continue asking Member States to report data on the common indicators when the achievements of RRF interventions are operational or once they are completed. Furthermore, the

Commission considers that all reforms and investments included in the recovery and resilience plans are supported by the Facility, and therefore the common indicators report achievements of all measures in the plans, including those (partially) funded by other EU funds.

Recommendation 3 – Improve the transparency and quality of the data reported on the Scoreboard

The Commission should improve the information as well as the way in which it is presented and clearly indicate its limitations, in particular by explaining the underlying methodologies and explicitly stating, where applicable, that the data is estimated and/or not comparable across member states.

Target implementation date: by end of 2023.

The Commission **accepts** to improve the presentation of data displayed on the Scoreboard and to improve explanations with regard to its limitations, in particular by better explaining the underlying methodologies and explicitly stating, where applicable, that the data is estimated. The Commission will also clarify the methodological explanations for the “disbursements per pillar” and the pillar tagging methodology.

Recommendation 4 – Ensure more informative and consistent reporting

The Commission should:

- (a) when designing instruments based on financing not linked to costs, address the need for clear and consistent terminology, in particular on important matters such as reporting obligations, and the collection of the information needed to assess the efficiency of the programme;**
- (b) report on actual expenditure financed by the Facility under the six pillars, which forms the basis for the assessment of the efficient use of resources;**
- (c) in its annual reports, provide more detailed information on the implementation status of the RRFs. For example, it should provide information on the pillars/policy areas with delayed milestones and targets, possible reasons for these delays and their impact on implementation of the RRF;**
- (d) further develop the methodology for all country reports under the European Semester to ensure consistent reporting on RRFs’ implementation progress, both overall and with respect to the milestones and targets.**

Target implementation date: a) when designing instruments based on financing not linked to costs, b), c) and d) for the next round of reporting in 2024.

The Commission **accepts** Recommendation 4(a) and is willing to take it into account during the preparation of future legislative proposals to the extent possible and in line with the principles of Better Regulation. However, the Commission cannot prejudge the content of future potential legislative proposals.

The Commission **does not accept** Recommendation 4(b).

The RRF is a performance-based instrument, with payments linked to the satisfactory fulfilment of milestones and targets and not to actual costs. Recital 18 explicitly provides that payments under the RRF “should not be subject to controls on the costs actually incurred by the beneficiary” (i.e. the Member States). Furthermore, the RRF Regulation explicitly provides in Art. 29(3) that “the Commission shall report ex-post on the expenditure finance by the Facility under each of the pillars (...). Such reporting will be based on the break-down of the estimated expenditure provided in the approved Recovery and Resilience Plans.”

Additionally, the Commission does not agree that reporting on actual expenditure by six pillars is essential to assess the efficient use of resources, and the Commission stresses that it is not provided for by the Regulation. From an EU budget perspective, measuring efficiency corresponds to comparing how much is paid by the EU budget with actual results achieved on the ground, which in the RRF context are measured through the satisfactory fulfilment of milestones and targets.

The Commission **accepts** Recommendation 4(c).

The Commission can include more information on on-track and delayed milestones and targets per pillar in future reporting on the implementation of RRF. The Commission is also willing to provide aggregate information regarding the reasons for the delays, to the extent that such information is made available to it and while respecting the confidential character of some of the reporting by the Member States.

The Commission **accepts** Recommendation 4(d).

The Commission agrees to further develop the guidance for all country reports under the European Semester to ensure consistent terminology on RRFs’ implementation progress, both overall and with respect to the milestones and targets. The Commission has already aligned the reporting on the implementation of the RRF in annex 3 of the country reports with the RRF Scoreboard.