

# Comments on the Proposal for the Performance Regulation and Proposals for a Profound Change

*by Clean Air Action Group*

The proposed new Regulation on EU Funds (the “NRPP Regulation”)<sup>1</sup> states the following: *“The impact assessment concluded that the preferred option for the design of the [National and Regional Partnership] plans is a delivery model against pre-agreed objectives”* because it *“ensures better coherence, value for money and accountability compared to a cost-based delivery model, since the specific results to be achieved are set out in advance. Providing financial support upon the fulfilment of milestones and targets further provides incentives to deliver on the implementation of agreed measures.”*

This is a welcome move that has been promoted by civil society organisations for years.<sup>2</sup> It follows the model in the Recovery and Resilience Facility (RRF). Instead of focusing primarily on indicators of programs and projects funded by the EU, this system ties funding to the achievement of clearly defined reforms and milestones at the national level and ensuring their strict enforcement by making the disbursement of funds conditional on their fulfilment. Setting milestones and targets on national level will ensure the proper planning of public expenditures on the long-term and ensure achieving the strategic goals.

An important element of the current reform is the Performance Regulation<sup>3</sup> proposed by the Commission. It intends to ensure that „Access to clear, reliable and timely information about how the budget of the Union ... is being used and what is achieved thanks to its support...” However, the indicators listed in this regulation will not provide meaningful information on whether EU funds deliver the expected results. Just the opposite would happen: their use could easily lead to serious unintended negative consequences.

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<sup>1</sup> Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. COM/2025/565 final. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52025PC0565>

<sup>2</sup> For example: Key Civil Recommendations for the efficient use of EU funds in Central & Eastern Europe. 29.01.2024, [https://www.levego.hu/sites/default/files/EUKI\\_Key\\_Recommendations\\_CAAG.pdf](https://www.levego.hu/sites/default/files/EUKI_Key_Recommendations_CAAG.pdf)

<sup>3</sup> COM\_2025\_545\_1 Proposal 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, [https://commission.europa.eu/publications/budget-expenditure-tracking-and-performance-framework\\_en](https://commission.europa.eu/publications/budget-expenditure-tracking-and-performance-framework_en)

## A) General shortcomings

The main shortcoming of the Regulation is the fact that it does not take into account the overall, national performance of Member States. Thus, even if the use of EU funds would perfectly serve the attainment of the EU's goals, there is no guarantee that the given country's overall performance would align with those goals. Even the opposite might happen: the country might proudly display the EU-funded measures and investments while massively subsidizing activities and/or implementing measures that contradict the EU's aim (e.g. damage climate or make adaptation even more difficult).

There will be no guarantee that EU subsidies for investments will not crowd out more cost-efficient private or public investments. In Hungary, for example, many investments funded with EU money have been completely unnecessary and even harmful.<sup>4</sup>

Even if all EU-funded investments could be considered as supporting the attainment of the EU's goals, there will be no guarantee that they will be the most efficient investments (i.e., they might have substantial opportunity costs). Moreover, as practice has proven, there is no guarantee either that a large portion of the money spent on such investments will not be swallowed by mismanagement and/or corruption.

The Commission lacks the capacity to assess and control even a fraction of the project proposed and implemented by the Member States, as there are too many of these, with a lot of stakeholders involved. (For example, in the financial period 2014-2022, the Cohesion Funds financed over 1.5 million projects.<sup>5</sup>) This means that, even if the indicators would be perfect, it would be impossible for the Commission to monitor whether the implementation of the programs and projects comply with the principles of economy, efficiency and effectiveness as defined in the Financial Regulation<sup>6</sup>. Thus, as practice has proven, there is an enormous risk of the inefficient use of public money, overpricing, mismanagement and even corruption.

The NRRP Regulation already includes a strong obligation for Member States to comply with the principles of the rule of law and the Charter of Fundamental rights of the European Union. This is absolutely necessary to prevent the misuse of EU funds. This is clearly demonstrated by the case of Slovakia<sup>7</sup>, where the rule of law and the anticorruption institutions are being systematically dismantled, despite the fact that Slovakia is a member of the European Public Prosecutor's Office (EPPO) and the European Anti-Fraud Office (OLAF) has been actively investigating cases of misuse of EU money in the country. (This is not to imply that EPPO and OLAF are dispensable; just to the contrary, their capacity and role should be reinforced.) However, without appropriate milestones and targets with proper indicators, complying with the principles of the rule of law and the Charter of Fundamental rights of the European Union on their own will not be sufficient to attain the EU's targets.

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<sup>4</sup> See, for example:

Pro-European Hungarian experts about EU funding to Hungary. Clean Air Action Group, [https://www.levago.hu/sites/default/files/opinions\\_EU-funding\\_Hungary\\_2022March.pdf](https://www.levago.hu/sites/default/files/opinions_EU-funding_Hungary_2022March.pdf)

Hungarian businesses as EU rentiers. Social Europe, 29.03.2022. <https://www.socialeurope.eu/hungarian-businesses-as-eu-rentiers>

<sup>5</sup> Cohesion Open Data Platform, 2014-2020 Cohesion Policy Overview. European Commission. [https://cohesiondata.ec.europa.eu/cohesion\\_overview/14-20/#achievements](https://cohesiondata.ec.europa.eu/cohesion_overview/14-20/#achievements)

<sup>6</sup> <https://eur-lex.europa.eu/eli/reg/2024/2509/oj/eng> (Article 33)

<sup>7</sup> Slovakia: MEPs demand action to protect EU values and the EU budget. European Parliament, 20.05.2026. <https://www.europarl.europa.eu/news/en/press-room/20260513IPR43308/slovakia-meps-demand-action-to-protect-eu-values-and-the-eu-budget>

## **B) Inappropriate indicators**

As stated above, even if the indicators listed in the Performance Regulation would perfectly reflect the attainments of the EU-funded projects and measures in achieving the EU's aims, they will not provide any meaningful information on the given country's overall performance. However, even on the level of EU-funded investments and measures, most of the indicators in Annex I of the Regulation are grossly inadequate to assess the real results of EU funding. Namely, these indicators capture activity and quantity and not quality. The objective of simplicity resulted in a framework that does not assess additionality, environmental performance, or required social outcomes. In its current form, Annex I risks privileging what is easy to count over what really matters. It incentivises showing short-term, easily measurable results with very little or no benefit for society and for the environment and climate. In their current form, these indicators may also generate market distortions.

A performance framework that does not clearly link support to positive and demonstrable social, environmental and economic outcomes may therefore undermine both policy credibility and effective resource allocation.

Below, we provide only a few concrete examples of misguided indicators and intervention fields from eight Policy areas.

### **1) Policy area “Business support”**

#### **Quantity instead of quality**

The indicator “Number of enterprises supported.” (row 63, etc.) does not allow a meaningful assessment of the effectiveness, nor the additionality or EU added value of the interventions. It does not show whether there were any climate change mitigation (CCM), climate change adaptation and resilience (CCA), environmental (ENV) or social (SOC) benefits of the support. There is no indicator of what the support intends to achieve, it only captures a quantitative volume. Simply increasing the number of enterprises and creation of jobs cannot be the only aim of the support as projects can quickly show high numbers, but these numbers will not reflect complex, long-term results on CCM, CCA, ENV, or competitiveness. Reliance on a purely numerical count of the enterprises supported risks incentivising absorption capacity without reaching any meaningful impact.

Furthermore, this type of support might as well harmfully distort the market. It might occur that companies which prepare better applications will receive the support and not those which actually produce more value (better products or services) from an environmental or any other point of view. It also creates an unfair competition for those who have created and operated businesses with their own financial capacities and risks (including bank loans) without access to public funding.

The indicator “Number of jobs created” (row 63, etc.) does not reflect the quality of the jobs created which would be clearly much more important than quantity. Without qualitative or result-oriented indicators, the current formulation risks incentivising short-term job creation over sustainable labour market employment. Without indicators that secure measurable public interest objectives, there is a risk of displacement, whereby new jobs created at the supported enterprises could reduce employment levels in the wider labour market, particularly at

enterprises that did not receive support. Thus, the overall number of jobs in the EU might not increase. Even the number of quality jobs might not increase.

The indicators “Number of actions funded on corporate sustainability” and “Number of actions funded on responsible business conduct” (row 64) are questionable output indicators too. They neither indicate anything about the results of the intervention, nor provide any measurable improvement in sustainability, nor relate to any of the mandatory result indicators (no information on how much they contributed to CCM, CCA ENV or SOC). They risk incentivising a high volume of low impact or even meaningless administrative actions.

### **Paying the polluter**

The Intervention field “Support to industries (textiles, chemicals, fertiliser plants, cement/lime/plaster, basic metals) in third countries” (row 69) raises questions regarding additionality and alignment with the EU’s climate targets. These industries fall under the CBAM, which already impose decarbonisation obligations, therefore funding should not simply compensate (subsidise) compliance with existing legal obligations.

The Intervention field “Decarbonisation in energy-intensive industries” (70) also raises questions regarding additionality and alignment with the EU’s climate targets. These industries fall under the ETS, which already impose decarbonisation obligations, therefore funding should not simply compensate (subsidise) compliance with existing legal obligations. If support merely offsets costs that firms would have to bear anyway, additionality may be very weak. Moreover, since fossil fuels have been heavily subsidised, they should receive no more public money, as that would merely prolong carbon-intensive production models or delay necessary market restructuring. CBAM is created to prevent carbon leakage by reducing incentives for relocation of relevant industries outside the EU. Further subsidy may prevent some more polluting business from going to bankrupt, and it would also stop more competitive businesses to enter to the market. The agony of obsolete businesses should not be prolonged with public money. Public funding should facilitate transformation toward climate neutrality.

The above is also relevant for most of the Intervention Fields starting with “Manufacturing”.

## **2) Policy area “Culture, tourism and media”**

### **Quantity over quality**

The indicator “Number of laws adopted or entered into force” indicator (row 92), as well as all the other similar indicators, does not provide information on impact of these laws but simply indicate a high number without any qualitative requirements. It does not assess the effectiveness, quality, or policy impact of the adopted measures. A simple numerical count cannot reliably reflect the scale or depth of legal reforms. From an EU climate target point of view, the absence of mandatory result indicators measuring greenhouse gas and pollution reductions, or positive biodiversity outcomes, can lead to laws being adopted that contradict EU policy objectives. (For example, between 2010 and 2025 numerous laws have been adopted in Hungary that restricted media freedom, enhanced disinformation and/or had a detrimental effect on cultural life.) This indicator also raises concerns about comparability across Member States, given that legislative structures differ. While some jurisdictions consolidate multiple reforms into a single act, others adopt similar measures through several separate legal acts.

### **Paying the polluter**

The Intervention field “Tourism financial support” (row 94) is also highly questionable. Overtourism and related investments in Europe have already caused serious environmental damages and increased social tensions.<sup>8</sup> The tourism industry has been thriving according to Eurostat data: the number of nights spent in EU27 tourist accommodations increased from 2 billion in 2005 to 3.1 billion in 2025. This growth should not be supported further, and by no means should it be stimulated with public money. Thus, all intervention fields that would contribute to the growth of tourism should be deleted.

## **3) Policy area “Education and skills”**

### **Quantity over quality**

The indicator “Number of laws adopted or entered into force” (row 92) does not provide any information on the effect and quality of these laws, nor the intended impact of these laws. (For example, in Hungary, the public education system was ruined with EU money.<sup>9</sup>)

### **Paying the polluter**

The Intervention field “Development and construction of other buildings” (row 122) shows that more damage is caused to the environment and more CO<sub>2</sub> is emitted into the atmosphere as these are inevitable impacts of new constructions. Moreover, in many Member States, population, especially the number of children, is decreasing, therefore it is highly questionable that new educational buildings should be built at all. Even more so, because in several countries, most of the existing school buildings are energy-inefficient and some of them even lack proper maintenance, and therefore funding and labour forces should be directed to the renovation of existing buildings instead of new constructions.

## **4) Policy area “Effective public administration”**

### **Quantity over quality**

The indicators “Number of counterfeit euros detected” and “Number of illegal workshops dismantled” (row 140) are very ambiguous. It is not clear, for example, whether a low number proves that the authorities did an excellent activity and prevented a lot of fraud, or to the contrary, they did a poor job and failed to discover most of the fraudulent activities. Furthermore, it is not clear either how to distinguish the results of EU funded activities from nationally funded activities and the effect of legislative changes.

## **5) Policy area “Energy”**

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<sup>8</sup> See, for example:

Wide protests unfolding against investments threatening Hungary’s great lakes. Heinrich-Böll-Stiftung, 11.03.2022. <https://cz.boell.org/en/2022/03/11/wide-protests-unfolding-against-investments-threatening-hungarys-great-lakes>

<sup>9</sup> Hungarian public education ruined with EU money. Levegő Munkacsoport, 16.12.2022. [https://www.levego.hu/sites/default/files/Hungarian\\_public\\_education\\_ruined\\_with\\_EU\\_money.pdf](https://www.levego.hu/sites/default/files/Hungarian_public_education_ruined_with_EU_money.pdf)

### **Paying the polluter**

The Intervention field “Manufacture of renewable fuels of non-biological origin for consumption as fuel in the aviation sector or maritime sector, except hydrogen” (row 162). is inappropriate as the aviation and maritime sector has already received enormous amount of subsidies even though they are among the most polluting sectors. Therefore, they should not be subsidised anymore. They should be forced to implement the required changes by appropriate regulations from the profit they have already made.

The Policy area “Carbon capture and storage” (rows 167-171) is inappropriate, too, since in light of the climate emergency, it is very doubtful that CCS can make any meaningful contribution to reducing the CO<sub>2</sub> concentration in the atmosphere. Moreover, there are more cost-efficient methods which would reduce CO<sub>2</sub> emissions in the first place. Therefore, no public money should be invested in CCS.

## **6) Policy area “Housing and infrastructure”**

### **Paying the polluter**

The Intervention fields “Development and construction of new zero-emission or nearly zero-emission buildings” (rows 304-306) also lead to negative environmental impacts. Construction activities inevitably damage the environment. Moreover, most of the EU’s existing building stock, especially in CEE countries, are old and in urgent need of renovation to improve their energy efficiency. Therefore, the relevant subsidies should be allocated to improving the energy efficiency of existing buildings, rather than building new ones.

## **7) Policy area “Rights, equality and justice”**

### **Quantity over quality**

The indicator “Number of civil society organisations supported” (row 424) might also lead to undesirable results. It might even occur that mainly those civil society organisations will be supported which work against the EU’s aims. (For example, since 2010 until the recent parliamentary elections, in Hungary, the previous government generously financed those “civil society organisations” which were created by persons close to the ruling party (Fidesz) and whose main activity was the dissemination of government propaganda, while independent civil society organisations received practically no funding.)

## **8) Policy area “Transport”**

### **Paying the polluter**

Air transport, maritime transport and motorised road transport have already received enormous amount of subsidies even though they are among the most polluting sectors. Therefore, they should not be subsidised anymore. They should be forced to implement the required changes by appropriate regulations.

## C) Recommendations

For the above reasons, the best way forward is to follow the method already applied by the Commission in the case of the Recovery and Resilience Facility (RRF): milestones and targets must be achieved on national level. The Commission should use its resources to precisely and thoroughly define the milestones and strictly enforce them by making payments conditional upon their fulfilment, just as it did in the case of the RRF.<sup>10</sup> The use of the RRF model would ensure credibility of the environmental and climate spending target from the start of the NRRPs elaboration process. For example, it would not let defence and security allocations out of the assessment of the MFF regarding environmental and climate objectives. Therefore, there the risk of public funds greenwashing would be lessened.

In addition to the detailed milestones and targets, overarching country-specific indicators and targets for the Member State must be set. Many such indicators have been already developed which can be used for measuring the progress of the given country.<sup>11</sup> Just as an example, we provide a table with some indicators that might be used to measure the overall progress of a country receiving EU funding.<sup>12</sup> The Performance Regulation should contain these overarching indicators instead of the ones listed in its current version.

The proposed transformation of the Performance Regulation and other MFF legislation would not only indicate the true progress of a given Member State but would also greatly contribute to the implementation of the EU's simplification agenda. They would also help to convince of the usefulness and necessity of the changes in the MFF proposed by the Commission those who are currently critical of these planned changes.

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<sup>10</sup> See, for example:

Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Hungary, Annex I, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022PC0686>

<sup>11</sup> For example:

- Beyond GDP – A New Compass of Progress for People and Planet. United Nations, 2026. <https://www.un.org/en/beyondGDP>
- OECD, Data, OECD Key Indicators, <https://www.compareyourcountry.org/key-indicators>
- The Global Health Observatory, Indicators index. World Health Organization (WHO). <https://www.who.int/data/gho/data/indicators/indicators-index>
- Rule of Law Index. World Justice Project. <https://worldjusticeproject.org/rule-of-law-index/global/2025/>
- Eurostat Database. [https://ec.europa.eu/eurostat/databrowser/explore/all/tb\\_eu](https://ec.europa.eu/eurostat/databrowser/explore/all/tb_eu)
- Proposals for the Hungarian Partnership Agreement on the European structural and investment funds 2021-2027 and the National Recovery and Resilience Plan for contributing to a climate-neutral EU. Clean Air Action Group and CEEWeb for Biodiversity, 06.03.2021. <https://www.levego.hu/sites/default/files/Hungarian%20Partnership%20Agreement%20proposal%20Climate%202021apr21.pdf>

<sup>12</sup> <https://docs.google.com/spreadsheets/d/1TIbmBJXmbJxcOogYw7nhGUViaVIQVigb/edit>

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