EUROPEAN COURT OF AUDITORS

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Press Release

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EU auditors: performance-based financing is not yet a reality in cohesion policy

The EU has policies in place to improve the economic, social and territorial cohesion of its Member States. It introduced three dedicated instruments in the 2014-2020 period to incentivise performance. According to the European Court of Auditors (ECA), which has published a special report on performance-based financing in EU cohesion policy today, there is still a lot to be done to ensure that funding is channelled towards measures and projects which deliver the best results.

The EU pursues its cohesion policy objectives by means of co-financing investments in Member States. The results of these investments are key to achieving EU's objectives. In the area of cohesion policy, more performance-based policy financing could help the EU to channel funds towards the most effective programmes and measures and achieve the best results.

The 2014-2020 common provisions regulation introduced three instruments giving Member States financial incentives to achieve results and optimise their use of funding. It stipulated that conditions had to be put in place to ensure that the ESI Funds were used effectively and efficiently ("ex-ante conditionalities"). It set up a €20 billion performance reserve (6 % of cohesion spending) of money to be allocated to successful programme priorities in 2019, for the last two years of the period. And it put in place performance-based funding models which go some way towards making EU financial support contingent upon pre-defined outputs and results being achieved, or on conditions being fulfilled.

The ECA has carried out an audit to assess how the Commission and Member States had used these new instruments for performance-based financing during the 2014-2020 period.

"*We found that the introduction of the performance framework in the 2014-2020 period had contributed to a cultural change in the financial management of cohesion policy*," said Ladislav Balko, the ECA member responsible for the report. "*However, we also found that there is still no clear link between financing and programme performance in the area of cohesion. While the three new instruments introduced in the 2014-2020 common provisions regulation led to new approaches to implementation, they did not make any noticeable difference to the way EU funding is allocated and disbursed*."

The purpose of this press release is to convey the main messages of the European Court of Auditors' special report. The full report is available at eca.europa.eu.

The auditors make a number of recommendations to the Commission for future improvement. They recommend that enabling conditions (which are similar to ex-ante conditionalities, which they have replaced) should be used to their full potential in the 2021-2027 programme period. They also encourage the Commission to prepare the ground early for an effective mid-term review for the 2021-2027 period. And they suggest that two things should be made clearer: the rules governing the "financing not linked to costs" funding model, and the approach for providing assurance on EU funding through that model.

Background information

Making cohesion policy more performance-based is a shared objective of the European Parliament, the Council and the Commission. Financial resources allocated to implement the cohesion policy correspond to around a third of the EU budget (357 billion for the 2014-2020 financial period and 373 billion for 2021-2027). Spending is based on a system of shared responsibility between the European Commission and national authorities.

Special report No 24/2021, "*Performance-based financing in Cohesion policy: worthy ambitions, but obstacles remained in the 2014-2020 period*", is available on the ECA website in English; other language versions will follow shortly.

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