

GUIDANCE FICHE

PERFORMANCE FRAMEWORK REVIEW AND RESERVE IN 2014-2020

VERSION 3 – 19 JULY 2013

RELEVANT PROVISIONS IN THE DRAFT LEGISLATION

Regulation	Articles
Common Provisions Regulation	Article 18 – Performance reserve Article 19 – Performance review Article 20 – Application of the performance framework Annex II – Method for establishing the performance framework

This document is a provisional text. It is without prejudice to the on-going negotiations in the trilogues between the Council Presidency and the European Parliament. In particular, it does not take account of the ongoing discussions on the performance reserve and does not also take a final position on whether or not technical assistance is included in the performance framework.

INTRODUCTION

The result orientation of the future European Structural and Investment Funds¹ (ESI Funds) is based on three pillars: a clear articulation of the objectives of programmes with a strong intervention logic (the result orientation of programmes); the definition of ex ante conditionalities to ensure that the necessary prerequisites are in place for the effective and efficient use of Union support, and the establishment of clear and measurable milestones and targets to ensure progress is made as planned (performance framework).

The achievement of the objectives of the ESI Funds requires that the plans to spend resources on certain operations and deliver certain outputs are appropriate and that strategies are well designed and based on sound evidence. The result orientation sets the broad framework of what is intended to be achieved, recognising that there can be other contributing factors which can affect the result.

On the other hand, the performance framework, which consists of selected financial, output and result indicators as well as key implementation steps for each priority, is intended to ensure the programmes deliver what is under their control. This means that the priorities are implemented as planned and the programme is kept on course to achieve its objectives. In particular, problems should be anticipated and tackled as soon as they arise.

This guidance concerns the performance framework and the associated performance reserve (5% or 7% of the resources allocated to the European Investment and Structural Funds, except for the European territorial cooperation goal² and the Youth Employment Initiative) which will be allocated to programme priorities which are successful, as well as the suspension of payments and application of financial corrections in relation to priorities with serious failure.

¹ These include the ERDF, ESF, CF, EAFRD and the EMFF.

² However, programmes under the European territorial cooperation goal are still required to have a performance framework for each of priority.

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1. PERFORMANCE FRAMEWORK

The performance framework is one of the tools to achieve a result-orientation of the ESI Funds. It is a table in which a set of milestones and targets is defined for each priority³ in a programme. The achievement of milestones will be assessed in 2019 and will form the basis for the allocation of the performance reserve and possibly the suspension of payments. The achievements of targets will be assessed in 2025 and might form the basis of financial corrections.

1.1. Building blocks

The performance framework consists of different types of indicators set at the level of the priority⁴, with progress formally assessed at different points in time.

Milestones and targets

The milestones are intermediate targets set for indicators to be achieved by 31 December 2018 and to be assessed in 2019. The targets themselves are set to be achieved by 31 December 2023 and their accomplishment will be assessed at the closure of the programming period in 2025.

According to Annex II of the Common Provisions Regulation (CPR), both milestones and targets shall be:

- realistic, achievable, relevant, capturing essential information on the progress of a priority;
- consistent with the nature and character of the specific objectives of the priority;
- transparent, with objectively verifiable targets and the source data identified and, where possible, publicly available;
- verifiable, without imposing a disproportionate administrative burden;
- consistent across the programmes, where appropriate.

This guidance sets out how these criteria can be assured.

Types of indicators

The progress towards achieving milestones and targets is to be monitored by reference to four categories of indicators: financial, output and result indicators and key implementation steps. The first two categories must be included in the performance framework, while the result indicators are to be used where appropriate. If result indicators are included in the performance framework, they need to be closely linked to the supported policy interventions and to deliver measurable achievements at the review points. The key implementation steps

³ The question of whether a performance framework is required for technical assistance priorities remains open and will be decided in the autumn.

⁴ In line with article 2 (8) of the CPR, 'priority' means the 'priority axis' referred to in Part Three of this Regulation (General Provisions applicable to the ERDF, the ESF and the CF) and the 'Union priority' referred to in the EMFF Regulation and in the EAFRD Regulation.

are used when necessary, normally where no outputs would be achieved at a milestone stage.

All these indicators are part of the intervention logic of a programme. For each priority in a programme, it should be clear how spending the amount of resources allocated on the planned outputs will contribute to the expected results. A subset of the indicators which can measure progress towards the achievement of programme objectives is selected for the performance framework.

Financial indicators

There should be one financial indicator per priority.

For all ESI Funds except the EAFRD, the financial indicator should relate to the total amount of eligible expenditure entered into the accounting system of the certifying authority. This means the total amount of expenditure incurred by beneficiaries and paid in implementing operations.

For the EAFRD, the financial indicator should relate to the realized expenditure entered into the monitoring system, i.e., expenditure on completed operations for which the final payment to the beneficiary has been made and which the Managing Authority has entered into the operations database of a rural development programme's monitoring system. A detailed definition of what constitutes realized expenditure will be contained in the guidance on rural development policy's common monitoring and evaluation system (CMES).

Output indicators

The output indicators included in the performance framework are selected by the Member States (or the authority designated by them) from among the indicators already chosen for the programme⁵.

In order to capture the essential information on the progress of a priority, the aim is to relate the selected indicators to operations representing the majority of the resources allocated to a priority. However, the number of indicators selected for a priority should be as low as possible, as increases in their number raises the risk of failing the milestone set (see performance review below).

For all ESI Funds except the EAFRD, the fund-specific common indicators can be used as output indicators for the performance framework, where relevant.

For the EMFF, the common output indicators will be defined in an Implementing Act and will be linked to the measures included in the programme.

For the EAFRD, the Managing Authorities must use the selected common output indicators and fixed percentages for milestones as specified for the rural development priorities. These indicators and the fixed percentages will be defined in the EAFRD's common monitoring and evaluation system.

⁵ For Integrated Territorial Investments the indicators are fixed in the relevant priorities.

Result indicators

All indicators relate to priorities which are aligned with thematic objectives. These are, in turn, aligned with the Europe 2020 objectives. However, the result indicators may not be appropriate for the performance framework because of the timing when results can be achieved and the need for evaluation to disentangle the effects of the policy from those of factors external to the programme.

In the case of ERDF, CF and EMFF, result indicators are not recommended for performance frameworks. For the EAFRD the Managing Authorities must use the selected common result indicators and fixed percentages for milestones as specified for the rural development priorities. These indicators and the fixed percentages will be defined in the EAFRD's common monitoring and evaluation system (CMES). For the ESF,⁶ immediate result indicators may be used as they are very closely linked to the supported person or entity and the data are thus available in time.

Key implementation steps

Key implementation steps can be an important stage in the delivery of a priority, whose completion is verifiable. Their achievement could be expressed either in the form "yes" or "no" (for example, "All major projects for building waste water treatment plants submitted to the European Commission") or by a number or percentage (for example, "Works have started on 80% of selected locations to eliminate level crossings").

In a situation where no measurable output is expected by the end of 2018 (for example, due to the lengthy implementation of infrastructure projects, kilometres of new railroad will not be completed), a key implementation step should be used to set a milestone (for example, award of contracts for laying rail tracks). Since by 2023 outputs must be delivered and can be demonstrated by an appropriate output indicator, key implementation steps should not be used as end of programme targets.

Complex priorities involving the ERDF and ESF

In the case of priorities covering more than one Fund, the indicators, their milestones and targets, and their achievement values must be broken down by Fund and category of region.

1.2. Agreeing the framework

Partnership Agreement

Each Member State outlines in the Partnership Agreement the methodology and mechanisms to ensure consistency in the functioning of the performance framework across programmes and ESI Funds, while the actual performance frameworks (indicators

⁶ The question if result indicators are required for performance frameworks of ESI Funds priorities remains open and will be decided in the autumn (see in particular Art. 87(2)(b)(v) CPR which does not include result indicators).

and their respective milestones and targets) are included in the programme⁷ for each priority.

The guidance provided in the draft template of the Partnership Agreement calls upon the Member State to give an overview of how consistency in the selection of indicators and the setting of milestones and targets is ensured across programmes and priorities. This may include guidance provided at national level for the preparation of the performance framework to ensure a consistent approach or an existing framework establishing rules and principles on setting of milestones and targets fulfilling this function also for the ESI Funds (e.g. national rules on strategic planning). Where there is any monitoring mechanisms designed to ensure early detection of potential performance issues and the system for the follow-up of detected issues should also be included.

Programmes

The performance frameworks should be presented in the programmes in accordance with the standard format set out in Annex II of the CPR:

Priority axis (priority for the EAFRD & EMFF)	Indicator and measurement unit, where appropriate	Milestone for 2018	Target for 2023

In the case of the ERDF, the ESF and the CF, the template for the operational programme adds two more columns to indicate source of data and explanation of the relevance of the indicator, where appropriate. It includes also a field, where the managing authorities may add qualitative information on the set-up of the performance framework, including the basis for selecting indicators and setting milestones and targets. This should facilitate the negotiations of the programme.

In the case of EAFRD and EMFF, it will not be necessary to describe the basis for selecting indicators and setting milestones as these will be defined in the Fund-specific rules.

Ex-ante evaluation

The ex-ante evaluation plays an important role in preparation of the performance frameworks, although differently depending on the Fund in question.

For all ESI Funds, except the EAFRD, the ex-ante assessment of each programme should address the suitability of milestones and targets selected. The ex-ante evaluators should first analyse whether milestones are relevant, i.e. "*capturing essential information on the progress of a priority*" (Annex II (3)). This is consistent with the recommendation above that the output indicators should represent the majority of expenditure for a priority.

⁷ In line with article 2 (7) of the CPR 'programme' means 'operational programme' referred to in Part Three of this Regulation (General Provisions applicable to the ERDF, the ESF and the CF) and in the EMFF Regulation, and 'rural development programme' referred to in the EAFRD Regulation.

The ex-ante evaluators may advise on the selection of appropriate milestones and targets and in doing so they could document the basis for the recommended indicators and their milestones and targets, including the indicators' representativeness of the content of the priority, the clarity of their definition and the appropriateness of the milestones and targets set, based on past performance for similar indicators and other evidence.

The ex-ante evaluators should also analyse whether the milestones can realistically be achieved at the review point in 2018, as well as the cumulative targets established for 2023. The key issue in this regard is to ensure that milestones and targets are not unrealistically low or high – based on the evidence of past experience. For this analysis, the ex-ante evaluators may also consider the rhythm of implementation of the programme in the current period and resources proposed to be allocated to the priority.

In analysing the milestones, the evaluator should reflect on the timing of delivery of priorities of programmes and the different types of indicators. The key question to ask is: "What should be achieved by the end of 2018?" Therefore for financial indicators, a milestone would be expected to be somewhere between the N+3 amount and the cumulative allocation for the 2014-2018 period. For output indicators, it is clear that the timing of delivery can be different depending on the type of intervention (e.g., number of participants, enterprises supported or kilometres of railway built). This analysis should take account of the timing of the delivery. The same concern arises for key implementation steps.

In the case of EAFRD, the output indicators and their milestone values (a fixed percentage of the relevant target value) will be derived from the EAFRD's common monitoring and evaluation system set out in the Fund-specific rules. Therefore, the role of the ex-ante evaluator will be to assess only whether the final target values proposed by the programming authorities are appropriate and realistic.

Examination by the European Commission

The European Commission examines the performance frameworks presented by the Member States (or the authority designated by them) in the programmes in the light of information provided in the Partnership Agreement.

For all ESI Funds except the EAFRD, the European Commission will verify if appropriate indicators have been selected and check if both the milestones and targets are: realistic and achievable (taking into account – *inter alia* – the timeframe, form of intervention and resources allocated to meet them), relevant (to the objectives of the priority), capturing essential information on the progress of the priority, consistent with the nature and character of the specific objectives, transparent (objectively verifiable targets and data sources identified and publicly available), verifiable without disproportionate administrative burden and consistent across programmes where appropriate.

In the case of EAFRD, where common indicators and common milestone values will have been defined in Fund-specific rules, the Commission's role will be to examine the proposed target values.

For all ESI Funds, the analysis of performance frameworks will be the responsibility of the desk officers and units negotiating the programmes, who will familiarise themselves with the relevant sections of the Partnership Agreement, the programme and their ex-ante

evaluations (or any other documentation on the setting of milestones and targets provided by the Member State).

When assessing the performance frameworks the desk officers may take into account the evidence from past programmes and completed projects and perform a plausibility check on the milestones or targets against other data (for example, size of financial allocation, size of population targeted by the intervention, etc.).

If there is insufficient evidence to indicate that the milestones and targets meet the criteria set in the CPR, the Commission will ask the Managing Authority for additional explanations and may ask for more indicators to be selected and milestones and targets to be adjusted.

For all Funds, coordination units responsible for evaluation or monitoring in the respective DG will act as help desk, providing training and guidance and a consistency check.

2. MONITORING PERFORMANCE

Other than the two formal reviews, scheduled for 2019 and the closure of the programming period, performance will also be monitored regularly by the European Commission and the monitoring committee for each programme.

European Commission

The managing authority includes information on progress in achieving the milestones and targets in the Annual Implementation Reports (AIR), beginning from the reports submitted in 2017. The data transmitted relate to values for indicators for fully implemented operations, except for the ESF where it also relates to partially implemented operations.

Following this examination the European Commission may make observations to the managing authority concerning issues which significantly affect the implementation of the programme. In such a case, the managing authority should provide all necessary information with regard to those observations and, where appropriate, inform the Commission within three months of the measures taken.

The performance of each programme is also the subject of the annual review meeting for all programmes, convened every year (unless decided otherwise) from 2016 until 2023 and attended by the representatives of the European Commission and the Member State.

Monitoring Committee

The monitoring committee reviews implementation of the programme and progress towards achieving its objectives, taking into account – *inter alia* – the milestones defined in the performance framework. The monitoring committee may also make observations to the managing authority regarding implementation of the programme and its evaluation, and should then monitor actions taken as a result of its observations.

Revision of milestones and targets

The Member State may propose the revision of milestones and targets in duly justified cases, such as a significant change in the economic, environmental and labour market conditions in a Member State or region, or in the case of changes in allocations for a given priority. The procedure foreseen in Article 26 of the CPR for amending programmes applies.

3. PERFORMANCE REVIEW AND ITS CONSEQUENCES

3.1. Performance review

The formal performance review will be carried out in 2019 on the basis of the information and the assessments presented in the annual implementation reports (AIR) or progress reports submitted by the Member States by the end of June 2019.

The European Commission has two months from the date of receipt of the AIR for the preceding year to examine the achievement of the milestones at the level of priorities and to adopt a decision, by means of implementing act, to determine for each Member State and ESI Fund, the programmes and priorities which have attained their milestones.

The European Commission and Member States recognise that selecting relevant indicators and fixing milestones and targets is still a challenge. For this reason, a milestone will be deemed to be achieved at the level of a priority, if all the indicators included in the related performance framework meet at least 85% of their intermediate targets. This level is set in order to avoid the negative incentive to fix milestones and targets at too low a level but to maintain a level of ambition.

The level of achievement for the key implementation steps will be quantified depending on how it is being expressed. If the milestones can only be either fully achieved (for example: all contracts for laying rail tracks were awarded) or not achieved (for example: all but one contract have been awarded), then, consequently, their level of achievement can only be either 100% or 0%. However, if the milestone can be quantified (for example: number of contracts for laying rail tracks awarded as percentage of all such contracts to be signed), then, their level of achievement may be represented by any value from within the range 0-100% and the 85% achievement threshold applies.

The performance review will be carried out on the basis of the data input by the managing authorities into the SFC2014 system.

3.2. Allocation of the performance reserve

No later than 3 months after the European Commission adopts the decision on priorities and programmes that met their milestones, the Member State proposes the attribution of the performance reserve among the priorities and programmes set out in the European Commission decision. This does not concern programmes under the European territorial cooperation goal, as no reserve is set for them. Neither does it concern the ESF allocation to the YEI and the specific allocation to the YEI, as both are excluded from the performance reserve.

Within 2 months from receiving the proposal to amend a programme, unless the European Commission has a justified reason for objecting, it approves the amendment.

This timing will necessitate informal collaboration between the Commission and the Member States in advance of the deadlines, as the Commission will need to have an overview of the complete proposal for the allocation of the reserve across programmes before any programme modifications can be agreed. This will include an assessment of the respect of requirements for allocation by Fund, category of region and thematic concentration.

In a situation where one or more priorities of a programme fail to meet their milestones, the performance reserve may be still allocated to the remaining priorities, which met their milestones.

The reserve will not be allocated for the priorities or programmes, for which a Member State fails to submit information on progress against the milestones in the AIR or progress report in line with article 44(4) or 44(5) of CPR.

3.3. Modification of targets as a result of allocation of the performance reserve

Allocation of the reserve to a priority will require that all the targets for that priority (including the ones set within the performance framework) are reviewed and amended as necessary, to take account of the additional resources allocated.

If milestones have been significantly overachieved in 2018, the Commission will insist – where appropriate – on more ambitious target setting for the end of the programme.

3.4. Suspension of payments

The European Commission may suspend, in accordance with the procedure laid down in fund-specific rules, all or part of an interim payment of a priority of a programme if the following two cumulative conditions are met:

- The formal performance review in 2019 provided evidence that a priority has seriously failed to achieve the milestones relating only to financial indicators, output indicators and key implementation steps set out in the performance framework due to clearly identified implementation weakness.

A priority will be presumed to have seriously failed to achieve the milestones, if two or more of the indicators related to a priority fail to achieve 65% of their intermediate target (at least 35% underperformance). The result indicators will not be taken into account for this assessment.

- The European Commission has communicated previously to the managing authority the clearly identified implementation weaknesses (Article 44(7) of the CPR) following close consultations with the Member State concerned, and the Member State has failed to take the necessary corrective action to address such weaknesses.

A decision to suspend interim payments may be adopted not earlier than six months after the clearly identified weaknesses have been communicated. The suspension will be lifted without delay when the Member State has taken the necessary corrective actions

4. FINANCIAL CORRECTIONS

At the end of programming period, the European Commission may apply financial corrections in accordance with Article 136 (4) of the CPR if the following three cumulative conditions are met:

- The examination of the final implementation report of the programme established a serious failure to achieve the targets relating only to financial indicators or output indicators set out in the performance framework due to clearly identified implementation weakness.

A priority will fail seriously to achieve the target, if two or more of the indicators related to a priority fail to attain 65% of their target (at least 35% underperformance). The result indicators will not be taken into account for this assessment.

- The European Commission has communicated previously to the managing authority the clearly identified implementation weaknesses following close consultations with the Member State concerned, and the Member State has failed to take the necessary corrective action to address such weaknesses.
- There are no significant socioeconomic or environmental developments beyond control of the Member State that prevented the achievement of targets.

The level of financial correction is to take into account – with due respect of the principle of proportionality – the absorption level, the level of achievement of indicators and external factors contributing to the failure. The level of corrections will be determined on a flat rate basis in relation to the percentage of underachievement (ratio targets/spending).

The European Commission will be empowered to adopt delegated acts in accordance with Article 142 to establish detailed rules on criteria for determining the level of financial correction to be applied.

5. EXAMPLES OF PERFORMANCE FRAMEWORKS

Note that the example for the EAFRD uses draft milestones for output indicators. The exact milestones will take into account the final definition of the Common Monitoring and Evaluation System for rural development (CMES) indicators, the decommitment rules and will be discussed with the Member States through the Rural Development Committee.

Priority	Indicator and measurement unit, where appropriate	Milestones for 2018	Targets for 2023
ERDF			
Enhancing the competitiveness of SMEs through developing and implementing new business models for SMEs, in particular for internationalisation	Expenditure (EUR million)	220	500
	Number of enterprises receiving grants	2 500	5 000
Enhancing R&I infrastructure and capacities to develop R&I excellence and promoting centres of competence	Expenditure (EUR million)	18	42
	Scale of infrastructure completed (expressed as number researchers working there)	520	750
Developing comprehensive high quality and interoperable railway system	Expenditure (EUR million)	100	250
	Length of rail completed with speed capacity of 120 km/hour (km)		50
	Public procurement procedures completed	Yes	
ESF			
Promoting employment and supporting labour mobility through access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility	Expenditure (EUR million)	260	600
	No of participants who are either unemployed or inactive, not in education or training	110 000	240 000
	No of female participants who are either unemployed or inactive not in education or training	50 000	110 000
Promoting social inclusion and combating poverty through active inclusion	Expenditure (EUR million)	170	480
	No of participants who are inactive, not in education or training	60 000	150 000
Enhancing institutional capacity and efficient public administration through investment in institutional	Expenditure (EUR million)	100	230
	No of civil servants trained	20 000	35 000
	Strategy for administrative	yes	

Priority	Indicator and measurement unit, where appropriate	Milestones for 2018	Targets for 2023
capacity and in the efficiency of public administrations and public services with a view to reforms, better regulation and good governance	reform adopted		
EMFF			
Providing sustainable and resource efficient fisheries and aquaculture	Financial: Expenditure (EUR million)	100	250
	Number of fishing gear replaced by sustainable gear	2 000	5 000
Fostering innovative, competitive and knowledge based fisheries and aquaculture	Financial: Expenditure (EUR million)	170	480
	Number of projects enhancing product quality and use of unwanted catches	1 000	3 000
Fostering the implementation of the CFP	Financial: Expenditure (EUR million)	100	150
	Number of stocks and aquaculture species for which data were collected and transmitted	40	75
Increasing employment and territorial cohesion	Financial: Expenditure (EUR million)	100	300
	Number of Fisheries Local Action Groups (FLAGs) selected	100	100
EAFRD			
Priority 1: Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas	Total Public Expenditure (€) (measures art. 15, 16 and 36 complete)	50%	10 000 000 €
Priority 2: Enhancing competitiveness of all types of agriculture and enhancing farm viability	Total Public Expenditure P1 (€)	50%	
	Number of agriculture holdings with RDP	50%	10 000

Priority	Indicator and measurement unit, where appropriate	Milestones for 2018	Targets for 2023
	support for investment in restructuring		
	Number of agriculture holdings with RDP supported business development plan for young farmers	50%	2 000
Priority 3: Promoting food chain organisation and risk management in agriculture	Total Public Expenditure P3 (€)	50%	10 000 000 €
	Number of agricultural holdings supported under quality schemes, local markets and short supply circuits, and producer groups	50%	10 000
	Number of agricultural holdings participating in risk management schemes	50%	10 000
Priority 4: Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry	Total Public Expenditure P4 (€)	50%	8 000 000 €
	Agricultural land under management contracts contributing to biodiversity (ha)	90%	200 000
	Agricultural land under management contracts improving water management (ha)	90%	100 000
	Agricultural land under management contracts improving soil management (ha)	90%	150 000
Priority 5: Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry	Total Public Expenditure P5 (€)	50%	250 000 €
	Irrigated land switching to more efficient irrigation system (ha)	50%	15 000

Priority	Indicator and measurement unit, where appropriate	Milestones for 2018	Targets for 2023
sectors	Total investment in energy savings and efficiency (€)	50%	100 000 €
	Total investment in renewable energy production (€)	50%	80 000 €
	Total public expenditure under FA 5D "Reducing nitrous oxide and methane emissions from agriculture"	50%	200 000 €
	Agricultural and forest land under management to foster carbon sequestration (ha)	50%	100 000
Priority 6: Promoting social inclusion poverty reduction and economic development in rural areas	Total Public Expenditure P6 (€)	40%	2 000 000€
	Total public expenditure realised for LEADER (art. 41-45)	40%	1 000 000€