

Is simplification simply a fiction?



IQ-Net Thematic Paper 37(2)

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The partners in the IQ-Net network are as follows:

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- Enterprise Agency Flanders

Croatia

- Ministry of Regional Development & EU Funds

Czech Republic

- Ministry of Regional Development

Denmark

- Danish Business Authority

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- South and West Finland (Etelä- ja Länsi-Suomi)

France

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Greece

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Poland

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Portugal

- Agency for Development and Cohesion (ADC)

Spain

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Slovakia

- Central Coordination Body, Government Office

Slovenia

- Government Office for Development and European Cohesion Policy

United Kingdom

- Department of Communities and Local Government
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It should be noted that the content and conclusions of this paper do not necessarily represent the views of individual members of the IQ-Net Consortium.

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COUNTRY/PROGRAMME ABBREVIATIONS

Country	Abbreviation
Austria	AT
Belgium	BE
Belgium (Vlaanderen)	Vla
Croatia	HR
Czech Republic	CZ
Czech Republic (Integrated Regional Operational Programme)	CZ IROP
Denmark	DK
Finland	FI
France	FR
Germany	DE
Germany (Nordrhein-Westfalen)	NRW
Greece	GR
Poland (Pomorskie)	Pom
Portugal	PT
Slovakia	SK
Slovenia	SI
Spain	ES
Spain (País Vasco (Bizkaia))	PV
United Kingdom	UK
United Kingdom (England)	Eng
United Kingdom (Scotland)	Sco
United Kingdom (Wales)	Wal

EXECUTIVE SUMMARY

Efforts have been made to simplify Cohesion policy administration since 2000-06 but management and implementation remain highly complex, heavy and time-consuming.

A number of structural dilemmas help to explain why simplification is so difficult to achieve: e.g.

- The attempt to implement a comprehensive legal and implementation framework across 28 Member States, involving many regional/local actors across a broad array of themes;
- EU-wide decisions are taken via negotiation (compromise) among senior politicians or civil servants, most of whom lack practical knowledge of implementation;
- The number and complexity of rules has increased in each programme period;
- Rules, structures and terminologies are subject to shifts between (and sometimes within) programme periods, leading to further complexity and uncertainty;
- There is tension between simplification and other principles e.g. financial assurance, legal certainty, equal treatment of all Member States, subsidiarity, and strategic impact.

The Commission set out simplification proposals for 2014-20 in a Cohesion policy working paper in 2011, a communication on the Multi-annual Financial Framework in 2012, and a brochure targeted at beneficiaries and managing authorities. The regulations for 2014-20 include various measures e.g.:

- Harmonisation of rules between Cohesion policy and other ESI Funds;
- More flexibility (e.g. options: for multi-Fund OPs and monitoring committees; to merge managing and certifying authorities; to adjust the financial allocation by up to 3% between categories of regions; for ITI and CLLD; and for more varied financial instruments);
- Increased proportionality (e.g. risk-based methods of sampling for controls; smaller projects audited only once before closure; scope to reduce controls and audit intensity);
- Legal certainty through clearer rules (e.g. flat rates for revenue generating projects);
- More efficient delivery and lighter reporting (e.g. for annual reports, and for additionality);
- Reducing the administrative burden for beneficiaries (e.g. increased use of simplified costs; mandatory annual closure of operations in the annual clearance of accounts);
- A move towards results-based management: the Joint Action Plan;
- e-Cohesion;
- Simplification of European Territorial Co-operation, and of the European Social Fund.

However, due to concerns over legal certainty, the 2014-20 regulations are accompanied by a plethora of delegated acts, implementing acts, and guidance notes.

New EU initiatives on simplification in Cohesion policy in 2014-15 include:

- A discussion at the European Council meeting of June 2015;
- The creation of a high level group of independent experts on monitoring simplification for beneficiaries of the ESI Funds;
- National/regional position papers, including a non-paper to the Commission, initiated by the French authorities and signed by 25 Member States in July 2015.

IQ-Net partners welcome some of the simplification measures introduced in 2014-20 but also voice serious concerns over the administrative burden associated with Cohesion policy, querying whether there has been genuine simplification if the whole package of regulations, acts and guidelines is taken into account, and arguing that simplification has benefited beneficiaries but not OP authorities.

The main concerns of IQ-Net partners relate to:

- The lack of legal certainty on key issues;
- The heavy administrative burden for OP authorities and beneficiaries; and
- Flexibility measures – which are welcome but often do not lead to simplification.

Two specific fields generating major worries for partners are:

- The need for more coordination and proportionality in financial control and audit; and
- Simplified cost options, which bring benefits but are seen as burdensome to implement and are associated with concerns over legal certainty and audit.

Moreover, simplification measures are seen to have been outweighed by other new elements in 2014-20, which has led to an overall increase in complexity, notably:

- The process of designating managing and certifying authorities;
- The range of measures associated with impact and results (including ex ante conditionalities, thematic objectives/concentration, evaluation, indicators, and the performance framework).

In addition to simplification measures introduced at EU level, IQ-Net partners have taken the initiative to simplify Cohesion policy implementation e.g. by

- Revising domestic legal frameworks to reduce overlap with EU rules;
- Reducing the numbers of programmes and OP authorities;
- Simplifying programme architecture;
- Simplifying/harmonising monitoring systems;
- Simplifying eligibility rules and project application forms;
- Ensuring that delivery mechanisms make life easier for beneficiaries.

The report concludes by summarising the concerns and views of IQ-Net partners with respect to current queries and future challenges, notably:

- A selection of specific implementation problems which partners are currently facing;
- Broader management and implementation themes where strong but incremental change is needed (e.g. relating to legal certainty, duplication/harmonisation, and proportionality/differentiation); and
- Potential for a more fundamental re-think of the rationale and operation of Cohesion policy (e.g. involving greater subsidiarity, a focus on results/outputs rather than financial management, a move away from the complex implementation systems currently used, or a narrowing of funding to only poorer Member States or regions).

1. INTRODUCTION

Simplification has been an important dimension of debates on Cohesion policy since preparations for the 2000-06 period. Nevertheless, administration remains highly complex. Indeed, efforts at simplification have generated further complexity.

Simplification in Cohesion policy is a slippery concept with no clear definition. It is sometimes conflated with other aspects of Cohesion policy administration, such as flexibility and administrative capacity. In this paper, key aspects of simplification are seen to relate to:

- The number of rules and procedures;
- The clarity, coherence and consistency of different rules and procedures;
- The number of actors and interrelationships;
- The number of different accountability chains; and
- The actors who should benefit from simplification.

During the fieldwork for this report, IQ-Net partners voiced their concerns over the administrative burden faced by OP authorities and beneficiaries. They raised a series of specific issues where they are currently facing difficulties, notably in relation to financial control and audit, and simplified cost options. Partners also provided their views on the root-causes of complexity in Cohesion policy administration and on the changes needed. Various partners - particularly those with long experience and institutional memory of Cohesion policy - also expressed deep scepticism of the scope for real and meaningful change and argued that the simplification issue raised fundamental questions over the future of Cohesion policy.

The report addresses the following themes:

- The fundamental, structural challenges to simplification in Cohesion policy (Section 2);
- Key measures being taken at EU-level to support simplification in 2014-20 (Section 3);
- The views of IQ-Net partners (Section 4) on issues relating to simplification i.e.:
 - legal certainty;
 - administrative burden;
 - flexibility measures;
 - financial control and audit;
 - simplified cost options;
 - designation of managing and certifying authorities; and
 - measures aimed at enhancing impact and results.
- Domestic simplification measures introduced by IQ-Net partners in 2014-20 (Section 5);
 - revising national legal frameworks;
 - reducing the number of authorities and programmes;
 - simplifying programme structure;
 - simplifying/harmonising monitoring systems;
 - simplifying eligibility rules and application forms; and
 - revising delivery mechanisms to make life easier for beneficiaries;
- Conclusions and issues for discussion (Section 6).

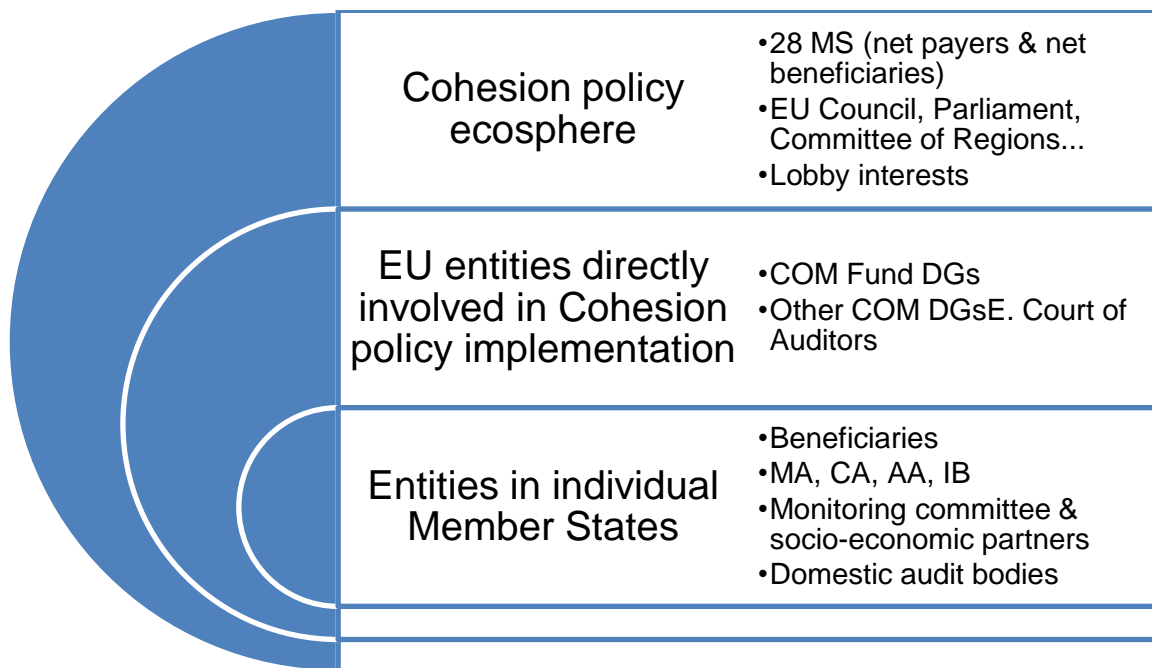
2. STRUCTURAL CHALLENGES

There are structural dilemmas that help to explain why simplification is so difficult to achieve in Cohesion policy.

First, EU and Member State authorities (often supported by regional and local levels) have developed Cohesion policy as a field which operate via a **comprehensive legal and implementation framework across 28 Member States, involving a wide range of regional/local actors and socio-economic interests (partnership principle) across a broad array of thematic areas** (see Figure 1). This leads to:

- Duplication between national/regional and EU rules e.g. in terms of project monitoring, and financial control and audit.
- Multiple overlapping accountability and audit chains operating at EU and national/regional levels, leading to overlaps and audit overloads.
- Unintended consequences e.g. changes in EU rules that simplify implementation in one Member State often create additional complexity in other States.
- Scope for misunderstandings and mistranslations due to the use of 24 official languages and significant cultural differences between countries.

Figure 1: Multiple dimensions of Cohesion policy

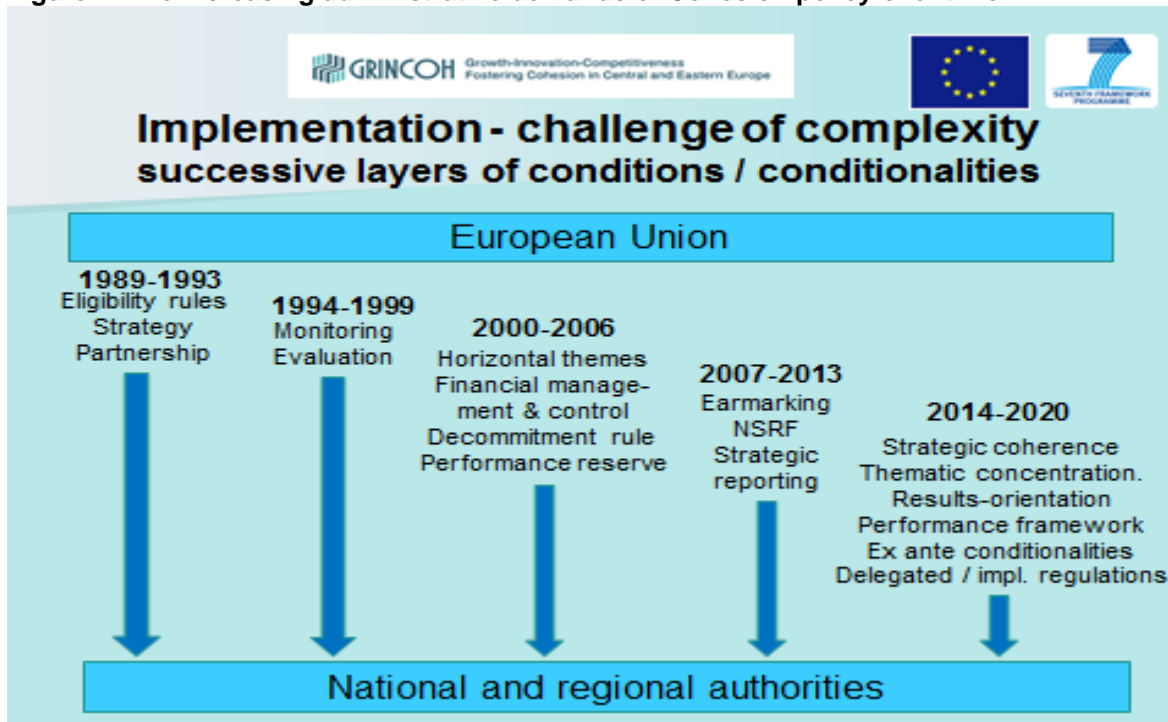


Second, **the approach to decision-making and advice** does not favour practical implementation:

- EU-wide **decisions are taken via negotiation** among leading politicians or senior civil servants. This leads to compromises (so that radical simplification is not introduced) and generates scope for unintended new sources of complexity (e.g. ex-ante conditionalities).
- These **decision-makers, as well as Commission staff responsible for drafting guidance and advice, often lack practical knowledge** and experience of the implementation of programmes and projects.

Third, the number and complexity of Cohesion policy rules has increased in each programme period (see Figure 2).

Figure 2: The increasing administrative demands of Cohesion policy over time



Source: EPRC.

Fourth, Cohesion policy rules, structures and terminologies are subject to shifts between (and sometimes within) programme periods. These periodic changes generate:

- Complexity for OP authorities and beneficiaries, who have to deal simultaneously with multiple sets of regulations, rules and guidelines for different programmes and projects;
- Uncertainty, due to the retrospective application of rules by EU authorities and auditors to earlier programmes and projects. For example, the 2007-13 regulations had only limited detail on rules on financial instruments. Managing authorities' need for clarification and additional guidance prompted the publication of a series of COCOF notes, which were then applied retrospectively to financial instruments that had been set up before the notes were published.¹

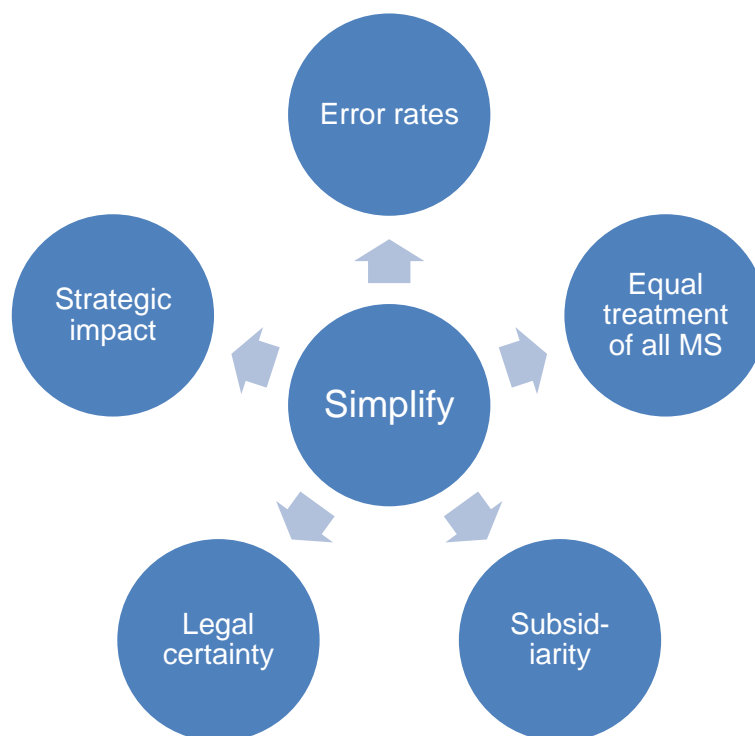
Last, there is tension between simplification and other Cohesion policy principles (see Figure 3) e.g.

- Assurance that EU funds are being spent correctly and lawfully and that error rates are reduced. This has led to additional rules on how funds are spent, monitored, controlled and audited, and additional mechanisms aimed at ensuring financial correctness.
- Legal certainty for OP authorities and beneficiaries, especially in the context of stricter audits and subsequent to programme suspensions/interruptions and financial claw-backs from projects. This has led to the proliferation of regulations, delegated and implementing acts and guidelines at EU level.

¹ A series of COCOF notes was published in 2007, 2008 and 2011, culminating in a final revised note in 2012 (European Commission (2012) COCOF_10-0014-05-EN Revised Guidance Note on Financial Engineering Instruments under Article 44 of Council Regulation (EC) No 1083/2006. Revised version 08/02/2012).

- Equal treatment of all Member States, which translates into identical or similar requirements across countries and regions. This is seen to contrast with the principle of proportionality, in the context of national differences in administrative capacity and levels of EU funding.
- Subsidiarity, which is seen to imply greater flexibility and responsibility for Member States in setting and implementing rules. This is in tension with the need for legal certainty, financial assurance, and equal treatment of Member States. In some cases, steps in this direction also increase risk for Member States due to uncertainty over how EU authorities will assess domestic decisions in future audits.
- A stronger focus towards strategic impact. This has led to new rules on thematic concentration, intervention logic, performance framework, ex ante conditionalities, evaluation, and reporting.

Figure 3: Tensions between simplification and other principles



3. EU INITIATIVES ON SIMPLIFICATION IN 2014-20

3.1 Simplification measures introduced in 2014-20

Simplification was a major theme during preparations for the 2014-20 period. The Commission published a draft working paper in 2011 on simplification in the Cohesion policy regulations for 2014-20, which set out proposed changes in the following areas:²

- Harmonisation of rules between Cohesion policy and other ESI Funds;
- More flexibility (e.g. option for multi-Fund programmes and monitoring committees; option to adjust the financial allocation by up to 3 percent between categories of regions; option to merge the MA and CA; ITI and CLLD; more varied options for financial instruments);
- Increased proportionality (e.g. risk-based methods of sampling for controls; smaller projects audited only once before closure; scope to reduce controls & audit intensity);
- Legal certainty through clearer rules (e.g. option of flat rates for revenue generating projects);
- More efficient delivery and lighter reporting (e.g. for annual reports and for additionality);
- Reducing the administrative burden for beneficiaries (e.g. increased use of simplified costs; mandatory annual closure of operations in the annual clearance of accounts);
- A move towards results-based management: the Joint Action Plan;
- e-Cohesion;
- Simplification of European Territorial Co-operation, and of the European Social Fund.

This was followed in 2012 by a Commission communication on simplification in the Multi-annual Financial Framework,³ and by a brochure targeted at beneficiaries and managing authorities.⁴

Various measures aimed at improving simplification were introduced in the Cohesion policy regulations for 2014-20. However, due to concerns over legal certainty and clarity in the context of financial control and audit, the regulations are now accompanied by a proliferation of delegated acts, implementing acts, and Commission guidance notes.⁵

In addition, various studies on this theme were undertaken for the European Commission,⁶ the European Parliament⁷ and the Committee of the Regions.⁸

² European Commission (2012) *op. cit.*; European Commission (2011) *Simplification in the legislative framework for Cohesion policy for 2014-2020*, Draft Working Paper, Fiche no 9, Brussels, 18.11.2011.

³ European Commission (2012) *A Simplification Agenda for the MFF 2014-2020*, Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 8.2.2012, COM(2012) 42 final.

⁴ European Commission (2012) *Simplifying Cohesion policy for 2014-2020*, Brussels, p. 3.

⁵ http://ec.europa.eu/regional_policy/en/information/legislation/regulations/

⁶ t33, Archidata, Berman Group, CSIL, Infyde, Laboratorium Rozwoju, METIS, and SWECO (2012) *Measuring the impact of changing regulatory requirements to administrative cost and administrative burden of managing EU Structural Funds*, Report to the European Commission, Brussels.

⁷ E.g. Mendez C, Bachtler J and Wislade F (2012) *Cohesion policy after 2013: A critical assessment of the legislative proposals*, Report to the European Parliament's DG for Internal Policies, PE 474.558, Brussels.

⁸ Dhéret C, Zuleeg F and Chiorean-Sime S (2012) *EU Financial Regulation: Analysis of the simplification measures mentioned in both the proposal for a EU Financial Regulation and the cohesion policy legislative package*, Report by the European Policy Centre for the Committee of the Regions, Brussels.

3.2 New EU initiatives in 2014-15

The European Council meeting of June 2015 in Brussels discussed the implementation challenges of Cohesion policy in 2014-20, including the theme of 'Administrative capacity and simplification' and outlined various steps to be taken (see Box 1).⁹

Box 1: European Council minutes of June 2015 on simplification

As well as emphasising the importance of administrative capacity, the minutes state that the Council:

“CALLS on the Commission to strengthen coordination within the Commission services and to reinforce its capacity to ensure timely, coordinated, clear and stable interpretation of rules and Commission decisions...

INVITES the Commission to explore the possibilities for further simplification and proportionality, taking into account the findings in the Sixth Cohesion report on varying governance capacities. CONSIDERS that the Better regulation initiative should encompass Cohesion policy, including simplification.

“WELCOMES the set-up by the Commission of the high level group monitoring simplification for beneficiaries. ASKS that the Council as of 2016 is informed regularly on the work of the group and that Member States are involved and ENCOURAGES relevant findings to be discussed with Member States and applied to the current programming period where it provides an immediate added value without undermining the stability of the general rules. RECALLS that achieving simplification of Cohesion policy is a shared objective and responsibility of the Commission, Member States, and other stakeholders. Respecting the principle of shared management of ESI Funds, all actors at EU and national level are invited to make use of the simplification measures provided for in the legal framework, to identify and remove processes and procedures which constitute excess administrative burden and cost, or can be simplified without undermining the overall assurance and effectiveness of the management and control system. RECOGNISES that auditors at EU and national level, including Court of Auditors, are well positioned to contribute to the simplification effort by detecting redundant processes and procedures and suggesting more effective solutions based on good practices.

(27) INVITES the Commission and Member States to make efforts and where necessary allocate sufficient resources for preventive actions increasing legal certainty in order to minimise the risk of errors and avoid retroactivity, as well as to identify problems in the early stages of implementation via the designation procedure, system audits and early-warning mechanisms. CALLS on the Commission to provide timely guidance and coordinated methodological support to Member States, including national auditors, and to share recurrent and horizontal audit results with the audit community and programme authorities.

⁹ General Secretariat of the Council (2015) *Draft Council conclusions on the implementation challenges of the cohesion policy 2014-2020*, 9622/15, Brussels, 12 June 2015.

The Commission has launched various initiatives in support of simplification in 2014-15, notably:

- A High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the ESI Funds¹⁰ to assess Member States' take-up of simplification measures, analyse their implementation, identify good practice, and make recommendations e.g. in the context of the 2016 mid-term review, and looking to post-2020. The first meeting was on 20 October 2015, and the second meeting (on e-governance and simplified costs) will be on 1 December 2015.
- The Simplify ESIF Platform, which is an online forum for sharing ideas on simplifying ESIF.¹¹
- A new study, which aims to build an evidence base on the application of the new simplification mechanisms in 2014-20 and assessing administrative costs and burdens.¹²

Member State and regional authorities have also put forward position papers. In particular, at the initiative of the French authorities and signed by 25 Member States (all except Denmark, Finland and Italy), a non-paper on simplification was sent on 20 July 2015 to Frans Timmermans as First Vice President of the Commission, Corina Crețu (Commissioner for Regional Policy) and Marianne Thyssen (Commissioner for Employment, Social Affairs, Skills and Labour Mobility).

Box 2: The Member States' non-paper of 20 July 2015 argues that the following is essential:

1. On the part of the Commission:

- to help Member States and in particular managing authorities to make full use of the possibilities offered by the new... regulations, such as the simplified costs options, the new procedures related to major projects, ... flat rates for revenue generating projects, etc.;
- to fully include cohesion policy in its "Better regulation" initiative...[and] to also allow it to benefit from the REFIT measures to come;
- to apply as much as possible... the principle of proportionality with regards to the risks involved, to the quality of governance, and to the importance of the issues at stake;
- to ensure timely, coordinated, clear and stable interpretation of regulations coherent with arrangements adopted in programming documents.

2. On the part of the Commission, the Member States and managing authorities:

- to jointly screen all existing and planned implementing and delegated acts, guidelines, information notes and Commission's decisions governing the implementation of the ESI Funds on European level in order to streamline, systematise and simplify these rules or refrain from setting them out wherever possible;
- to work together in close cooperation in order to establish a common and shared diagnosis of the main sources of complexity and overlap in the implementation of the rules, and in the control procedures put in place at European, national, and regional levels;...
- to propose some concrete simplification measures for the current programming period, within the scope of the current regulations as far as this is possible.

¹⁰ http://ec.europa.eu/regional_policy/en/policy/how/improving-investment/high-level-group-simplification/

¹¹ <https://ec.europa.eu/futurium/en/simplify-esif>

¹² http://ec.europa.eu/regional_policy/en/information/publications/studies/2015/study-on-the-use-of-new-provisions-on-simplification-during-the-early-implementation-phase-of-the-european-structural-and-investment-esi-funds. See also: ec.europa.eu/regional_policy/sources/tender/.../2015_ta_working_doc.xls

4. IQ-NET PARTNERS' VIEWS OF EU INITIATIVES AIMED AT IMPROVING SIMPLIFICATION IN 2014-20

4.1 Key concerns of IQ-Net partners

IQ-Net partners welcome some of the simplification measures introduced in 2014-20 (see Figure 4) yet continue to voice serious concerns over the administrative burden associated with Cohesion policy, querying whether there was genuine simplification if the whole package of regulations, acts and guidelines was taken into account, or arguing that simplification measures benefited beneficiaries but not OP authorities.

The main concerns of IQ-Net partners in relation to the simplification measures introduced in 2014-20 are as follows:

- The continued lack of legal certainty on key issues;
- The heavy administrative burden of EU Cohesion policy, which needs to be lightened, both for beneficiaries and for OP authorities; and
- Flexibility measures – which are welcome but often do not lead to simplification.

Two specific fields generating major worries for partners are:

- The need for more coordination and proportionality in financial control and audit; and
- Simplified cost options, which bring benefits but are seen as burdensome to implement and are associated with concerns over legal certainty and audit.

Even where the simplification measures were welcomed, IQ-Net partners noted that these have been outweighed by other new elements in 2014-20 which has led to an overall increase in complexity, notably:

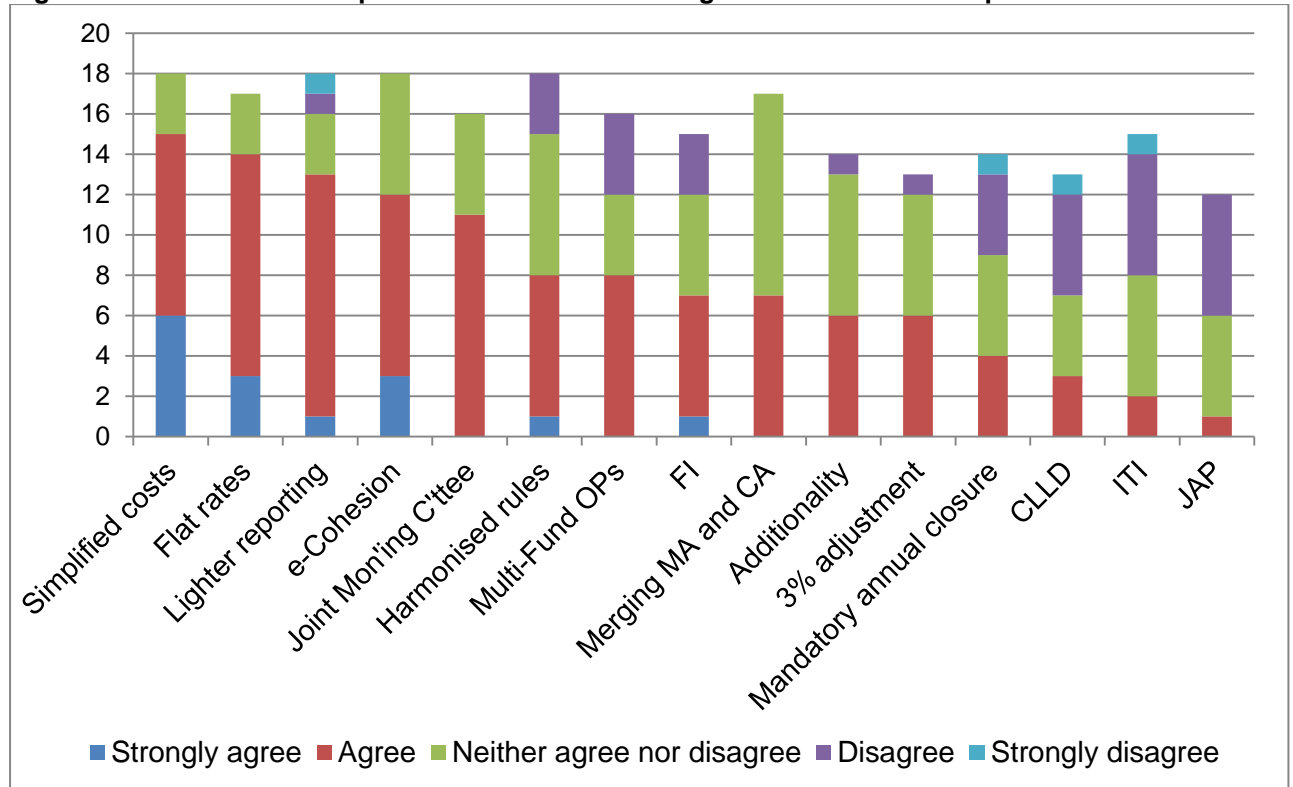
- The process of designating managing and certifying authorities;
- The range of measures associated with impact and results (including ex ante conditionalities, thematic objectives/concentration, evaluation, indicators, and the performance framework).

Nevertheless, a survey of IQ-Net partners clearly shows that some of the changes in 2014-20 are seen positively (see Figure 4), with over half of respondents welcoming simplified costs (including flat rates), lighter reporting, e-Cohesion, and scope for joint monitoring committees. In contrast, there is scepticism over the usefulness of JAP, ITI and CLLD, as well as other measures, such as mandatory annual closure.

This section examines the concerns of IQ-Net partners in more detail, focusing on:

- legal certainty;
- administrative burden;
- flexibility measures;
- financial control and audit;
- simplified cost options;
- designation of managing and certifying authorities; and
- measures aimed at enhancing impact and results.

Figure 4: Number of IQ-Net partners who felt that changes contributed to simplification



Source: EPRC.

Note: Data are drawn from a survey of 18 IQ-Net partners i.e. Austria, Croatia, Czech Republic, Denmark, Finland, France, Greece, Slovakia, Slovenia and also England, Helsinki-Uusimaa, Nordrhein-Westfalen, País Vasco (Bizkaia), Pomorskie, Scotland, South Finland, Vlaanderen and Wales.

4.2 There remain serious concerns over a continued lack of legal certainty

Many partners felt that there was a lack of legal certainty due to unclear and complex rules, which was seen to imply a transfer of audit risk from the Commission to domestic OP authorities, potentially leading to programme interruptions and suspensions (NRW, PV, Sco). Partners were therefore unwilling to proceed without legal certainty. Key issues include:

- Multiple EU-level legal and guidance documents – and the lack of consistency between them (Common Provisions Regulation, Fund regulations, Implementing Acts, Delegated Acts, Guidelines...), so that OP authorities have to combine and interpret the different texts (PT, SI, NRW, Wal);
- Delays when managing authorities submit queries to the Commission on specific questions relating to legal certainty (DK, Sco);
- A lack of stability over time in rules (e.g. on State aid and revenue-generating projects in 2007-13) and in the EU authorities' interpretations of rules (FR, PV);
- Retroactive decisions, with EU authorities re-interpreting rules in a stricter light at a later point in time and applying the new interpretation to previous years (GR, PV);
- Insufficient Commission guidance on the application of new initiatives, which may therefore not be fully exploited due to concerns over legal certainty (CZ, Pom, Sco);
- A reluctance to use national eligibility rules, because of a perceived risk that EU authorities could introduce future rules which differ from the national approach (DK).

Partners would like to see:

- A clear, comprehensive and coherent legal framework, instead of a multiplicity of different documents (SI, NRW, Wal);
- A coherent approach across all Commission DGs (including DG Competition) (CZ, Wal).

These issues were also raised specifically in relation to financial control and audit (see Section 4.5) and simplified cost options (see Section 4.6).

4.3 The administrative burden remains heavy, despite efforts to simplify

Although some of the steps introduced in 2014-20 (e.g. e-Cohesion and harmonisation of rules) were welcomed by partners, many noted that the administrative burden associated with Cohesion policy is extremely heavy.

Many partners felt that there was to narrow a focus in 2014-20 on reducing the burden for beneficiaries. While this was indeed seen as important, partners argued that there was also a need to reduce the burden for OP authorities and that the two goals were interlinked (HR, PT, NRW).

4.3.1 Harmonisation of rules across ESI Funds

Partners welcomed efforts to harmonise rules across ESI Funds (GR), especially where harmonisation covers the EAFRD as well as the ERDF, ESF and Cohesion Fund (AT). Outstanding issues remain, however, e.g.

- Rules are not fully harmonised (FR, Wal), as there are separate regulations for each Fund (SK), e.g. ERDF and ESF rules differ in relation to monitoring and evaluation (e.g. definition of result indicators) (PT, Pom);
- Harmonisation has little impact where ERDF and ESF OPs remain separate (PV, Vla).

Partners called for:

- Further harmonisation of rules between ESIF and other EU instruments) (FR, Wal);
- Consideration of a single ESI Fund, possibly with ring-fencing for specific types of spending (Wal);
- The need to respect the different Treaty goals of the different Funds (PT) – which raises questions over the desirability of merging the Funds.

4.3.2 Lighter reporting

Views differed on the impact of reporting requirements in 2014-20. Some partners felt that the approach to reporting was lighter, and particularly welcomed the merger of the mid-term report, monitoring report and the summary of the payment into one report to be submitted with the payment application (FIN).

However, other partners did not feel that the burden in terms of reporting had been reduced (GR, HR), and had concerns e.g. over the obligation to collect data for a report on the performance framework in 2017, as well as the annual closure of accounts.

4.3.3 e-Cohesion

Partners felt that this was a positive change (GR), both for beneficiaries (e.g. in submitting claims) (Eng, Pom, Vla) and for communication between the Commission and OP authorities (Eng). Some partners felt that it might have been better if the Commission had developed an ad hoc IT-system rather than each Member State developing its own system (DK).

There are also practical concerns, notably:

- That Commission and domestic auditors may not accept electronic documentation (Eng);
- That overall requirements are too high, and that the system is too complex and inflexible (AT);
- Difficulties with electronic signatures (AT) e.g. where an application involves multiple applicants (DK);
- That the new system involves changes in working practices and so will take time and effort for staff to become familiar with the new system (Vla).

This is also a field where there are particular issues due to interaction between domestic and EU approaches in individual Member States:

- In Poland, the IT system has been set up at national level, which is seen to help in coordinating ESI Funds. However, it means that the regional managing authority of the Pomorskie ROP is dealing with detailed queries from applicants about an electronic system that they did not design.
- In Finland, the new electronic service package (EURA 2014) aims to improve links between existing monitoring systems but there remains a wide range of domestic project templates with different domestic legal bases.

4.3.4 Changes that may lead to unforeseen negative consequences

Partners noted that some of the detailed changes introduced in 2014-20 could have unforeseen negative consequences.

Document retention periods have been reduced to assist beneficiaries, but are now more complex (Wal), with dates varying by Fund and size of project, so that the managing authority now has to work out document retention dates case by case and communicate these dates to beneficiaries individually. This approach is seen to create an additional administrative burden, as well as an increased risk of error (also because many beneficiaries receive both ERDF and ESF funding, where document retention periods differ);

The **mandatory annual closure of operations** in the annual clearance of accounts is seen to generate a high administrative burden (AT, HR) and to lead to a risk of artificial closures that are not linked to actual finished project or programme activities (SI).

4.4 Flexibility is welcome but does not mean simplification

The flexibility options introduced in 2014-20 are welcomed by IQ-Net partners but, in many cases, increased flexibility is seen not lead to simplification (CZ, SK, SI). Some partners decided not to implement these options because:

- Of concerns that these changes could lead to increased risk for audit and/or increased complexity in practice (AT, FIN, Wal);
- These options do not present a simplification for smaller programmes (DK);
- Some of these options were already in place (DK, GR).

4.4.1 Option for Multi-Fund programmes

This option was welcomed in principle but seen as problematic in practice because:

- There are still separate regulations and requirements for each Fund (AT, Wal) e.g. strict demarcation between each Fund's intervention logic, targets and financial allocations;
- The option did not cover the EAFRD (FR, SK).

Shifting between multi-Fund and mono-Fund OPs involves significant upheaval in terms of structures, systems and human resources. Greece, for example, had multi-Fund OPs in 2000-06, then changed to mono-Fund OPs in 2007-13, and has now shifted in 2014-20 to multi-Fund OPs. This has generated e.g. in terms of recruiting, allocating and training staff to deal with different Funds.

4.4.2 Option to merge the managing and certifying authorities

This option was not seen to bring significant benefits because rules for the different ESI Funds remain different, so that few gains were anticipated (Wal).

4.4.3 Option for a joint monitoring committee

Joint monitoring committees for all ESI Fund OPs have been introduced at Member State (FIN) or regional level (Eng, NRW, Sco, Wal), or joint monitoring committees for ERDF and ESF will continue as in 2007-13 (DK). This approach is seen to bring benefits. However, challenges remain:

- Where national committees have been set up, there are concerns that the regions' views may not be articulated as clearly as they would be with separate regional committees (FIN);
- In Wales, although the regulations clearly state that a joint monitoring committee can be set up for the ERDF, ESF and EAFRD and although DG Regional Policy has welcomed this approach, DG Agriculture has raised concerns;
- There is a need to develop procedures with regard to reporting and the use of sub-committees (Wal).

4.4.4 Options of ITI and CLLD

These options were seen as interesting in principle but were felt to increase complexity in practice (SI, Pom), due to:

- Complex EU rules, which were also seen to be interpreted in a bureaucratic way by the Commission;
- The regulatory obligation for local authorities (or other relevant local entities) to be designated as intermediate bodies for ITI/ISUD, and for a contractual arrangement between the managing authority and each local authority (Eng, NRW);
- Related: local authorities' lack of experience and capacity with Cohesion policy, and concerns over their ability to deal e.g. with audit and control requirements, implying the need for additional guidance, oversight and hands-on support by the managing authority or national administration (HR, Eng, Pom);
- Application of the obligation to cover two Thematic Objectives at the level of each ISUD, rather than the overall Priority axis or project call (NRW),
- Commission staff have taken a theoretical approach to urban development and have seemed to lack understanding of how local authorities work in practice.

4.4.5 Other changes

Other changes were welcomed, although the impact on simplification was seen as limited, e.g.:

- The option to adjust the financial allocation by up to 3 percent between categories of regions;
- More varied options for financial instruments;
- Simplification of ETC and the ESF.

4.5 More coordination and proportionality is needed in control and audit

Partners argued that the complexity and detail of rules relating to financial control and audit create a significant administrative burden (FR, Eng, NRW, PV, Vla), although some partners also emphasised the need for effective rules in order to avoid fraud and the misuse of funds (FIN). There are doubts as to whether the changes introduced in 2014-20 will lead to genuine simplification (CZ, Eng, Vla) and calls for greater proportionality/differentiation in control and audit (AT, DK, NRW, Sco, Vla, Wal).

A first set of issues relates to the degree of complexity:

- The layers of checks i.e. of the beneficiary is accountable to the intermediate body, which is accountable to the managing authority, which is accountable to the audit authority and the Commission, while the audit authority is accountable to the Commission and the European Court of Auditors, and the Commission is accountable to the European Parliament and European Court of Auditors (AT, Eng); moreover, these EU layers of checks operate alongside parallel domestic layers of checks (NRW);
- EU authorities' tendency to micro-manage implementation across OPs (CZ, Eng, NRW);
- Simplification has consisted of adding elements to the existing framework (with 'simpler' procedures applying only to certain types of project) – which leads to multiple sets of rules and so to increased complexity (AT, CZ, Wal);

A second set of issues concerns the perception that there has been a transfer of audit risk from the Commission to national/regional audit and managing authorities and beneficiaries (DK, PV, NRW, Sco, Vla). This is generating uncertainty and caution about future audit consequences:

- OP authorities are concerned over possible OP interruptions and suspensions (NRW, PV, Sco), which are seen as politically unsustainable;
- Beneficiaries are distracted from focusing on delivery and/or applicants may walk away from funding (Sco, Vla, Wal);

Key changes needed include:

- Greater use of system audits which should act as an indicator of the scale and level of project audit needed (Vla);
- A coordinated audit system between EU and domestic levels to reduce duplication (SI, NRW, PV), with domestic control/audit systems used where these function well (DK, NRW, Vla);
- A need for auditors to focus on whether rules (e.g. on eligibility) are met and applied correctly and to refrain from introducing additional concepts (e.g. value for money) (Wal).

4.5.1 Risk-based methods of sampling for controls

This change was seen as beneficial (GR), at least in principle, although there were concerns in practice (AT) and calls for better and more consistent sampling (Vla). Key issues include:

- Although individual beneficiaries (e.g. with 'less risky' projects) may be audited less, risk-based sampling does not reduce the burden for OP authorities e.g. because the domestic audit authority will still have to audit the same number of projects (Eng);

- Smaller or less risky projects may not benefit from this change in practice (AT, DK, Sco) because, in order to sample (e.g. expense) documents, there needs to be a larger pool from which the sample can be drawn and so all beneficiaries will still need to submit expense documentation.

4.5.2 *Smaller projects audited only once before closure*

While this change is helpful (GR), some projects still face multiple audits (PV, Vla).

There is seen to be a need to tailor project audits further, using a risk-based approach related to the nature of the beneficiary (rather than simply project size) (Wal), involving a lighter approach for e.g.:

- applicants with a proven track record with ESIF-funded projects, and
- projects led by local authorities (whose systems incorporate domestic checks and balances) as compared to projects led by a new one-person company.

4.5.3 *Scope to reduce controls and audit intensity*

Partners did not believe that changes in 2014-20 allowed much scope to reduce controls and audit intensity in practice (AT, HR). A particular concern was the disproportionate burden on smaller OPs, which have to fulfil the same requirements as large OPs but with less funding (Vla, Wal).

- One example in 2014-20 is that OPs must proactively implement fraud prevention rules; although there is some proportionality on this issue, these measures are additional and this increases the administrative burden for OP authorities.

4.6 Simplified cost options are welcome but generate serious concerns

Many partners have adopted simplified cost options (SCO) (see Figure 8 and examples in Annex 1), which are seen as helpful, although preparatory work is onerous (AT, CZ, DK, FIN, GR, PT, SI, NRW). SCO help by:

- reducing the workload for the beneficiary (particularly during the payment phase);
- speeding up payment processing and reducing the need for clarifications (AT, FIN, Vla), and
- reducing the error rate (PT).

Figure 5: Use of simplified cost options in selected IQ-Net partner programmes

	2007-13	2014-20	Possible use in 2014-20
Flat rates	SI	FIN SI SK Pom-ESF, Sco	
a) For indirect costs	DK SK-ESF, Sco, Vla	FR	
b) For overheads	Wal		
c) For direct staff costs		PT-ESF	
Lump sums	AT	FIN Pom-ESF	
Standard scales of unit costs	AT CZ PT SK-ESF	PT SK Pom-ESF	CZ Wal-ESF

Nevertheless, partners also experienced a series of difficulties with SCO.

4.6.1 Legal uncertainty

Partners voiced concern over legal uncertainty (FR), arguing that the Commission has not provided enough guidance and has been slow to respond to queries (CZ, PL, Sco, WaL). There is also a lack of clarity about which aspects require Commission approval (PT). In response, partners have:

- Decided not to use (some) SCO (e.g. unit costs) in some programmes (CZ, Sco, Wal);
- Used only methods set out in the Delegated Act (although these are time-consuming) or used in other EU funding streams (e.g. Horizon 2020 and LIFE), notably flat-rates (FR), especially where no off-the-peg national model is available (or, at least, no national model which would not require some modification) (Sco, Wal);
- Cooperated with domestic authorities on methods and data sources (PT, Vla). E.g. managing authorities in Portugal must obtain agreement on SCO from the Agency for Development and Cohesion, the audit authority, and the inter-ministerial coordination committee.

Specific concerns relate e.g. to:

- The use of unit costs and the evidence base needed;
- Procedures for projects with joint beneficiaries;
- The definition of direct and indirect personnel costs in specific cases;
- The possibility that SCO (e.g. lump sums) may invoke State aid rules (FR, PT, Pom);
- Whether and how SCO can be used for projects using public procurement (CZ, PT, SI, Pom, Wal).

4.6.2 Administrative burden

The work involved in establishing methodologies and data sources for calculating SCO is considerable and time-consuming (CZ, GR, Vla), as has the communication process with the Commission (CZ, FR, GR). The amount of work has hindered the broader use of SCO (CZ, FR, Wal).

Partners have responded by:

- Setting up units to work with OP authorities to develop methods and implement SCO (PT);
- Developing national guidance and eligibility rules for regional managing authorities (FR);
- Drawing on external expertise in developing methods and data sources (Vla).

4.6.3 Treatment of SCO in audit

Experiences with audit and SCO vary:

- Some partners have seen no problems (CZ, DK, SI), possibly because audits have not yet been undertaken of the SCO approach (NRW);
- In Finland, a European Court of Auditors audit in spring 2015 examined DAS audits of seven ESF projects; of these, only one project did not require further investigation (e.g. in relation to procurement, project eligibility period, VAT and statutory holiday salaries);
- In Scotland, issues were raised in the 2007-13 ESF OPs in relation to flat rate staff costs, where less than 100 percent of staff time was spent on a project (e.g. incomplete timesheets and incorrect hourly calculations);
- In Wales, the Commission audited the flat rates used in 2007-13 and criticised OP authorities for sending information on SCO to applicants via email, rather than including this information in the formal letter approving the project.

Partners emphasise that future use of different SCO depends on:

- Clarity of rules (HR, SK) and legal certainty about how rules will be interpreted in future audits (AT, NRW, PV, Sco, Wal), with reluctance to use options (notably unit costs in ERDF) where there is seen to be a lack of legal certainty (Sco, Wal);
- Acceptance of the SCO approach by EU auditors (as some Commission auditors still seem to prefer an actual costs and paperwork approach);
- A further Delegated Act setting out options for using SCO for a wider range of ERDF themes (e.g. R&I, business support, broadband, and energy efficiency) (Eng).

4.6.4 Other issues

- Complications where domestic systems of SCO already exist and where beneficiaries and intermediate bodies are reluctant to change to a new approach (SI, PV-ESF);
- Some project beneficiaries argue that flat rate levels are too low (AT, DK);
- Finland would like to see wider use of SCO in the EAFRD, in order to allow for greater coordination and integration with the ERDF and ESF;
- In Denmark, the need for flat rates and lump sums to be backed by data is seen as difficult for small OPs. E.g. if a lump sum relates to the organising of a conference, it needs to be based on data on the costs of a number of conferences – but this is not realistic for a small OP.

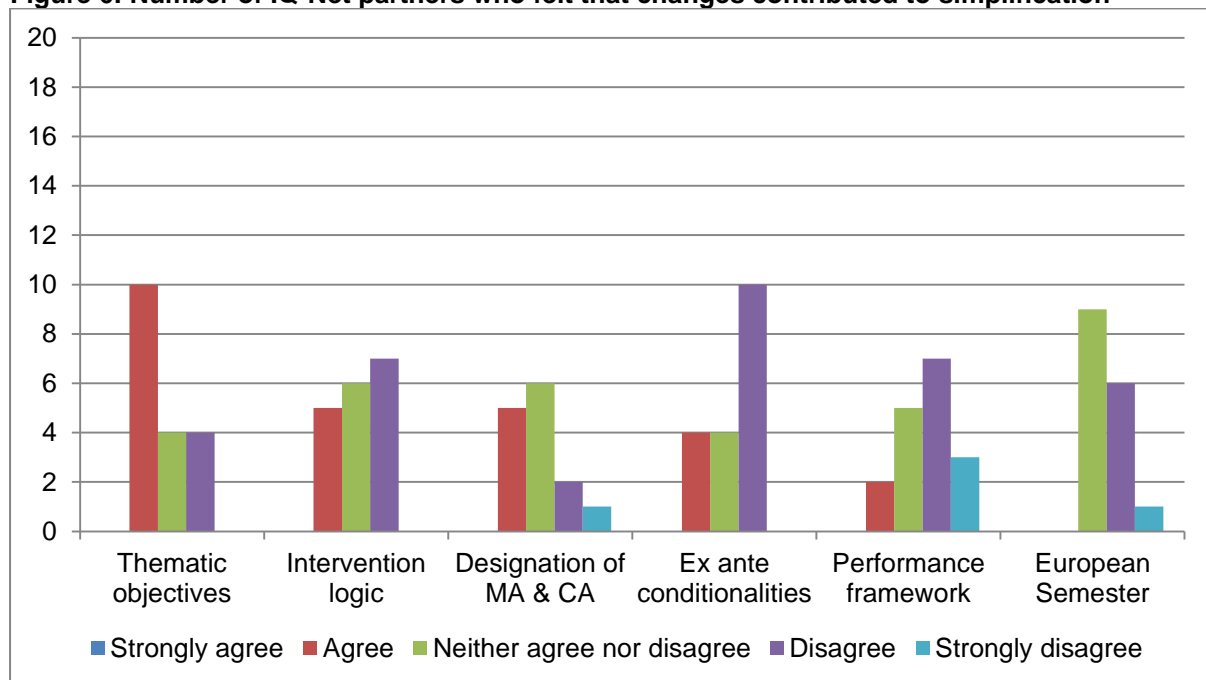
4.7 Designation of authorities increases the administrative burden

Partners note that a key new source of complexity in 2014-20 is the process of designating managing and certifying authorities – which detracts from capacity of explicit simplification measures to reduce the overall administrative burden. Key concerns are as follows:

- The process is seen as more complex than in 2007-13, with lengthy guidance and checklists provided by the Commission,¹³ so that the process is seen to be at least as complex as the process of drafting and agreeing the OP itself (FR, GR, NRW);
- The rules are seen as unclear, and there are calls for a clearer guidance note (AT); this is partly because there are so many different EU documents (regulations, delegated and implementing acts, guidelines...) so that OP authorities need to combine rules from different documents in order to understand what needs to be done (NRW),
- Designation is taking a very long time across all EU Member States, which in turn is leading to delays in financial implementation because only advance payments can be made until designation is complete.

More fundamentally, partners noted that the allocation of responsibility to Member State authorities creates additional challenges, given the lack of legal clarity and certainty over some rules and given that the domestic audit authorities remain accountable to the Commission and European Court of Auditors (AT, GR, Eng, NRW).

Figure 6: Number of IQ-Net partners who felt that changes contributed to simplification



Source: EPRC.

Note: See note to Figure 4.

¹³ European Commission (2014) *Guidance for Member States on the designation procedure*, EGESIF_140013-final, 18 December 2014, Brussels.

4.8 The stronger strategic focus adds to complexity

Partners welcome the stronger strategic focus in 2014-20 in general terms but also note that it leads to increased complexity (AT, FIN, GR, SI, NRW, Wal).

One view is that a better balance is needed between rules on control and audit on the one hand and rules on results/content/project quality on the other (DK, SI, Eng, Sco, Vla). Thus more demanding rules on results/impact should be balanced by a reduction in rules on financial implementation and control (AT, DK). This could involve a stronger reliance on Member States' own implementation, control and audit systems, and a focus on allocating EU funding on the basis of specific outcomes (e.g. €10,000 per qualification achieved) (Sco).

Another view is more sceptical, with partners arguing that approach taken has been very heavy and will generate a lot of data which cannot be used (Pom, SFin).

In this context, it is worth noting that few IQ-Net partners are using Joint Action Plans. Although seen as a potentially good idea which might in principle support simplification, they are not seen as practical due to complex rules (Vla).

4.8.1 Thematic objectives and concentration

- It is challenging for applicants to specify the Thematic Objectives to which they are contributing (DK);
- The Commission micro-managed thematic concentration through multiple requirements (e.g. separate targets for 'climate change' and for 'low carbon transition', which are calculated differently) (Wal);
- The Thematic Objectives in the Common Provisions Regulation are not seen as fully compatible with the EAFRD (SK);
- The application of the 10 Thematic Objectives has increased complexity in practice in particular countries/regions as they have led to the inclusion of more Priority axes and a lack of alignment between objectives (SI, Eng).

4.8.2 Reporting requirements

- Complex data collection systems are needed to enable managing authorities to meet reporting requirements (Eng);
- Some of the data to be collected is seen to be of little use at EU level but generates significant burdens for beneficiaries and OP authorities (CZ, Pom).

4.8.3 Indicators

- There is a need for clear goals which can genuinely be measured. In contrast, indicators that meet EU requirements are seen by some partners as not meaningful for the OP, especially where funding is small relative to the scale of the aggregate economy (and so where impacts cannot be traced) and/or where OPs focus on pilot and developmental activities (FIN, NRW);
- Beneficiaries do not understand what information they should provide because indicators are so complicated (SFin);

- DG REGIO and DG EMPL use different outcome indicator concepts which are inconsistent and create conceptual confusion (PT).

4.8.4 Evaluation

- The Commission's approach to the evaluation plan is seen as overly theoretical (NRW), with managing authorities being presented with pages of formal comments and being asked to state exactly how they would undertake evaluations in 2019;
- OP authorities are facing heavy demands due to the number of evaluations and studies being undertaken by the Commission and domestic authorities (NRW, Pom). In Pomorskie, the managing authority estimates that around 50 evaluations will be carried out in 2014-20 but only six of these will be for the managing authority and the remainder for the Commission and national government.

4.8.5 Performance framework

- The performance framework is seen to add complexity but not to strengthen implementation or effectiveness (NRW, Wal).

4.8.6 Ex ante conditionalities

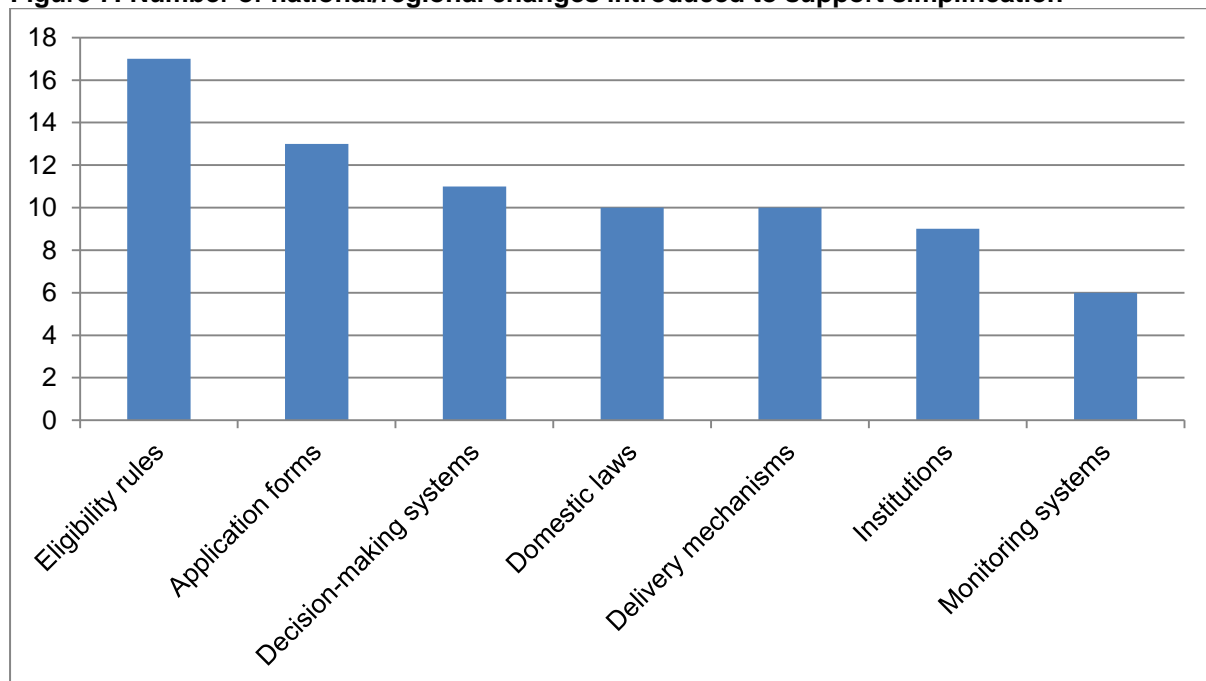
- Ex ante conditionalities are seen to have generated unnecessary work (FIN, NRW, Eng, Wal). In Nordrhein-Westfalen, for example, the Commission did not accept the existing *Land* innovation strategy (so that a new document had to be drafted) and in effect assessed and approved the strategy (even though there was no basis for this in the regulations), focusing mainly on formal aspects rather than content.

5. NATIONAL/REGIONAL ACTION ON SIMPLIFICATION IN 2014-20

In addition to simplification measures introduced at EU level, Member States and regional authorities have also taken the initiative to find ways of simplifying Cohesion policy implementation (see Figure 7). Some IQ-Net partners have taken decisions to prioritise stability and simplicity as much as possible in preparing for 2014-20 because authorities and beneficiaries are familiar with existing systems and procedures (AT, Wal). Key measures involve efforts to:

- Revise domestic legal frameworks to reduce overlap with EU rules;
- Reduce the numbers of programmes and OP authorities;
- Simplify programme architecture;
- Simplify/harmonise monitoring systems;
- Simplify eligibility rules and project application forms;
- Ensure that delivery mechanisms make life easier for beneficiaries.

Figure 7: Number of national/regional changes introduced to support simplification



Source: EPRC.

Note: See note to Figure 4.

5.1 Revising domestic legal frameworks to reduce overlap with EU rules

One reason for the administrative burden facing OP authorities and beneficiaries is the need to meet both EU and national/regional legal requirements. This has prompted some partners to simplify domestic frameworks and/or to harmonise these with EU regulations:

- Nordrhein-Westfalen has introduced a **Land ERDF Framework Regulation (EFRE-Rahmenrichtlinie)** in 2014-20 which effectively transposes EU legal requirements into domestic law, so that projects co-funded by the ERDF must only meet these rules (e.g. in relation to monitoring and control), and not the 'normal' domestic legal requirements (under the *Land* budgetary regulation [*Landeshaushaltsordnung*] and instrument-specific regulations

(*Fachrichtlinien*).¹⁴ This change also facilitates the use of simplified cost options, which are administratively difficult under domestic law. This approach was enabled by support from the *Land* Minister responsible for the ERDF managing authority, and by a *Land* cabinet decision.

- In Slovenia, the **national law on budget execution** has been revised to bring it closer to the EU regulations, with the aim of facilitating simpler and more transparent management.
- In Portugal, the **number of national regulations has been reduced** from c.100 in 2007-13 to six in 2014-20 (one national regulation for all ESI Funds, one regulation for the ESF, and one regulation for each of the four themes of the Partnership Agreement). Nevertheless, some rules will continue to vary across interventions because project calls can set out more detailed conditions that do not appear in the regulations (e.g. methods for simplified costs).

5.2 Reducing the numbers of programmes and OP authorities

Many partners have taken steps to reduce the number of entities involved – which is often seen to have been a challenging process (CZ) or to have required high-level political decisions (NRW). Reductions sometimes focus only on the number of intermediate implementing bodies (CZ, NRW, PV, Sco), or also on the number of managing authorities and programmes (AT, CZ, FIN, HR, Eng). Nevertheless, challenges remain:

- In Nordrhein-Westfalen, the number of intermediate bodies has been reduced significantly from over 100 in 2007-13 to nine main bodies in 2014-20, which is seen to allow significant improvements in coordination and audit robustness. However, the ERDF OP is funding **integrated urban strategies**, which means that (c.20) local authorities must also be designated as intermediate bodies.
- In Finland, the number of intermediate bodies has been reduced from 39 to 16, partly via the designation of a single ‘coordinating’ regional council as intermediate body in each of the South and West regions (but not in the East or North). This is seen to have simplified administration and communication for the managing authority. However, the **division of labour between the ‘coordinating’ and other regional councils** in the South and West is complex, as the ‘coordinating’ regional councils are responsible for final legal funding decisions and administering projects (payments, monitoring etc.) but the other regional councils decide on the focus of project calls, and prepare the decisions on applications.
- A further issue in Finland is that other **intermediate bodies** (the ELY-centres) **operate in a number of different administrative areas** with different legal bases and with accountability chains to a number of different ministries and agencies.

5.3 Simplifying programme architecture

Member States which are significant recipients of ESIF funding often have complex programming structures, with various different kinds of programme (e.g. ERDF/ESF/CF, national/regional, LDR/TR/MDR) and OP authorities.

¹⁴ NRW Land (2015) Rahmenrichtlinie über die Gewährung von Zuwendungen aus dem Europäischen Fonds für regionale Entwicklung im Zielbereich Investitionen in Wachstum und Beschäftigung (EFRE) in der Förderperiode 2014-2020 im Land Nordrhein-Westfalen (EFRE-Rahmenrichtlinie – EFRE RRL), *Ministerialblatt (MBl. NRW)* Ausgabe 2015 Nr. 20 vom 24.7.2015 pp. 443-66, https://recht.nrw.de/lmi/owa/br_vbl_detail_text?anw_nr=7&vd_id=15139

- Poland has increased the percentage of funding for regional OPs in 2014-20, and these now cover both ERDF and ESF funding and are managed by the regional governments, with local authorities as intermediate bodies for ITI. The ROPs operate alongside national thematic OPs managed by central government ministries. The **regionalisation of funding presents a significant coordination challenge** so that central government has introduced new legislation and guidelines (e.g. on project calls and applicant checks) and also remains legally responsible for approving the ROPs.
- Portugal has invested significant effort in ensuring a **more coherent programming structure**, including a hierarchy of objectives and investment priorities. The thematic OPs have a clear intervention logic and cover the mainland Less Developed Regions only (except for OPs or Priority axes which are fully national e.g. are funded exclusively by the Cohesion Fund or Youth Employment Initiative). The domestic regulations are also designed to follow each thematic domain to build a coherent and condensed set of regulations.

5.4 Simplifying/harmonising monitoring systems

Partners have taken steps to **streamline monitoring systems** (NRW), to **centralise** monitoring (CZ), to **improve connectivity** between existing systems (SI) and to **improve user-friendliness** (DK). These steps often depend on broader institutional changes e.g. streamlining the monitoring system in Nordrhein-Westfalen has depended on a significant reduction in the number of intermediate bodies.

Nevertheless, changes can generate further challenges:

- In the Czech Republic, **a central monitoring system has been re-introduced to eliminate overlap and to simplify processes** for beneficiaries and OP authorities but a number of difficulties have emerged: a) the work of training staff was underestimated; b) there have been technical problems; c) the system does not cover all procedures; d) managing authorities have requested changes to the system to meet specific needs; e) the national guidance document on monitoring is over 1000 pages long (including detailed templates which can be used directly by OP authorities and beneficiaries).
- In Finland, **a new electronic service package (EURA2014) has been introduced for ERDF and ESF with a view to simplify procedures** for applicants and OP authorities, to reduce error rates, to accelerate the processing of applications, and to facilitate data extraction for reporting purposes. However, challenges have emerged: a) there are a wide range of project templates with different legal bases, which has caused complexities for applicants and intermediate bodies (e.g. if a project has both investment and development elements, these need to be separated into two different projects in EURA 2014); b) the complex division of labour between the 'coordinating' regional councils and other regional councils in the South and West regions (see Section 6.2) has resulted in an overlap of tasks in EURA 2014.
- In Slovenia, **three existing monitoring systems** (those of the managing authority, the certifying authority and the national accounting system) **are now linked together**, which increases the system's complexity. The three systems cannot be fully merged because beneficiaries have access (for data entry purposes) to the Cohesion policy part, but cannot have access to the national accounting system.

5.5 Simplifying eligibility rules and project application forms

Steps have been taken to harmonise eligibility rules across all ESI Funds (Wal) or between the ERDF and ESF (Eng), or this was already done in 2007-13 (SI). Other measures include effort to make the eligibility rules easier to understand (DK) e.g. by eliminating jargon and aligning eligibility rules across the ERDF and ESF (Eng).

Partners have also simplified application and other forms:

- Denmark has made efforts to simplify the application forms and to develop indicator guidelines for applicants. The application forms now include questions on State aid rules only under relevant Priority axes.
- In Slovenia, the same application form is now used for all instruments under all Priority axes, including both calls and direct applications (and is based on the Commission's form for major projects).
- In England, administrative arrangements between the ERDF and ESF have been harmonised, including alignment of the application process and project selection criteria.
- In Nordrhein-Westfalen, project application forms can now be completed online. Moreover, the structure of the application forms means that project monitoring forms are slimmer and harmonised.

5.6 Introducing delivery mechanisms that make life easier for beneficiaries

5.6.1 *Harmonised information points and application procedures*

- One-stop-shops or a single network of information points have been introduced for potential applicants (FR, PL, PT, SI, Eng) or were already in place in 2007-13 (NRW);
- Single on-line websites (sometimes for all OPs and ESI Funds), with a common application procedure and information on all Funds (HR, PT, Wal). In Portugal, the website includes FAQs, a series of (youtube) videos explaining key steps of the application process, scope to sign up to notifications of forthcoming project calls);
- A single application procedure for all relevant EU, national and regional funding sources (FR).

5.6.2 *Hands-on support for beneficiaries*

- In Denmark, project beneficiaries are now invited to start-up meetings, which provide e.g. information on reporting requirements with the aim of reducing the number of errors in the reporting processes. Similarly, the managing authority now phones beneficiaries during the preparation of project accounts in order to discuss any questions.
- In Wales, a Delivery and Compliance Group (involving managing authorities and representatives of local authorities, the third sector, higher and further education, and other public entities) has been set up as a forum for beneficiaries and meets quarterly to deal with requests for clarification or training.
- In Nordrhein-Westfalen, specific entities have for some years been charged with providing advice and support to specific types of applicants under particular calls (e.g. the lead-sector agency [*Leitmarktagentur*], business associations and chambers, intermediate bodies).

5.6.3 *Simpler and clearer procedures*

- Poland has introduced various measures, including a standard format of application for payment across OPs; combining project reporting on physical indicators with the application for payment; allowing applicants to provide statements rather than formal certification, and legislation to clarify the principles of legal appeals relating to project selection.
- Portugal has introduced a 'once only' rule, whereby the public administration cannot ask an applicant for information which it already holds (e.g. fiscal and criminal information).
- The Czech Republic has endeavoured to unify and simplify procedures but there are now concerns that, while this may be helpful for beneficiaries, it can also lead to inflexibility, as well as an increased workload for OP authorities.

5.6.4 *Fewer interventions*

- Nordrhein-Westfalen has streamlined the approach to competitive calls in 2014-20 i.e. there will be fewer calls, each with multiple application deadlines, and each call will be administered by a single body from call design to implementation and reporting. The aim is to raise the quality of implementation, enhance consistency and improve transparency for applicants.
- Scotland has introduced a 'strategic intervention' approach, whereby application procedures are managed by 'lead partners', with the aim of simplifying the application process, creating a single point of contact for applicants, reducing administrative pressure on smaller applicants, and satisfying EU audit and reporting obligations.
- Croatia is moving towards a global grant type approach so that, instead of dealing with large numbers of beneficiaries, they are planning to make a limited number of awards to major beneficiaries who then deal with the awards in their field. There is also more use of permanently open calls which means that beneficiaries can submit applications when they are ready (although it also implies less predictability in the flow of applications).

5.6.5 *Supporting applicants' planning*

- Annual calendars for project calls have been introduced (PL, PT, NRW), to facilitate the future planning and preparations of applicants, which in turn is seen to support high quality applications.
- Enforceable deadlines have been set for assessing and approving project applications (PT), as well as steps to accelerate decision-making (HR). In Portugal, if deadlines are not met, the OP managers are held personally responsible and can be replaced.
- Broader organisational changes are also seen to support more transparent and quick decision-making processes, notably reductions in the number of intermediate bodies which is seen to improve the efficiency and transparency of all OP procedures, including decision-making in relation to projects (NRW).

6. CONCLUSIONS AND ISSUES FOR DISCUSSION

Despite many years of efforts at EU and Member State levels to simplify Cohesion policy management and implementation, the administrative burden on OP authorities and beneficiaries remains significant – and possibly even higher in 2014-20 than in previous periods. This has led some IQ-Net partners – particularly those with long experience and institutional memory of Cohesion policy – to voice deep scepticism of the scope for meaningful change.

The research for this report was very wide-ranging in coverage and scope, including:

- Detailed discussion of very specific implementation problems which partners are currently facing (a selection of which is summarised in Box 3);
- Questions where partners would welcome sharing experiences with others;
- Broader themes of management and implementation where strong but incremental change is seen to be needed (e.g. relating to legal certainty, duplication/harmonisation, and proportionality/differentiation); and
- Calls for a more fundamental re-think of the rationale and operation of Cohesion policy.

6.1 Questions relating to other partners' experiences

- What are partners' experiences with simplified cost options, including application of the 25 percent flat rate (as under Horizon 2020)?
- What are experiences with simplified cost options and audit? Do these options make audit leaner?
- What are experiences of designation of authorities and the description of the management and control system?
- What are partners' views of the balance between rules relating to results and audit requirements?
- How are partners handling joint monitoring committees with regard to reporting and committee size e.g. use of sub-committees?
- Have partners applied proportionality in implementation structures e.g. different application processes for different sized projects, less detail required for smaller projects?

6.2 Incremental change within the current system

A key question is **whether further steps could be taken to simplify Cohesion policy administration, and whether these steps would depend on certain preconditions?** For example:

First, could greater stability and legal certainty be achieved? E.g. via decisions:

- Not to re-interpret rules in 2014-20 (but is further interpretation/guidance still needed?);
- To retain the same rules and terminologies in 2021+ (or not to allow new rules to be added);
- Not to apply any new interpretations/guidance retrospectively.

Second, what steps to improve coordination and reduce duplication could be envisaged? E.g.

- **A coordinated approach among auditors at EU and national/regional levels**, to reduce duplication and audit overload;

- A **comprehensive legal framework**, rather than the multiple different regulations, acts and guidelines currently in place;
- Further steps towards a **harmonised approach across ESI Funds** (e.g. eliminating the need for separate Fund regulations) and other EU instruments (or even a single ESI Fund).

Third, how could greater proportionality or differentiation be introduced? e.g. between:

- **Member States or regions**, depending on defined indicators of administrative capacity (e.g. relating to financial control and audit systems, error rates etc.);
- **Programmes**, depending on the absolute level of funding and/or system audits;
- **Projects**, depending on funding level and project type; and
- **Applicants/beneficiaries**, depending on their track record of ESI funding and/or their internal assurance systems (implying e.g. a lighter approach to local authorities than to micro firms).

6.3 Is more radical change necessary (and possible)?

Certain aspects of Cohesion policy decision-making and implementation are inherently complex e.g.

- It covers 28 Member States with varied institutional and cultural/linguistic contexts;
- Funding levels differ across Member States;
- Decisions are taken via negotiation by senior politicians and administrators;
- There is tension between simplification and other principles e.g. financial assurance, equal treatment of all Member States, and subsidiarity.

In this context, **is a fundamentally different approach needed?**

- Could greater subsidiarity be introduced, via the use of **national/regional implementation systems instead of both EU and domestic rules?** (e.g. where EU co-financing rates are low or where domestic systems are certified as adequate?)
- Could the **focus of EU rules be on results/outputs rather than financial management?**
- Should funding be allocated in the form of **budget support**, rather than via the complex systems, linkages and actors currently used?
- Should **Cohesion policy apply only to poorer Member States** or regions?

Box 3: A selection of IQ-Net partners' current questions relating to simplification

First, there are questions relating to **financial control and audit**, e.g.:

- Will EU and domestic auditors accept electronic documentation (e-Cohesion)?
- Will auditors focus on whether rules are met and applied correctly or will they also introduce new concepts e.g. value for money?
- Can part-time contracts be used as expense documentation in the same way as full-time contracts (so that time sheets can be avoided)?

A second set of questions concerns **legal certainty in relation to simplified cost options**:

- Is the SCO approach accepted by EU auditors? (There are concerns that some EU auditors still seem to prefer an actual costs and paperwork approach.)
- Will there be a further Delegated Act with SCO options for a wider range of ERDF themes (e.g. R&I, business support, broadband, and energy efficiency)?
- What procedures should be used for projects with joint beneficiaries?
- Can the definition of direct and indirect personnel costs be clarified in specific cases?
- Under what conditions do SCO (e.g. lump sums) invoke State aid rules?
- (How) can SCO be used for projects using public procurement?

Will the Commission provide a further **guidance note on the designation of authorities**?

Last, clarification is needed as to whether all Commission DGs welcome **joint ERDF, ESF and EAFRD monitoring committees**.

ANNEX 1: EXAMPLES OF IQ-NET PARTNER APPROACHES TO SIMPLIFIED COST OPTIONS

Finland: Flat rates and Lump Sums

Which SCO are used?

Flat rates and (to a lesser extent) lump sums

How widely are SCO used?

SCO are expected to be used in almost all projects in 2014-20. Real costs can only be used in special circumstances or in projects where SCO cannot be used e.g. investment projects, projects which use public procurement, technical assistance and public employment services.

Approach to flat rates

The call for applications and guidance can define the available SCO and/or the applicant states which SCO will be used. The funding authority takes the final decision on the SCO.

Flat rates are applied as a percentage of the project staff's salary costs. Eligible costs include:

- Travel expenses (e.g. for international cooperation, network activities or long distances);
- Office expenses;
- Project staff participation in training courses and seminars;
- Health care costs of project staff;
- Costs relating to the use of premises, machinery and equipment reserved for project staff;
- Costs of the project steering group.

The flat rate options are:

- ESF: 17 percent (most common), 15 percent and 40 percent;
- ERDF: 24 percent (most common), 15 percent and 15 percent for business development aids.

Approach to lump sums

The awarding authority can decide to award a lump sum instead of flat rates, with total public funding up to a maximum of €100,000 (including EU, State, municipal and other public funding).

The application must include a detailed cost estimate, based on 17 percent (ESF projects) or 24 percent (ERDF projects) of salary costs (in accordance with the flat-rate option). The application must clearly define project outcomes and payment is based on verification of project outcomes.

Sources

<https://www.rakennerahastot.fi/documents/12248/64847/Kustannusmallit+2014-2020/2b6523b8-b018-45c9-b944-2a4d410e7bca>

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Nordrhein-Westfalen: Unit Costs and Flat Rates

Which SCO are used?

Standard scales of unit costs and also flat rates

How widely are SCO used?

SCO were not used in the ERDF OP in 2007-13 but can be used throughout the OP in 2014-20.

Approach to unit costs

Each year, the managing authority publishes monthly rates (used for full-time and part-time staff who are fully employed on the project) and hourly rates (for staff who spend part of their working time on the project, assuming a maximum of 1,650 annual productive working hours) to cover the wage and non-wage costs of four groups of workers. From 1 July 2015 until 30 June 2016, the rates are:

- Workers in senior positions: €8,420 (monthly) or €61 (hourly),
- Highly skilled workers: €5,496 (monthly) or €39 (hourly),
- Skilled workers: €3,811 (monthly) or €27 (hourly),
- Semi-skilled and unskilled workers: €2,853 (monthly) or €20 (hourly).

For staff in universities and *Land* research centres, costs are eligible only if staff are not already paid for by the *Land*; for local authority staff, costs are eligible only if the project solely involves non-statutory tasks; and the costs of managers of businesses are subject to a ceiling of 70 percent of working hours. Costs associated with voluntary unpaid work can be claimed at a rate of €15 per hour.

Approach to flat rates

Projects which use unit costs for direct staff costs can also apply flat rates for certain defined indirect costs (e.g. rent, utilities, administration, seminars), with a rate of 15 percent of direct staff costs, or 25 percent in the case of applied R&D and innovation centres (*Kompetenzzentren*), innovative cooperation and transfer projects, and clusters and innovation networks.

Sources

NRW Land (2015) *Rahmenrichtlinie über die Gewährung von Zuwendungen aus dem EFRE in der Förderperiode 2014-2020 im Land Nordrhein-Westfalen (EFRE-Rahmenrichtlinie – EFRE RRL)*, Ministerialblatt (MBL NRW) Ausgabe 2015 Nr. 20 vom 24.7.2015, pp. 443-66

Unit cost scales used for staff costs under the ERDF Framework Regulation for commitments made between 1 July 2015 and 30 June 2016

(Both available at: http://www.efre.nrw.de/0_EFRE_NRW_2014-2020/index.php)

Portugal: Unit Costs, Flat Rates and Lump Sums

Which SCO are used?

Standard scales of unit costs, (more recently) flat rates and (foreseen) lump sums.

How widely are SCO used?

In 2007-13, unit costs were used in all ESF OPs in relation to professional training courses, education and training courses for young people, and apprenticeships. In 2014-20, (different types of) SCO will be extended to other interventions under both ESF and ERDF (but still with wider use in ESF).

Approach to unit costs

Unit costs continue to be based on a mixed model: real costs are used for trainees-associated costs, while unit costs are used for other costs, including trainer-related costs.

Approach to flat rates

Currently, a flat rate of 15 percent of trainer-related costs has been approved for the remaining associated costs in relation to Centres for Qualification and Vocational Education. Methods for applying a flat rate of 15 percent of staff costs to selected training courses are currently being defined.

Approach to lump sums

Methods for using lump sums are currently being assessed for certain capacity building and technical support measures. In addition, methods for using lump sums in relation to awareness-raising actions and campaigns are currently being defined.

Under this model, the beneficiary receives a single advance payment of 15 percent of total public funding, regardless of whether the intervention is for one or several years. No interim payment claims can be submitted during implementation of the operation; instead, payments are made after the operation has been completed and the contracted outcomes have been verified.

Sources

Decree-Law No.159/2014 establishing the general rules for implementation of OPs and Rural Development Programmes financed by the ESIF for 2014-20,
dre.pt/application/dir/pdf1sdip/2014/10/20700/0554805562.pdf

Agency for Development and Cohesion (2015) *Metodologias de Custos Simplificados*, Lisbon, Núcleo Simplificação/UCFSE, 19-10-2015

Vlaanderen: Standard Hourly Rates (SHR)

Which SCO are used?

Standard hourly rates i.e. a method for calculating the hourly wage rate to be used when costing staff, which simplifies claim and payment procedures.

How widely are SCO used?

The SHR model has been introduced in the ERDF OP for project claims relating to wage costs and replaces the 'real costs' model used in 2007-13.

The method has formally been approved by the Audit Authority but the Managing Authority is awaiting whether there will be any practical challenges when it comes to implementation.

Approach to standard hourly rates

Based on the EU standard of 1700 hours/year, the following formula is used to calculate a Standard Hourly Rate for each member of staff:

1.2 divided by 100 multiplied by monthly gross salary = hourly rate.

Staff costs are then calculated by multiplying the number of hours worked by the hourly rate.

The factor of 1.2 in the formula automatically takes into account:

- a fair and reasonable share of any salary costs arising in addition to the gross salary;
- possible salary cost reductions for the employer/employee (notably tax relief for research staff); and
- non-working hours (e.g. holidays, sick leave).

Projects must provide the following documents when claiming staff costs:

- Employment contract
- Time sheets signed by the employee and employer
- January pay slip for each calendar year in which the employee works on the project.
- Proof of payment or compensation of overtime where applicable.

Specific rules apply in relation to timesheets, part-time working, maximum hourly rates, overtime, maximum number of working hours, employment on several ETC/ERDF projects, seconded staff, public authority staff, and temporary/interim employment.

Sources

Agentschap Ondernemen (2015) Interreg 2014-2020: Staff costs in Flanders.

SD Worx (2014) Opdracht EFRO Studie personeelskosten.

Agentschap Ondernemen (2014) SUT Studieopdracht – niet technische samenvatting