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Simplification in post-2020 delivery of Cohesion Policy

Briefing Paper

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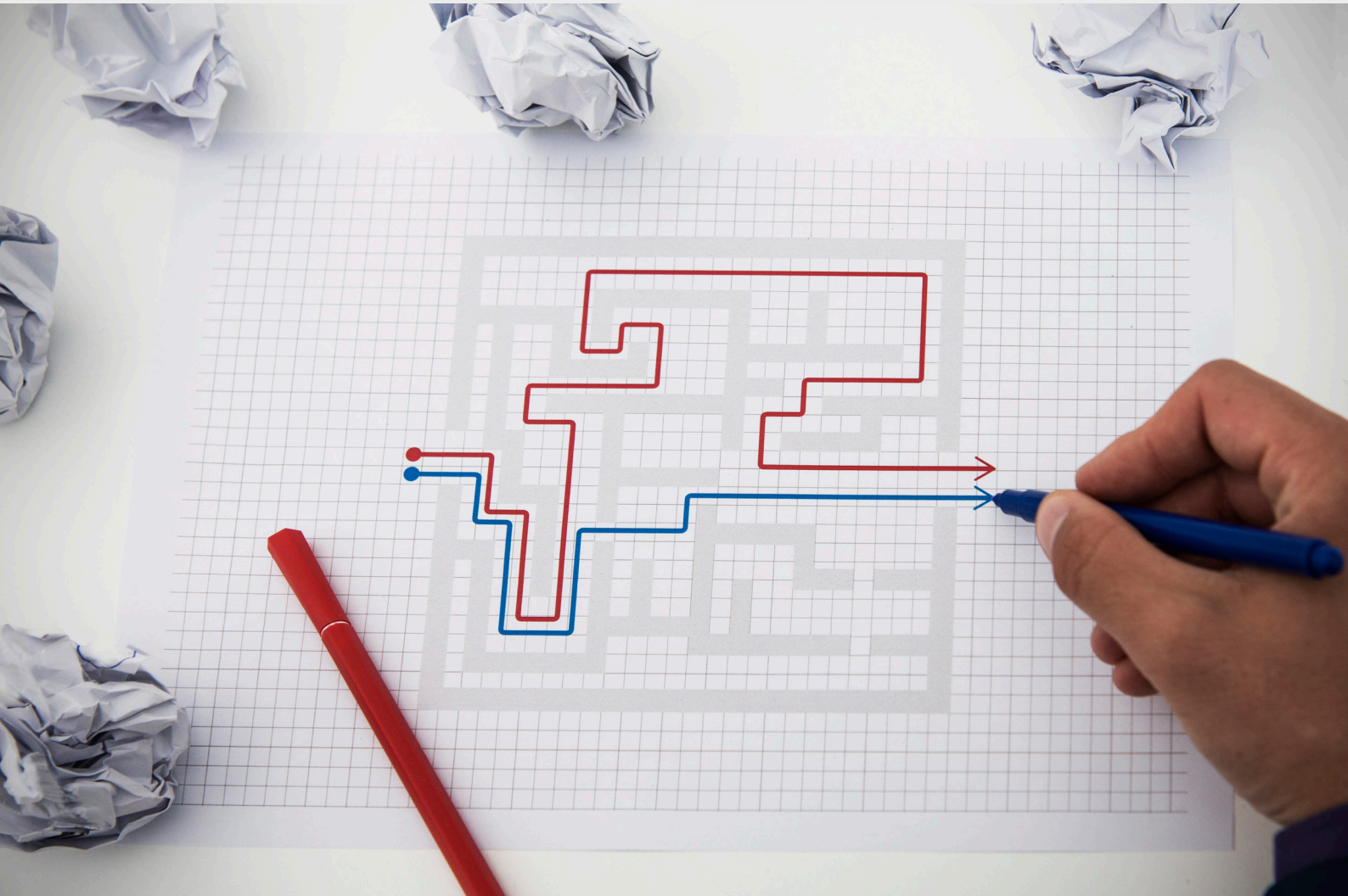

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GUIDING PRINCIPLES AND KEY AREAS FOR SIMPLIFICATION IN POST-2020 DELIVERY OF COHESION POLICY: A SUMMARY

I. Cohesion policy is the EU's main investment tool implemented jointly by the Commission and the Member States. Over the years, the delivery of the policy has become very complex. In response, the Commission proposed a number of simplification measures for the 2014-2020 period. Implementation of these measures has had mixed results. There is a consensus among the European Parliament, Member States and the Commission that the delivery of Cohesion Policy needs further simplification in the post-2020 period.

II. This Briefing Paper contributes to the debate on simplifying the delivery of Cohesion Policy post-2020. It is not an audit report, but a review based on publicly available information and our previous audit work in this area.

III. We found that there was no consensus regarding the objectives of simplification, i.e. on why, to whom and how to simplify. Based on international experience, such as Commission, the OECD and RegWatchEurope, we identified four guiding principles for effective simplification that we consider to be necessary to drive the simplification process of the post 2020-Cohesion Policy:

- A well-defined strategy for administrative simplification is needed;
- An evidence-based and structured approach is vital for understanding complexity and proposing simplification;
- Ensuring effective simplification requires a firm commitment by the Commission, the European Parliament, the Council and the Member States;
- Accountability and performance: simplification is not a goal in itself and should not jeopardise achievements in strengthened internal control.

IV. Our work also led us to identify five areas key for simplification of Cohesion Policy. These should be the focus of particular attention by the Commission, the European Parliament, the Council and Member States.

- **EU legislation and guidance.** Simplification starts with simple, clear and stable rules and better harmonisation of the rules relating to different Funds and programmes.
- **Operational Programmes' (OPs) management structure.** There are around 1 400 authorities in charge of managing and auditing more than 390 OPs in the Member States. This presents a challenge to efficient delivery of Cohesion Policy. Streamlining OPs and responsible authorities offers economies of scale and possibilities for reduction of administrative costs and the burden on beneficiaries.
- **Administrative inefficiencies in the selection and implementation of projects in Cohesion (including gold-plating).** Within Member States, simplification should also address gold-plating as well as unnecessary administrative requirements for project selection and monitoring. There is a significant potential for savings through better use of modern technologies.
- **Use of Simplified Cost Options (SCOs) and other types of measures based on conditions**. SCOs can reduce the administrative burden for beneficiaries and help reduce implementation costs. The Commission and Member States need to ensure that the opportunity for simplification offered by payment against the fulfilled conditions is accompanied by a greater focus on performance.
- **More efficient and effective controls**. Our audit experience shows the need for the Commission to set clear arrangements for the scope and frequency of management verifications undertaken by MAs/IBs and CAs. Member States need to address administrative inefficiencies (such as multiple submissions of documents) and the related burden on beneficiaries.

INTRODUCTION

EU Cohesion Policy

1. Cohesion Policy aims to reduce disparities between the levels of development of Member States and regions[1]. It is the EU's main investment tool and is implemented through the Cohesion Fund (CF), the European Regional Development Fund (ERDF) and the European Social Fund (ESF) with a total budget of €350 billion for the 2014-2020 period[2].

EU measures to simplify the delivery of the 2014-2020 Cohesion Policy

2. In the 2014-2020 programme period, a number of measures were introduced to simplify the delivery of Cohesion Policy. There are two types of simplification measures: mandatory and optional. Mandatory measures involve the harmonisation of rules, common indicators, proportionate control and E-cohesion[3] and mandatory use of Simplified Cost Options (SCOs) for ESF projects with up to €50 000 of public support[4]. Optional simplification measures include the merger of managing and

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[1] Treaty on the European Union, Article 3 (OJ C 326, 26.10.2012 pp. 13–390), Treaty on the Functioning of the European Union, Article 174 (OJ C 326, 26.10.2012, pp. 47–390).

[2] http://ec.europa.eu/regional_policy/en/policy/what/investment-policy/

[3] Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006, (OJ L 347, 20.12.2013, pp. 320–469).

[4] Article 14(4) of Regulation (EU) 1304/2013, (OJ L 347, 20.12.2013, pp. 470–486.

certifying authorities (MAs and CAs) and greater scope for using Simplified Cost Options (SCOs)[5].

3. The Common Provisions Regulation (CPR) for the 2014-2020 period stresses the mutual responsibility of the Commission and the Member States for simplifying the delivery of Cohesion Policy[6]. Member States were required to summarise in their Operational Programmes (OPs) their assessment of the administrative burden on beneficiaries and, where necessary, the actions and timeframe needed to reduce it[7].

Additional simplification measures proposed in 2016

4. In September 2016, the Commission proposed a major revision of the Financial Regulation governing the implementation of the EU budget, as well as the CPR and sectoral regulations for ESI Funds[8] (the so-called "Omnibus Regulation"). The Court issued an opinion on the Commission's draft legislative proposal in 2017[9]. The two

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[5] Part two, Article 67-68 of Regulation (EU) 1303/2013, of 17 December 2013, (OJ L 347, 20.12.2013, pp. 320–469) and Article 14 of Regulation (EU) 1304/2013, (OJ L 347, 20.12.2013, pp. 470–486).

[6] Article 4(10) of Regulation (EU) 1303/2013, of 17 December 2013, (OJ L 347, 20.12.2013, pp. 320–469).

[7] Article 96(6) of Regulation (EU) 1303/2013, of 17 December 2013, (OJ L 347, 20.12.2013, pp. 320–469).

[8] Article 265 of the proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision (EU) No 541/2014 of the European Parliament and of the Council, COM(2016) 605 final, Brussels, 14 September 2016.

[9] ECA, Opinion No 1/2017 (pursuant to Article 322, TFEU) concerning the proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Council Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014 and (EU) No 652/2014 of the European Parliament and of the Council

main objectives underpinning this revision are simplification and flexibility. The final text of the Omnibus Regulation is due to be adopted by mid-2018, i.e. in the fourth year of the current programme period.

5. In each of the last three programme periods, 2000-2006, 2007-2013 and 2014-2020, approximately 2 years after the start of each programme period, the Commission proposed an ad hoc reform[10] agenda aiming at simplification.

Calls to simplify the delivery of Cohesion Policy further in the post-2020 period

6. In 2015, the Commission set up a High Level Group (HLG) to monitor simplification for beneficiaries receiving ESI Funds in the 2014-2020 programme period[11]. In 2017, the HLG presented its conclusions and recommendations for post-2020 Cohesion Policy, largely based on its experience of programme implementation before the 2014-2020 period.

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and Decision (EU) No 541/2014 of the European Parliament and of the Council — Revision of the 'Financial Regulation' — Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

[10] Communication from the Commission to the Agenda 2000 for a stronger and wider Union, document drawn up on the basis of COM(97) 2000 final; European Commission Communication from the European Council, „A European Economic Recovery Plan", COM(2008) 800 final, 26 November 2008, Brussels; Commission Decision of 10 July 2015 setting up the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the European Structural and Investment Funds, C(2015) 4806 final, 10 July 2015 Brussels.

[11] Commission Decision of 10 July 2015 setting up the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the European Structural and Investment Funds, C(2015) 4806 final.

7. The European Parliament[12] and the Council [13], also presented their views on the future of Cohesion Policy and the scope for simplification. In June 2017, the Commission presented a reflection paper containing a number of proposals for simplifying Cohesion Policy[14]. The Committee of the Regions expressed its views in 2016[15] on simplifying the ESI Funds, in 2017[16] provided an opinion on the future of Cohesion Policy beyond 2020 and in 2018[17] on the conclusions and recommendations of the HLG.

8. In addition, some Member States presented their views and expectations concerning the simplification of the delivery of Cohesion Policy in the post-2020 period. We have obtained published position papers from Germany[18], Austria[19], the

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[12] European Parliament Resolution (2017), "Building blocks for a post-2020 EU cohesion policy", of 13 June 2017 (2016/2326(INI); and Resolution (2015), "Towards simplification and performance orientation in cohesion policy 2014-2020", of 26 November (P8_TA(2015)0419).

[13] Council conclusions (2017) on "Synergies and Simplification for Cohesion Policy post-2020" of 15 November 2017, No 657/17.

[14] European Commission (2017), Reflection Paper on the Future of EU Finances, of 28 June 2017, COM(2017) 358.

[15] Committee of the Regions (2016), Opinion, "Simplification of ESIF from the perspective of Local and Regional authorities", of 11 October 2016, No CDR 8/2016.

[16] Committee of the Regions (2017), Opinion, "The future of Cohesion Policy beyond 2020", of 11 May 2017, No CDR 1814/2016.

[17] Committee of the Regions (2018), Opinion, " Final conclusions and recommendations of the High Level Group on Simplification post-2020", of 31 January-1 February 2018, COTER-VI/035.

[18] „Gemeinsame Stellungnahme der Bundesregierung und der Länder zur Kohäsionspolitik der EU nach 2020" Berlin, 20 June 2017.

[19] EU Cohesion Policy post-2020, Simplification and Differentiation, Based on the discussion of the Bund-Länder Expert Group, January 2018.

Czech Republic[20] and Poland[21]. We also had an exchange of views with the Dutch Ministry of Economic Affairs and the Danish Business Authority.

9. The views of these EU institutions and other bodies converge as to areas in which simplification is most needed (see ***Annex I)***. The elements cited most frequently are the following:

- rules and regulations (a proliferation of rules, complexity, delays, inconsistencies and a lack of legal certainty);

- management and control (overlapping, disproportionate, and different interpretations of rules); and;

- large numbers of Operational Programmes, and complex institutional arrangements.

This Briefing Paper

10. The objective of this Briefing Paper is to contribute to the preparation of the legislative package for Cohesion policy post-2020 and to the debate on simplifying the delivery of Cohesion Policy post-2020.It is not an audit report, but a review based on publicly available information and our audit work we have carried out in this area in the past. Once the Commission has presented its proposal for the post-2020 legislative framework, we intend to issue an opinion concerning the legislative proposal which, inter alia, will deal with the measures taken to simplify the rules for Cohesion Policy.

11. In the first part of the Briefing Paper, based on international experience, such as that of the Commission, the OECD, and RegWatchEurope, we present general principles, which we consider to be necessary to steer the simplification process. In the

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[20] Presentation of the Czech Perspective on Future of Cohesion Policy after 2020, Brussels, Permanent Representation of the Czech Republic to the EU, 25 January 2018.

[21] Wstępne stanowisko Rządu RP ws. polityki spójności po 2020 r. przyjęte przez Komitet do Spraw Europejski w dniu, 17 July 2017.

second part, we analyse some specific proposals made by EU institutions and experts. We focus on five areas, which we believe to be of key relevance for effective simplification.

12. Our views are based on:

- our previous work (see ***Annex II***);

- interviews with Commission officials from the Directorates-General for Regional and Urban Policy (DG REGIO), for Employment, Social Affairs and Inclusion (DG EMPL), and the Commission's Internal Audit Service (IAS), consultations with representatives of Member States' audit authorities (AAs) and interviews with external entities (the OECD, and other bodies dealing with the reduction of administrative burden);

- a review of reports on administrative simplification in general and in the context of Cohesion Policy in particular;

- a review of the administrative procedures governing project selection and implementation in OPs from 12 Member States (see ***Annex III***) providing financial support for SMEs; and

- a review of the proposals for simplifying Cohesion Policy by the Commission, the European Parliament, the Council, the Committee of the Regions, as well as the positions of selected Member States (see ***paragraphs 6*** to ***8***).

13. The Commission was given the opportunity to comment on this paper before its finalisation. The Commission provided a few factual clarifications, which we considered appropriate for inclusion in the briefing paper.

GUIDING PRINCIPLES FOR SIMPLIFYING THE DELIVERY OF COHESION POLICY

14. The simplification of Cohesion Policy requires principles that structure the debate and guide the relevant stakeholders in deciding, for the next programme period, why, for whom and how to simplify. To this end, we have identified four guiding principles:

GUIDING PRINCIPLE I: A well-defined strategy for administrative simplification is needed;

GUIDING PRINCIPLE II: An evidence-based and structured approach is vital for understanding complexity and proposing simplification;

GUIDING PRINCIPLE III: Ensuring effective simplification requires a firm commitment by the Commission, the European Parliament, the Council and the Member States**;** and

GUIDING PRINCIPLE IV: Accountability and performance: simplification is not a goal in itself and should not jeopardise achievements in strengthened internal control.

A well-defined strategy for administrative simplification is needed

Administrative simplification: context

15. The OECD states that the purpose of administrative simplification strategies is "*to improve the efficiency of transactions with citizens and business without compromising regulatory benefits*" [22] and "*to reduce regulatory complexity and uncertainty, and cut red tape reducing unnecessary burdens created by bureaucracy and paperwork*" [23]. The design of such strategies should be clear, and include well-reasoned measurable

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[22] OECD (2006), "Cutting Red Tape, National Strategies for Administrative Simplification", p. 21.

[23] OECD (2009), Overcoming Barriers to Administrative Simplification Strategies. Guidance for Policy makers, p. 5.

objectives, resources, timing, outputs and results, as well as monitoring and evaluation mechanisms.

16. The OECD recommends that account should be taken not only of the costs but also of the benefits of a regulatory initiative when deciding upon simplification measures[24]. The Commission shares this view and believes that this may lead to undue deregulation. Accordingly, the Commission applies an "evaluate first" policy and quantifies regulatory costs, benefits and savings where such data are available before it makes any proposals[25].

17. In the area of Cohesion Policy, the Commission has differentiated since 2017 between administrative costs at Member State and EU level and the administrative burden for beneficiaries in complying with their obligations[26].

Our view

18. Our analysis of the views for the post-2020 period (see ***Annex I***) shows that there is no general agreement on the objectives of simplification, i.e. why and for whom simplification is needed. We believe that one of the main goals of administrative simplification is to remove unnecessary costs. The primary focus of simplification should be to reduce the administrative burden on beneficiaries and to reduce administrative costs for the Member States' authorities. We consider that simplification should also go hand in hand with an increased focus on performance, cost-efficiency and quality of regulation and administrative formalities.

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[24] OECD (2014), OECD Regulatory Compliance Cost Assessment Guidance, p. 8, OECD Publishing, Paris.

[25] Commission staff working document (2017), "Overview of the Union's Efforts to Simplify and to Reduce Regulatory Burdens", SWD(2017) 675 final, pp. 3, 44.

[26] European Commission (2017) study, "Use of new provisions on simplification during the early implementation phase of European Structural and Investment (ESI) Funds", Sweco, t33 & Spatial Foresight.

Guiding principle I: A well-defined strategy for administrative simplification is needed

A well-defined simplification measure should seek to reduce the administrative burden on beneficiaries and costs for the Member States' authorities, while taking regulatory benefits into account. It should not lead to undue deregulation. Such measures should be reflected in clearly defined strategies with established and well-reasoned, measurable objectives, resources, timing and outputs, results, monitoring and evaluation mechanisms[27].

An evidence-based and structured approach is vital for understanding complexity and proposing simplification

Evidence-based approach: context

19. Any proposal for administrative simplification should be based on robust evidence. There is a risk that administrative simplification may concentrate on activities that are irritating to those regulated, but not necessarily the most burdensome[28]. In this context, the Commission stated that administrative simplification without a detailed bottom-up assessment may have an impact on policy objectives[29]. To this end, both the Commission[30] and the OECD[31] suggest using quantitative methods such as the Standard Cost Model (SCM) to measure administrative costs and express them in monetary terms[32]. This quantitative evidence should also be complemented by qualitative methods for assessing administrative burdens on beneficiaries (e.g. the Burden Hunters Project in Denmark[33]).

20. In line with its Better Regulation guidelines[34], the Commission undertook two studies to assess the impact of changes proposed within the legislative framework of

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[27] OECD (2009), Overcoming Barriers to Administrative Simplification Strategies, Guidance for Policy makers, p. 16.

Cohesion Policy on administrative costs for Member States and administrative burdens on beneficiaries. These studies suggest that the biggest administrative workload for Member State administrations occurs in programme management: 78 % under the ERDF/CF and 85 % under the ESF (see ***Table 1***).

Table 1 - Estimates of Member State administrative workload per function under the ERDF/CF and the ESF

Function	ERDF/CF	ESF
National coordination	6 %	3 %
Programme preparation	3 %	5 %
Programme management	78 %	85 %
Certification	5 %	2 %
Audit	8 %	5 %

Source: Commission studies: "Measuring Current and Future Requirements on Administrative Cost and Burden of Managing the ESF", June 2012 and "Regional governance in the context of globalisation: reviewing governance mechanisms & administrative costs Administrative workload and costs for Member State public authorities of the implementation of ERDF and Cohesion Fund", 2010.

21. The assessment of the impact of simplification measures in 2014-2020 period suggests that the biggest efficiency gains can be expected in the aspects related to the programme management and project implementation (see ***Annex IV***). Overall, the

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[28] OECD (2010), "Cutting Red Tape; Why is Administrative Simplification so complicated? Looking beyond 2010", OECD Publishing, Paris, p. 35.

[29] Commission staff working document (2017), "Overview of the Union's Efforts to Simplify and to Reduce Regulatory Burdens", SWD(2017) 675 final, p. 44.

[30] European Commission, Better regulation toolbox, Tool No 60, "The standard cost model for estimating administrative costs".

[31] OECD (2010), "Cutting Red Tape, Why is Administrative Simplification so complicated? Looking beyond 2010", OECD Publishing, Paris, p. 45.

[32] http://ec.europa.eu/eurostat/documents/64157/4374310/11-STANDARD-COST-MODEL-DK-SE-NO-BE-UK-NL-2004-EN-1.pdf/e703a6d8-42b8-48c8-bdd9-572ab4484dd3.

[33] OECD (2010), Cutting Red Tape. Why is Administrative Simplification so complicated? Looking beyond 2010, Paris, p. 49.

[34] European Commission (2015), Better Regulation Guidelines, p. 39.

most time-consuming aspects within programme management are project selection and verifying deliverables.

22. As regards Member State administrative costs, there are significant economies of scale: ERDF and CF programmes with a relatively high financial volume spend a lower share of their budgets on administrative tasks. A similar observation has been made for ESF programmes. The administration costs of ESF programmes (as a share of the total OP budget) are also higher than for ERDF programmes[35]. This is because mandatory duties, e.g. drawing up annual implementation reports, apply independently of the financial allocation.

23. As regards administrative burden for beneficiaries, a significant source of complexity is gold-plating (i.e. requirements imposed at national level which go beyond those set out in the regulations). The Commission's ex-post evaluation for the 2007-2013 period and a study carried out on behalf of the EP suggest that almost one third of avoidable burden is due to inefficiencies in national implementation and gold-plating[36]. The latter may be due to lack of legal certainty and the concern of national administrations that a less strict interpretation of EU rules could ultimately result in the Commission imposing financial corrections.

A structured approach for administrative simplification - context

24. International experience, in particular that of the Member States and the OECD, suggests that successful administrative simplification requires a structured approach.

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[35] Sweco (2010): Regional governance in the context of globalisation: reviewing governance mechanisms & administrative costs Administrative workload and costs for Member State public authorities of the implementation of ERDF and Cohesion Fund, study Commissioned by DG Regional and Urban Policy, p. 8.

[36] Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), dated August 2016, pp. 17 and 106; and European Parliament (2017), Research for REGI Committee "Gold-plating in the European Structural and Investment Funds", 2017, p. 61.

This includes: (1) identifying and quantifying burden; (2) ex ante impact assessment and independent scrutiny thereof; and (3) target-setting for reducing burdens and monitoring progress[37].

Our view

25. Evidence-based policy is of paramount importance for providing better regulation and keeping rules simple. We believe that the Commission and the Member States should focus primarily on those areas with the greatest administrative workload and those elements that contribute most to complexity (see ***paragraph 21***). The starting point should therefore be to understand the sources of complexity and their related benefits by identifying unduly burdensome and costly elements and their origins, whether at EU or national level. Whenever possible, assessments should involve quantitative analysis and tools such as surveys/stakeholder feedback and the results of ex-post evaluations. Such analysis should identify appropriate simplification measures.

26. However, we did find weaknesses in the availability of relevant data. In 2012, the Commission conducted a quantitative analysis of administrative costs and the burden for Cohesion Policy at EU level[38], i.e. before the start of the 2014-2020 programme period. However, our assessment of 12 OPs from 12 Member States (see the list of OPs in ***Annex III***) indicates that Member States carried out limited analysis, which in general was qualitative rather than quantitative.

27. Since 2015, impact assessments have been a key part of the Commission's Better Regulation agenda. This also entails assessing the impact of legislation on specific stakeholders both qualitatively and quantitatively whenever possible. An Independent Regulatory Scrutiny Board (RSB) that was set up within the Commission in 2015 checks

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[37] RegWatchEurope (2014): A Smart Agenda for the New European Commission.

[38] t33, (2012) Measuring the impact of changing regulatory requirements to administrative cost and administrative burden of managing EU Structural Funds (ERDF and Cohesion Funds) commissioned by DG Regional and Urban Policy.

the quality of the impact assessments. The Council and the Parliament are required to carry out impact assessments of any substantial amendments they make to proposed legislation[39]. In addition, the Commission set up a Regulatory Fitness and Performance Programme (REFIT) to analyse existing legislation with the view to ensure that the benefits of EU law are reached at the lowest cost. In its annual reports 2016 and 2017, the RSB pointed to weaknesses in the quantification of regulatory costs and benefits[40].

28. Already in the draft CPR[41] for the 2014-2020 period, the Commission proposed that targets should be used to reduce administrative costs and burden. However, the targets were dropped during the CPR negotiations. As a result, Member States' Partnership Agreements (PA) and OPs did not set any targets for reducing the administrative burden on beneficiaries and their administrations' costs in implementing Cohesion Policy.

29. Similarly, the model of the Annual Implementation Report for 2014-2020 OPs does not provide for reporting on the progress made on reducing the administrative burden[42]. Since there are no indicators to measure progress on reducing administrative costs and burdens when delivering Cohesion Policy, it is difficult to assess whether the Commission and the Member States are effective at reducing the administrative burden.

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[39] Inter-institutional Agreement between the European Parliament, the Council of the European Union and the European Commission on better law-making, of 13 April 2016, (OJ L 123, 12.5.2016, pp. 1–14).

[40] European Commission (2017): Regulatory Scrutiny Board, Annual Report 2017, point 2.3.

[41] Proposal for a Regulation of the European Parliament, COM(2011) 615 final/2, Brussels, 14 March 2012, Article 14, e.(ii).

[42] Commission Implementing Regulation (EU) 2015/207 of 20 January 2015, (OJ L 38, 13.2.2015, pp. 1–122).

Guiding principle II: An evidence-based and structured approach is vital for understanding complexity and proposing simplification

The starting point for effective simplification is a comprehensive overview of the origin of burden in the OPs, and identification of undue complexity and unnecessary costs. This should enable the Commission and the Member States to identify adequate simplification measures with a view to effectively reducing administrative costs for national authorities and the administrative burden on beneficiaries. Member States should assess their simplification proposals and the Commission should review these before the start of the OPs to ensure effective simplification and prevent the need for ad-hoc adjustments during the implementation process.

Lastly, setting targets and monitoring progress for administrative costs and burden reduction is indispensable to ensure sustained simplification on the ground.

Ensuring effective simplification requires a firm commitment by the Commission, the European Parliament, the Council and the Member States

Commitment: context

30. The Commission, the European Parliament, the Counciland the Member States share responsibility for simplifying the delivery of Cohesion Policy, and must be actively involved[43] in achieving this objective. The Commission proposes the legal framework for managing and implementing the Funds, which is then negotiated and adopted by the European Parliament and the Council. Member States then bear responsibility for laying down rules for beneficiaries, e.g. for selecting operations, monitoring, and reporting. These rules have a direct impact on beneficiaries and contribute to the real and/or perceived administrative burden.

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[43] Committee of the Regions (2016), Opinion, "Simplification of ESIF from the perspective of Local and Regional Authorities", of 11 October 2016, No CDR 8/2016.

Our view

31. International experience, in particular that of the Member States, suggests that the success of administrative simplification requires strong political commitment, as well as adequate governance, methodology, and resources[44]. This is also the case for Cohesion Policy. Effective simplification requires firm commitment and ownership by the Commission, the European Parliament, the Council and the Member States in their respective roles.

32. The Commission can contribute to administrative simplification by proposing rules that are "fit for purpose", harmonising those rules and streamlining the OP model. When negotiating these proposals in the legislative process, it is necessary for the European Parliament and the Council to have a firm commitment to deliver simplification whilst not compromising on achieving the set policy objectives.

33. Following adoption, the legislation must be implemented by the Member States in a way which actually results in simplification for beneficiaries. The Commission has identified that the application process, together with reporting and document storage, account for a major part of the beneficiaries' administrative workload[45]. It is primarily within the Member States' remit to take steps to reduce the burden on beneficiaries in these areas.

34. The CPR required the Member States' PAs and OPs to report "measures planned to reduce the administrative burden on beneficiaries." However, there was no common methodology on how to assess these measures in the ex-ante evaluations of the PAs and OPs. This part of the OPs was not subject to a Commission decision. Experience

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[44] CEPS (2017) study, "Introducing EU reduction Targets on regulatory Costs, a feasibility study", A. Renda, p. 39.

[45] Commission Staff Working Paper "Impact Assessment" (2011), of 6 October 2011, SEC(2011) 1141 final, p. 17.

from the 2014-2020 programmes (see ***paragraph 26***) suggests that the Commission should have a more active role to play.

Guiding principle III: Ensuring effective simplification requires a firm commitment by the Commission, the European Parliament, the Council and the Member States

Effective simplification requires a firm commitment and ownership by the Commission, the European Parliament, the Council and the Member States according to their roles. The Commission can contribute to administrative simplification by proposing rules that are "fit for purpose". The European Parliament and the Council should have a firm commitment to deliver simplification in the legislative process without jeopardising the achievement of policy objectives. It is then primarily in the Member States' remit to take steps to reduce the administrative burden placed on beneficiaries. The Commission should supervise the process to better support Member States in achieving simplification on the ground.

Accountability and performance: simplification is not a goal in itself and should not jeopardise achievements in strengthened internal control

Assurance, public accountability and effectiveness: context

35. The Commission bears ultimate responsibility for implementing the EU budget. This means it needs assurance that Member States are using funding in an accountable and effective way[46]. By this, we mean:

(a) Assurance and public accountability. The authorities spend funds in compliance with the applicable rules. This entails roles and responsibilities for management and control clearly set and well understood by both Member States and the

[46] Preamble (10) of Regulation (EU) 1303/2013, (OJ L 347, 20.12.2013, pp. 320–469).

Commission; regular reporting on the use made of this expenditure, its eligibility and independent audit thereof[47].

(b) Effectiveness, i.e. achieving policy objectives agreed by legislators. Firstly, this requires identification of investment needs, funding priorities, objectives and performance indicators. Subsequently, it entails selecting projects that correspond best to objectives and deliver results, by collecting performance data and monitoring progress.

36. The previous two programme periods saw accountability arrangements strengthened, in particular authorities being formally designated and mandatory checks by the Commission and AAs on the functioning of management and control systems for each of the OPs [48].

37. While aiming at achieving the Cohesion Policy objectives agreed by the legislators, it is necessary to focus on the effective use of funding. In its budget review, the Commission stressed the need to improve the effectiveness of Cohesion Policy by focusing on results[49]. The legislative package for the 2014-2020 programme period, primarily the CPR, introduced significant changes that are intended to increase the focus on effective performance, including an intervention logic, ex ante conditionalities and a performance framework.

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[47] ECA (2018), Briefing Paper on Future of EU finances: reforming how the EU budget operates, February 2018.

[48] Articles 14 and 71 of Council Regulation (EC) No 1083/2006, (OJ L 210, 31.7.2006, pp. 25–78).

[49] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the National Parliaments, COM(2010) 700, “The EU Budget Review”, of 19 October 2010.

Our view

38. The main aim of Cohesion Policy is to achieve the policy objectives, i.e. to promote the overall development of the EU by reducing disparities between the levels of development of Member States and regions. We consider that simplifying Cohesion Policy should not be done at the cost of achieving policy objectives and accountability for using public funds.

39. For the 2007-2013 programme period, the legislators decided to strengthen accountability arrangements for Cohesion Policy. Our audit work show that this has contributed to a significant drop in the level of irregularities[50]. The error rates the Court has reported since 2007 for 2007-2013 expenditure are at a significantly lower level compared to the previous programme period, and were consistently lower from 2011 to 2016 (see ***Figure 1***)[51]. This translates into billions of euros spent without irregularities, e.g. on ineligible projects or cost categories, on unlawful state aid or on projects infringing EU and national public procurement rules. These positive results could not have been achieved without strengthening internal control arrangements. These achievements should not be jeopardised.

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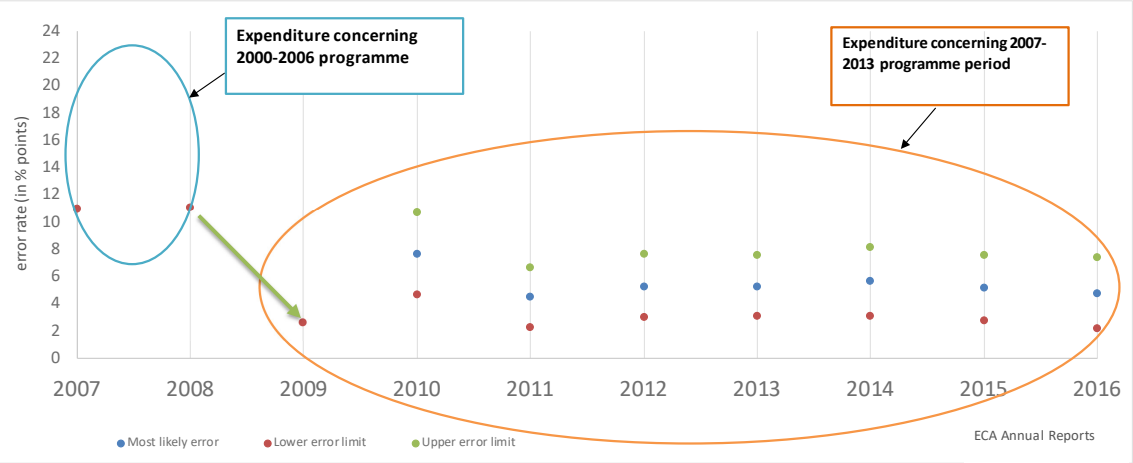
[50] George Karakatsanis and Martin Weber (2016), „The European Court of Auditors and Cohesion Policy" in "Handbook on Cohesion Policy in the EU".

[51] Special report No 17/2018 'Commission's and Member States' actions in the last years of the 2007-2013 programme period tackled low absorption but had insufficient focus on results', paragraphs 80 and 81.

Figure 1 - Error rates estimates in the area of Cohesion, 2007 to 2016



Source: ECA annual reports, 2007-2016.

40. In 2018, the Council proposed a delivery system for post-2020 Cohesion policy that is entirely based on the Commission's reliance on national rules and the work of the Member States' authorities, with limited opportunities for the Commission to intervene[52]. Such an approach, if applied, would present a major change to the current management and control systems. As we have already noted, the previous two programme periods saw accountability arrangements strengthened by, among others, the Commission drawing assurance on the regularity of Cohesion spending by relying on checks performed by Member States' AAs in accordance with the 'single audit' principle. The pre-requisite for this is quality work by the AAs[53]. Waiving the supervisory role of the Commission would however pose a significant risk to the current level of accountability and assurance. According to the Treaty[54], the Commission is responsible for implementing the budget having regard to the principles of sound financial management.

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[52] Council Conclusion (2018), "Delivery and implementation of cohesion policy after 2020", 12 April 2018, 178/18 Press Release.

[53] Article 73 of Council Regulation (EC) No 1083/2006, of 11 July 2006, (OJ L 210, 31.7.2006, pp. 25–78).

[54] Treaty on the Functioning of the European Union (TFEU), article 317.

41. The Court has previously found that the lack of focus on performance was a fundamental problem in the management of EU funds[55]. While this has been partially dealt with in the CPR, our audit work showed a picture of mixed success for the three changes mentioned above. We observed that a more robust intervention logic for the OPs was achieved, but that this was accompanied by increased complexity, including an excessive number of indicators and a weakness in defining results[56]. We also found that the ex-ante conditionalities provided a harmonised frame of reference for assessing the conditions for the effective use of funds. However, it is not clear to what extent this led to changes on the ground. Moreover, we concluded that the performance framework with a performance reserve that ought to have acted as an incentive for better performance was no more results-oriented than similar arrangements in the previous programme periods [57].

42. Despite these mixed results, we consider that simplification can and should go hand-in-hand with an increased focus on performance. We also agree with the view set out in the 2016 inter-institutional agreement on better law-making that simplifying EU legislation and reducing the regulatory burden should be pursued without hampering the achievement of policy objectives[58].

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[55] ECA (2014) Annual Report concerning the financial year 2013, chapter 10, paragraph 10.57.

[56] ECA (2017), Special report No 02/2017, "The Commission's negotiation of 2014-2020 Partnership Agreements and programmes in Cohesion", paragraphs 143, 146 and 150.

[57] ECA (2017), Special report No 15/2017, "Ex ante conditionalities and performance reserve in Cohesion", paragraphs 25-65, 72.

[58] Inter-institutional Agreement between the European Parliament, the Council of the European Union and the European Commission on better law-making, of 13 April 2016, (OJ L 123, 12.5.2016, pp. 1–14).

Guiding principle IV: Accountability and performance: simplification is not a goal in itself and should not jeopardise achievements in strengthened internal control

The main aim of Cohesion Policy is to strengthen economic, social and territorial cohesion. ESI funds must be used in accordance with the principles of sound financial management and comply with legal requirements[59]**.** Simplification is not a goal in itself.

SELECTED AREAS FOR SIMPLIFICATION OF THE DELIVERY OF COHESION POLICY

43. We set out below our views on a number of issues we regard as the main areas of complexity for the delivery of Cohesion Policy, i.e. EU legislation and guidance; OPs management structures; selection and implementation of projects (including gold-plating); use of Simplified Cost Options (SCOs) and other types of measures based on conditions; more efficient and effective controls. For each of them, we identified constraints on administrative simplification. We consider that a consistent application of the guiding principles set out in this document would help to address these constraints.

EU legislation and guidance

Clarity of EU legislation and guidance

44. In 2011, our first opinion on the draft CPR stated that the arrangements for Cohesion spending in the current 2014-2020 programme are complex and the burden on both EU and national administrations remains high[60]. A 2017 study by the European

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[59] Preamble (10) of Regulation (EU) 1303/2013.

[60] ECA (2011), Opinion No 7/2011 on the proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund

Parliament found that complex and unclear rules lead to interpretation problems and legal uncertainty[61]. This in turn contributes to gold-plating and increasing administrative costs and burden. The Council also concluded in 2017 that complex rules are one of the main causes of errors[62].

45. For the 2014-2020 period both the number of regulations and of guidance increased significantly in comparison with the two previous programme periods. Between the 2007- 2013 and 2014-2020 periods, the number of pages of regulations and guidance doubled from 1 732 to 3 889. Compared with the 2000-2006 programme period, there are now 50 % more regulations and 570 % more guidance notes (see ***Annex V***). According to the Commission, the guidance notes are mainly produced upon request of the Member States.

46. The increase in guidance notes from 2007-2013 to the 2014-2020 period is related mainly to the programming phase (see ***Figure 2***). The newly introduced guidance primarily served to explain how to accommodate not only newly introduced elements that should make Cohesion Policy more performance-oriented (i.e. ex-ante conditionalities), but also the reinforced intervention logic and performance reserve in the OPs. While in principle the Commission's guidance notes are only binding on its own services, there is considerable concern among Member States that non-compliance with Commission guidance can ultimately also result in financial corrections[63].

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covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1083/2006, paragraph 5.

[61] European Parliament (2017), Research for REGI Committee "Gold-plating in the European Structural and Investment Funds", 2017, p. 63.

[62] Council conclusions (2017) on "Synergies and Simplification for Cohesion Policy post-2020" of 15 November 2017, No 657/17, point II(10).

[63] European Parliament (2017), Research for REGI Committee "Gold-plating in the European Structural and Investment Funds", 2017, p. 67

Figure 2 - Cohesion Policy regulations and guidance as of 20 April 2018

Document type related to programme phase	Programme period					
	2000 - 2006		2007 - 2013		2014 - 2020	
	Number	Pages	Number	Pages	Number	Pages
EU Regulations and Commission's decisions						
Sub-total	**19**	**138**	**21**	**313**	**28**	**774**
Horizontal	6	61	6	93	6	228
Programming	6	23	14	57	6	166
Implementation	7	54	1	163	16	380
Closure	0	0	0	0	0	0
Guidance documents						
Sub-total	**13**	**374**	**60**	**1 419**	**88**	**3 115**
Programming	4	76	5	76	49	1 413
Implementation	5	72	54	1 205	34	1 599
Closure*)	4	226	1	138	5	103
TOTAL	32	512	81	1 732	116	3 889

*) 2014-2020 annual closure of accounts

Source: ECA, based on http://ec.europa.eu/regional_policy/en/information/legislation/guidance.

47. Over time and programme periods, certain aspects of programme management were specified in guidance notes. For example, sampling methodology for auditing operations or the methodology for assessing revenue-generating projects previously set out in guidance notes were included in the 2014-2020 regulations. This increases the number of regulations, but also legal certainty for the Member States.

Timely availability and stability of rules during and between programme periods

48. Delays in negotiating the 2014-2020 MFF led to delays in adopting the legislative package for Cohesion Policy: it was adopted only in December 2013, i.e. two weeks before the start of the programme period. The associated guidance was adopted in a piecemeal manner until September 2014. Secondary legislation was adopted gradually until January 2016 at the same time as the OPs were adopted and implemented. The evidence we collected also suggests that many additional rules and requirements contributed to delays in negotiating and adopting the OPs[64]. In view of this, we

[64] ECA (2017) Special Report No 02/2017, "The Commission's negotiation of 2014-2020 Partnership Agreements and programmes in Cohesion", paragraph 55.

recommended that the Commission should present its Cohesion Policy legislative proposals for the post-2020 period in good time so that negotiations could be completed before the start of the programme period[65].

49. One of the main findings of the Commission's ex-post evaluation for the period 2007-2013 was that the frequent changes of rules, often with retrospective application, contributed to legal uncertainty and diverging interpretations between different authorities in the Member States. As a result the Managing Authorities (MAs) tended to apply the rules in the strictest possible way in order to lower the risk of financial corrections[66]. Various studies suggest that in addition to timely availability, a lack of stability in rules and retroactive decisions are also a serious concern for legal certainty[67]. The HLG on simplification stated that while rules should be simplified, they should also remain stable between programme periods. The European Parliament[68] and the Committee of the Regions[69] share this position.

50. We consider that the timely availability of rules is key. We also believe that stable rules may be a means of effective simplification. In particular, there is a risk that far-reaching changes to the current assurance system would go against recent achievements to ensure that Cohesion spending is legal and regular (see ***paragraph 39***).

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[65] idem, figure 3, paragraphs 138, 139 and recommendation 1.

[66] Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), dated August 2016, pp. 105 and 106.

[67] EPRC (2015) IQ-Net Thematic Paper 37(2), "Is simplification simply a fiction?", European Policies Research Centre School of Government & Public Policy University of Strathclyde, p. 12.

[68] European Parliament Resolution (2017), "Building blocks for a post-2020 EU cohesion policy", of 13 June 2017 (2016/2326(INI), paragraph 38.

[69] Committee of the Regions (2016), Opinion, Simplification of ESIF from the perspective of Local and Regional authorities, 119th plenary session, 10, 11 and 12 October 2016, paragraph 45.

Harmonising rules makes the system less complex and helps managing authorities and beneficiaries

51. The 2014-2020 CPR provides common rules that apply to all five ESI Funds. It includes the option of multi-fund programmes and joint monitoring committees, and the possibility that each Fund may support technical assistance operations that are eligible under any of the other Funds.

52. Despite the good intentions set out in the CPR, the Commission did not fully succeed in harmonising rules even for the three funds (ERDF, CF and ESF) implementing Cohesion Policy. In a previous report, we found that the ERDF/CF and the ESF apply different definitions of performance data for the 2014-2020 period. This entails setting up and maintaining different IT systems, and thus contributes to an increased administrative cost for Member State administrations and an unnecessary administrative burden for beneficiaries[70]. Another example is that AAs or equivalent bodies, do not follow the same approach for all five Funds. The HLG also suggests that rules are not compatible between Funds and management modes, thus limiting synergies between ESI Funds and other EU funds such as the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) and Horizon 2020.

Operational Programmes' (OP) management structure

Number of OPs and the authorities involved

53. Cohesion Policy is delivered through OPs. Member States[71] enjoy a degree of autonomy to decide on the number of OPs, the combination of Funds used in an OP,

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[70] ECA (2017), Special report 02/2017, "The Commission's negotiation of 2014-2020 Partnership Agreements and programmes in Cohesion", paragraphs 148-151.

[71] Commission Implementing Regulation (EU) No 288/2014 of 25 February 2014, (OJ L 87, 22.3.2014, pp. 1–48).

the number of priority axes and specific objectives, and management and control structures, subject to certain restrictions set out in the regulations[72].

54. In the 2014-2020 programme period, the Member States created more than 390 OPs. The number of OPs and authorities in a Member State also depends on its constitutional and administrative structure. For example, in federal states (such as Germany or Belgium) nearly all programmes are set at regional level and managed by regional authorities.

55. According to the Commission's estimates in 2014-2020 the Member States have set up around 1 400 different authorities to manage the programmes: around 116 institutions acting as AAs, 300 as CAs and MAs, and 924 IBs under the ERDF, the CF and the ESF (including the ETC).

56. Generally, the number of authorities does not correlate with the OPs budget allocation[73], for details see ***Annex VI***. Evidence suggests that the financial volume of the OPs makes a difference (see ***paragraph 22***). Economies of scale exist and the percentage of administrative costs tends to fall as the budget increases.

57. The Commission's ex-post evaluation of the 2007-2013 Cohesion Policy suggests that the risk of diverging interpretations of the rules at different levels increases with the number of authorities per OP[74].This in turn may contribute to legal uncertainty and gold-plating and thus to additional administrative costs for authorities and the burden on beneficiaries.

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[72] Article 96 of Regulation (EU) 1303/2013, (OJ L 347, 20.12.2013, pp. 320–469), and Commission Implementing Regulation (EU) No 288/2014 of 25 February 2014, (OJ L 87, 22.3.2014, pp. 1–48).

[73] Based on the data provided by the Commission.

[74] Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), dated August 2016, p. 106.

Streamlining other elements of the OPs, such as ex ante conditionalities and performance indicators

58. For the 2014-2020 period, Member States were required to ensure that a number of prerequisites were in place to ensure a more efficient and effective use of EU funds: the so called 'ex ante conditionalities'. We recommended that the Commission should eliminate overlaps and introduce clear assessment criteria for these ex ante conditionalities[75].

59. Moreover, Member States have defined around 9 000 indicators to measure the performance of Cohesion spending for the 2014-2020 period. Most are programme-specific, and the Commission will not be able to aggregate these data in a meaningful manner at EU level. However, Member States need to collect all the requisite information and report it on time. According to the Commission, this monitoring framework is a major factor contributing to the administrative cost for authorities and burden to beneficiaries (see ***Annex IV***). In a previous report, we noted that, given the cost of collecting this data on a regular basis, the number of performance indicators was excessive. We recommended that the Commission should analyse indicators for outputs and results in order to identify those that were most relevant and best suited to determining the impact of EU intervention[76].

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[75] ECA (2017), Special report No 15/2017, "Ex ante conditionalities and performance reserve in Cohesion".

[76] ECA (2017) Special report No 02/2017, "The Commission's negotiation of 2014-2020 Partnership Agreements and programmes in Cohesion".

Administrative inefficiencies in the selection and implementation of projects in Cohesion (including gold-plating)

Gold-plating

60. Approximately one third of the administrative burden for beneficiaries of delivering Cohesion Policy is linked to gold-plating[77]. Gold plating" stands for Member States' additional rules and regulatory obligations that go beyond the ESI funds requirements set out at EU level, and that make the implementation of ESI funds more costly and burdensome for programme bodies and beneficiaries.

61. Key reasons for gold-plating are legal uncertainty, inconsistencies in the regulatory framework, fear of audit, and the complexity of the shared management system. The negative impact of gold-plating is varied: it increases administrative costs and the burden on beneficiaries and also may discourage from using the Cohesion funding[78]. The Court recommended[79] that the Commission should analyse national eligibility rules for the 2007-2013 and 2014-2020 programme periods with a view to identifying good practices and reducing gold-plating.

62. In its reply to the Court's recommendations, the Commission agreed to conduct a focused analysis of national eligibility rules and stressed the Member States' responsibility for simplifying national eligibility rules and addressing gold-plating. By April 2018 the Commission had not performed such an analysis. According to the Commission, for its 2014-2020 audit findings, the Commission uses the Management of Audit Processes, Activities and Resources (MAPAR) system, which allows it to collect specific information on instances of gold plating. The Commission has not yet issued

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[77] European Commission (2017), „Use of new provisions on simplification during the early implementation phase of ESIF", Final report, SWECO, t33 & Spatial Foresight.

[78] European Commission (2017), „Use of new provisions on simplification during the early implementation phase of ESIF", Final report, SWECO, t33 & Spatial Foresight.

[79] ECA Annual report concerning the financial year 2014, Chapter 6, Recommendation 1 and ECA Annual report concerning the financial year 2015, Chapter 6, Recommendation 2.

any recommendations to Member States on how to eliminate concrete cases of gold plating. The Commission has also communicated that it will launch a project to report on past audit findings and on relevant types of errors that have been identified.

Rationalising the process of selecting and implementing projects

63. Member States are responsible for selecting projects for funding, as well as for evaluating, approving and monitoring them, and reporting on implementation. Although the general requirements are set out in the CPR, our audit work shows that administrative practices and the related administrative burden on beneficiaries vary significantly between the Member States and the OPs.

64. In order to identify opportunities for streamlining, we reviewed 12 ERDF co-financed investment schemes (covering OPs in 12 Member States) in the 2014-2020 programme period under Thematic Objective 3 "Competitiveness" (see ***Annex III***). Our review covered the project application and implementation phase.

Project application phase

65. Our review showed that many elements of the project application phase are common to all OPs. However, differences do exist, particularly regarding the way project applications are submitted, the size of project applications and the amount of information applicants are asked to provide.

66. Electronic data exchange, i.e. exchanges of information between beneficiaries and authorities, is at the heart of Article 122 of the CPR[80]. In 2016, the Commission estimated that the use of digital technologies would reduce the aggregate administrative burden by 11 %, decrease the risk of document loss and reduce archiving costs[81]. Our review showed that all project applications were submitted

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[80] Article 122(3) of Regulation (EU) No 1303/2013, (OJ L 347, 20.12.2013, pp. 320–469).

[81] European Commission (2014), Final Simplification Scoreboard for the MFF 2014-2020. Communication from the Commission to the European Parliament, the Council, the

electronically in six of the 12 OPs reviewed. The remainder were submitted via hard copy (three OPs) or using a combination of electronic and hard copies (three OPs). There is therefore considerable room for further reducing administrative cost for Member States and the administrative burden on beneficiaries by a better use of digital technologies.

67. There are also significant differences between OPs in terms of the size of project applications. We found that the number of pages to be completed ranges between 15 and 134.

68. There is also variation in the information applicants have to provide in support of their applications. While some information is requested by all programmes, e.g. general information on the applicant and a description of the proposed project, other information requests vary from one OP to another, reflecting the different eligibility criteria regarded as crucial for a given type of investment, e.g.: the applicant's financial status (10 out of 12 OPs required this); the applicant's competitive situation (8 out of 12 OPs); experience in implementing projects (6 out of 12 OPs); and availability of an ISO quality management certificate (3 out of 12 OPs).

69. The information applicants have to provide influences the amount of work beneficiaries have to do in order to fill application forms in and in extremis may even discourage them from applying for EU funding. In addition, all this data must also be processed by the authorities and the more information is requested the higher is the administrative cost of project selection.

European Economic and Social Committee and the Committee of the Regions, 3 March 2014.

Project implementation phase

70. In the implementing phase, our review found that OPs allow for different ways to submit payment claims and supporting documents (including hard copies and combinations of hard copies and electronic versions).

71. The required retention period for supporting documents on incurred expenditure, defined at Member State level, varies from "5 years after the completion of the project" to "until 2031". Consequently, beneficiaries of funding supporting the same type of investments under different OPs would experience different levels of administrative burden as regards document retention.

72. In most of the Member States[82] covered by our review, private companies are not subject to national public procurement rules, since they do not have a status of a contracting authority. Despite this, we found that some Member States impose detailed requirements (i.e. timelines for submitting/collecting offers, and selection and award criteria) very similar to the public procurement rules. The Commission had identified similar differences in its study on the 2007-2013 programme period[83].

Use of Simplified Cost Options (SCO) and other types of measures based on conditions

Use of simplified cost options

73. The 2014-2020 CPR specifies that grants and repayable assistance may take the form of Simplified Cost Options (SCOs), i.e. standard scale of unit costs (SSUCs), lump sums and flat-rate financing. SCOs signify a departure from the principle of actual

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[82] With the exception of Slovakia, where SMEs as beneficiaries of public funding are obliged to follow certain provisions of the national Public Procurement Act.

[83] European Commission (2012) study, „Comparative study of the project selection process applied in cohesion policy programmes 2007-2013 in a number of Member States", February 2012.

costs. Those tasked with management verifications and auditors will have to focus more on outputs than on inputs and projects expenditure[84].

74. In the 2014-2020 programme period, SCOs are the most frequently used optional simplification measure. For around 80 % of OPs surveyed in 2017 the MAs permit the use of SCOs[85]. They make particularly extended use of flat rates, which do not need to be justified to cover indirect costs. A number of measures to facilitate the use of SCOs were already introduced for ESF co-financed interventions[86]. The proportion of programme budgets covered by SCOs is 36 % for the ESF, while the ERDF/CF is characterised by more limited use of SCOs (2 %)[87].

75. The Commission's 2017 study notes that SCOs are currently the simplification measure whose help is most effective in reducing the administrative burden on beneficiaries. Out of a total of 21 simplification measures nearly half of the expected burden reduction is so far generated by SCOs[88] (see ***Annex IV***). There are multiple reasons why the SCOs are not used more widely such as legal uncertainty (in particular in relation to state aid and public procurement rules), or Member State rules that seem to favour systems based on the reimbursement of actual costs. As regards state aid, the 2017 amendment of the General Block Exemption Regulation (GBER) provides for using SCOs in the context of state aid[89].

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[84] European Commission (2014), "Guidance on Simplified Cost Options (SCOs)", p. 33.

[85] European Commission (2017), study, "Use of new provisions on simplification during the early implementation phase of ESIF", Final Report, SWECO, t33 & Spatial Foresight, p. 61.

[86] Article 14(1) of Regulation (EU) 1304/2013, (OJ L 347, 20.12.2013, pp. 470–486).

[87] European Commission (2017), study, "Use of new provisions on simplification during the early implementation phase of ESIF", Final Report, SWECO, t33 & Spatial Foresight, pp. 21 and 142.

[88] European Commission (2017), study, "Use of new provisions on simplification during the early implementation phase of ESIF", Final Report, SWECO, t33 & Spatial Foresight, p. 20.

[89] Article 7(1) of Commission Regulation (EU) 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 (OJ L 156, 20.6.2017, pp. 1–18).

The Omnibus Regulation broadens the scope and applicability of SCOs and introduces new types of support based on conditions

76. The Omnibus Regulation considerably broadens the scope for using SCOs. The Commission proposed to increase the existing threshold[90] for the compulsory use of SCOs for ESF projects (see paragraph 2) from €50 000 to €100 000 of public support and to extend this obligation to the ERDF. The Commission estimates that this will cover around 70 % of all ESF projects. There will also be a possibility to make use of flat rates for staff costs and other direct costs (so far only indirect costs) and the possibility of using expert judgments and draft budgets to justify standard unit rates.

77. The Court has recommended the extensive use of SCOs with a view to reducing the risk of error in cost declarations and the administrative burden on beneficiaries[91]. Flat rates for SCOs should be systematically approved/validated in advance by the Commission so as to ensure that they meet the regulatory requirements (fair, equitable and verifiable calculation). The Omnibus revisions, if adopted, could have a substantial effect in terms of reducing the administrative burden.

78. The Commission has also introduced a new type of financing that is not linked to the costs of relevant operations but is based on the fulfilment of conditions relating to the progress in achieving objectives.

79. Our opinion on the draft Omnibus Regulation recommended that payments based on fulfilment of conditions or on achievement of results should become the preferred

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[90] Article 14(4) of Regulation (EU) 1304/2013, (OJ L 347, 20.12.2013, pp. 470–486.

[91] ECA Annual report concerning the financial year 2011, Chapter 6, paragraph 30; ECA Annual report concerning the financial year 2012, Chapter 6, paragraph 42; ECA Annual Report Annual report concerning the financial year 2014, Chapter 6, paragraph 79.

option across the EU budget[92]. There is already such an option in the 2014-2020 CPR[93]. However, none of the OPs has made use of this possibility so far. We also recommended in the area of rural development that the Commission should examine the SCOs potential for moving away from reimbursement of costs incurred towards reimbursement based on results[94].

More efficient and effective controls

Management verification account for the vast majority of all control and audit activities

80. Both the European Parliament[95] and the HLG[96] call for a streamlining of control and audit with a view to reducing the administrative costs of Member States and the administrative burden on beneficiaries during the post 2020 programme period.

81. The Member States are responsible for setting up management and control systems. They provide the Commission with ex-ante assurance as to the legality and regularity of expenditure. To this end, they appoint the MAs, CAs and AAs. MAs and CAs may also appoint Intermediate Bodies (IBs) to do the work on their behalf.

82. The Commission oversees the work of the Member States' authorities, issues guidance and provides ongoing assistance. The Commission uses the AAs' work to

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92 ECA, Opinion No 1/2017 concerning the proposal for a revision of the "Financial Regulation", paragraph 84.

93 Articles 104 - 109 of the Regulation (EU) 1303/2013 of 17 December 2013, (OJ L 347, 20.12.2013, pp. 320–469).

94 ECA (2018) Special Report No 11/2018: "New options for financing rural development projects: Simpler but not focused on results", recommendation 4.

95 European Parliament, Resolution of 26 November 2015 'Towards simplification and performance orientation in cohesion policy 2014-2020' (P8_TA(2015)0419.

96 HLG, Final conclusions and recommendations of the High Level Group on Simplification for post 2020, http://ec.europa.eu/regional_policy/en/information/publications/reports/2017/esif-simplification-hlg-proposal-for-policymakers-for-post-2020.

assess the legality and regularity of each programme. The Commission may also conduct audits of Member States' control systems and projects.

83. ***Table 2*** shows that Member States' authorities carry out the vast majority of checks and audits on the spot. All projects are subject to management verifications by the MAs/IBs and checks by the CAs at least once a year and whenever expenditure declaration is made. These checks may also include on-the-spot checks. In 2015, there were more than one million projects subject to such verifications.

84. In comparison, Member State AAs carried out around 12 000 on-the-spot checks (around 1.1 % of all projects), and the Commission has examined 226 projects (less than 0.02 %) co-financed under Cohesion Policy.

Table 2 - Number of projects checked and audited in 2015

MEMBER STATE LEVEL		
Number of projects co-financed under the CF, ERDF and ESF subject to management verification	1 081 386	100 % of all projects
Number of projects checked by the AAs	12 270	1.1 % of all projects
EU LEVEL		
Number of projects checked by the European Commission	226	0.02 % of all projects
Number of projects examined by the European Court of Auditors*	223	0.0 2% of all projects

Note: *The Court, as the independent external auditor of the EU, is not part of the internal control arrangements set out in the regulations.

Source: Presentation of DG REGIO 'Post-2020 Audit reform in the EU – mission possible' to the European Parliament's CONT Committee on 11 October 2017; and ECA's 2015 annual report.

85. The Commission's ex-post evaluation of the 2007-2013 period found that the majority of beneficiaries felt that management verifications were disproportionate[97]. A key factor here was the high number of controls.

[97] Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), dated August 2016.

Improving the efficiency of Member States' management verifications and Certifying Authorities' checks

86. There are significant differences between Member States and programmes in how management verifications are done in practice. According to the information the AAs provided us with for the 12 OPs reviewed:

- the management verifications are carried out by more than one body, e.g. the MA and/or IBs/CAs, for five out of these 12 OPs. Our audit experience suggests that some CAs conduct extensive checks in addition to those carried out by the MAs while others do not;

- the scope of verification and documentary requirements vary considerably (see ***Annex III***); verifications cover all cost items included in a beneficiary's expenditure claim in 10 out of 12 OPs, whereas in the remaining two, cost items are checked on a sample basis. In accordance with Commission guidance this is possible if it is based on a methodology that is established ex-ante and enables the projection of errors to the unchecked population[98].

87. The 2014-2020 CPR has introduced some proportionality arrangements to reduce the administrative burden of beneficiaries due to audit and control. Projects with a budget of up to €200 000 (for the ERDF and the CF) and €150 000 (for the ESF) are checked only once (either by the Commission or by the AAs) and by others not more than once a year[99]. The current draft Omnibus Regulation envisages that this threshold will increase to €400 000 (for the ERDF and the CF) and €300 000 (for the ESF)[100].

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[98] European Commission (2015): European Structural and Investment Funds, Guidance for Member States on Management verifications (programming period 2014-2020), p. 12.

[99] Article 148 of Regulation (EU) No 1303/2013, of 17 December 2013, (OJ L 347, 20.12.2013, pp. 320–469).

[100] European Commission, BudgWeb, Article 148 of the CPR status of 6 April 2018.

88. Variation in the coverage and scope of verification and work sharing by MAs and CAs demonstrates the need for the Commission to set clear arrangements when seeking to reduce the administrative burden on beneficiaries. Likewise, the Commission could further examine the possibility to simplify sampling methods for management verifications bearing in mind the need to ensure accountability.

89. Furthermore, the electronic transfer of data between programme authorities and beneficiaries (E-cohesion) has the potential to reduce administrative costs significantly, but Member State authorities have not yet fully made use of this option. We found that 11 of the 12 AAs that replied to our questionnaire have an electronic data-transfer system. Such a system could potentially provide an access to the documents collected and examined in the framework of management verifications. However, eight AAs suggested that the system does not provide access to all documents relevant for audits.

Harmonising interpretation of rules between the Commission and the Member States

90. The Commission's ex-post evaluation of the Cohesion Policy in 2007-2013 identified deficiencies at the level of management verifications as one of the major reasons for the administrative burden of beneficiaries[101]. A major source for simplification is to ensure that different programme authorities in the Member States interpret the applicable rules in the same way.

91. As regards the regulation and guidance notes, it is up to the Commission to ensure that there is a common understanding among all actors. The Commission took several

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[101] Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), dated August 2016, p. 17.

initiatives to harmonise the interpretation of verification rules, e.g. by issuing guidance on the avoidance[102] and treatment of errors in the area of public procurement[103].

92. We also note that at the EU level there is an Expert Group on European Structural Investment Funds (EGESIF) that should enable the exchange between experts. However, most of the rules are national or even programme-specific. In all these cases it is the Member State's responsibility to ensure a harmonised interpretation among the authorities.

93. Our audit experience also suggests that the Member States' approaches to technical exchanges and communication between AAs and MAs/IBs/CAs vary. Improving communication provides an opportunity for harmonising the interpretation of rules and improving the effectiveness of controls.

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[102] European Commission (2015), "Public procurement guidance for practitioners on the avoidance of the most common errors in projects funded by the European Structural and Investment funds", 2015.

[103] Commission Decision on the setting out and approval of the guidelines for determining financial corrections to be made by the Commission to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement, of 19 December 2013 (C(2013) 9527).

Annex I - Summary of main simplification proposals for the post-2020 Cohesion Policy

Main simplification proposals for the post 2020 Cohesion Policy	**European Commission (1)**	**HLG on simplification (2)**	**European Parliament (3)**	**The Council (4) (6)**	**Committee of the Regions (5)**
Merging and/or stronger concentration of funds	■	■			
Harmonisation of rules across EU instruments	■	■	■	■	■
Common Rules	■	■	■	■	■
Timely adoption of rules and no retroactive application of guidance and rules		■	■		■
Reducing extensive legislation and guidance of the Commission		■		■	■
Smooth transition and designation of authorities	■	■		■	
Streamlining, reducing number of OPs	■	■			■
Coherent and simple system of performance indicators				■	
Rationalising and differentiation of management and control, e.g. by single audit approach	■	■	■	■	■
Posing reliance on the national rules and authorities (i.e. waving Commission's supervisory role) in certain Member States				■	
Streamlining ex-ante conditionalities		■		■	
Increase levels of national co-financing	■				
Strengthening administrative capacity	■				
Flexible funding to address new challenges	■	■			
Exchange of good practice					■
Increase the possibility of e-cohesion and SCOs and flat rates			■		
Keeping rules stable		■	■		
Gold-plating should not automatically be considered as error and assessed on a case-by-case basis		■			

Source: (1) European Commission, Reflection Paper on the Future of EU Finances, 28 June 2017; (2) Final conclusions and recommendations of the High Level Group on Simplification for post 2020, 11 July 2017; (3) European Parliament resolution of 13 June 2017 on building blocks for a post-2020 EU cohesion policy (2016/2326(INI)); (4) Synergies and Simplification for Cohesion Policy post-2020 – Council conclusions (15 November 2017), 14263/17; (5) Opinion: The future of Cohesion Policy beyond 2020 "For a strong and effective European cohesion policy beyond 2020", COTER-VI/015 and Opinion: Simplification of ESIF from the perspective of Local and Regional Authorities, 10/12 October 2016, COTER-VI/012; (6) Council Conclusions (12 April 2018), 178/18 Delivery and implementation of cohesion policy after 2020.

Annex II - Overview of ECA reports, opinions and briefing papers relevant to the simplification of Cohesion Policy delivery

No	ECA reports and opinions
1	Annual report concerning the financial year 2011
2	Annual report concerning the financial year 2012
3	Annual Report concerning the financial year 2013
4	Annual report concerning the financial year 2014
5	Annual report concerning the financial year 2015
6	Annual report concerning the financial year 2016
7	Opinion No 1/2017 concerning the proposal for a revision of the "Financial Regulation"
8	Special report No 17/2016: The EU institutions can do more to facilitate access to their public procurement
9	Special report No 19/2016: Implementing the EU budget through financial instruments – lessons to be learnt from the 2007-2013 programme period
10	Special report No 24/2016: More efforts needed to raise awareness of and enforce compliance with State aid rules in cohesion policy
11	Special report No 36/2016: An assessment of the arrangements for closure of the 2007-2013 cohesion and rural development programmes
12	Special report No 02/2017: The Commission's negotiation of 2014-2020 Partnership Agreements and programmes in Cohesion
13	Special report No 04/2017: Protecting the EU budget from irregular spending: The Commission made increasing use of preventive measures and financial corrections in Cohesion during the 2007-2013 period
14	Special report No 15/2017: Ex ante conditionalities and performance reserve in Cohesion: innovative but not yet effective instruments
15	Special report No 16/2018: The Commission's and member States' actions during the 2007-2013 programme period tackled low absorption but lacked focus on results
16	Briefing Paper (2018) on Future of EU finances: reforming how the EU budget operates
17	Special Report No 11/2018: New options for financing rural development projects: Simpler but not focused on results

Source: ECA.

Annex III - Review of procedures and documentary requirements for project selection and implementation of 12 funding schemes in OPs from 12 Member States

		AT	DE	CZ	ES	FR	HR	HU	IT	MT	PL	SK	UK
A	**ELIGIBILITY CONDITIONS**												
2	Co-financing, aid intensity:												
	Micro and Small enterprises	30 %	25 %	45 %	up to 45 %	up to 60 %	up to 50 %	up to 45-50 %	up to 45 %	up to 50 %	up to 45 %	up to 75 %	up to 50 %
	Medium-sized enterprises	20 %	15 %	45 %	up to 35 %	up to 60 %	up to 50 %	up to 35-50 %	up to 35 %	up to 50 %	up to 35 %	up to 75 %	up to 50 %
B	**PROJECT APPLICATION**												
1	Number of pages of project application	22	52	32	25[1]	16	46	15	18	15	134	40	41
2	Ways of submitting project application	Hard copies	Hard copies	Electronic	Electronic	Electronic and hard copies	Hard copies	Electronic	Electronic	Electronic	Electronic and hard copies	Electronic and hard copies	Electronic
B1	**INFORMATION ON APPLICANT**												
1	Identification information of applicant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Financial standing of applicant	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
3	Analysis of applicant's competitive status	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No
4	Experience in implementing EU projects	No	No	No	No	Yes	Yes[2]	Yes	No	Yes	Yes	No	Yes

		AT	DE	CZ	ES	FR	HR	HU	IT	MT	PL	SK	UK
5	Availability of quality management certificate (ISO certificate)	Yes	No	No	No	No	No	Yes	No	No	Yes	No	No
B2	**INFORMATION ABOUT THE PROJECT**												
1	Description of project	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Breakdown of expenditure envisaged	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Description of the strategic fit of the project	No[3]	No	Yes	Yes	Yes	Yes	Yes[3]	No	Yes	Yes	Yes[3]	Yes
4	Contribution of the project to horizontal principles	Yes	No	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
5	Analysis of alternative options as regards project funding	No	No	No	No	No	Yes	No	No	Yes	Yes	No	No
6	Financial forecast	3 years	3 years	No	3 years	No	8 years	No	For the first year after the completion of the project	No	19 years	4-12 years[4]	No
C	**IMPLEMENTATION**												
C1	**PAYMENT CLAIMS**												
1	Number of pages of payment claim forms	2	7	minimum 10	14[5]	3	9	minimum 30	3	2	11	5	17
2	Ways of submitting the payment claim file	Both electronic and hard copy	Hard copies	Electronic	Electronic	Electronic	Both electronic and hard copy	Electronic	Electronic	Electronic	Electronic	Both electronic and hard copy	Electronic

		AT	DE	CZ	ES	FR	HR	HU	IT	MT	PL	SK	UK
3	Progress report to be submitted with each payment claim	Yes	No[6]	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
C2	**SUPPORTING DOCUMENTS**												
1	How many documents have to be submitted with the payment claim	100 % in hard copy	100 % in hard copy	100 % in electronic version	100 % in electronic version	100 % in electronic version	100 % in electronic version	100 % in electronic version	100 % in electronic version	100 % in electronic version	100 % in electronic version	100% in hard copy	Sample of supporting documents in electronic version
2	Required supporting documents include:												
	a) invoices	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	b) proof of payment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
	c) delivery confirmations	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	d) contracts	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	e) accounting documents	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
	f) other specific documents	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
3	Retention period for supporting documents	Until 2031	Until 31 December 2028	10 years following the final payment and 3 years after OP closure	At least 3 years after OP closure, i.e. until 2028	Until 31 December 2028	5 years after the completion of the project	At least until 31 December 2027	10 years from completion of the project[7]	10 years after project completion	2 years[8]	Until 31 December 2028	2 years[8]
C3	**PROCUREMENT RULES**												
1	Existence of detailed procurement procedures to be followed by SMEs as beneficiaries	No[9]	No[10]	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes

Source: ECA, based on Member State authorities' data and publicly available documents.

1 The final number of pages of the project application may vary depending on the final content of the application.
2 In the case of Croatia, experience in implementing projects refers to projects funded from any source, i.e. not only EU-funded projects.
3 Indirectly, as applicants should demonstrate compliance with call for proposal (and subject to the proviso that the call is in line with the operational programme).
4 Depending on the type of investment.
5 The final number of pages in the payment claim may vary depending on the final content of the claim.
6 Progress report is to be submitted only with the final payment claim.
7 From the date of the last invoice.
8 Two years from 31 December following the submission of the accounts to the European Commission in which the final expenditure for the Completed Project is included.
9 No procurement procedures; however, beneficiaries are obliged to prove that the costs are reasonable.
10 The selection must be documented and the most economically advantageous offer selected.

Operational Programmes reviewed

No	Member State	Operational Programme reviewed	CCI code of the Programme	Priority axis	Investment priority
1	Austria	Investments in Growth and Employment Austria 2014-2020	2014AT16RFOP001	Priority Axis 2	3d
2	Croatia	Competitiveness and Cohesion	2014HR16M1OP001	Priority Axis 3	3d
3	Czech Republic	Enterprise and Innovation for Competitiveness	2014CZ16RFOP001	Priority Axis 3	3a
4	France	Operational Programme FEDER-FSE Lorraine and Vosges 2014-	2014FR16M2OP007/2014FR16M0OP015[1]	Priority Axis 2	3a
5	Germany	Sachsen-Anhalt ERDF 2014-2020	2014DE16RFOP013	Priority Axis 2	3d
6	Hungary	Economic Development and Innovation Operational Programme	2014HU16M0OP001	Priority Axis 1	3c
7	Italy	ROP Puglia ERDF ESF	2014IT16M2OP002	Priority Axis 3	3a
8	Malta	Fostering a competitive and sustainable economy to meet our	2014MT16M1OP001	Priority Axis 3	3d
9	Poland	Regional Operational Programme for Dolnośląskie Voivodeship	2014PL16M2OP001	Priority Axis 1	3c
10	Slovakia	Research and Innovation	2014SK16RFOP001	Priority Axis 3	3a
	Spain	Andalucía ERDF 2014-20 OP	2014ES16RFOP003	Priority Axis 3	3d
12	United	United Kingdom - ERDF England	2014UK16RFOP001	Priority Axis 3	3d

Source: ECA.

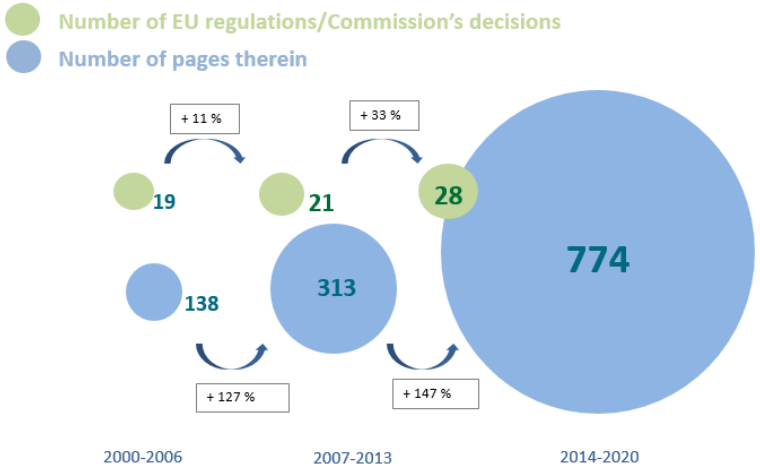
1 The CCI code for this operational programme was changed in 2017 from 2014FR16M2OP007 to 2014FR16M0OP015.

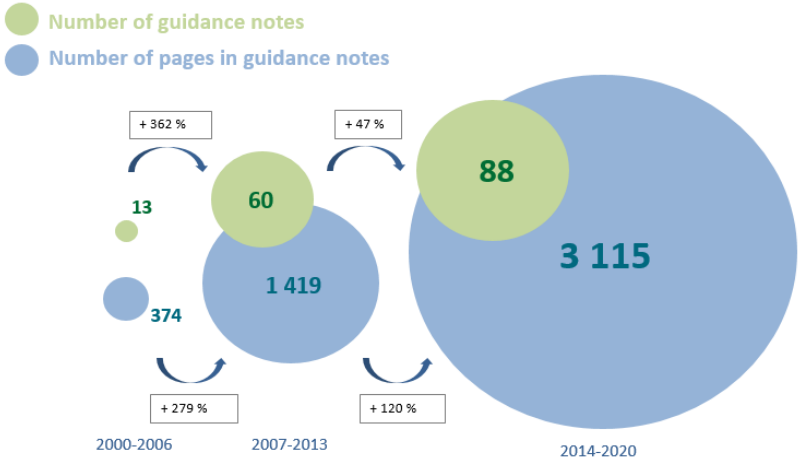
Annex IV - Estimated impact of simplification measures identified by the Commission for the 2014-2020 period on administrative costs for administrations and the administrative burden on beneficiaries

Simplification measure	Impact on administrative costs for administration (%)	Impact on the administrative burden on beneficiaries (%)
Simplification measures relevant for Cohesion Policy (CF, ERDF and ESF)		
Partnership Agreements replace the National Strategic Reference Framework and National Strategic Plan	0.0 %	0.0 %
Greater thematic concentration	0.0 %	0.0 %
Common indicators & enhanced monitoring framework	0.5 %	0.9 %
Harmonisation of rules	-0.5 %	-1.2 %
Proportionate control/minimum level of on-the-spot checks	-0.6 %	-0.5 %
E-cohesion with beneficiaries	***-1.7 %***	***-4.8 %***
Simpler rules for revenue-generating projects	***-0.6 %***	***-2.2 %***
Shorter retention period for documents	-0.3 %	-0.5 %
Simplified programme modification procedure	0.0 %	0.0 %
Simplification of the programme document	0.0 %	0.0 %
Independent quality report for major projects	0.0 %	0.0 %
Considering providers of training or knowledge-transfer as beneficiaries	-0.2 %	-0.1 %
Community-led local development (CLLD) & local action groups	0.1 %	-0.1 %
Integrated territorial investments (ITIs)	0.0 %	0.1 %
Merging MA-CA/reducing number of Paying Agencies	-0.2 %	0.0 %
Grants and repayable assistance as simplified cost options (SCO)	***-1.7 %***	***-6.3 %***
Joint action plans (JAPs)	0.0 %	0.0 %
Simplification measures for other funds (EMFF, EAFRD)		
Advance payments	0.1 %	-0.1 %
Establishment of advance criteria for insurance cover	0.0 %	0.0 %
Accelerated procedure for selection process	0.0 %	0.0 %
Special calculation rules for compensation	0.0 %	0.0 %
Total ESIF	**-5.2 %**	**-14.9 %**

Source: Use of new provisions on simplification during the early implementation phase of ESIF Final Report 19 June 2017, SWECO, t33 & Spatial Foresight, commissioned by DG Regional and Urban Policy.

Annex V - Evolution of legislation and guidance notes





Source: ECA based on http://ec.europa.eu/regional_policy/en/information/legislation/guidance

Annex VI - Cohesion policy (ERDF, CF, ESF incl. YEI) in 2014-2020 period, financial allocation, number of OPs, indicators used and authorities involved in management by Member State

Member State	EU funds (ERDF, CF, ESF incl. YEI) in million EUR	Share in % in the EU funds	Number of OPs	Number of output and result indicators	Number of authorities MA/IB/CA/AA (estimates)	Share in the total Number of authorities
AT	978	0.3 %	2	95	32	2.4 %
BE	2 021	0.6 %	7	227	37	2.7 %
BG	7 423	2.1 %	8	423	49	3.6 %
CY	702	0.2 %	2	99	9	0.7 %
CZ	21 643	6.2 %	8	399	15	1.1 %
DE	18 269	5.2 %	32	1 106	132	9.7 %
DK	413	0.1 %	2	58	10	0.7 %
EE	3 535	1.0 %	1	191	14	1.0 %
ES	27 942	8.0 %	45	756	89	6.6 %
FI	1 304	0.4 %	3	97	20	1.5 %
FR	14 763	4.2 %	40	1 366	323	23.8 %
GR	15 275	4.4 %	18	702	33	2.4 %
HR	8 463	2.4 %	2	282	24	1.8 %
HU	21 544	6.2 %	7	382	10	0.7 %
IE	1 020	0.3 %	3	86	4	0.3 %
IT	31 686	9.1 %	51	1 433	115	8.5 %
LT	6 709	1.9 %	1	288	31	2.3 %
LU	40	0.0 %	2	32	4	0.3 %
LV	4 418	1.3 %	1	244	3	0.2 %
MT	708	0.2 %	3	119	5	0.4 %
NL	1 015	0.3 %	5	103	10	0.7 %
PL	76 866	22.0 %	22	1 511	89	6.6 %
PT	21 343	6.1 %	12	450	66	4.9 %
RO	22 541	6.5 %	7	439	62	4.6 %
SE	1 764	0.5 %	11	150	5	0.4 %
SI	3 012	0.9 %	1	234	18	1.3 %
SK	13 768	3.9 %	7	467	35	2.6 %
UK	10 974	3.1 %	12	401	16	1.2 %
TC	9 239	2.6 %	76	1 874	98	7.2 %
Grand Total	**349 380**	**100 %**	**391**	**-**	**1 358**	**100 %**

Note: For number of authorities, the presented figures are estimates.

Source: European Commission.

Annex VII - Abbreviations

AA	Audit Authority
CA	Certifying Authority
CF	Cohesion Fund
COSME	European Union programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises
CPR	Common Provision Regulation
DG	Directorate-General
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
DG REGIO	Directorate-General for Regional and Urban Policy
EGESIF	Expert Group on European Structural Investment Funds
ERDF	European Regional Development Fund
ESF	European Social Fund
ESI funds	European Structural and Investment Funds
ETC	European Territorial Cooperation
EU	European Union
GBER	General Block Exemption Regulation
HLG	High-Level Group
IAS	Internal Audit Service
IB	Intermediate Body
MA	Managing Authority
MFF	Multiannual Financial Framework
OECD	Organisation for Economic Co-operation and Development
OP	Operational Programme
PA	Partnership Agreement
REFIT	Regulatory Fitness and Performance Programme
RSB	Regulatory Scrutiny Board
SCM	Standard Cost Model
SCO	Simplified Cost Option
SME	Small- and Medium-sized Enterprises
TFEU	Treaty on the Functioning of the European Union

Annex VIII - Glossary

Audit authorities (AAs) provide assurance to the Commission regarding the effective functioning of the management systems and internal controls for an OP (and, as a consequence, the legality and regularity of the expenditure certified). Audit authorities are generally departments within state chancelleries, at ministries of finance (or internal control bodies under ministry authority), at other ministries or within supreme audit institutions. They must be functionally independent from the bodies managing the funds. An audit authority reports the findings of its systems audits and audits of operations to the managing and certifying authorities for the OP concerned. Once a year, they report their annual work in their annual control report to the Commission. If the audit authority considers that the managing authority has not taken appropriate corrective action, it must draw the Commission's attention to the matter.

Certifying authority (CA) carries out first level checks on the expenditure declared by managing authorities and certifies that this expenditure is legal and regular.

Common Provisions Regulation (CPR) is the Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.

European Structural and Investment (ESI) Funds are five separate funds that support the delivery of the Union strategy for smart, sustainable and inclusive growth across the Union, as well as the fund-specific missions, with policy frameworks set for the seven-year MFF budgetary period. The funds include: European Regional Development Fund (ERDF); European Social Fund (ESF); Cohesion Fund (CF); European Agricultural Fund for Rural Development (EAFRD); and the European Maritime & Fisheries Fund (EMFF).

Ex-ante Conditionalities require a Member State to achieve certain conditions before it receives any European Structural and Investment funds. When preparing Operational Programmes under the 2014-2020 programme period, Member States had to assess whether these conditions are fulfilled. If they had not been fulfilled, action plans were need to be prepared to ensure fulfilment by 31 December 2016.

Gold-plating stands for additional rules and regulatory obligations going beyond the European Structural and Investment Funds (ESIF) requirements set out at European Union (EU) level. Gold-plating can be further divided as 'active gold plating' and 'passive gold plating'. The 'active gold-plating' describes the additional administrative procedures and regulatory obligations that go beyond the ESIF requirements set out at European Union (EU) level, while the 'passive gold plating' occurs when the national, regional or local players fail to apply simplification measures proposed in the ESIF regulations.

Intermediate body (IB) is any public or private body or service which acts under the responsibility of a managing authority, or which carries out duties on behalf of such an authority vis à vis beneficiaries implementing operations.

Intervention logic is a link between the assessed needs, objectives, inputs (planned and allocated), outputs (targeted and achieved) and results (intended and actual).

Managing authority (MA) is a national, regional or local public authority (or any other public or private body), which has been designated by a Member State to manage an Operational Programme. Its tasks include selecting projects to be funded, monitoring how projects are implemented and reporting to the Commission on financial aspects and results achieved. The managing authority is also the body which imposes financial corrections on beneficiaries following audits carried out by the Commission, the European Court of Auditors (ECA) or any authority in the Member State.

Operational Programme (OP) sets out a Member State's priorities and specific objectives and how the funding (EU and national public and private co-financing) from the ESI funds will be used during a given period (currently 7 years) to finance projects.

These projects must contribute to achieve a certain number of objectives specified at the level of the OP's priority axis. An OP is prepared by the Member State and has to be approved by the Commission before any payments from the EU budget can be made. OPs can only be modified during the period covered if both parties agree.

Partnership Agreement (PA) is entered into between the European Commission and each Member State for the 2014-2020 programme period. They set out the national authorities' plans on how to use funding from the European Structural and Investment Funds and outline each country's strategic goals and investment priorities, linking them to the overall aims of the Europe 2020 strategy for smart, sustainable, and inclusive growth. They also include, inter alia, details of any ex-ante conditionalities and performance management frameworks. They are prepared by the Member State in a dialogue with the Commission and must be adopted by the Commission.

Performance framework consists of a milestones and targets defined for a set of indicators chosen by the Member States for each priority axis within an operational programme except for the technical assistance priority axes and programmes supported under SME initiative.

Priority axis is one of the priorities of the strategy in an Operational Programme comprising a group of operations which are related and have specific measurable goals.

Simplified Cost Options (SCOs) are the three types of financing defined in Article 67(b), (c) and (d) of Regulation (EU) No 1303/20131: standard scales of unit costs, lump sums and flat-rate financing.

State aid is any form of direct or indirect financial support provided by public authorities to private sector undertakings. The Treaty on the Functioning of the European Union (TFEU) generally prohibits state aid within the common market unless it is duly justified. The EU State aid rules set out when this support does not distort (or does not threaten to distort) competition. The European Commission has the exclusive competence to assess the compatibility of state aid granted by Member States with

these rules. Procedural decisions and actions taken by the European Commission are subject to review by the General Court and the European Court of Justice.

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