



# Use of new provisions on simplification during the early implementation phase of ESIF

Final Report

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Sweco, t33 & Spatial Foresight  
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*This is the final report of the study on the Use of new provisions on simplification during the early implementation phase of the European Structural and Investment (ESI) Funds. (Contract: 2015CE16BAT047)*

*The study is led by Sweco and began in August 2015. The overall objective of this study is firstly to assess how the simplification possibilities in the new regulatory framework of the European Structural and Investment Funds have been taken up by Member States during the early implementation phase; secondly to compare and quantify the impact of regulatory changes in the overall delivery mechanism on the administrative burden and costs for beneficiaries and programme authorities; and thirdly to assess and quantify the potential burden for beneficiaries resulting from additional rules applied at the national level.*

*This report was prepared by Sweco in cooperation with t33 and Spatial Foresight.*

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# **Use of new provisions on simplification during the early implementation phase of ESIF**

Final report

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## Glossary and acronyms

**Administrative costs** are costs of the ESIF implementation tasks assigned to the Managing Authorities, Certifying Authorities (Paying Agencies), Audit Authorities (Certification Bodies) or to national ESIF coordination bodies. The administrative costs comprise costs of the personnel working with the ESIF implementation, costs for external services which are bought and expenditure for overheads.

**Administrative burden** describes the costs of ESIF beneficiaries for complying with the information obligations resulting from government imposed legislation and regulation related to the ESIF support received. Administrative burden comprises costs of the personnel working with the ESIF implementation, costs for external services which are bought and expenditure for overheads.

**Beneficiaries** are public or private bodies receiving funding from ESIF programme. For the purposes of the EAFRD Regulation and of the EMFF Regulation only, a natural person, responsible for initiating or both initiating and implementing operations.

AA: Audit Authority

CA: Certifying Authority

CB: Certification Body

CLLD: Community-led local development

CP: Cooperation Programme

CPR: Common Provision Regulation (Reg. 1303/2013)

DA: Delegated Act

ESIF: European Structural Investment Funds

IOs: Information Obligations

ITI: Integrated Territorial Investment

JAP: Joint Action Plan

MA: Managing Authority

MS: Member State

NA: National Authority

NEET: not in Employment, Education or Training

OP: Operational Programme

PA: Paying Agency

SCO: Simplified Cost Options

SSUC: Standard Scales of Unit Costs

## Abstract

In preparation of the regulatory framework for the 2014-2020 programme period, simplification measures were introduced to reduce administrative costs and burden. Expectations concerning possible reductions have been based among others on an impact study carried out by t33/SWECO in 2012.

The present study reviews whether 21 selected simplification measures generated the expected reductions. While previous studies addressed only single funds, this study, for the first time collected comparable figures on administrative costs and burden for all five ESI Funds.

Given the uncertainty related to assessing changes in administrative costs and burden until the end of the 2014-2020 programme period, the figures presented in this study are merely proxies and need to be treated carefully.

Overall, the efforts to reduce administrative costs and burden are paying off. These simplification measures are expected to reduce administrative costs for ESI Funds by EUR 0.5 to 1.5 billion, i.e. 2 to 5% of administrative costs. Taking the 2007-13 period as a baseline, the implementation of simplification measures is expected to reduce the administrative costs to EUR 23 to 24 billion, i.e. 4% of the ESIF budget.

In addition, simplification measures are expected to reduce the administrative burden for all ESI Funds by EUR 1 to 2 billion, or 9 to 15%. Taking the 2007-13 period as a baseline, simplification is expected to reduce the burden to EUR 11 to 12 billion, i.e. 2% of the ESIF budget.

However, most of the reduction is from only 10 of the 21 simplification measures. The remaining 11 measures deliver a mixed picture.

There is further room for reducing administrative costs and burden, in particular through increasing the uptake of SCOs and reducing gold plating.

## Résumé

Dans la perspective du cadre réglementaire pour la période de programmation 2014-2020, des mesures de simplification ont été introduites en vue de réduire les charges et les coûts administratifs. Les attentes concernant les réductions possibles se fondent notamment sur une étude d'impact réalisée par t33/SWECO en 2012.

La présente étude évalue si 21 mesures de simplification choisies ont entraîné les réductions souhaitées. Alors que les études précédentes ne portaient que sur un seul fonds à la fois, cette étude est la première à avoir collecté des données comparables sur les charges et les coûts administratifs des cinq Fonds ESI.

Compte tenu de l'incertitude liée à l'évaluation de l'évolution des charges et des coûts administratifs d'ici la fin de la période de programmation 2014-2020, les chiffres présentés dans cette étude sont tout au plus des approximations et doivent être pris avec précaution.

De manière générale, les efforts déployés pour réduire les charges et les coûts administratifs portent leurs fruits. Ces mesures de simplification devraient réduire les coûts administratifs liés aux Fonds ESI de 0,5 à 1,5 milliard d'EUR, ce qui correspondrait à une baisse de 2 à 5 %. Si l'on prend la période 2007-2013 comme référence, la mise en œuvre des mesures de simplification devrait faire passer les coûts administratifs à un niveau situé entre 23 et 24 milliards d'EUR, soit l'équivalent de 4 % du budget des Fonds ESI.

En outre, les mesures de simplification devraient réduire les charges administratives de l'ensemble des Fonds ESI de 1 à 2 milliard d'EUR, soit de 9 à 15 %. Si l'on prend la

période 2007-2013 comme référence, les mesures de simplification devraient faire passer le montant des charges administratives à un niveau situé entre 11 et 12 milliards d'EUR, soit l'équivalent de 2 % du budget des Fonds ESI.

Toutefois, la majeure partie de cette baisse est le fait de seulement 10 mesures de simplification parmi les 21 étudiées. Les 11 autres mesures offrent un bilan mitigé.

Il est possible de réduire davantage encore les charges et les coûts administratifs, notamment en améliorant le recours aux options de coûts simplifiés (SCO) et en limitant la surréglementation.

## **Zusammenfassung**

In Vorbereitung des Regelungsrahmens für den Programmplanungszeitraum 2014-2020 wurden Vereinfachungsmaßnahmen eingeführt, um Verwaltungskosten und -lasten zu verringern. Erwartungen hinsichtlich möglicher Verringerungen beruhten u. a. auf einer von t33/SWECO im Jahre 2012 durchgeführten Wirkungsanalyse.

Anhand der vorliegenden Analyse wird geprüft, ob die 21 ausgewählten Vereinfachungsmaßnahmen zu den erwarteten Verringerungen geführt haben. Während frühere Analysen nur einzelne Fonds betrafen, wurden anhand dieser Analysen zum ersten Mal vergleichbare Zahlen zu Verwaltungskosten und -lasten für alle fünf ESI-Fonds ermittelt.

Angesichts der Unsicherheit in Bezug auf die Bewertung von Änderungen bei Verwaltungskosten und -lasten bis zum Ende des Programmplanungszeitraums 2014-2020 sind die in dieser Analyse genannten Zahlen lediglich Indikatoren und mit Vorsicht zu behandeln.

Insgesamt zahlen sich die Bemühungen um die Verringerung von Verwaltungskosten und -lasten aus. Diese Vereinfachungsmaßnahmen werden die Verwaltungskosten für ESI-Fonds voraussichtlich um 0,5 bis 1,5 Milliarden Euro verringern, was 2 bis 5 % der Verwaltungskosten entspricht. Wird der Zeitraum 2007-13 zugrunde gelegt, dürfte die Einführung von Vereinfachungsmaßnahmen die Verwaltungskosten auf 23 bis 24 Milliarden Euro verringern, was 4 % des ESIF-Budgets entspricht.

Darüber hinaus wird erwartet, dass die Verwaltungslasten für alle ESI-Fonds durch Vereinfachungsmaßnahmen um 1 bis 2 Milliarden Euro gesenkt werden, was 9 bis 15 % entspricht. Wird der Zeitraum 2007-13 zugrunde gelegt, dürfte die Vereinfachung die Last auf 11 bis 12 Milliarden Euro verringern, d. h. auf 2 % des ESIF-Budgets.

Der Großteil der Verringerung rührt jedoch von nur 10 der 21 Vereinfachungsmaßnahmen her. Die übrigen 11 Maßnahmen ergeben ein gemischtes Bild.

Die Verwaltungskosten und -lasten können weiter gesenkt werden; insbesondere durch den vermehrten Einsatz von vereinfachten Kostenoptionen (VKO) und die Verringerung von Überregulierung.

## Executive summary

### Key findings

- This study largely confirms the impact study of 2012, as seen with ERDF/CF where the administrative cost reduction ranges between 4 and 8%, compared to 7% suggested by the impact study. The reduced administrative burden from simplification measures lies between 9 and 14% of the total administrative burden, which is below the 20% mentioned in the impact study.
- Bringing together the information on administrative cost and burden shows that 10 of 21 simplification measures led to a reduction of administrative efforts (i.e. the combination of costs and burden) needed. For common indicators and ITIs, there could be an increase. In the remaining cases, the combined effect is more or less neutral.
- There is considerable potential to further reduce administrative costs and burden by increasing the use of Simplified Cost Options (SCOs).
- Strengthening the clarity, stability and legal certainty of the regulatory framework, and increasing capacity building would bring benefits and reduce the risk of gold plating.

Improving the management of ESI Funds is a constant trade-off between (a) ensuring accountability and best use of taxpayers' money and (b) making the procedures as simple and lean as possible for everyone involved. The regulatory framework for the 2014-2020 period introduced simplification measures to reduce administrative costs (costs for public administration) and burden (costs for beneficiaries).

The report looks at 21 simplification measures that have been introduced, some of which mandatory and others optional. The report assesses the expected reduction based on the first experience with the new regulation in programme development and implementation

Overall, the efforts to reduce administrative costs and burden are paying off. While administrative costs are not as high as often perceived, the 2014-2020 simplification measures are expected to reduce administrative costs even more, though it becomes clear that not all simplification measures contribute to the reduction of administrative costs and burden.

### Methodology

Based on existing studies<sup>1</sup> on administrative costs and burden and supplementing information deriving from the interviews and survey baseline values for a number of key administrative tasks have been established for the administrative costs and burden of the five ESI Funds. Linking specific administrative tasks and their administrative costs and burden in the previous programme period, to the simplification measures studied, assessment on the expected reductions of administrative costs and burden could be made.

For this, information collected from programme bodies via interviews and an online survey formed the basis for the calculation of administrative costs and burden. The ranges are based on current information on the implementation of simplification measures. The potential maximum reduction was calculated assuming an increased

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<sup>1</sup> Among the previous studies considered are

- t33/Sweco 2012, Measuring the impact of changing regulatory requirements to administrative costs and administrative burden of managing EU structural funds (ERDF and CF)
- 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.
- EPEC-COWI 2012, Study Measuring Current and Future Requirements on Administrative Cost and Burden of Managing the ESF.
- Capgemini, Rambøll & Deloitte 2011, Study on administrative burden reduction associated with the implementation of certain Rural Development measures.

uptake of simplification measures, both by more programmes as well as the budget of each programme covered by the measures. The effect of national and sub-national regulations on the overall administrative costs and burden was incorporated to help produce conclusions on gold-plating.

The interviews and online surveys covered a wide range of different actors:

- 110 persons have been interviewed concerning the administrative costs and burden covering 39 programmes and 17 Member States, 9 ERDF/CF, 4 ETC, 12 ESF, 8 EAFRD and 6 EMFF programmes<sup>2</sup>.
- 47 persons have been interviewed concerning gold plating and the role of national and sub-national administrations.
- 631 persons answered the online survey concerning the administrative costs and burden, covering 398 programmes covering all Member States and all types of programme bodies. Of these survey responses, 152 concern ERDF/CF programmes, 98 ETC, 134 ESF, 114 EAFRD, 37 EMFF and 96 multi-fund programmes. Although with variations across the funds, the response rate is high for all ESIF which ensures the robustness of data extracted from the survey.<sup>3</sup>
- 95 beneficiaries from different funds have responded to an online survey on gold plating.

The analysis of these results shows how much a simplification measure affects the administrative costs and burden. The main focus is on the share of administrative costs and burden of the total ESIF budget. This allows comparing figures across programme periods but also to 'monetarise' figures to show how many millions euro will be saved due to the introduction of a simplification measure.

Through the report, figures are presented as ranges, due to the uncertainty of the actual impact and the diversity of answers as to how an administrative task will be affected by a certain measure. **Taking into account behavioural aspects in the analysis of the survey results, the lower range presents a conservative expectation, while the higher range stands for the most likely value.**

## **The impact of simplification measures on administrative costs and burden**

The 4% technical assistance allowed for in ESIF is partially used to cover administrative costs. However, there are considerable differences on the size of the administrative costs and the use of the technical assistance budget between the individual programmes.

Discussing the impact of the simplification measures, it is important to keep in mind that administrative costs and burden are only a small share of the total ESIF budget. In Figure 1, green parts of the circles stand for all ESIF budget except administrative costs or burden, which are depicted in blue. The combined blue parts stand for the administrative cost's respectively burden's share of the total ESIF budget prior to the simplification measures. The dark blue part is the reduction deriving from the simplification measures.

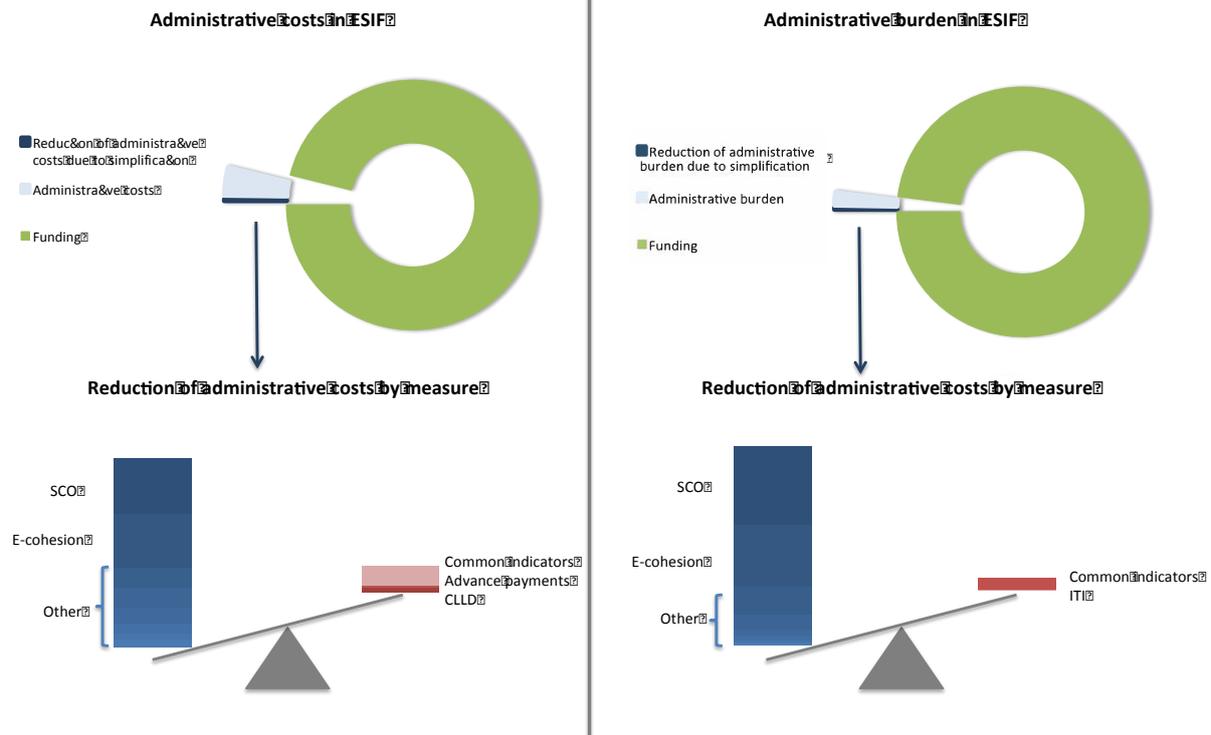
Most of the reduction is due to the measures on e-cohesion and SCOs, while common indicators, advance payments and CLLD tend to add to the administrative costs.

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<sup>2</sup> The list of interviewees was provided or validated by the four DGs (AGRI, EMPL, MARE, REGIO) involved in the study

<sup>3</sup> For all ESIF more than 50% der Managing Authorities and about 25% of the Certifying Authorities / Paying Agencies and Audit Authorities / Certification Bodies took part in the survey.

**Figure 1 Impact on administrative costs and burden**



Source: own elaboration

The calculation of the impact of a simplification measure is based on the uptake, i.e. how many programmes make use of it, and the expected reduction of administrative tasks and workload.

As for the uptake, the rationale underpinning the choice of using the options provided in the 2014-2020 regulations is rather similar across all EU 28 Member States. The reductions in administrative burden and in the risks of errors are generally the two main reasons that justify the use of the optional measures.

With regard to the reasons for not making use of the different options, the factors that seem to impede adoption of a higher uptake of simplification options are mainly related to the perceived complexity of the measures, general scepticism towards the possible benefits of the simplifications, as well as a lack of willingness to change the administrative approaches/systems already in place.

In general terms, the 2014-2020 regulative framework is effectively oriented towards the increase of (i) the legality and regularity of the expenditures and (ii) the added value of the funds. However, this has implied an increase in the number of implemented and delegated acts and complexity with risks of negatively affecting administrative costs, in particular during the set-up of the programmes. Among others therefore the overall reduction might not be as high as some actors expected.

[Selected key findings per fund](#)

This is the first study to look at all five ESI Funds and allowing for comparisons across funds. Before going into detail, a few key findings per fund:

**ERDF/CF:** The simplifications measures imply a reduction of administrative costs of 4 to 8% and a reduction of administrative burden of 9 to 14%. The most important simplification measures are SCOs and e-cohesion, followed by simpler rules for revenue-generating projects and the harmonisation of rules.

**ESF:** The simplification measures imply a reduction of administrative costs of 2 to 5% and a reduction of administrative burden of 8 to 14%. The most important simplification measures are the same as for ERDF/CF, i.e. SCOs and e-cohesion followed by simpler rules for revenue-generating projects and the harmonisation of rules.

**EAFRD:** The simplification measures imply a reduction of administrative costs of 1 to 3%. While the reduction of administrative costs remains rather modest, EAFRD programmes have the highest expected reductions of administrative burden, i.e. 12 to 20%. This is partly due to the fact that some simplification measures help to reduce the administrative burden of beneficiaries but at the same time imply increasing – or at least stable – administrative costs at the level of programme bodies. The most important simplification measures are SCOs and e-cohesion / e-governance followed by proportionate control/ minimum level of on-the-spot checks and considering providers of training or knowledge transfer as beneficiaries.

**EMFF:** The regulatory changes and stronger harmonisation across funds imply a rather significant change for EMFF programmes. This implies that the simplification measures increase – rather than decrease – the administrative costs and burden by 7 to 15%. However, at the level of beneficiaries, a substantial reduction of administrative costs is expected, 10 to 17%. The most important simplification measures are SCOs and e-cohesion / e-governance followed by proportionate control/ minimum level of on-the-spot checks and accelerated procedure for selection process. At the same time, common indicators and greater thematic concentration increase the administrative costs substantially in the case of the EMFF.

#### The impact on administrative costs

Going into further detail, this section looks closer at the changes of administrative costs. This is followed by a section looking at the changes of administrative burden.

**Administrative costs** are the costs for an administrative task of ESI Fund programme bodies measured in terms of money, including both costs for administrative workload and costs for the purchase of services and goods.

The simplification measures assessed are expected to reduce ESI Funds related administrative costs for public administration by EUR 0.5 to 1.3 billion, i.e. 2 to 5% of administrative costs.

In other words, based on 2007-13 period, administrative costs for 2014-20 without implementation of simplification measures would be EUR 25 billion, i.e. 4% of the ESIF budget. However, with the current implementation of simplification measures, they should be EUR 23 to 24 billion, i.e. 3.7 to 3.8%.

There are variations between the funds (see Table 1). There is a substantial administrative cost reduction for ERDF/CF (up to 8%), less for ESF (up to 5%), and a small reduction for EAFRD (up to 3%). For EMFF, the new programme period and the reviewed changes imply an increase in administrative costs. This is mainly due to the introduction of common indicators, the enhanced monitoring framework, greater thematic concentration and the harmonisation of rules.

**Table 1 Impact of simplification measures on administrative costs by fund**

Fund	Baseline costs (2007-13) (€ billions)	Baseline costs (2007-2013) (% of budget)	Actual impact (2014-2020) (€ billions)		Actual impact (2014-2020) (%)	
			Most likely	Conser- vative	Most likely	Conser- vative
<b>ESIF</b>	<b>24.7</b>	<b>3.9%</b>	<b>-1.3</b>	<b>to -0.5</b>	<b>-5%</b>	<b>to -2%</b>
ERDF/CF	11.3	3.2%	-0.8	to -0.5	-8%	to -4%
ESF	5.6	4.4%	-0.3	to -0.1	-5%	to -2%
EAFRD	7.0	4.7%	-0.2	to -0.05	-3%	to -0.6%
EMFF	0.8	10.4%	0.06	to 0.1	7%	to 15%

Source: own elaboration

Simplification measures are expected to reduce administrative costs by different degrees. As shown in Table 2, the highest contributions to cost reduction are from SCO (EUR 294 to 428 million), e-cohesion/e-governance for communication with beneficiaries (EUR 256 to 409 million), simpler rules for revenue-generating projects (EUR 97 to 160 million), proportionate control/minimal on-the-spot checks (EUR 92 to 154 million), and the harmonisation of rules (EUR 39 to 118 million).

However, some measures even increase administrative costs for programme authorities. These include common indicators & enhanced monitoring (EUR 128 to 223 million), and to some degree also, greater thematic concentration, integrated territorial investments (ITIs), community-led local development (CLLD) and advance payments.

The contribution of individual measures to reducing administrative costs varies between funds, as discussed elsewhere in this report.

**Table 2 Impact of simplification on administrative costs**

Simplification measure	Impact (€ millions)		Impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
Partnership Agreements replace the National Strategic Reference Framework and National Strategic Plan	3.0	to 4.1	0.0%	to 0.0%
Greater thematic concentration	7.8	to 60.4	0.0%	to 0.2%
Common indicators & enhanced monitoring framework	128.4	to 223.2	0.5%	to 0.9%
Harmonisation of rules	-117.9	to -39.3	-0.5%	to -0.2%
Proportionate control/minimum level of on-the-spot checks	-153.7	to -92.3	-0.6%	to -0.4%
E-cohesion/E-governance with beneficiaries	-408.8	to -256.0	-1.7%	to -1.0%
Simpler rules for revenue-generating projects	-160.0	to -97.4	-0.6%	to -0.4%
Shorter retention period for documents	-75.0	to -48.4	-0.3%	to -0.2%
Simplified programme modification procedure	-9.3	to -4.9	0.0%	to 0.0%
Simplification of the programme document	-3.8	to -0.6	0.0%	to 0.0%
Independent quality report for major projects	-2.1	to -0.6	0.0%	to 0.0%
Considering providers of training or knowledge transfer as beneficiaries	-40.6	to -24.9	-0.2%	to -0.1%
Community-led local development (CLLD) & local action groups	15.1	to 24.6	0.1%	to 0.1%
Integrated territorial investments (ITI)	11.9	to 35.2	0.0%	to 0.1%
Merging MA-CA/reducing number of PA	-52.5	to -24.5	-0.2%	to -0.1%
Grants and repayable assistance as simplified cost options (SCO)	-428.1	to -293.9	-1.7%	to -1.2%
Joint action plans (JAP)	0.0	to 0.0	0.0%	to 0.0%
Advance payments	16.2	to 27.6	0.1%	to 0.1%
Establishment of advance criteria for insurance cover	-0.2	to 0.3	0.0%	to 0.0%
Accelerated procedure for selection process	-6.6	to -5.0	0.0%	to 0.0%
Special calculation rules for compensation	2.3	to 3.1	0.0%	to 0.0%
<b>Total ESIF</b>	<b>-1,273</b>	<b>to -509</b>	<b>-5.2%</b>	<b>to -2.1%</b>

Source: own calculations based on survey results

### The impact on administrative burden

The impact of simplification measures is greater on the administrative burden for beneficiaries and final recipients than on administrative costs for programme bodies/public authorities.

**Administrative burden** describes the costs of ESIF beneficiaries for complying with the information obligations resulting from government imposed legislation and regulation related to the ESIF support received.

For administrative burden, each ESI Fund has a different starting position. For the first time, this study compares administrative burden across funds. Table 3 confirms earlier studies, showing that administrative burden varies with the financial volume, number of actions and complexity of the actions funded. For example, the administrative burden for a large infrastructure investment is relatively smaller than for a multifaceted and small-scale actions.

Simplification measures are expected to reduce the administrative burden for all ESI Funds by EUR 1 to 2 billion, or 9 to 15%. In other words, taking the 2007-13 period as a baseline, the administrative burden for 2014-20 without implementation of simplification measures would be EUR 13 billion, i.e. 2% of the ESIF budget. The implementation of simplification measures is expected to reduce the burden to EUR 11 to 12 billion, i.e. 1.7% to 1.8% of the ESIF budget.

For all ESI Funds, simplification measures reduced administrative burden for beneficiaries. However, there are variations between the funds (see Table 3). The greatest reduction in absolute terms is expected for ESF (EUR 0.5 to 1 billion), while in relative terms, EAFRD is expected to have the greatest reduction (12 to 20%). A substantially reduced administrative burden is also expected for EMFF (10 to 17%).

**Table 3 Impact on administrative burden by fund**

Fund	Baseline costs (2007-13) (€ billions)	Baseline costs (2007-13) (% of budget)	Actual impact (2014-20) (€ billions)		Actual impact (2014-20) (%)	
			Most likely	Conser- vative	Most likely	Conser- vative
<b>ESIF</b>	<b>13.0</b>	<b>2.0%</b>	<b>-1.9</b>	<b>to -1.2</b>	<b>-15%</b>	<b>to -9%</b>
ERDF/CF	4.8	1.4%	-0.7	to -0.4	-14%	to -9%
ESF	6.0	4.7%	-0.8	to -0.5	-14%	to -8%
EAFRD	2.0	1.3%	-0.4	to -0.2	-20%	to -12%
EMFF	0.2	2.3%	-0.03	to -0.02	-17%	to -10%

Source: own elaboration

Simplification measures reduce administrative burden to varying degrees. As shown in Table 4 the greatest contributions in absolute terms are from SCO (approximately EUR 593 to 826 million), e-cohesion / e-governance with beneficiaries (approximately EUR 449 to 624 million), simpler rules for revenue-generating projects (approximately EUR 176 to 282 million), and the harmonisation of rules (approximately EUR 96 to 153 million).

Two of the measures studied increase administrative burden. These are integrated territorial investments and community-led local development.

The impact of establishing advance criteria for insurance coverage is minimal, as the range indicates either a minor decrease or increase of burden.

The extent to which individual measures are expected to reduce administrative burden varies between funds. This will be further discussed in the following sections.

**Table 4 Impact of simplification on administrative burden**

Simplification measure	Impact (€ millions)		Impact (%)	
	Most likely	Conser- vative	Most likely	Conser- vative
Partnership Agreements replace the National Strategic Reference Framework and National Strategic Plan	0.0	to 0.0	0.0%	to 0.0%
Greater thematic concentration	0.0	to 0.0	0.0%	to 0.0%

Common indicators & enhanced monitoring framework	116.1 to 200.2	0.9% to 1.5%
Harmonisation of rules	-153.2 to -96.4	-1.2% to -0.7%
Proportionate control/minimum level of on-the-spot checks	-71.1 to -51.0	-0.5% to -0.4%
E-cohesion/E-governance with beneficiaries	-623.6 to -449.4	-4.8% to -3.4%
Simpler rules for revenue-generating projects	-282.2 to -175.9	-2.2% to -1.4%
Shorter retention period for documents	-66.3 to -46.5	-0.5% to -0.4%
Simplified programme modification procedure	0.0 to 0.0	0.0% to 0.0%
Simplification of the programme document	0.0 to 0.0	0.0% to 0.0%
Independent quality report for major projects	0.0 to 0.0	0.0% to 0.0%
Considering providers of training or knowledge transfer as beneficiaries	-15.9 to 1.5	-0.1% to 0.0%
Community-led local development (CLLD) & local action groups	-9.4 to 15.1	-0.1% to 0.1%
Integrated territorial investments (ITI)	9.9 to 22.5	0.1% to 0.2%
Merging MA-CA/reducing number of PA	0.0 to 0.0	0.0% to 0.0%
Grants and repayable assistance as simplified cost options (SCO)	-826.3 to -592.7	-6.3% to -4.5%
Joint action plans (JAP)	-5.6 to -4.4	0.0% to 0.0%
Advance payments	-9.8 to -2.1	-0.1% to 0.0%
Establishment of advance criteria for insurance cover	-3.0 to -1.8	0.0% to 0.0%
Accelerated procedure for selection process	0.0 to 0.0	0.0% to 0.0%
Special calculation rules for compensation	-3.7 to -2.9	0.0% to 0.0%
<b>Total ESIF</b>	<b>-1,944 to -1,184</b>	<b>-14.9% to -9.1%</b>

Source: own calculations based on survey results

## Potential for further reductions

The expected levels of reduced administrative costs and burden are linked to the level to which simplification measures are taken up by the programmes. While the above figures are based on the current uptake of simplification measures, there is certainly room for increased levels of uptake. Further reductions of administrative costs and burden could come from more programmes making use of (optional) simplification measures as well as using simplification measures, in particular SCOs, for larger shares of the programme budgets. The report presents for two scenarios estimations on the impacts of an extended use of SCOs:

- Scenario 1 assumes that all programmes make use of SCOs. Just considering SCOs – leaving aside other simplification measures – administrative costs could be reduced by a further EUR 234 to 336 million and administrative burden by EUR 213 to 297 million.
- Scenario 2 assumes that all programmes make use of SCOs (as in scenario 1) and the programmes apply SCOs to a larger share of their programme budgets. In this case, the largest potential for further reduction of administrative costs and burden lies on the two funds currently characterised by lower levels of programme budgets covered by SCOs: ERDF/CF with a potential of further reduction of 10 to 18% of the overall costs and burden, followed by EMFF with a reduction potential of 7 to 12%. The potential impact is more limited in the case of EAFRD (with an estimated reduction potential of 1 to 3% of the total administrative costs and burden) while in the case of ESF the estimated reduction potential lies between 4 and 9% of the total administrative costs and burden.

The question is how to achieve reduction levels indicated in the scenarios. Arrangements that are considered particularly effective by the majority of the study interviewees include:

1. Mandatory use of SCOs for 'small operations': this solution is generally considered effective both by ESF authorities (which appreciate the introduction of Art. 14(4) ESF) and by the other ESIF authorities;
2. Possibility of validating SCOs through a specific delegated act, following the example of the procedure under Art. 14(1) ESF: despite initial scepticism, Art. 14(1) is now generally considered by the ESF authorities as an effective solution to overcome legal uncertainty and increase the uptake of SCOs;
3. Provision of EU level SCOs /off-the-shelf solutions, which would eliminate the need to define a methodology for SCOs.

## **Simplified Cost Options and Joint Action Plans**

SCO are the most frequently used optional simplification measure and hold great potential for a wider use with considerable impacts on reducing administrative costs and burden. Therefore the study devotes a special section as well as dedicated case studies to SCOs.

In the 2014-2020 programme period, flat rates are the type of SCOs most commonly used. More than 90% of MAs taking up SCOs declare their use of flat rates. According to the interviews conducted, ESIF authorities make an extended use of the off-the-shelf flat rates provided in the regulation in particular to cover indirect costs. Interviewed authorities express a strong interest towards the possibility to use flat rates to cover other category of costs and in this sense they also underlined that an important trigger for the (further) diffusion of flat rates will be the extended possibilities of off-the-shelf rates provided for in the 2014-2020 regulations.

If compared to the previous programming period the use of Standard Scales of Unit Costs (SSUCs) has also increased. According to data extracted from the survey, 46% of the MAs taking up SCOs declare their use of SSUCs.

There is also an increased use of lump sums (approximately 37% of the MAs taking up SCOs declare their use of lump sums), largely driven by the extended use of lump sums in EAFRD (86% of the EAFRD MAs taking up SCOs declare their use of lump sums). In EAFRD, lump sums are seen as a useful solution, in particular to cover small operations. For the other funds, the use of lump sums, even if it has increased in comparison with the previous programming period, remains limited when compared with flat rates and standard scales of unit costs.

In general the key advantages of using SCOs are:

- less administrative burden and costs, both for authorities and beneficiaries;
- reduction of errors and irregularities;
- enhancement of the value and the quality of the operations (increased focus on content, process and results);
- increase in the quality of programming (spending is more targeted);
- increase in the attention paid to developing better partnerships at all levels.

With regard to Joint Action Plans (JAPs), the study confirms a limited use. This seems mainly to depend on the fact that stakeholders perceived this measures as excessively risky and complicated to be implemented.

## **Gold plating**

In addition to making better use of simplification measures, also unnecessary administrative add-ons can be cut down to reduce administrative costs and burden. National 'over-implementation' of EU regulations is commonly called gold plating<sup>4</sup>. This

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<sup>4</sup> Gold plating can also be described as active or passive gold plating. Active gold plating is when national authorities add – intentionally or unintentionally – administrative requirements that go beyond EU requirements. Passive gold plating occurs

encompasses all national and sub-national rules and regulations which complicate Union legislation. Gold plating tends to increase administrative burden as well as administrative costs since there are more rules to implement, comply with, check and monitor. This in turn leads to higher staff requirements and higher implementation and control costs.

Approximately a third of administrative burden is due to additional national or regional requirements. There are four moments which are particularly relevant when discussing gold plating:

- *Funding application phase (eligibility issues):* Gold plating can be associated with a range of eligibility requirements including incomplete rules and ambiguous or vague requirements. Other issues include extremely detailed requirements for applicants, and excessive documentation requests, as well as ill-founded variations of implementation rules between calls.
- *Payment claims by beneficiaries (payment issues):* Unnecessary rigidity in finding co-financing and application of various procedures and unnecessary requirements prevent timely payment. (Final payment control is, however, not a gold plating issue.)
- *Budgetary and reporting obligations:* Multiple reporting obligations can be a result of gold plating as well as additional requirements stemming from audit recommendations. As an example, a final beneficiaries might need to report expenditure up to three times: i) in the regular expenditure statements to the programmes for a given period, ii) in a complementary statement where all expenditure during a given calendar year are reported again, and iii) in a final expenditure declaration at the end of a project.
- *Procurement rules:* A general rigidity and extension of procurement rules to private entities can be a burden for investments, as well as excessive publication or notification requirements.

The degree of gold plating varies between Member States, funds, programme types and also thematic objectives of the programmes. However, the data collected does not allow to draw reliable conclusions on which Member States, administrative traditions and cultures, funds, programmes types and thematic objectives are characterised by particularly high or low levels of gold plating.

Still, complex programmes (e.g. multi-fund programmes and programmes covering 10-12 different thematic objectives) usually have higher administrative requirements. This suggests that these programmes run the highest risk of gold plating, which might be explained by their complex nature.

The main sources of gold plating are national laws/regulations, internal administrative decisions at programme level and requirements from audit authorities.

Going beyond these formal reasons, a number of different motivations behind gold plating can be outlined. Risk aversion is clearly the most important reason for introducing requirements going beyond EU requirements, i.e. gold plating. The combination of legal uncertainties and a rather strong culture of risk aversion among authorities responsible for the ESIF programmes is one main cause for gold plating. Furthermore, specific interest and the unwillingness to change from existing practices to simpler approaches can be reasons for gold plating.

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when national authorities and/or legislation fail to use the simplification option offered by relevant EU legislation or fund regulation. This study does not differentiate between these two categories.

## Comparison with earlier studies

Expectations of reductions were included in the t33/SWECO impact study in 2012. For ERDF/CF, the study suggested that regulatory framework changes would reduce administrative costs by about 7% and administrative burden by about 20%.

This study largely confirms that. For example with ERDF/CF the reduction of administrative costs ranges from 4 to 8%, compared to 7% in the impact study. For administrative burden the reduction is between 9 and 14% of the total administrative burden, which is below the 20% in the impact study. Studies for other ESI Funds did not allow for conclusions on the change of administrative costs and burden for 2014-20 period.<sup>5</sup>

Applying the changes expected in the ERDF impact study to all ESIF and comparing them to the upper values of impact so far, shows that some simplification measures have a greater effect than expected. This applies in particular to SCOs.

On the other hand, some simplification measures were expected to have more impact on administrative costs. These include the merger of Managing Authorities and Certifying Authorities/Reduction of Paying Agencies, and to some degree greater thematic concentration and common indicator systems. The reasons why the expectations have not been met concerning the impact lie mainly in the lower than expected uptake. In addition, for thematic concentration and common indicators, the programmes did not implement these measures as rigorous as assumed in the 2012 impact study.

Comparing the ERDF/CF impact study from 2012 with the ERDF/CF figures from this study shows a similar picture, in particular for SCOs and the harmonisation of rules. Simpler rules for revenue-generating projects bring greater administrative cost reductions than expected, while the merger of Managing Authorities and Certifying Authorities, thematic concentration and common indicators result in smaller reductions than expected.

For administrative burden, it appears that common indicators and monitoring simplification measures do not show the expected reduction, especially for e-cohesion / e-governance, shorter retention periods for documents, and ITIs. As for e-cohesion, the difference is mainly to be explained with the development in the sector which took place between the data collection for the 2012 impact study and this study. When it comes to the shorter retention period for documents, it seems that the full benefits of the regulatory change cannot be achieved because of retention obligations deriving from other sources than the ESIF regulations.

On the other hand, some measures achieved much larger reductions of administrative costs and burden than anticipated in the 2012 impact study, especially SCOs and simpler rules for revenue generating projects.

## Conclusions and recommendations

As described above, there are variations with regard to the funds. More importantly, the reductions of administrative burden and costs rely mainly on a few selected simplification measures.

Only 10 of 21 simplification measures studied led to a reduction of administrative efforts (i.e. the combination of costs and burden) needed. The greatest reductions come from SCOs, e-cohesion/e-governance for communication with beneficiaries, simpler rules for revenue-generating projects, proportionate control/minimal on-the-spot checks, and the harmonisation of rules.

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<sup>5</sup> Studies assessing administrative costs and burden for the 2007-13 period have been used to develop comparable baseline information for all five ESI Funds.

In 2 cases the total picture shows actually an increase in administrative efforts (i.e. the combination of costs and burden). These cases are the common indicators and ITI.

In the remaining cases the combined effect of the simplification measures on administrative efforts and burden remains more or less neutral, as the effects of the changes on administrative costs and burden are so small that they stay below 0.0%.

The reasons why some simplification measures do not contribute to a reduction of administrative costs and burden are manifold. In some cases the uptake is too low to actually impact on the administrative work load (e.g. merger of MA and CA / reducing number of PA). In other cases the implementation seems to be made more complicated than necessary, e.g. through gold plating or driving priorities at programme level (e.g. greater thematic concentration, common indicators, or ITIs).

To further improve the reduction of administrative costs and burden, the report provides a few points for departure, building on the strong points of the simplification measures and mitigating some of the weaknesses in future work, there are a few recommendations:

#### Clarity, stability and legal certainty

- Fewer and clearer rules reducing the complexity of the regulatory system.
- More stable rules over time also from one funding period to the other.
- Reduce uncertainty among programme actors also through training and guidance.

#### Good governance

- Simpler governance structures with less bodies involved.
- Further advocate the use and uptake of simplification measures by informing about the merits of specific measures.
- Increased capacity-building at programme level including the direct collaboration between the programme authorities and Commission Services in specific areas.
- Co-design regulatory changes with practitioners knowing what implications regulatory changes have on the ground.

#### Specific measures

- Analyse simplification measures with regard to impact on outcomes, as it might be worthwhile to study to what degree they contribute to improving the delivery and outcome of ESIF programmes.
- Increase e-cohesion / e-governance e.g. through a single e-cohesion / e-governance platform which can be used by all ESIF programmes to communicate with beneficiaries.
- Simplify Joint Action Plans. In particular by:
  - simplify the procedure for setting up JAP as well as the governance of the instrument.
  - strengthen guidance and support to Member States in the elaboration of JAP, in particular in relation to the definition of milestones.
- Enhanced use of SCOs as they have a significant potential to reduce both administrative costs and burden and they can also benefit the quality and impact of operations. This can be achieved by:
  - Making SCOs obligatory for certain measures or amounts;
  - Providing more off-the-shelf options;
  - Enhancing legal harmonisation between Funds and between different regulatory areas/schemes
  - Defining SCOs at EU Level through collaboration between the Commission and Member States, by enhancing and extending the possibilities already offered by Art. 14(1) of ESF Reg.;
  - Promoting and supporting the regular exchange of knowledge and experience between practitioners and stakeholders at EU Level, also

through targeted platforms and initiatives (such as the ESF Thematic Network on Simplification).

**Selected fund specific recommendations:**

- **ERDF/CF.** Improving the use of SCOs through offering more off-the-shelf methodologies and subsequently considering the mandatory use holds large potential for reducing administrative costs and burden (see also point above).
- **ESF.** Increasing legal certainty and administrative capacities with regard to state aid and public procurement might reduce some uncertainties, risks of gold plating and reduce administrative costs in the long run.
- **EAFRD.** Improving the use of SCOs through offering more off-the-shelf methodologies and subsequently considering the mandatory use holds large potential for reducing administrative costs and burden (see also point above).
- **EMFF.** Making e-cohesion mandatory also for EMFF would not only ensure a more coherent approach across ESI Funds, but also could reduce administrative cost by approx. EUR 3 million and administrative burden by up to 9 million.
- **ETC.** The stronger alignment of Member State (and EU) legal frameworks in areas where different national frameworks need to be applied for the same project – discussed earlier to reduce gold plating risks – might also help ETC programmes dealing with beneficiaries in different Member States. Not at least in the case of SCOs, common definitions and flat rates would be helpful.

# Synthèse

## Principales conclusions

- Cette étude confirme en grande partie les résultats de l'étude d'impact menée en 2012, comme dans le cas du FEDER/FC, avec une baisse des coûts administratifs située entre 4 et 8 %, contre 7 % selon l'étude d'impact. La réduction des charges administratives induite par les mesures de simplification atteint entre 9 et 14 % de la charge administrative totale, ce qui est inférieur aux 20 % prévus dans l'étude d'impact.
- Le cumul des données sur les charges et les coûts administratifs montre que 10 des 21 mesures de simplification étudiées ont entraîné une réduction des efforts administratifs (terme désignant la combinaison des charges et des coûts) nécessaires. Les indicateurs communs et les investissements territoriaux intégrés (ITI) pourraient par contre avoir occasionné une augmentation. Dans les autres cas, les effets combinés sont plus ou moins neutres.
- Il existe de nombreuses possibilités pour réduire davantage les charges et les coûts administratifs en encourageant le recours aux options de coûts simplifiés (SCO).
- Le renforcement de la clarté, de la stabilité et de la sécurité juridique du cadre réglementaire et l'intensification du renforcement des capacités auraient des effets positifs et permettraient de réduire le risque de surréglementation.

L'amélioration de la gestion des Fonds ESI consiste à trouver en permanence un compromis entre a) la nécessité de garantir la responsabilité et une utilisation optimale de l'argent des contribuables, et b) la nécessité de rendre les procédures aussi simples et efficaces que possible pour toutes les personnes impliquées. Le cadre réglementaire pour la période 2014-2020 a introduit des mesures de simplification destinées à réduire les coûts administratifs (c'est-à-dire les coûts pour l'administration publique) et la charge administrative (c'est-à-dire les coûts pour les bénéficiaires).

Ce rapport examine 21 mesures de simplification introduites, parmi lesquelles certaines sont obligatoires et d'autres facultatives. Le rapport évalue l'ampleur de la baisse escomptée en se basant sur les premières expériences de cette nouvelle réglementation relative au développement et à la mise en œuvre des programmes.

Dans l'ensemble, les efforts visant à réduire les charges et les coûts administratifs portent leurs fruits. Si les coûts administratifs ne sont pas aussi élevés que ce que l'on imagine souvent, les mesures de simplification pour 2014-2020 devraient permettre de les réduire encore davantage. Cependant, il s'avère que toutes les mesures de simplification ne contribuent pas à la réduction des charges et des coûts administratifs.

## Méthodologie

Sur la base d'études précédentes<sup>6</sup> sur les charges et les coûts administratifs et d'informations complémentaires provenant d'interviews et d'une enquête, des valeurs de référence ont été définies pour un certain nombre de tâches administratives clés afin de calculer les charges et les coûts administratifs des cinq Fonds ESI. En établissant des liens entre des tâches administratives particulières et leurs charges et coûts administratifs pendant la période de programmation précédente, et les mesures de

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<sup>6</sup> Les études précédentes prises en considération sont notamment les suivantes:

- t33/Sweco 2012, *Measuring the impact of changing regulatory requirements to administrative costs and administrative burden of managing EU structural funds (ERDF and CF)*
- 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.*
- EPEC-COWI 2012, *Study Measuring Current and Future Requirements on Administrative Cost and Burden of Managing the ESF.*
- Caggemini, Rambøll & Deloitte 2011, *Study on administrative burden reduction associated with the implementation of certain Rural Development measures.*

simplification étudiées, il a été possible d'évaluer les réductions escomptées des charges et des coûts administratifs.

Pour ce faire, des informations recueillies auprès des organes en charge des programmes par l'intermédiaire d'interviews et d'une enquête en ligne ont formé la base des calculs des charges et des coûts administratifs. Les valeurs présentées se basent sur les informations actuellement disponibles concernant la mise en œuvre des mesures de simplification. La réduction maximale potentielle a été calculée en tablant sur une utilisation accrue des mesures de simplification, qu'il s'agisse de leur intégration dans un plus grand nombre de programmes ou de l'augmentation de la part du budget de chaque programme couverte par ces mesures. Les effets des réglementations nationales et sous-nationales sur les charges et les coûts administratifs globaux ont été pris en considération pour contribuer à la formulation de conclusions sur la surréglementation.

Les interviews et l'enquête en ligne ont couvert une large palette d'acteurs:

- 110 personnes ont été interrogées au sujet des charges et des coûts administratifs relatifs à 39 programmes et 17 États membres – 9 programmes du FEDER/FC, 4 programmes de la CTE, 12 programmes du FSE, 8 programmes du FEADER et 6 programmes du FEAMP<sup>7</sup>;
- 47 personnes ont été interrogées au sujet de la surréglementation et du rôle des administrations nationales et sous-nationales;
- 631 personnes ont répondu à l'enquête en ligne sur les charges et les coûts administratifs, qui concernait 398 programmes couvrant tous les États membres et tous les types d'organismes responsables des programmes. Parmi les réponses à cette enquête, 152 concernaient des programmes du FEDER/FC, 98 des programmes de la CTE, 134 des programmes du FSE, 114 des programmes du FEADER, 37 des programmes du FEAMP et 96 des programmes plurifonds. Malgré certaines disparités entre les fonds, le taux de réponse a été élevé pour tous les Fonds ESI, ce qui garantit la fiabilité des données extraites de l'enquête;<sup>8</sup>
- 95 bénéficiaires de différents fonds ont répondu à une enquête en ligne sur la surréglementation.

L'analyse de ces résultats montre à quel point une mesure de simplification affecte les charges et les coûts administratifs. L'accent est surtout mis sur la part du budget total des Fonds ESI consacrée aux charges et aux coûts administratifs. Cette méthode permet de comparer les données d'une période de programmation à l'autre, mais aussi de «monétiser» les données afin de montrer combien de millions d'euros l'introduction d'une mesure de simplification permet d'économiser.

Dans l'ensemble du rapport, les chiffres se présentent sous la forme de fourchettes, en raison de l'incertitude concernant l'impact réel des mesures et de la diversité des réponses quant à savoir comment une mesure donnée affectera une tâche administrative définie. **En tenant compte des aspects liés au comportement dans l'analyse des résultats de l'enquête, la valeur la plus basse constitue une estimation prudente, tandis que la valeur la plus élevée représente le résultat le plus probable.**

## **Impact des mesures de simplification sur les charges et les coûts administratifs**

L'assistance technique à hauteur de 4 % admise dans le cadre des Fonds ESI sert en partie à couvrir les coûts administratifs. Cependant, le montant des coûts administratifs

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<sup>7</sup> La liste des personnes interrogées a été fournie ou validée par les quatre DG de la CE (AGRI, EMPL, MARE, REGIO) associées à l'étude.

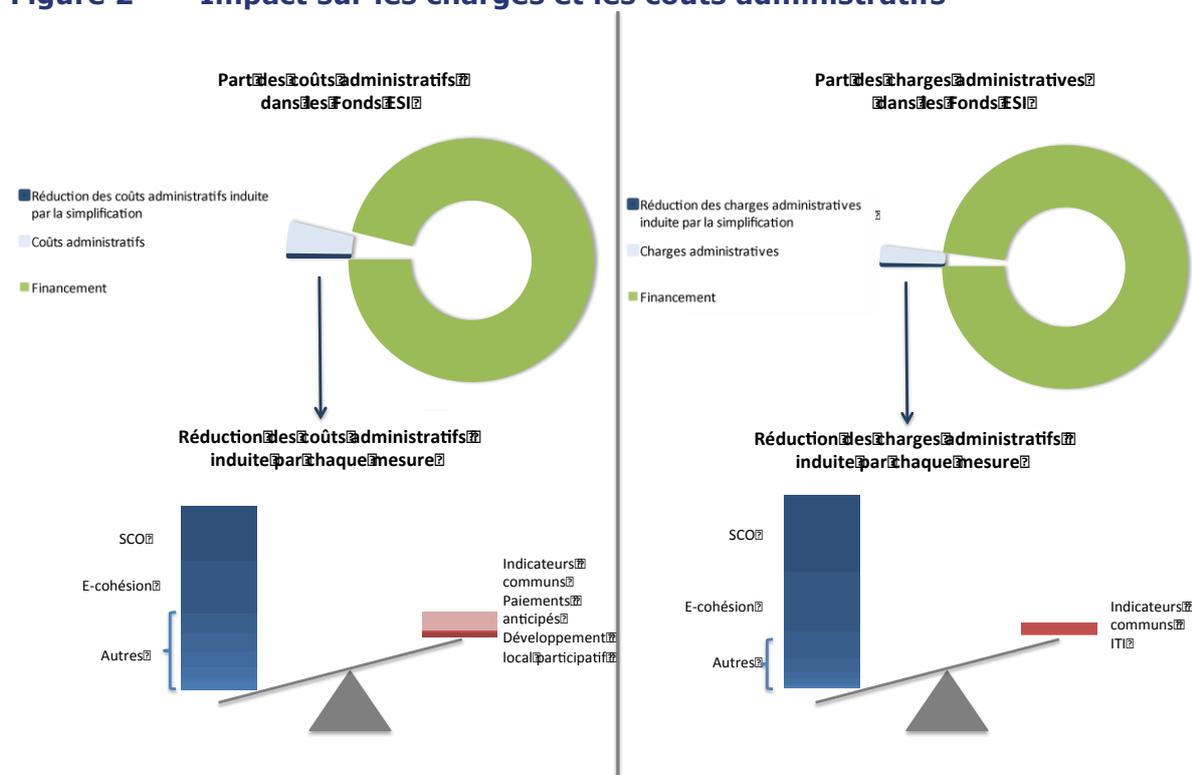
<sup>8</sup> Pour l'ensemble des fonds FESI, plus de 50% des autorités de gestion et près de 25% des autorités de certification, de paiement et d'audit ont pris part à l'enquête.

varie sensiblement d'un programme à l'autre, tout comme l'utilisation du budget d'assistance technique.

S'agissant d'évaluer l'impact des mesures de simplification, il importe de ne pas oublier que les charges et les coûts administratifs ne représentent qu'une part réduite du budget total des Fonds ESI. Dans la figure 2, la portion des cercles colorée en vert représente le budget de tous les Fonds ESI, à l'exception des charges ou des coûts administratifs, qui sont représentés en bleu. Les sections en bleu combinées représentent respectivement la part des charges et des coûts administratifs dans le budget total des Fonds ESI avant l'introduction des mesures de simplification. La section en bleu foncé représente la réduction induite par les mesures de simplification.

La majeure partie de la baisse est imputable aux mesures relatives à l'e-cohésion et aux SCO, tandis que les indicateurs communs, les paiements anticipés et le développement local participatif ont plutôt tendance à faire grimper les coûts administratifs.

**Figure 2 Impact sur les charges et les coûts administratifs**



Source: calculs internes

Le calcul de l'impact d'une mesure de simplification est basé sur le niveau d'utilisation, c'est-à-dire le nombre de programmes qui ont recours à cette mesure, ainsi que sur la diminution escomptée de la charge de travail et des tâches administratives.

En ce qui concerne le niveau d'utilisation, la logique qui motive le choix d'avoir recours aux options fournies dans les réglementations pour la période 2014-2020 est assez semblable dans les 28 États membres de l'Union européenne. La réduction des charges administratives et celle des risques d'erreur sont généralement les deux principaux motifs qui justifient le recours aux mesures facultatives.

Quant aux raisons qui justifient le non-recours aux différentes options, les facteurs qui semblent entraver l'utilisation accrue des mesures de simplification sont essentiellement liés à l'apparente complexité de ces mesures, au sentiment général de scepticisme vis-à-vis des avantages pouvant résulter des simplifications et à un manque de volonté de modifier les approches et les systèmes administratifs déjà mis en place.

De manière générale, le cadre réglementaire pour 2014-2020 mise effectivement sur le renforcement i) de la légalité et de la régularité des dépenses et ii) de la valeur ajoutée

des fonds. Cependant, cette approche entraîne une augmentation du nombre d'actes exécutés et délégués ainsi que de la complexité, avec des risques de répercussions négatives sur les coûts administratifs, en particulier pendant la mise en place des programmes. La réduction globale, entre autres, pourrait donc être inférieure à ce que certains acteurs souhaitaient.

### Principales conclusions pour chaque fonds

Cette étude est la première qui porte sur les cinq Fonds ESI et permet ainsi d'établir des comparaisons entre les différents fonds. Avant d'entrer dans les détails, voici quelques-unes des principales conclusions pour chaque fonds:

**FEDER/FC:** Les mesures de simplification entraînent une baisse des coûts administratifs de 4 à 8 % et une baisse des charges administratives de 9 à 14 %. Les mesures de simplification les plus importantes sont les options de coûts simplifiés (SCO) et l'e-cohésion, suivies par l'instauration de règles plus simples pour les projets générateurs de recettes et l'harmonisation des règles.

**FSE:** Les mesures de simplification entraînent une baisse des coûts administratifs de 2 à 5 % et une baisse des charges administratives de 8 à 14 %. Les mesures de simplification les plus importantes sont les mêmes que pour le FEDER/FC, c'est-à-dire les SCO et l'e-cohésion, suivies par l'instauration de règles plus simples pour les projets générateurs de recettes et l'harmonisation des règles.

**FEADER:** Les mesures de simplification entraînent une baisse des coûts administratifs de 1 à 3 %. Si la baisse des coûts administratifs reste assez modeste, les programmes du FEADER devraient enregistrer les baisses des charges administratives les plus importantes, d'une hauteur de 12 à 20 %. Cette situation résulte en partie du fait que certaines mesures de simplification contribuent à réduire la charge administrative des bénéficiaires tout en entraînant une augmentation – ou une stabilisation – des coûts administratifs engendrés au niveau des organes en charge des programmes. Les mesures de simplification les plus importantes sont les SCO et l'e-cohésion/la gouvernance électronique, suivies par les mesures de contrôle adéquat/de niveau minimal de contrôles sur place et par la perception des fournisseurs de services éducatifs ou de transferts de connaissances comme des bénéficiaires.

**FEAMP:** Les modifications réglementaires et l'harmonisation accrue entre les fonds entraînent un changement relativement important pour les programmes du FEAMP. Cela signifie que les mesures de simplification font non pas baisser mais plutôt augmenter les charges et les coûts administratifs, qui devraient progresser de 7 à 15 %. Néanmoins, une baisse substantielle des coûts administratifs est prévue au niveau des bénéficiaires, à concurrence de 10 à 17 %. Les mesures de simplification les plus importantes sont les SCO et l'e-cohésion/la gouvernance électronique, suivies par les mesures de contrôle adéquat/de niveau minimal de contrôles sur place et la procédure accélérée pour le processus de sélection. Parallèlement, les indicateurs communs et la concentration thématique accrue font sensiblement grimper les coûts administratifs dans le cas du FEAMP.

### Impact sur les coûts administratifs

Cette section entre dans les détails et examine de plus près les évolutions des coûts administratifs. Elle est suivie par une section consacrée aux évolutions des charges administratives.

**Les coûts administratifs** désignent les coûts engendrés par une tâche administrative pour les organes en charge des programmes des Fonds ESI, mesurés en termes monétaires et comprenant à la fois les coûts découlant de la charge de travail administratif et les coûts découlant de l'achat de biens et de services.

Les mesures de simplification évaluées devraient entraîner, pour l'administration publique, une baisse des coûts administratifs liés aux Fonds ESI comprise entre 0,5 et 1,3 milliard d'EUR – soit une baisse de 2 à 5 %.

En d'autres termes, si l'on se base sur la période 2007-2013, les coûts administratifs pour la période 2014-2020 devraient s'élever à 25 milliards d'EUR en l'absence de toute mesure de simplification, ce qui représente 4 % du budget des Fonds ESI. Cependant, grâce aux mesures de simplification actuellement mises en œuvre, ces coûts devraient être ramenés entre 23 et 24 milliards d'EUR, ce qui représente entre 3,7 et 3,8 % du budget des Fonds ESI.

L'on observe des différences entre les fonds (voir tableau 5). Le FEDER/FC devrait enregistrer une baisse substantielle des coûts administratifs (jusqu'à 8 %), tandis que le FSE devrait connaître une baisse moins importante (jusqu'à 5 %) et le FEADER, une baisse assez réduite (jusqu'à 3 %). Pour ce qui est du FEAMP, la nouvelle période de programmation et les évolutions examinées laissent entrevoir une augmentation des coûts administratifs principalement due à l'introduction d'indicateurs communs, au renforcement du cadre de suivi, à une concentration thématique accrue et à l'harmonisation des règles.

**Table 5 Impact des mesures de simplification sur les coûts administratifs par fonds**

Fonds	Coûts de base (2007-13) (en milliards d'€)	Coûts de base (2007-2013) (en % du budget)	Impact réel (2014-2020) (en milliards d'€)		Impact réel (2014-2020) (en %)	
			Probable	Prudent	Probable	Prudent
<b>Fonds ESI</b>	<b>24,7</b>	<b>3,9 %</b>	<b>-1,3</b>	<b>à -0,5</b>	<b>-5,2 %</b>	<b>à -2,1 %</b>
FEDER/FC	11,3	3,2 %	-0,8	à -0,5	-7,5 %	à -4,2 %
FSE	5,6	4,4 %	-0,3	à -0,1	-4,9 %	à -2,0 %
FEADER	7,0	4,7 %	-0,2	à -0,05	-3,0 %	à -0,6 %
FEAMP	0,8	10,4 %	0,06	à 0,1	6,8 %	à 14,9 %

Source: calculs internes

Les mesures de simplification devraient réduire les coûts administratifs à des degrés divers. Comme le montre le tableau 6, les mesures qui contribuent le plus à faire baisser les coûts sont les SCO (entre 294 et 428 millions d'EUR), l'e-cohésion/la gouvernance électronique pour la communication avec les bénéficiaires (entre 256 et 409 millions d'EUR), la simplification des règles pour les projets générateurs de recettes (entre 97 et 160 millions d'EUR), les mesures de contrôle adéquat/de niveau minimal de contrôles sur place (entre 92 et 154 millions d'EUR) et l'harmonisation des règles (entre 39 et 118 millions d'EUR).

Néanmoins, certaines mesures entraînent, pour les autorités en charge des programmes, une augmentation des coûts administratifs, comme les indicateurs communs et le renforcement du suivi (entre 128 et 223 millions d'EUR), ainsi que, dans une certaine mesure, la concentration thématique accrue, les investissements territoriaux intégrés (ITI), le développement local participatif et les paiements anticipés.

La contribution des différentes mesures à la réduction des coûts administratifs varie d'un fonds à l'autre, comme expliqué ailleurs dans le présent rapport.

**Table 6 Impact de la simplification sur les coûts administratifs**

Mesures de simplification	Impact (en millions d'€)		Impact (en %)	
	Probable	Prudent	Probable	Prudent
Des accords de partenariat remplacent le cadre de référence stratégique national et le plan stratégique national	3,0	à 4,1	0,0 %	à 0,0 %
Concentration thématique accrue	7,8	à 60,4	0,0 %	à 0,2 %
Indicateurs communs et renforcement du	128,4	à 223,2	0,5 %	à 0,9 %

Mesures de simplification	Impact (en millions d'€)		Impact (en %)	
	Probable	Prudent	Probable	Prudent
cadre de suivi				
Harmonisation des règles	-117,9	à -39,3	-0,5 %	à -0,2 %
Contrôle adéquat/niveau minimal de contrôles sur place	-153,7	à -92,3	-0,6 %	à -0,4 %
E-cohésion/gouvernance électronique avec les bénéficiaires	-408,8	à -256,0	-1,7 %	à -1,0 %
Règles plus simples pour les projets générateurs de recettes	-160,0	à -97,4	-0,6 %	à -0,4 %
Délai de conservation plus court pour les documents	-75,0	à -48,4	-0,3 %	à -0,2 %
Procédure de modification des programmes simplifiée	-9,3	à -4,9	0,0 %	à 0,0 %
Simplification du document de programme	-3,8	à -0,6	0,0 %	à 0,0 %
Rapport indépendant sur la qualité pour les gros projets	-2,1	à -0,6	0,0 %	à 0,0 %
Perception des fournisseurs de services éducatifs ou de transferts de connaissances comme des bénéficiaires	-40,6	à -24,9	-0,2 %	à -0,1 %
Développement local participatif et groupes d'action locale	15,1	à 24,6	0,1 %	à 0,1 %
Investissements territoriaux intégrés (ITI)	11,9	à 35,2	0,0 %	à 0,1 %
Fusion entre les autorités de gestion et les autorités de certification/réduction du nombre d'organismes payeurs	-52,5	à -24,5	-0,2 %	à -0,1 %
Subventions et aides remboursables en tant qu'options de coûts simplifiés (SCO)	-428,1	à -293,9	-1,7 %	à -1,2 %
Plans d'action conjoints	0,0	à 0,0	0,0 %	à 0,0 %
Paiements anticipés	16,2	à 27,6	0,1 %	à 0,1 %
Définition à l'avance de critères pour la couverture d'assurance	-0,2	à 0,3	0,0 %	à 0,0 %
Procédure accélérée pour le processus de sélection	-6,6	à -5,0	0,0 %	à 0,0 %
Règles de calcul spéciales pour l'indemnisation	2,3	à 3,1	0,0 %	à 0,0 %
<b>Total Fonds ESI</b>	<b>-1 273</b>	<b>à -509</b>	<b>-5,2 %</b>	<b>à -2,1 %</b>

Source: calculs internes basés sur les résultats de l'enquête

### Impact sur les charges administratives

Les mesures de simplification ont un impact plus important sur les charges administratives pour les bénéficiaires et les bénéficiaires finaux que sur les coûts administratifs pour les autorités publiques/organes en charge des programmes.

**La charge administrative** désigne les coûts que doivent supporter les bénéficiaires des Fonds ESI pour satisfaire aux obligations d'information découlant de la législation imposée par les gouvernements et de la réglementation relative au soutien reçu au titre des Fonds ESI.

En ce qui concerne la charge administrative, chaque Fonds ESI se trouve dans une situation initiale différente. Pour la toute première fois, cette étude compare les charges administratives entre les différents fonds. Le tableau 7 confirme les conclusions d'études précédentes en montrant que les charges administratives varient en fonction du volume financier, du nombre d'actions et de la complexité des actions financées. Un investissement de grande ampleur dans les infrastructures, par exemple, s'accompagnera d'une charge administrative relativement plus faible que des actions multidimensionnelles menées à petite échelle.

Les mesures de simplification devraient réduire les charges administratives de l'ensemble des Fonds ESI de 1 à 2 milliard d'EUR, ce qui correspond à une baisse de 9 à

15 %. En d'autres termes, si l'on prend la période 2007-2013 comme référence, les charges administratives pour 2014-2020 devraient s'élever à 13 milliards d'EUR en l'absence de toute mesure de simplification, ce qui représente 2 % du budget des Fonds ESI. La mise en œuvre de mesures de simplification devrait ramener le montant de ces charges à un niveau compris entre 11 et 12 milliards d'EUR, soit entre 1,7 et 1,8 % du budget des Fonds ESI.

Les mesures de simplification ont permis de réduire la charge administrative imposée aux bénéficiaires pour l'ensemble des Fonds ESI. Cependant, l'on relève des différences entre les fonds (voir le tableau 7). La baisse la plus importante en termes absolus devrait être enregistrée par le FSE (0,5 à 1 milliard d'EUR), tandis que le FEADER devrait connaître la baisse la plus importante en termes relatifs (12 à 20 %). On prévoit aussi une diminution significative des charges administratives pour le FEAMP (10 à 17 %).

**Table 7 Impact sur les charges administratives par fonds**

Fonds	Coûts de base (2007-13) (en milliards d'€)	Coûts de base (2007-13) (en % du budget)	Impact réel (2014-20)		Impact réel (2014-20)	
			(en milliards d'€)		(en %)	
			Probable	Prudent	Probable	Prudent
<b>Fonds ESI</b>	<b>13,0</b>	<b>2,0 %</b>	<b>-1,9</b>	<b>à -1,2</b>	<b>-14,9 %</b>	<b>à -9,1 %</b>
FEDER/FC	4,8	1,4 %	-0,7	à -0,4	-14,1 %	à -8,6 %
FSE	6,0	4,7 %	-0,8	à -0,5	-13,8 %	à -8,4 %
FEADER	2,0	1,3 %	-0,4	à -0,2	-20,1 %	à -12,1 %
FEAMP	0,2	2,3 %	-0,03	à -0,02	-17,0 %	à -9,9 %

Source: calculs internes

Les mesures de simplification permettent de réduire les charges administratives à des degrés divers. Comme le montre le tableau 8, les mesures qui contribuent le plus à cette réduction en termes absolus sont les SCO (environ 593 à 826 millions d'EUR), l'e-cohésion/la gouvernance électronique avec les bénéficiaires (environ 449 à 624 millions d'EUR), la simplification des règles pour les projets générateurs de recettes (environ 176 à 282 millions d'EUR) et l'harmonisation des règles (environ 96 à 153 millions d'EUR).

Deux des mesures étudiées entraînent une augmentation de la charge administrative: les investissements territoriaux intégrés et le développement local participatif.

La définition à l'avance de critères pour la couverture d'assurance n'a qu'un impact réduit, la fourchette calculée indiquant soit une légère baisse, soit une légère hausse des charges.

La mesure dans laquelle les différentes mesures devraient réduire les charges administratives varie d'un fonds à l'autre. Cet aspect sera étudié plus en détail dans les sections suivantes.

**Table 8 Impact de la simplification sur les charges administratives**

Mesures de simplification	Impact (en millions d'€)		Impact (en %)	
	Probable	Prudent	Probable	Prudent
Des accords de partenariat remplacent le cadre de référence stratégique national et le plan stratégique national	0,0	à 0,0	0,0 %	à 0,0 %
Concentration thématique accrue	0,0	à 0,0	0,0 %	à 0,0 %
Indicateurs communs et renforcement du cadre de suivi	116,1	à 200,2	0,9 %	à 1,5 %
Harmonisation des règles	-153,2	à -96,4	-1,2 %	à -0,7 %
Contrôle adéquat/niveau minimal de contrôles sur place	-71,1	à -51,0	-0,5 %	à -0,4 %
E-cohésion/gouvernance électronique avec les bénéficiaires	-623,6	à -449,4	-4,8 %	à -3,4 %

Règles plus simples pour les projets générateurs de recettes	-282,2 à -175,9	-2,2 % à -1,4 %
Délai de conservation plus court pour les documents	-66,3 à -46,5	-0,5 % à -0,4 %
Procédure de modification des programmes simplifiée	0,0 à 0,0	0,0 % à 0,0 %
Simplification du document de programme	0,0 à 0,0	0,0 % à 0,0 %
Rapport indépendant sur la qualité pour les gros projets	0,0 à 0,0	0,0 % à 0,0 %
Perception des fournisseurs de services éducatifs ou de transferts de connaissances comme des bénéficiaires	-15,9 à 1,5	-0,1 % à 0,0 %
Développement local participatif et groupes d'action locale	-9,4 à 15,1	-0,1 % à 0,1 %
Investissements territoriaux intégrés (ITI)	9,9 à 22,5	0,1 % à 0,2 %
Fusion entre les autorités de gestion et les autorités de certification/réduction du nombre d'organismes payeurs	0,0 à 0,0	0,0 % à 0,0 %
Subventions et aides remboursables en tant qu'options de coûts simplifiés (SCO)	-826,3 à -592,7	-6,3 % à -4,5 %
Plans d'action conjoints	-5,6 à -4,4	0,0 % à 0,0 %
Paievements anticipés	-9,8 à -2,1	-0,1 % à 0,0 %
Définition à l'avance de critères pour la couverture d'assurance	-3,0 à -1,8	0,0 % à 0,0 %
Procédure accélérée pour le processus de sélection	0,0 à 0,0	0,0 % à 0,0 %
Règles de calcul spéciales pour l'indemnisation	-3,7 à -2,9	0,0 % à 0,0 %
<b>Total Fonds ESI</b>	<b>-1 944 à -1 184</b>	<b>-14,9 % à -9,1 %</b>

Source: calculs internes basés sur les résultats de l'enquête

## Autres possibilités de réduction

Le niveau des baisses escomptées des charges et des coûts administratifs est lié au niveau d'utilisation des mesures de simplification par les programmes. Les chiffres présentés ci-dessus se basent sur le niveau actuel d'utilisation des mesures de simplification, mais il est certainement possible d'améliorer ce niveau. Les charges et les coûts administratifs pourraient baisser davantage si un plus grand nombre de programmes avaient recours aux mesures de simplification (facultatives) ou si les mesures de simplification – en particulier les SCO – étaient appliquées à une plus grande part des budgets des programmes. Ce rapport présente les impacts estimés d'une utilisation accrue des SCO selon deux scénarios:

- dans le scénario n° 1, tous les programmes ont recours aux SCO. Le seul recours aux SCO – sans tenir compte des autres mesures de simplification – permettrait de réduire les coûts administratifs de 234 à 336 millions d'EUR supplémentaires et les charges administratives, de 213 à 297 millions d'EUR;
- dans le scénario n° 2, tous les programmes ont recours aux SCO (comme dans le scénario n° 1) et appliquent par ailleurs cette mesure à une plus grande part de leurs budgets. Dans ce cas, les deux fonds les plus susceptibles de bénéficier d'une baisse supplémentaire de leurs charges et coûts administratifs sont ceux qui sont actuellement caractérisés par un faible taux d'application des SCO aux budgets des programmes: le FEDER/FC, avec une baisse potentielle supplémentaire de l'ensemble des charges et coûts de 10 à 18 %, et le FEAMP, avec une baisse potentielle de 7 à 12 %. L'impact potentiel est plus limité dans le cas du FEADER (avec une baisse potentielle estimée de 1 à 3, % de l'ensemble des charges et coûts administratifs), tandis que la baisse potentielle estimée s'établit entre 4 et 9 % du total des charges et des coûts administratifs pour le FSE.

La question qui se pose est de savoir comment concrétiser les baisses envisagées dans ces deux scénarios. Parmi les solutions jugées particulièrement efficaces par la majorité des participants à l'étude figurent notamment les suivantes:

1. utilisation obligatoire des SCO pour les «petites opérations»: cette solution est généralement jugée efficace à la fois par les autorités en charge du FSE (qui apprécient l'introduction de l'article 14, paragraphe 4, du règlement du FSE) et par les autres autorités responsables des Fonds ESI;
2. possibilité de valider des SCO par l'intermédiaire d'un acte délégué spécifique, suivant l'exemple de la procédure énoncée à l'article 14, paragraphe 1, du règlement du FSE: malgré le scepticisme qu'il a d'abord inspiré, cet article est aujourd'hui globalement considéré par les autorités du FSE comme une solution efficace pour remédier au problème de l'incertitude juridique et accroître le niveau d'utilisation des SCO;
3. mise à disposition de solutions «prêtes à l'emploi»/de SCO au niveau de l'UE, ce qui permettrait de supprimer la nécessité de définir une méthodologie pour les options de coûts simplifiés.

### **Options de coûts simplifiés et plans d'action conjoints**

Les options de coûts simplifiés (SCO) représentent la mesure de simplification facultative la plus fréquemment utilisée et pourraient être exploitées bien plus largement, ce qui aurait un impact considérable sur les charges et les coûts administratifs. Cette étude consacre donc une section spéciale, ainsi que plusieurs études de cas, à ce sujet.

Dans le cadre de la période de programmation 2014-2020, les taux forfaitaires sont le type de SCO le plus utilisé. Plus de 90 % des autorités de gestion qui ont recours aux SCO déclarent utiliser cette option. D'après les interviews réalisées, les autorités des Fonds ESI ont couramment recours aux taux forfaitaires «prêts à l'emploi» prévus dans le règlement, en particulier pour couvrir les coûts indirects. Les autorités interrogées se déclarent très intéressées par la possibilité d'utiliser les taux forfaitaires pour couvrir d'autres catégories de coûts et soulignent, dans cette optique, qu'un important élément déclencheur pour assurer leur utilisation (accrue) serait le développement des possibilités de taux «prêts à l'emploi» prévus dans les réglementations pour la période 2014-2020.

Le recours aux barèmes standard de coûts unitaires (BSCU) a également augmenté par rapport à la période de programmation précédente. Selon les données provenant de l'étude, 46 % des autorités de gestion qui ont recours aux SCO déclarent utiliser les BSCU.

On observe aussi une augmentation de l'utilisation des montants forfaitaires (environ 37 % des autorités de gestion qui ont recours aux SCO déclarent utiliser les montants forfaitaires), principalement due à l'utilisation accrue des montants forfaitaires dans le cadre du FEADER (86 % des autorités de gestion du FEADER qui ont recours aux SCO déclarent utiliser les montants forfaitaires). Les montants forfaitaires sont perçus comme une solution utile dans le cadre du FEADER, notamment pour couvrir les petites opérations. En ce qui concerne les autres fonds, le recours aux montants forfaitaires reste faible par rapport aux taux forfaitaires et aux barèmes standard de coûts unitaires, même s'il a progressé par rapport à la période de programmation précédente.

En règle générale, les principaux avantages résultant de l'utilisation des SCO sont les suivants:

- diminution des charges et des coûts administratifs, tant pour les autorités que pour les bénéficiaires;
- réduction du nombre d'erreurs et d'irrégularités;
- amélioration de la valeur et de la qualité des opérations (l'accent est davantage placé sur le contenu, les processus et les résultats);
- amélioration de la qualité de la programmation (les dépenses sont plus ciblées);

- renforcement de l'attention accordée au développement de meilleurs partenariats à tous les niveaux.

Pour ce qui est des plans d'action conjoints, l'étude confirme que ceux-ci ne sont que peu utilisés. Cette situation semble surtout découler du fait que les parties prenantes trouvent ces mesures excessivement risquées et difficiles à mettre en œuvre.

## Surréglementation

Outre l'amélioration de l'utilisation des mesures de simplification, il est aussi possible de réduire les formalités administratives supplémentaires inutiles pour faire baisser les charges et les coûts administratifs. La «transposition excessive» des règlements européens au niveau national est souvent appelée «surréglementation<sup>9</sup>». Cette notion désigne toutes les règles et réglementations nationales et sous-nationales qui compliquent la législation de l'Union. La surréglementation accroît généralement les charges et les coûts administratifs puisqu'il y a plus de règles à appliquer, à respecter, à vérifier et à contrôler. Cela entraîne par conséquent une hausse des besoins en personnel et des coûts de mise en œuvre et de contrôle.

Près d'un tiers de la charge administrative est due à des exigences nationales ou régionales supplémentaires. Il y a quatre moments particulièrement importants dans le cadre de la surréglementation:

- *la phase de demande de financement (problèmes d'éligibilité):* la surréglementation peut être associée à toute une gamme de conditions d'éligibilité, y compris des règles incomplètes et des exigences ambiguës ou vagues. D'autres problèmes concernent les exigences extrêmement précises auxquelles les candidats doivent parfois se soumettre ainsi que les demandes de renseignements excessives, ou encore les variations infondées des règles de mise en œuvre entre les appels à candidatures;
- *les demandes de paiement par les bénéficiaires (problèmes liés au paiement):* une rigidité superflue dans la recherche de cofinancements et l'application de diverses procédures et exigences inutiles nuisent au respect des délais de paiement (le contrôle final des paiements ne constitue cependant pas un problème de surréglementation);
- *les obligations en matière de budget et d'information:* la surréglementation peut entraîner des obligations d'information multiples, tout comme des exigences supplémentaires provenant de recommandations formulées dans le cadre d'audits. À titre d'exemple, un bénéficiaire final peut être tenu de déclarer ses dépenses jusqu'à trois fois: i) dans les déclarations de dépenses régulières pour les programmes relatives à une période donnée, ii) dans une déclaration complémentaire comprenant toutes les dépenses occasionnées pendant une année civile donnée, et iii) dans une déclaration de dépenses finale, à la fin d'un projet;
- *les règles relatives aux marchés publics (contrôle financier):* une rigidité globale et l'application des règles relatives aux marchés publics aux entités privées peuvent grever les investissements, tout comme des obligations excessives en matière de publication ou de notification.

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<sup>9</sup> La surréglementation peut être passive ou active. La surréglementation active désigne une situation où les autorités nationales ajoutent – intentionnellement ou non – des exigences administratives plus strictes que les exigences définies par l'UE. La surréglementation passive désigne une situation où la législation et/ou les autorités nationales ne parviennent pas à utiliser l'option de simplification offerte par la législation européenne pertinente ou par le règlement relatif au fonds concerné. Cette étude ne fait pas de distinction entre ces deux catégories.

Le niveau de surréglementation varie entre les États membres, les fonds, les types de programmes et les objectifs thématiques des programmes. Toutefois, les données collectées ne permettent pas de tirer des conclusions fiables pour savoir quels États membres, quelles traditions et cultures administratives, quels fonds, quels types de programmes ou quels objectifs thématiques sont caractérisés par un niveau de surréglementation particulièrement faible ou élevé.

Il ressort tout de même que les programmes complexes (comme les programmes plurifonds et les programmes qui couvrent 10 à 12 objectifs thématiques différents) s'accompagnent habituellement de contraintes administratives plus lourdes. Cela laisse penser que ces programmes sont les plus susceptibles de connaître une surréglementation, qui pourrait s'expliquer par leur nature complexe.

Les principales sources de surréglementation sont les réglementations et les législations nationales, les décisions administratives internes au niveau des programmes et les exigences des autorités d'audit.

Au-delà de ces raisons formelles, il est possible d'identifier un certain nombre de motivations à l'origine de la surréglementation. L'aversion au risque est clairement la principale raison motivant l'instauration d'exigences plus strictes que celles de l'UE – c'est-à-dire une surréglementation. La combinaison d'incertitudes juridiques et d'une culture d'aversion au risque assez forte chez les autorités en charge des programmes des Fonds ESI est l'une des principales causes à l'origine de la surréglementation. La défense d'intérêts spécifiques et la réticence à abandonner des pratiques existantes au profit de méthodes plus simples sont d'autres raisons qui peuvent entraîner une surréglementation.

## **Comparaison avec des études précédentes**

Des estimations des réductions escomptées figuraient dans l'étude d'impact réalisée par t33/SWECO en 2012. Pour le FEDER/FC, cette étude avait estimé que les modifications du cadre réglementaire permettraient de réduire les coûts administratifs de 7 % environ, et les charges administratives de 20 % environ.

La présente étude confirme en grande partie ces estimations. La réduction des coûts administratifs dans le cadre du FEDER/FC, par exemple, se situe entre 4,2 et 7,5 %, contre 7 % dans l'étude d'impact. En ce qui concerne la charge administrative, la baisse calculée se situe entre 8,6 et 14 % du total des charges administratives, ce qui est inférieur aux 20 % prévus par l'étude d'impact. Malheureusement, les études portant sur d'autres Fonds ESI n'ont pas permis de tirer des conclusions sur l'évolution des charges et des coûts administratifs pour la période 2014-2020<sup>10</sup>.

Si on applique les évolutions prévues par l'étude d'impact sur le FEDER à tous les Fonds ESI et qu'on les compare avec les valeurs maximales calculées jusqu'à présent pour l'impact, on constate que certaines mesures de simplification ont un effet plus important que prévu. Cette conclusion concerne plus particulièrement les SCO.

D'un autre côté, certaines mesures de simplification auraient dû avoir un impact plus important sur les coûts administratifs. Parmi celles-ci figurent la fusion des autorités de gestion et des autorités de certification/la réduction du nombre d'organismes payeurs ainsi que, dans une certaine mesure, la concentration thématique accrue et les systèmes d'indicateurs communs. Les raisons pour lesquelles les objectifs d'impact n'ont pas été atteints résident surtout dans le faible niveau d'utilisation de ces mesures. De plus, en ce qui concerne la concentration thématique et les indicateurs communs, les programmes n'ont pas appliqué ces mesures aussi rigoureusement que ce que l'étude d'impact de 2012 avait escompté.

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<sup>10</sup> Les études visant à évaluer les charges et les coûts administratifs pour la période 2007-2013 ont servi à élaborer des informations de base comparables pour les cinq Fonds ESI.

La comparaison entre l'étude d'impact de 2012 sur le FEDER/FC et les chiffres de la présente étude relatifs au FEDER/FC fait émerger une image similaire, concernant en particulier les SCO et l'harmonisation des règles. La simplification des règles pour les projets générateurs de recettes permet de faire baisser les coûts administratifs davantage que prévu, tandis que la fusion des autorités de gestion et des autorités de certification, la concentration thématique et les indicateurs communs n'entraînent pas de baisses aussi importantes que prévu.

Pour ce qui est de la charge administrative, il semble que les indicateurs communs et les mesures de simplification relatives au suivi n'entraînent pas les baisses escomptées, en particulier l'e-cohésion/la gouvernance électronique, le délai de conservation plus court des documents et les ITI. Concernant l'e-cohésion, la différence s'explique principalement par l'évolution qu'a connue ce secteur entre le moment où les données ont été recueillies pour l'étude d'impact de 2012 et pour la présente étude. Quant au délai de conservation plus court des documents, il apparaît que cette modification réglementaire ne peut engendrer pleinement les effets bénéfiques escomptés à cause des obligations de conservation découlant d'autres sources que les réglementations liées aux Fonds ESI.

D'un autre côté, certaines mesures ont entraîné une baisse des charges et des coûts administratifs nettement supérieure à celle prévue dans l'étude d'impact de 2012, comme les SCO et la simplification des règles pour les projets générateurs de recettes.

## **Conclusions et recommandations**

Comme évoqué ci-dessus, il existe des différences entre les fonds. Plus important encore, les réductions des charges et des coûts administratifs sont essentiellement le fait d'un petit nombre de mesures de simplification.

Seules 10 des 21 mesures de simplification étudiées ont entraîné une diminution des efforts administratifs (terme désignant la combinaison des charges et des coûts) nécessaires. Les baisses les plus importantes sont imputables aux SCO, à l'e-cohésion/la gouvernance électronique pour la communication avec les bénéficiaires, à la simplification des règles pour les projets générateurs de recettes, aux mesures de contrôle adéquat/de niveau minimal de contrôles sur place et à l'harmonisation des règles.

Dans 2 cas, les mesures ont globalement entraîné une augmentation des efforts administratifs (terme désignant la combinaison des charges et des coûts): il s'agit des indicateurs communs et des ITI.

Dans les autres cas, l'effet combiné des mesures de simplification sur les charges et les coûts administratifs reste plus ou moins neutre, car les effets de ces modifications sur les charges et les coûts administratifs sont si faibles qu'ils restent inférieurs à 0,0 %.

Les raisons pour lesquelles certaines mesures de simplification ne contribuent pas à faire baisser les charges et les coûts administratifs sont diverses. Dans certains cas, le recours à ces mesures est insuffisant pour avoir un véritable impact sur la charge de travail administratif (comme dans le cas de la fusion des autorités de gestion et des autorités de certification/réduction du nombre d'organismes payeurs). Dans d'autres cas, la mise en œuvre semble avoir été rendue plus compliquée que nécessaire, par exemple à cause d'une surréglementation ou des priorités au niveau des programmes (concentration thématique accrue, indicateurs communs ou ITI, par exemple).

Afin d'améliorer davantage la réduction des charges et des coûts administratifs, ce rapport propose quelques pistes s'appuyant sur les points forts des mesures de simplification et atténuant certaines des faiblesses dans les travaux futurs. Voici donc quelques recommandations:

Clarté, stabilité et sécurité juridique

- Des règles moins nombreuses et plus claires pour diminuer la complexité du système réglementaire.
- Des règles plus stables dans le temps, y compris d'une période de financement à une autre.
- Réduire l'incertitude chez les acteurs des programmes, y compris par l'intermédiaire de formations et d'orientations.

#### Bonne gouvernance

- Des structures de gouvernance plus simples, comprenant moins d'organes.
- Continuer à promouvoir l'utilisation et l'adoption des mesures de simplification en diffusant des informations sur les avantages des différentes mesures.
- Augmentation du renforcement des capacités au niveau des programmes, y compris la collaboration directe entre les autorités en charge des programmes et les services de la Commission dans des domaines spécifiques.
- Coconception des modifications réglementaires avec les praticiens qui savent quelles implications ces modifications auront sur le terrain.

#### Mesures spécifiques

- Analyser les mesures de simplification en étudiant leur impact sur les résultats, car il peut être utile de déterminer dans quelle mesure elles contribuent à améliorer la mise en place et les résultats des programmes des Fonds ESI.
- Renforcer l'e-cohésion/la gouvernance électronique, par exemple via une plateforme d'e-cohésion/de gouvernance électronique unique qui pourra être utilisée par tous les programmes des Fonds ESI pour communiquer avec les bénéficiaires.
- Simplifier les plans d'action conjoints, notamment en:
  - simplifiant la procédure pour mettre en place des plans d'action conjoints ainsi que la gouvernance de cet instrument;
  - renforçant le pilotage et l'aide aux États membres dans l'élaboration des plans d'action conjoints, en particulier lorsqu'il s'agit de définir des jalons.
- Accroître l'utilisation des SCO, qui présentent un important potentiel de réduction des charges et des coûts administratifs et qui peuvent aussi contribuer à améliorer la qualité et l'impact des opérations. Pour ce faire, il convient de:
  - rendre les SCO obligatoires pour certaines mesures ou certains montants;
  - proposer plus d'options «prêtes à l'emploi»;
  - améliorer l'harmonisation juridique entre les fonds et entre les différents régimes/domaines de réglementation;
  - définir des SCO au niveau de l'UE via une collaboration entre la CE et les États membres, en améliorant et en développant les possibilités déjà offertes par l'article 14, paragraphe 1, du règlement du FSE;
  - promouvoir et soutenir les échanges réguliers de connaissances et d'expériences entre les praticiens et les parties prenantes au niveau de l'UE, y compris via des plateformes et des initiatives ciblées (comme le réseau thématique sur la simplification du FSE).

#### Quelques recommandations spécifiques aux différents fonds:

- **FEDER/FC.** Améliorer l'utilisation des SCO en proposant plus de méthodologies «prêtes à l'emploi» et en envisageant ensuite de rendre leur utilisation obligatoire présente un important potentiel de réduction des charges et des coûts administratifs (voir aussi le point abordé ci-dessus).
- **FSE.** Renforcer la sécurité juridique et les capacités administratives en matière d'aides d'État et de marchés publics pourrait réduire certaines incertitudes ainsi que les risques de sursurveillance, et faire baisser les coûts administratifs à long terme.
- **FEADER.** Améliorer l'utilisation des SCO en proposant plus de méthodologies «prêtes à l'emploi» et en envisageant ensuite de rendre leur utilisation obligatoire présente

un important potentiel de réduction des charges et des coûts administratifs (voir aussi le point abordé ci-dessus).

- **FEAMP.** Rendre l'e-cohésion également obligatoire pour le FEAMP permettrait non seulement de garantir une approche plus cohérente entre les différents Fonds ESI, mais aussi de réduire les coûts administratifs de 3 millions d'EUR environ et les charges administratives de 9 millions d'EUR maximum.
- **CTE.** Une plus grande harmonisation des cadres juridiques des États membres (et de l'UE) dans les domaines où différents cadres nationaux doivent s'appliquer pour un même projet – point abordé ci-dessus pour réduire les risques de surréglementation – pourrait aussi aider les programmes de la CTE qui ont des bénéficiaires dans différents États membres. Des définitions et des taux forfaitaires communs seraient utiles, notamment dans le cadre des SCO.

# Kurzdarstellung

## Wichtigste Ergebnisse

- Diese Analyse bestätigt im Wesentlichen die Wirkungsanalyse aus dem Jahre 2012, wie bei EFRE/KF gesehen: Hier liegt die Verringerung der Verwaltungskosten zwischen 4 und 8 %, verglichen mit den in der Wirkungsanalyse angedeuteten 7 %. Die durch Vereinfachungsmaßnahmen verringerten Verwaltungslasten machen 9 bis 14 % der gesamten Verwaltungslasten aus und liegen damit unter den in der Wirkungsanalyse erwähnten 20 %.
- Beim Zusammenführen der Informationen zu Verwaltungskosten und -lasten zeigt sich, dass 10 der 21 Vereinfachungsmaßnahmen zu einer Verringerung des erforderlichen Verwaltungsaufwands geführt haben (d. h. die Kombination aus Kosten und Lasten). Für gemeinsame Indikatoren und ITI könnte sich eine Zunahme ergeben. In den restlichen Fällen ist der kombinierte Effekt mehr oder weniger neutral.
- Es besteht beträchtliches Potenzial für eine weitere Verringerung von Verwaltungskosten und -lasten durch die verstärkte Nutzung von vereinfachten Kostenoptionen (VKO).
- Eine verstärkte Klarheit, Stabilität und Rechtssicherheit des Regelungsrahmens sowie ein zunehmender Kapazitätsaufbau würden Vorteile bringen und das Risiko der Überregulierung verringern.

Die Verbesserung der Verwaltung von ESI-Fonds ist ein ständiger Kompromiss zwischen (a) der Sicherstellung der Rechenschaftspflicht und der besten Verwendung des Geldes der Steuerzahler und (b) der Schaffung eines möglichst einfachen und schlanken Verfahrens für alle Beteiligten. Mit dem Regelungsrahmen wurden für den Zeitraum 2014-2020 Vereinfachungsmaßnahmen zur Verringerung der Verwaltungskosten (Kosten für die öffentliche Verwaltung) und Verwaltungslasten (Kosten für Leistungsempfänger) eingeführt.

In dem Bericht werden 21 eingeführte Vereinfachungsmaßnahmen beleuchtet, die sich in zwingende und optionale Maßnahmen gliedern. Darin wird die erwartete Verringerung auf der Grundlage der ersten Erfahrung mit der neuen Verordnung im Bereich Programmentwicklung und -umsetzung bewertet.

Insgesamt zahlen sich die Bemühungen um die Verringerung von Verwaltungskosten und -lasten aus. Während die Verwaltungskosten nicht so hoch sind wie häufig vermutet, ist zu erwarten, dass diese durch die Vereinfachungsmaßnahmen der Jahre 2014-2020 umso stärker gesenkt werden. Dennoch wird deutlich, dass nicht alle Vereinfachungsmaßnahmen zur Verringerung von Verwaltungskosten und -lasten beitragen.

## Methodik

Basierend auf vorhandenen Studien<sup>11</sup> zu Verwaltungskosten und -lasten sowie Zusatzinformationen aus den Befragungen und der Analyse wurden Bezugswerte für eine Reihe wichtiger Verwaltungsaufgaben für die Verwaltungskosten und -lasten der fünf ESI-Fonds festgelegt. Dank der Verknüpfung von spezifischen Verwaltungsaufgaben

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11 Folgende frühere Studien wurden berücksichtigt:

- t33/Sweco 2012, Messung der Auswirkung sich ändernder regulatorischer Anforderungen auf Verwaltungskosten und -lasten in Verbindung mit der Verwaltung von EU-Strukturfonds (EFRE und KF).
- Sweco 2010, Regionale Governance im Kontext der Globalisierung: Prüfung von Governance-Mechanismen & Verwaltungskosten. Verwaltungsaufwand und -kosten für staatliche Behörden der Mitgliedsstaaten in Bezug auf die Einführung des Europäischen Fonds für regionale Entwicklung (EFRE) und des Kohäsionsfonds.
- EPEC-COWI 2012, Studie zur Messung aktueller und zukünftiger Anforderungen an Verwaltungskosten und -lasten bei der Verwaltung des Europäischen Sozialfonds (ESF).
- Capgemini, Rambøll & Deloitte 2011, Studie zur Reduzierung von Verwaltungslasten im Zusammenhang mit der Einführung gewisser Maßnahmen zur ländlichen Entwicklung.

sowie den dazugehörigen Verwaltungskosten und -lasten im vorherigen Programmplanungszeitraum mit den untersuchten Vereinfachungsmaßnahmen konnten die erwarteten Verringerungen der Verwaltungskosten und -lasten bewertet werden.

Hierzu bildeten Informationen, die von Programmstellen über Befragungen und eine Online-Umfrage eingeholt wurden, die Basis für die Berechnung von Verwaltungskosten und -lasten. Die Spannen beruhen auf aktuellen Informationen zur Umsetzung von Vereinfachungsmaßnahmen. Die potenzielle maximale Verringerung wurde berechnet, indem von einer erhöhten Nutzung von Vereinfachungsmaßnahmen sowohl durch weitere Programme als auch durch das Budget aller von den Maßnahmen abgedeckten Programme ausgegangen wurde. Der Effekt nationaler und regionaler Verordnungen auf die gesamten Verwaltungskosten und -lasten wurde miteinbezogen, um Schlussfolgerungen zur Überregulierung vorzulegen.

Die Befragungen und Online-Umfragen deckten ein breites Spektrum verschiedener Akteure ab:

- Es wurden 110 Personen hinsichtlich der Verwaltungskosten und -lasten befragt. Diese Befragungen/Umfragen umfassten 39 Programme und 17 Mitgliedsstaaten, 9 EFRE/KF-, 4 ETC-, 12 ESF-, 8 ELER- und 6 EMFF-Programme<sup>12</sup>.
- Es wurden 47 Personen zur Überregulierung sowie zur Rolle nationaler und regionaler Verwaltungen befragt.
- Es nahmen 631 Personen an der Online-Umfrage bezüglich der Verwaltungskosten und -lasten teil, welche 398 Programme umfasste, wobei alle Mitgliedsstaaten und alle Arten von Programmstellen abgedeckt wurden. Von diesen Umfrageantworten betreffen 152 EFRE/KF-Programme, 98 ETC-, 134 ESF-, 114 ELER-, 37 EMFF- und 96 Multifondsprogramme. Trotz Abweichungen über die verschiedenen Fonds hinweg ist die Antwortquote für alle ESIF (europäische Struktur- und Investitionsfonds) hoch; dadurch wird die Robustheit der aus der Umfrage entnommenen Daten sichergestellt.<sup>13</sup>
- Es nahmen 95 Leistungsempfänger aus verschiedenen Fonds an einer Online-Umfrage zum Thema Überregulierung teil.

Die Analyse dieser Ergebnisse zeigt, wie sehr eine Vereinfachungsmaßnahme die Verwaltungskosten und -lasten beeinflusst. Das Hauptaugenmerk liegt auf dem Anteil der Verwaltungskosten und -lasten am gesamten ESIF-Budget. Dies ermöglicht den Vergleich von Zahlen über alle Programmzeiträume hinweg, aber auch die ‚Monetarisierung‘ von Zahlen, um aufzuzeigen, wie viele Millionen Euro dank der Einführung einer Vereinfachungsmaßnahme eingespart werden können.

Im Bericht werden Zahlen in Form von Spannen angegeben, und zwar aufgrund der Unsicherheit in Bezug auf die tatsächliche Auswirkung sowie der Vielfalt der Antworten hinsichtlich der Art und Weise, wie eine Verwaltungsaufgabe von einer bestimmten Maßnahme betroffen sein wird. **Durch die Berücksichtigung von Verhaltensaspekten bei der Analyse der Umfrageergebnisse stellt die untere Spanne eine konservative Erwartung dar, während die höhere für den wahrscheinlichsten Wert steht.**

## **Die Auswirkung von Vereinfachungsmaßnahmen auf Verwaltungskosten und -lasten**

Die in den ESIF berücksichtigte technische Unterstützung in Höhe von 4 % wird partiell zur Deckung von Verwaltungskosten verwendet. Zwischen den einzelnen Programmen

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<sup>12</sup> Die Liste der Befragten wurde von den vier an der Analyse beteiligten Generaldirektionen der Europäischen Kommission (AGRI, EMPL, MARE, REGIO) bereitgestellt bzw. geprüft.

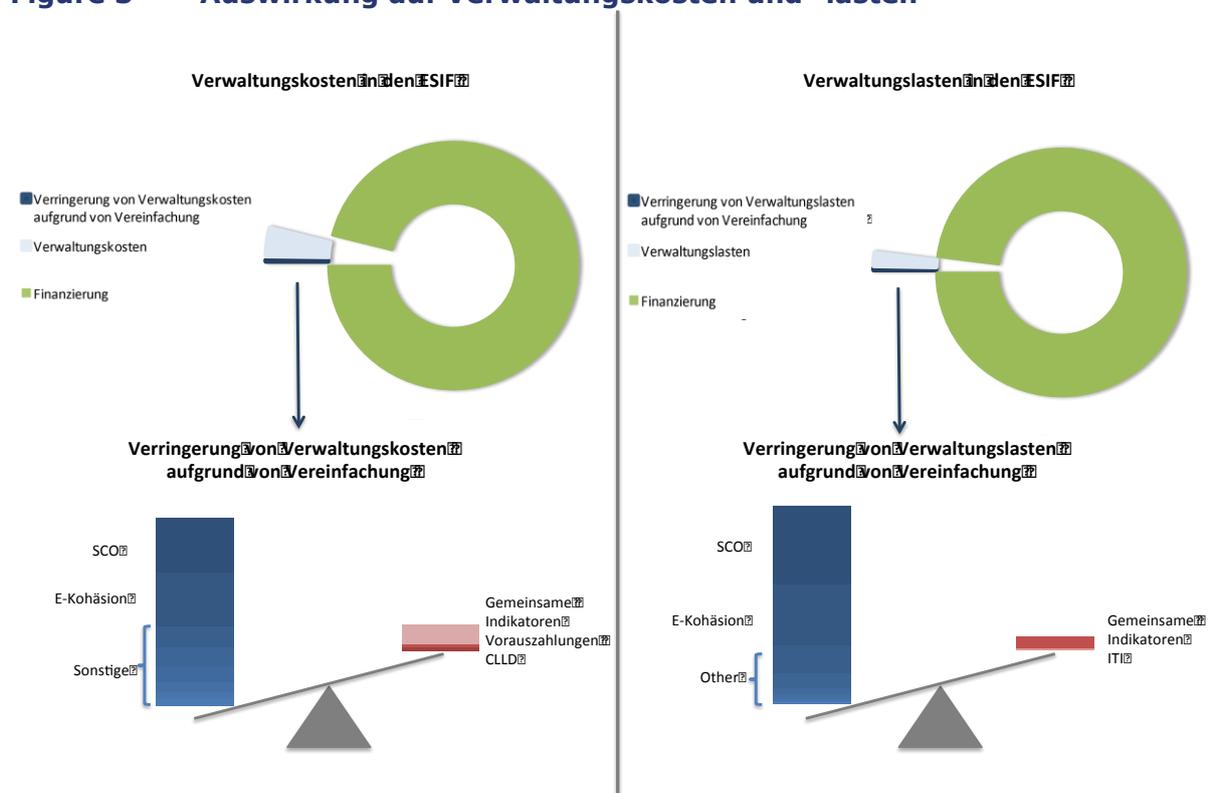
<sup>13</sup> Für alle ESIF beteiligten sich über 50% der Verwaltungsbehörden und rund 25% der Bescheinigungsbehörden / Zahlstellen und Prüfbehörden / Bescheinigungstellen an der Umfrage.

bestehen jedoch erhebliche Unterschiede bezüglich der Höhe der Verwaltungskosten und der Verwendung des Budgets für technische Unterstützung.

Bei der Diskussion um die Auswirkung der Vereinfachungsmaßnahmen darf nicht vergessen werden, dass Verwaltungskosten und -lasten nur einen kleinen Anteil des gesamten ESIF-Budgets darstellen. In Figur 3 stehen die grünen Teile der Kreise für das gesamte ESIF-Budget, ausgenommen Verwaltungskosten bzw. -lasten, welche in Blau dargestellt sind. Die verbundenen blauen Teile stehen für den Anteil der Verwaltungskosten bzw. -lasten am gesamten ESIF-Budget vor den Vereinfachungsmaßnahmen. Der dunkelblaue Teil stellt die Verringerung dar, die sich aus den Vereinfachungsmaßnahmen ergibt.

Der Großteil der Verringerung ist auf die Maßnahmen zur E-Kohäsion und VKO zurückzuführen, wohingegen gemeinsame Indikatoren, Vorauszahlungen und von der örtlichen Bevölkerung betriebene, lokale Entwicklungen (CLLD) eher zu einer Steigerung der Verwaltungskosten geführt haben.

**Figure 3 Auswirkung auf Verwaltungskosten und -lasten**



Quelle: eigene Ausarbeitung

Die Berechnung der Auswirkung einer Vereinfachungsmaßnahme basiert auf der Nutzung, d. h. bei wie vielen Programmen diese zum Einsatz kommt, und auf der erwarteten Verringerung von Verwaltungsaufgaben und Arbeitslast.

Was die Nutzung betrifft, so ist der Grundgedanke bei einer Entscheidung für die Verwendung der in den Verordnungen 2014-2020 angegebenen Optionen in allen 28 EU-Mitgliedsstaaten relativ ähnlich. Die beiden Hauptgründe, die den Einsatz der optionalen Maßnahmen rechtfertigen, sind im Allgemeinen die Verringerung von Verwaltungslasten und die Verringerung von Fehlerrisiken.

Was die Gründe für die Nichtverwendung der verschiedenen Optionen anbelangt, stehen die Faktoren, die die Akzeptanz einer stärkeren Nutzung von Vereinfachungsoptionen zu behindern scheinen, hauptsächlich im Zusammenhang mit der wahrgenommenen Komplexität der Maßnahmen, einer generellen Skepsis gegenüber den möglichen

Vorteilen der Vereinfachungen sowie dem Mangel an Bereitschaft, die bereits bestehenden Verwaltungskonzepte/-systeme zu ändern.

Allgemein formuliert ist der rechtliche Rahmen für den Zeitraum 2014-2020 in der Tat auf die Zunahme (i) der Rechtmäßigkeit und Ordnungsmäßigkeit der Ausgaben sowie auf den (ii) Mehrwert der Fonds ausgerichtet. Dies bedeutete allerdings eine Zunahme der Anzahl an Durchführungsrechtsakten und delegierten Rechtsakten sowie der Komplexität, mit dem Risiko einer negativen Beeinflussung der Verwaltungskosten, insbesondere während der Einrichtung der Programme. Unter anderem ist aus diesem Grund die Gesamtverringerung möglicherweise nicht so hoch, wie von manchen Akteuren erwartet.

#### Ausgewählte wichtigste Ergebnisse pro Fonds

Dies ist die erste Analyse, die sich mit allen fünf ESI-Fonds beschäftigt und Vergleiche über alle Fonds hinweg berücksichtigt. Vor einem detaillierteren Einblick hier einige der wichtigsten Ergebnisse pro Fonds:

**EFRE/KF:** Die Vereinfachungsmaßnahmen führen zu einer Verringerung der Verwaltungskosten in Höhe von 4 bis 8 % sowie zu einer Verringerung der Verwaltungslasten in Höhe von 9 bis 14 %. Zu den wichtigsten Vereinfachungsmaßnahmen zählen die vereinfachten Kostenoptionen (VKO) und die E-Kohäsion. Danach folgen einfachere Regeln für Einnahmen schaffende Projekte und die Vereinheitlichung von Regeln.

**ESF:** Die Vereinfachungsmaßnahmen führen zu einer Verringerung der Verwaltungskosten in Höhe von 2 bis 5 % sowie zu einer Verringerung der Verwaltungslasten in Höhe von 8 bis 14 %. Die wichtigsten Vereinfachungsmaßnahmen sind dieselben wie für EFRE/KF, d. h. VKO und E-Kohäsion. Danach folgen einfachere Regeln für Einnahmen schaffende Projekte und die Vereinheitlichung von Regeln.

**ELER:** Die Vereinfachungsmaßnahmen führen zu einer Verringerung der Verwaltungskosten in Höhe von 1 bis 3 %. Während es sich bei den Verwaltungskosten um eine eher mäßige Verringerung handelt, weisen die ELER-Programme die höchsten erwarteten Verringerungen von Verwaltungslasten auf, d. h. 12 bis 20 %. Dies liegt teilweise in der Tatsache begründet, dass manche Vereinfachungsmaßnahmen zur Verringerung der Verwaltungslasten von Leistungsempfängern beitragen, gleichzeitig aber zunehmende – oder zumindest stabile – Verwaltungskosten auf der Ebene der Programmstellen implizieren. Zu den wichtigsten Vereinfachungsmaßnahmen zählen VKO und E-Kohäsion/E-Governance. Darauf folgen die angemessene Kontrolle/ein Mindestmaß an Kontrollen vor Ort und die Anerkennung der Anbieter von Schulungs- oder Wissenstransferleistungen als Leistungsempfänger.

**EMFF:** Die regulatorischen Änderungen und eine stärkere fondsübergreifende Vereinheitlichung implizieren eine eher bedeutende Veränderung für EMFF-Programme. Dies bedeutet, dass die Verwaltungskosten und -lasten durch die Vereinfachungsmaßnahmen eher um 7 bis 15 % erhöht statt gesenkt werden. Auf der Ebene der Leistungsempfänger wird jedoch eine beträchtliche Verringerung von Verwaltungskosten erwartet, nämlich 10 bis 17 %. Zu den wichtigsten Vereinfachungsmaßnahmen zählen VKO und E-Kohäsion/E-Governance. Darauf folgen die angemessene Kontrolle/ein Mindestmaß an Kontrollen vor Ort und ein beschleunigter Prozess für das Auswahlverfahren. Gleichzeitig werden die Verwaltungskosten im Falle des EMFF durch gemeinsame Indikatoren und eine stärkere thematische Konzentration auf beträchtliche Weise erhöht.

#### Die Auswirkung auf Verwaltungskosten

Dieser Abschnitt befasst sich etwas näher und detaillierter mit den Änderungen bei den Verwaltungskosten. Danach folgt ein Abschnitt über die Veränderungen bei den Verwaltungslasten.

**Verwaltungskosten** sind Kosten für eine Verwaltungsaufgabe von ESI-Fonds-Programmstellen, gemessen an Geld, einschließlich Kosten für den Verwaltungsaufwand und die Beschaffung von Gütern und Dienstleistungen.

Die bewerteten Vereinfachungsmaßnahmen dürften auf ESI-Fonds bezogene Verwaltungskosten für die öffentliche Verwaltung um 0,5 bis 1,3 Milliarden Euro, d. h. 2,1 bis 5,2 % der Verwaltungskosten, reduzieren.

Die Verwaltungskosten würden für den Zeitraum 2014-20, ausgehend vom Zeitraum 2007-13, ohne die Umsetzung von Vereinfachungsmaßnahmen 25 Milliarden Euro betragen, d. h. 4 % des ESIF-Budgets. Mit der aktuellen Umsetzung von Vereinfachungsmaßnahmen sollten diese allerdings 23 bis 24 Milliarden Euro betragen, d. h. 3,7 bis 3,8 % des ESIF-Budgets.

Zwischen den einzelnen Fonds bestehen Abweichungen (siehe Tabelle 9). Die Verwaltungskosten für den EFRE/KF wurden erheblich gesenkt (bis zu 8 %), weniger für den ESF (bis zu 5 %) und geringfügig für den ELER (bis zu 3 %). Für den EMFF bedeuten der neue Programmplanungszeitraum und die geprüften Änderungen eine Erhöhung der Verwaltungskosten. Dies liegt hauptsächlich an der Einführung gemeinsamer Indikatoren, dem verbesserten Überwachungsrahmen, der stärkeren thematischen Konzentration und der Vereinheitlichung von Regeln.

**Table 9 Auswirkung von Vereinfachungsmaßnahmen auf Verwaltungskosten pro Fonds**

Fonds	Geplante Kosten (2007-13) (Milliarden €)	Geplante Kosten (2007-2013) (% des Budgets)	Tatsächliche Auswirkung (2014-2020) (Milliarden €)		Tatsächliche Auswirkung (2014-2020) (%)	
			Höchst-wahrscheinlich	Konservativ	Höchst-wahrscheinlich	Konservativ
<b>ESIF</b>	<b>24,7</b>	<b>3,9 %</b>	<b>-1,3</b>	<b>bis -0,5</b>	<b>-5,2 %</b>	<b>bis -2,1 %</b>
EFRE/KF	11,3	3,2 %	-0,8	bis -0,5	-7,5 %	bis -4,2 %
ESF	5,6	4,4 %	-0,3	bis -0,1	-4,9 %	bis -2,0 %
ELER	7,0	4,7 %	-0,2	bis -0,05	-3,0 %	bis -0,6 %
EMFF	0,8	10,4 %	0,06	bis 0,1	6,8 %	bis 14,9 %

Quelle: eigene Ausarbeitung

Die Vereinfachungsmaßnahmen dürften die Verwaltungskosten in unterschiedlichem Ausmaß verringern. Wie in Tabelle 10 gezeigt, stammen die größten Beiträge zur Kostenreduzierung von den VKO (294 bis 428 Millionen Euro), der E-Kohäsion/E-Governance für die Kommunikation mit Leistungsempfängern (256 bis 409 Millionen Euro), einfacheren Regeln für Einnahmen schaffende Projekte (97 bis 160 Millionen Euro), angemessener Kontrolle/einem Mindestmaß an Kontrollen vor Ort (92 bis 154 Millionen Euro) sowie der Vereinheitlichung von Regeln (39 bis 118 Millionen Euro).

Jedoch erhöhen einige Maßnahmen sogar die Verwaltungskosten für Programmstellen. Diese umfassen gemeinsame Indikatoren & eine verbesserte Überwachung (128 bis 223 Millionen Euro) und in gewissem Maße auch eine stärkere thematische Konzentration, integrierte territoriale Investitionen (ITI), von der örtlichen Bevölkerung betriebene, lokale Entwicklungen (CLLD) sowie Vorauszahlungen.

Der Beitrag einzelner Maßnahmen zur Reduzierung von Verwaltungskosten ist, wie an anderer Stelle in diesem Bericht erörtert, von Fonds zu Fonds unterschiedlich.

**Table 10**    **Auswirkung der Vereinfachung auf Verwaltungskosten**

Vereinfachungsmaßnahme	Auswirkung (Millionen €)			Auswirkung (%)		
	Höchst- wahrscheinlich	bis	Konservativ	Höchst- wahrscheinlich	bis	Konservativ
Partnerschaftsabkommen ersetzen den nationalen strategischen Rahmenplan und den nationalen Strategieplan	3,0	bis	4,1	0,0 %	bis	0,0 %
Stärkere thematische Konzentration	7,8	bis	60,4	0,0 %	bis	0,2 %
Gemeinsame Indikatoren & verbesserter Überwachungsrahmen	128,4	bis	223,2	0,5 %	bis	0,9 %
Vereinheitlichung von Regeln	-117,9	bis	-39,3	-0,5 %	bis	-0,2 %
Angemessene Kontrolle/Mindestmaß an Kontrollen vor Ort	-153,7	bis	-92,3	-0,6 %	bis	-0,4 %
E-Kohäsion/E-Governance mit Leistungsempfängern	-408,8	bis	-256,0	-1,7 %	bis	-1,0 %
Einfachere Regeln für Einnahmen schaffende Projekte	-160,0	bis	-97,4	-0,6 %	bis	-0,4 %
Kürzere Aufbewahrungsfrist für Dokumente	-75,0	bis	-48,4	-0,3 %	bis	-0,2 %
Vereinfachtes Programmänderungsverfahren	-9,3	bis	-4,9	0,0 %	bis	0,0 %
Vereinfachung des Programmdokuments	-3,8	bis	-0,6	0,0 %	bis	0,0 %
Unabhängiger Qualitätsbericht für Großprojekte	-2,1	bis	-0,6	0,0 %	bis	0,0 %
Anerkennung der Anbieter von Schulungs- oder Wissenstransferleistungen als Leistungsempfänger	-40,6	bis	-24,9	-0,2 %	bis	-0,1 %
Von der örtlichen Bevölkerung betriebene Strategie für lokale Entwicklung (CLLD) & lokale Bürgerinitiativen	15,1	bis	24,6	0,1 %	bis	0,1 %
Integrierte territoriale Investitionen (ITI)	11,9	bis	35,2	0,0 %	bis	0,1 %
Fusionierung von MA-CA/Reduzierung der Anzahl an PA	-52,5	bis	-24,5	-0,2 %	bis	-0,1 %
Subventionen und rückzahlbare Beihilfe als vereinfachte Kostenoptionen (VKO)	-428,1	bis	-293,9	-1,7 %	bis	-1,2 %
Gemeinsame Aktionspläne (JAP)	0,0	bis	0,0	0,0 %	bis	0,0 %
Vorauszahlungen	16,2	bis	27,6	0,1 %	bis	0,1 %
Aufstellung von Vorauszahlungskriterien für den Versicherungsschutz	-0,2	bis	0,3	0,0 %	bis	0,0 %
Beschleunigter Prozess für das Auswahlverfahren	-6,6	bis	-5,0	0,0 %	bis	0,0 %
Spezielle Berechnungsregeln für die Vergütung	2,3	bis	3,1	0,0 %	bis	0,0 %
<b>ESIF insgesamt</b>	<b>-1,273</b>	<b>bis</b>	<b>-509</b>	<b>-5,2 %</b>	<b>bis</b>	<b>-2,1 %</b>

Quelle: eigene Berechnungen auf der Grundlage von Umfrageergebnissen

### Die Auswirkung auf Verwaltungslasten

Die Vereinfachungsmaßnahmen haben eine größere Auswirkung auf die Verwaltungslasten für Leistungsempfänger und Endempfänger als auf die Verwaltungskosten für Programmstellen/staatliche Behörden.

**Verwaltungslasten** sind Kosten von ESIF-Leistungsempfängern für die Einhaltung der Informationspflichten, die sich aus den von den Regierungen vorgegebenen

Rechtsvorschriften und Verordnungen im Zusammenhang mit der in Anspruch genommenen ESIF-Unterstützung ergeben.

Im Hinblick auf Verwaltungslasten hat jeder ESI-Fonds eine unterschiedliche Ausgangsposition. Diese Analyse vergleicht zum ersten Mal Verwaltungslasten über alle Fonds hinweg. Tabelle 11 bestätigt frühere Analysen, dass Verwaltungslasten mit dem Finanzvolumen, der Anzahl an Maßnahmen und der Komplexität der finanzierten Maßnahmen variieren. Beispielsweise sind die Verwaltungslasten für eine große Infrastrukturinvestition verhältnismäßig geringer als für facettenreiche und kleinere Maßnahmen.

Durch Vereinfachungsmaßnahmen werden die Verwaltungslasten für alle ESI-Fonds voraussichtlich um 1 bis 2 Milliarden Euro gesenkt, was 9 bis 15 % entspricht. Die Verwaltungskosten würden für den Zeitraum 2014-20, ausgehend vom Zeitraum 2007-13, ohne die Umsetzung von Vereinfachungsmaßnahmen 13 Milliarden Euro betragen, d. h. 2 % des ESIF-Budgets. Dank der Umsetzung von Vereinfachungsmaßnahmen dürften die Lasten auf 11 bis 12 Milliarden Euro – d. h. 1,7 - 1,8 % des ESIF-Budgets, verringert werden.

Durch Vereinfachungsmaßnahmen wurden bei allen ESI-Fonds die Verwaltungslasten für Leistungsempfänger gesenkt. Zwischen den einzelnen Fonds bestehen jedoch Abweichungen (siehe Tabelle 11). Absolut gesehen wird die höchste Verringerung für den ESF (0,5 bis 1 Milliarden Euro) erwartet, während relativ gesehen voraussichtlich der ELER die höchste Verringerung aufweisen wird (12 bis 20 %). Erheblich geringere Verwaltungslasten sind auch beim EMFF (10 bis 17 %) zu erwarten.

**Table 11 Auswirkung auf Verwaltungslasten pro Fon**

Fonds	Geplante Kosten (2007-13) (Milliarden €)	Geplante Kosten (2007-13) (% des Budgets)	Tatsächliche Auswirkung (2014-20) (Milliarden €)		Tatsächliche Auswirkung (2014-20) (%)	
			Höchst-wahrscheinlich	Konservativ	Höchst-wahrscheinlich	Konservativ
<b>ESIF</b>	<b>13,0</b>	<b>2,0 %</b>	<b>-1,9</b>	<b>bis -1,2</b>	<b>-14,9 %</b>	<b>bis -9,1 %</b>
EFRE/KF	4,8	1,4 %	-0,7	bis -0,4	-14,1 %	bis -8,6 %
ESF	6,0	4,7 %	-0,8	bis -0,5	-13,8 %	bis -8,4 %
ELER	2,0	1,3 %	-0,4	bis -0,2	-20,1 %	bis -12,1 %
EMFF	0,2	2,3 %	-0,03	bis -0,02	-17,0 %	bis -9,9 %

Quelle: eigene Ausarbeitung

Durch Vereinfachungsmaßnahmen werden Verwaltungslasten in unterschiedlichem Ausmaß verringert. Wie in Tabelle 12 gezeigt, stammen absolut gesehen die größten Beiträge von den VKO (ca. 593 bis 826 Millionen Euro), der E-Kohäsion/E-Governance mit Leistungsempfängern (ca. 449 bis 624 Millionen Euro), einfacheren Regeln für Einnahmen schaffende Projekte (ca. 176 bis 282 Millionen Euro) sowie der Vereinheitlichung von Regeln (ca. 96 bis 153 Millionen Euro).

Zwei der untersuchten Maßnahmen erhöhen die Verwaltungslasten. Bei diesen handelt es sich um integrierte territoriale Investitionen und von der örtlichen Bevölkerung betriebene, lokale Entwicklungen.

Die Auswirkung der Aufstellung von Vorauszahlungskriterien für den Versicherungsschutz ist minimal, da die Spanne entweder eine geringfügige Abnahme oder Zunahme der Lasten angibt.

Inwieweit einzelne Maßnahmen die Verwaltungslasten voraussichtlich reduzieren werden, ist von Fonds zu Fonds unterschiedlich. Dies wird in den nachfolgenden Abschnitten eingehender erörtert.

**Table 12 Auswirkung der Vereinfachung auf Verwaltungslasten**

Vereinfachungsmaßnahme	Auswirkung (Millionen €)			Auswirkung (%)		
	Höchst- wahrscheinlich	bis	Konservativ	Höchst- wahrscheinlich	bis	Konservativ
Partnerschaftsabkommen ersetzen den nationalen strategischen Rahmenplan und den nationalen Strategieplan	0,0	bis	0,0	0,0 %	bis	0,0 %
Stärkere thematische Konzentration	0,0	bis	0,0	0,0 %	bis	0,0 %
Gemeinsame Indikatoren & verbesserter Überwachungsrahmen	116,1	bis	200,2	0,9 %	bis	1,5 %
Vereinheitlichung von Regeln	-153,2	bis	-96,4	-1,2 %	bis	-0,7 %
Angemessene Kontrolle/Mindestmaß an Vor-Ort-Prüfungen	-71,1	bis	-51,0	-0,5 %	bis	-0,4 %
E-Kohäsion/E-Governance mit Leistungsempfängern	-623,6	bis	-449,4	-4,8 %	bis	-3,4 %
Einfachere Regeln für Einnahmen schaffende Projekte	-282,2	bis	-175,9	-2,2 %	bis	-1,4 %
Kürzere Aufbewahrungsfrist für Dokumente	-66,3	bis	-46,5	-0,5 %	bis	-0,4 %
Vereinfachtes Programmänderungsverfahren	0,0	bis	0,0	0,0 %	bis	0,0 %
Vereinfachung des Programmdokuments	0,0	bis	0,0	0,0 %	bis	0,0 %
Unabhängiger Qualitätsbericht für Großprojekte	0,0	bis	0,0	0,0 %	bis	0,0 %
Anerkennung der Anbieter von Schulungs- oder Wissenstransferleistungen als Leistungsempfänger	-15,9	bis	1,5	-0,1 %	bis	0,0 %
Von der örtlichen Bevölkerung betriebene, lokale Entwicklungen (CLLD) & lokale Bürgerinitiativen	-9,4	bis	15,1	-0,1 %	bis	0,1 %
Integrierte territoriale Investitionen (ITI)	9,9	bis	22,5	0,1 %	bis	0,2 %
Fusionierung von MA-CA/Reduzierung der Anzahl an PA	0,0	bis	0,0	0,0 %	bis	0,0 %
Subventionen und rückzahlbare Beihilfe als vereinfachte Kostenoptionen (VKO)	-826,3	bis	-592,7	-6,3 %	bis	-4,5 %
Gemeinsame Aktionspläne (JAP)	-5,6	bis	-4,4	0,0 %	bis	0,0 %
Vorauszahlungen	-9,8	bis	-2,1	-0,1 %	bis	0,0 %
Aufstellung von Vorauszahlungskriterien für den Versicherungsschutz	-3,0	bis	-1,8	0,0 %	bis	0,0 %
Beschleunigter Prozess für das Auswahlverfahren	0,0	bis	0,0	0,0 %	bis	0,0 %
Spezielle Berechnungsregeln für die Vergütung	-3,7	bis	-2,9	0,0 %	bis	0,0 %
<b>ESIF insgesamt</b>	<b>-1.944</b>	<b>bis</b>	<b>-1.184</b>	<b>-14,9 %</b>	<b>bis</b>	<b>-9,1 %</b>

Quelle: eigene Berechnungen auf der Grundlage von Umfrageergebnissen

## Potenzial für weitere Reduzierungen

Das erwartete Ausmaß an verringerten Verwaltungskosten und -lasten ist an das Ausmaß geknüpft, in dem Vereinfachungsmaßnahmen von den Programmen genutzt werden. Während die oben stehenden Zahlen auf der aktuellen Nutzung von Vereinfachungsmaßnahmen beruhen, besteht sicherlich Raum für ein erhöhtes Nutzungsmaß. Weitere Verringerungen von Verwaltungskosten und -lasten könnten von der höheren Anzahl an Programmen kommen, die (optionale)

Vereinfachungsmaßnahmen in Anspruch nehmen, sowie von der Nutzung der Vereinfachungsmaßnahmen, insbesondere VKO, zu größeren Anteilen der Programmbudgets. Der Bericht präsentiert für zwei Szenarien Schätzungen zu den Auswirkungen einer erweiterten Nutzung von VKO:

- Gemäß Szenario 1 wird angenommen, dass alle Programme VKO nutzen. Werden nur VKO berücksichtigt und andere Vereinfachungsmaßnahmen beiseite gelassen, könnten Verwaltungskosten um weitere 234 bis 336 Millionen Euro und Verwaltungslasten um 213 bis 297 Millionen Euro verringert werden.
- Bei Szenario 2 wird davon ausgegangen, dass sich alle Programme VKO (wie in Szenario 1) zunutze machen, und dass die Programme die Verwendung eines größeren Anteils ihres Programmbudgets auf VKO zulassen. In diesem Fall liegt das höchste Potenzial für eine weitere Verringerung von Verwaltungskosten und -lasten bei den beiden Fonds, die derzeit VKO in geringerem Ausmaß auf ihre Programmbudgets anwenden: EFRE/KF mit einem Potenzial für eine weitere Reduzierung von 10 bis 18 % der Gesamtkosten und -lasten, gefolgt vom EMFF mit einem Einsparungspotenzial von 6,7 bis 11,7 %. Die potenzielle Auswirkung ist im Falle des ELER (mit einem geschätzten Einsparungspotenzial von 1 bis 3 % der gesamten Verwaltungskosten und -lasten) begrenzt, während das geschätzte Einsparungspotenzial im Falle des ESF 4 bis 9 % der gesamten Verwaltungskosten und -lasten beträgt.

Die Frage ist, wie sich die in den Szenarien aufgezeigten Einsparungen erzielen lassen. Zu den Maßnahmen, die von der Mehrheit der in der Analyse Befragten als besonders effektiv erachtet werden, zählen:

1. zwingende Verwendung von VKO für ‚kleine Aktionen‘: Diese Lösung wird im Allgemeinen als effektiv erachtet, sowohl von ESF-Behörden (die die Einführung von Art. 14(4) ESF begrüßen) als auch von den anderen ESIF-Behörden;
2. die Möglichkeit, VKO durch einen spezifischen delegierten Rechtsakt nach dem Beispiel des Verfahrens unter Art. 14(1) ESF zu prüfen: Trotz einer anfänglichen Skepsis gilt Art. 14(1) nun generell bei den ESF-Behörden als effektive Lösung für die Gewährleistung von Rechtssicherheit und die verstärkte Nutzung von VKO;
3. Bereitstellung von VKO auf EU-Ebene/Standardlösungen, welche die Notwendigkeit einer Methodik für VKO überflüssig machen würden.

## **Vereinfachte Kostenoptionen und gemeinsame Aktionspläne**

Von allen optionalen Vereinfachungsmaßnahmen werden vereinfachte Kostenoptionen (VKO) am häufigsten genutzt; sie bieten ein großes Potenzial für eine breitere Verwendung mit erheblichen Auswirkungen auf die Verringerung von Verwaltungskosten und -lasten. Daher behandeln ein eigener Abschnitt dieser Studie sowie dazugehörige Fallstudien das Thema VKO.

Im Programmplanungszeitraum 2014-2020 stellen Pauschalsätze die am meisten verwendete Form von VKO dar. Über 90 % der Verwaltungsbehörden, die VKO nutzen, geben eine Verwendung von Pauschalsätzen an. Gemäß den durchgeführten Befragungen machen ESIF-Behörden verstärkt von den Standard-Pauschalsätzen Gebrauch, die in der Verordnung insbesondere zur Deckung indirekter Kosten angeführt sind. Die befragten Stellen äußern ein starkes Interesse an der Möglichkeit, Pauschalsätze zur Deckung anderer Kostenkategorien einzusetzen, und in diesem Sinne unterstrichen sie auch, dass die in den Verordnungen 2014-2020 vorgesehenen erweiterten Möglichkeiten zur Nutzung von Standardsätzen ein wichtiger Anreiz für die (weitere) Verbreitung von Pauschalsätzen sein werden.

Im Vergleich zum vorherigen Programmplanungszeitraum hat die Verwendung von Standardeinheitskosten ebenfalls zugenommen. Gemäß den der Umfrage entnommenen Daten geben 46 % der Verwaltungsbehörden, die VKO nutzen, die Verwendung von Standardeinheitskosten an.

Außerdem werden vermehrt Pauschalbeträge angewendet (ungefähr 37 % der Verwaltungsbehörden, die VKO nutzen, geben die Verwendung von Pauschalbeträgen an), was in hohem Maße durch die erweiterte Verwendung von Pauschalbeträgen im ELER (86 % seiner Verwaltungsbehörden, die VKO nutzen, geben die Verwendung von Pauschalbeträgen an) vorangetrieben wird. Im ELER werden Pauschalbeträge als nützliche Lösung angesehen, insbesondere zur Deckung kleiner Aktionen. Bei den anderen Fonds bleibt die Verwendung von Pauschalbeträgen, auch wenn diese verglichen mit dem vorherigen Programmplanungszeitraum zugenommen hat, im Vergleich zu Pauschalsätzen und Standardeinheitskosten gering.

Im Allgemeinen sind die Hauptvorteile der Verwendung von VKO:

- geringere Verwaltungskosten und -lasten, sowohl für Behörden als auch für Leistungsempfänger;
- Reduzierung von Fehlern und Unregelmäßigkeiten;
- Verbesserung des Wertes und der Qualität der Aktionen (zunehmender Fokus auf Inhalt, Verfahren und Ergebnisse);
- verbesserte Programmqualität (gezielte Ausgaben);
- zunehmende Aufmerksamkeit für die Entwicklung besserer Partnerschaften auf allen Ebenen.

Im Hinblick auf gemeinsame Aktionspläne (JAP) bestätigt die Analyse eine begrenzte Nutzung. Dies scheint hauptsächlich von der Tatsache abhängig zu sein, dass die Akteure diese Maßnahmen für äußerst risikoreich und schwer umsetzbar halten.

## Überregulierung

Zusätzlich zu einer besseren Nutzung von Vereinfachungsmaßnahmen können auch unnötige zusätzliche administrative Auflagen gestrichen werden, um Verwaltungskosten und -lasten zu verringern. Der nationale ‚übereifrige Umsetzung‘ von EU-Verordnungen wird üblicherweise als Überregulierung bezeichnet<sup>14</sup>. Dies umfasst alle nationalen und regionalen Regeln und Verordnungen, die das Unionsrecht erschweren. Überregulierung tendiert dazu, die Verwaltungskosten und -lasten zu erhöhen, da mehr Regeln umgesetzt, eingehalten, geprüft und überwacht werden müssen. Dies wiederum führt zu einem höheren Personalbedarf sowie zu höheren Kosten für Umsetzung und Kontrolle.

Ungefähr ein Drittel der Verwaltungslasten ist auf zusätzliche nationale bzw. regionale Anforderungen zurückzuführen. Vier Zeitpunkte sind bei der Diskussion um die Überregulierung von Bedeutung:

- *Phase des Förderantrags (Probleme der Förderfähigkeit)*: Überregulierung kann mit einer Reihe von Anforderungen an die Förderfähigkeit verknüpft sein, einschließlich unvollständiger Regeln und zweideutiger bzw. vager Anforderungen. Zu weiteren Problemen zählen äußerst detaillierte Anforderungen an Bewerber und übertrieben Anforderungen an die Dokumentation sowie unbegründete Abweichungen der Durchführungsbestimmungen zwischen den verschiedenen Aufforderungen zur Einreichung von Bewerbungen.
- *Zahlungsansprüche der Leistungsempfänger (Zahlungsprobleme)*: Die unnötige Starrheit bei der Suche nach Kofinanzierungen sowie die Anwendung verschiedener Verfahren und unnötiger Auflagen verhindern eine fristgerechte Zahlung. (Die Kontrolle der Restzahlung ist jedoch kein Überregulierungsproblem.)

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<sup>14</sup> Überregulierung kann auch als aktive oder passive Überregulierung bezeichnet werden. Von aktiver Überregulierung ist die Rede, wenn nationale Behörden absichtlich oder unabsichtlich administrative Auflagen hinzufügen, die über die EU-Anforderungen hinausgehen. Passive Überregulierung findet statt, wenn nationale Behörden und/oder das nationale Recht bei der Anwendung der vom entsprechenden EU-Recht bzw. der entsprechenden Fonds-Regelung angebotenen Vereinfachungsoption versagen. Diese Analyse unterscheidet nicht zwischen diesen beiden Kategorien.

- *Budget und Berichterstattung*: Mehrfache Berichtspflichten können sich aus der Überregulierung ergeben sowie zusätzliche Anforderungen, die von Auditempfehlungen herrühren. Zum Beispiel könnte es sein, dass ein Endleistungsempfänger Ausgaben bis zu drei Mal angeben muss: i) in den regelmäßigen Kostenaufstellungen an die Programme für einen bestimmten Zeitraum, ii) in einem ergänzenden Bericht, in dem alle Ausgaben während eines bestimmten Kalenderjahres erneut angegeben sind, und iii) in einer endgültigen Ausgabenerklärung am Ende eines Projekts.
- *Vergabevorschriften (Finanzkontrolle)*: Eine allgemeine Starrheit und Ausdehnung von Vergabevorschriften auf private Einrichtungen sowie übermäßige Offenlegungs- bzw. Meldepflichten können für Investitionen eine Belastung darstellen.

Das Maß an Überregulierung variiert zwischen den Mitgliedsstaaten, Fonds, Programmtypen und thematischen Zielen der Programme. Die eingeholten Daten erlauben jedoch keine zuverlässigen Rückschlüsse darauf, welche Mitgliedsstaaten, administrativen Gepflogenheiten und Kulturen, Fonds, Programmtypen und thematischen Ziele durch besonders hohe oder besonders niedrige Stufen der Überregulierung gekennzeichnet sind.

Dennoch stellen komplexe Programme (z. B. Multi-Fonds-Programme sowie Programme, die 10-12 verschiedene thematische Ziele abdecken) für gewöhnlich höhere administrative Anforderungen dar. Dies deutet darauf hin, dass bei diesen Programmen das höchste Risiko einer Überregulierung besteht, was auf deren komplexe Art zurückzuführen sein könnte.

Die Hauptursachen für die Überregulierung sind nationale Gesetze/Verordnungen, interne administrative Entscheidungen auf Programmebene sowie Anforderungen von Auditbehörden.

Über diese formellen Gründe hinaus können eine Reihe verschiedener Beweggründe für Überregulierung beschrieben werden. Risikoscheu ist offensichtlich der wichtigste Grund für die Einführung von Auflagen, die über die EU-Anforderungen hinausgehen, d. h. Überregulierung. Die Verbindung aus Rechtsunsicherheiten und einer eher ausgeprägten Kultur der Risikoscheu bei den für die ESIF-Programme zuständigen Behörden ist eine der Hauptursachen für Überregulierung. Des Weiteren können ein spezifisches Interesse und die mangelnde Bereitschaft, von bestehenden Praktiken zu einfacheren Vorgehensweisen überzugehen, Gründe für Überregulierung sein.

## Vergleich mit früheren Analysen

Erwartungen hinsichtlich Reduzierungen waren in der t33/SWECO-Wirkungsanalyse aus dem Jahre 2012 enthalten. Für den EFRE/KF legte die Analyse nahe, dass Änderungen der rechtlichen Rahmenbedingungen die Verwaltungskosten um ca. 7 % und die Verwaltungslasten um ca. 20 % verringern würden.

Dies wird durch die vorliegende Analyse weitgehend bestätigt. Bei EFRE/KF reicht die Verringerung der Verwaltungskosten beispielsweise von 4,2 bis 7,5 %, im Vergleich zu den 7 % aus der Wirkungsanalyse. Für die Verwaltungslasten beträgt die Verringerung 8,6 bis 14 % der gesamten Verwaltungslast und liegt damit unter den in der Wirkungsanalyse erwähnten 20 %. Leider ermöglichten Analysen für andere ESI-Fonds keine Schlussfolgerungen in Bezug auf die Veränderung von Verwaltungskosten und -lasten für den Zeitraum 2014-20.<sup>15</sup>

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<sup>15</sup> Analysen, in denen die Verwaltungskosten und -lasten für den Zeitraum 2007-13 bewertet werden, wurden zur Erstellung vergleichbarer Grundlageninformationen für alle fünf ESI-Fonds genutzt.

Durch die Umsetzung der in der EFRE-Wirkungsanalyse erwarteten Änderungen bei allen ESIF und deren Vergleich mit den oberen Werten der Auswirkung bis zum jetzigen Zeitpunkt wird deutlich, dass manche Vereinfachungsmaßnahmen größere Wirkung haben als erwartet. Dies gilt insbesondere für VKO.

Andererseits wurde bei manchen Vereinfachungsmaßnahmen eine größere Auswirkung auf Verwaltungskosten erwartet. Hierzu zählen die Fusion von Verwaltungs- und Bescheinigungsbehörden/Reduzierung der Zahlstellen sowie in gewissem Maße eine stärkere thematische Konzentration und gemeinsame Systeme für Überwachung und Berichterstattung. Die Gründe für die Nichterfüllung der Erwartungen liegen hauptsächlich in der Nutzung, die geringfügiger war, als erwartet. Darüber hinaus führten die Programme diese Maßnahmen für thematische Konzentration und gemeinsame Indikatoren nicht mit der Gründlichkeit ein, von der in der Wirkungsanalyse aus dem Jahre 2012 ausgegangen wurde.

Beim Vergleich der EFRE/KF-Wirkungsanalyse aus dem Jahre 2012 mit den EFRE/KF-Zahlen aus dieser Analyse zeigt sich ein ähnliches Bild, insbesondere für VKO und die Vereinheitlichung von Regeln. Einfachere Regeln für Einnahmen schaffende Projekte sorgen für höhere Reduzierungen bei den Verwaltungskosten als erwartet, während die Fusion von Verwaltungs- und Bescheinigungsbehörden, die thematische Konzentration und gemeinsame Indikatoren zu Reduzierungen führen, die geringer ausfallen als erwartet.

Bei Verwaltungslasten zeigt sich, dass gemeinsame Indikatoren und die Überwachung von Vereinfachungsmaßnahmen nicht die erwartete Verringerung zeigen, insbesondere in Bezug auf E-Kohäsion/E-Governance, kürzere Aufbewahrungsfristen für Dokumente und ITI. Was die E-Kohäsion betrifft, lässt sich der Unterschied vorwiegend mit der Entwicklung erklären, die in diesem Sektor in der Zeit zwischen der Datenerfassung für die Wirkungsanalyse aus dem Jahre 2012 und dieser Analyse stattgefunden hat. Was die kürzere Aufbewahrungsfrist für Dokumente anbelangt, scheint der gesamte Nutzen der regulatorischen Änderung aufgrund von Aufbewahrungspflichten, welche auf andere Quellen als die ESIF-Verordnungen zurückzuführen sind, nicht erzielt werden zu können.

Auf der anderen Seite konnten mithilfe einiger Maßnahmen viel höhere Verringerungen der Verwaltungskosten und -lasten erzielt werden, als in der Wirkungsanalyse aus dem Jahre 2012 vorgesehen, vor allem VKO und einfachere Regeln für Einnahmen schaffende Projekte.

## **Schlussfolgerungen und Empfehlungen**

Wie oben beschrieben bestehen Abweichungen in Bezug auf die Fonds. Wichtiger noch ist, dass die Verringerungen von Verwaltungskosten und -lasten hauptsächlich auf wenigen ausgewählten Vereinfachungsmaßnahmen beruhen.

Nur 10 von 21 untersuchten Vereinfachungsmaßnahmen führten zur einer Verringerung des erforderlichen Verwaltungsaufwands (d. h. die Kombination von Kosten und Lasten). Die umfassendsten Verringerungen wurden erzielt durch VKO, E-Kohäsion/E-Governance für die Kommunikation mit Leistungsempfängern, einfachere Regeln für Einnahmen schaffende Projekte, angemessene Kontrolle/ein Mindestmaß an Kontrollen vor Ort sowie die Vereinheitlichung von Regeln.

In 2 Fällen zeigt das Gesamtbild in der Tat eine Zunahme des Verwaltungsaufwands (d. h. die Kombination von Kosten und Lasten). Bei diesen Fällen handelt es sich um die gemeinsamen Indikatoren und ITI.

In den verbleibenden Fällen ist der kombinierte Effekt der Vereinfachungsmaßnahmen auf den Verwaltungsaufwand und die Verwaltungslasten weiterhin mehr oder weniger neutral, da die Effekte der Änderungen auf die Verwaltungskosten und -lasten so gering sind, dass sie unter 0,0 % bleiben.

Die Gründe, weshalb manche Vereinfachungsmaßnahmen nicht zu einer Reduzierung von Verwaltungskosten und -lasten beitragen, sind vielfältig. In manchen Fällen ist die Nutzung zu gering, um tatsächlich auf die administrative Arbeitslast einzuwirken (z. B. Fusion von Verwaltungs- und Bescheinigungsbehörden/Senkung der Anzahl der Zahlstellen). In anderen Fällen scheint die Umsetzung komplizierter gemacht zu werden als nötig, z. B. durch die Überregulierung bzw. das Vorantreiben von Prioritäten auf Programmebene (z. B. stärkere thematische Konzentration, gemeinsame Indikatoren oder ITI).

Um die Verringerung von Verwaltungskosten und -lasten weiter zu verbessern, liefert der Bericht ein paar Empfehlungen, die auf den Stärken der Vereinfachungsmaßnahmen aufbauen und einige Schwachpunkte bei der zukünftigen Arbeit verringern:

#### Klarheit, Stabilität und Rechtssicherheit

- Weniger und deutlichere Regeln zur Reduzierung der Komplexität des Regelungssystems.
- Stabilere Regeln im Laufe der Zeit, auch von einem Finanzierungszeitraum zum nächsten.
- Reduzierung der Unsicherheit zwischen Programm-Akteuren, auch durch Schulung und Beratung.

#### Verantwortungsvolle Führung

- Einfachere Governance-Strukturen mit weniger beteiligten Stellen.
- Weitere Befürwortung der Verwendung und Nutzung von Vereinfachungsmaßnahmen durch Aufklärung über die Vorzüge spezifischer Maßnahmen.
- Verstärkter Kapazitätsaufbau auf Programmebene einschließlich der direkten Zusammenarbeit zwischen den Programm- und Kommissionsdienststellen in spezifischen Bereichen.
- Die gemeinsame Gestaltung von regulatorischen Änderungen mit Fachleuten, die wissen, welche Auswirkungen regulatorische Änderungen vor Ort haben.

#### Spezifische Maßnahmen

- Die Analyse von Vereinfachungsmaßnahmen hinsichtlich ihrer Auswirkung auf Ergebnisse, denn die Untersuchung, inwieweit sie zur Verbesserung der Durchführung und Ergebnisse von ESIF-Programmen beitragen, könnte sich als sinnvoll erweisen.
- Verstärkung der E-Kohäsion/E-Governance, z. B. durch eine einzelne E-Kohäsions-/E-Governance-Plattform, die von allen ESIF-Programmen für den Austausch mit Leistungsempfängern genutzt werden kann.
- Vereinfachung von gemeinsamen Aktionsplänen (JAP). Insbesondere durch:
  - die Vereinfachung des Verfahrens zur Aufstellung von gemeinsamen Aktionsplänen sowie der Steuerung des Instruments.
  - Verstärkte Orientierungshilfe und Unterstützung für Mitgliedsstaaten bei der Ausarbeitung von gemeinsamen Aktionsplänen, vornehmlich in Bezug auf die Festlegung von Meilensteinen.
- Verbesserte Verwendung von VKO, da diese ein beträchtliches Potenzial haben, sowohl Verwaltungskosten als auch Verwaltungslasten zu reduzieren und außerdem der Qualität und der Auswirkung von Aktionen zuträglich sein können. Dies lässt sich durch folgende Schritte erreichen:
  - Verpflichtung zu VKO für bestimmte Maßnahmen bzw. Beträge;
  - Bereitstellung von weiteren Standardoptionen;
  - Verbesserung der Rechtsangleichung zwischen Fonds und den verschiedenen regulatorischen Gebieten/Systemen;
  - Die Festlegung von VKO auf EU-Ebene durch die Zusammenarbeit von EK und Mitgliedstaaten durch die Verbesserung und die Erweiterung der bereits im Art. 14(1) der ESF-Vorschriften angebotenen Möglichkeiten;

- Förderung und Unterstützung des regelmäßigen Know-how- und Erfahrungsaustausches zwischen Fachleuten und Akteuren auf EU-Ebene, auch durch gezielte Plattformen und Initiativen (wie beispielsweise das thematische Netzwerk zur Vereinfachung des ESF).

#### **Ausgewählte, fondsspezifische Empfehlungen:**

- **EFRE/KF.** Die Verbesserung der Verwendung von VKO durch das Angebot weiterer Standardmethoden und die anschließende Berücksichtigung der zwingenden Verwendung bieten ein hohes Potenzial für die Reduzierung von Verwaltungskosten und -lasten (siehe auch obiger Punkt).
- **ESF.** Die Erhöhung der Rechtssicherheit und der Verwaltungskapazitäten im Hinblick auf staatliche Beihilfen und das öffentliche Beschaffungswesen könnte einige Unsicherheiten und Risiken der Überregulierung einschränken und Verwaltungskosten auf Dauer reduzieren.
- **ELER.** Die Verbesserung der Verwendung von VKO durch das Angebot weiterer Standardmethoden und die anschließende Berücksichtigung der zwingenden Verwendung bieten ein hohes Potenzial für die Reduzierung von Verwaltungskosten und -lasten (siehe auch obiger Punkt).
- **EMFF.** Durch die Verpflichtung des EMFF zur E-Kohäsion würde nicht nur eine kohärentere Vorgehensweise über alle ESI-Fonds hinweg sichergestellt, sondern es würden auch die Verwaltungskosten um ca. 3 Millionen Euro und die Verwaltungslasten um bis zu 9 Millionen Euro reduziert.
- **ETZ.** Die stärkere Angleichung der rechtlichen Rahmen von Mitgliedsstaaten (und EU) in Bereichen, in denen unterschiedliche nationale Rahmen für dasselbe Projekt anzuwenden sind – wie bereits oben angesprochen im Hinblick auf die Einschränkung der Risiken der Überregulierung – könnte auch Programmen der Europäischen territorialen Zusammenarbeit (ETZ) förderlich sein, die sich Leistungsempfängern in verschiedenen Mitgliedsstaaten annehmen. Nicht nur im Fall von VKO könnten gemeinsame Definitionen und Pauschalsätze von Nutzen sein.

# 1 Introduction

Managing and administrating public funds worth EUR 638 billion, of which EUR 454 billion being EU funding, and covering a wide range of policy fields and sectors is not an easy task, and it certainly comes at a cost. Improving the management of the funds is a constant trade-off between (a) ensuring accountability and best use of taxpayer's money and (b) making the necessary procedures as simple and lean as possible for all actors.

In that sense, administrative costs and burden of European Structural and Investment Funds are a matter of continuous discussion. In the preparation of the regulatory framework for the 2014-2020 programme simplification efforts have been made to reduce the administrative costs and burden. Expectations concerning the level of possible reductions have been based among others on an impact study carried out by t33/SWECO in 2012<sup>16</sup>.

Existing studies on the administrative costs and burden have targeted one fund at a time, e.g. the t33/SWECO study in 2010<sup>17</sup> focused entirely on ERDF/CF, while other studies addressed ESF<sup>18</sup> or EAFRD<sup>19</sup>. The present study shows for the first time comparable figures on administrative costs and burden for all five ESI Funds.

The focus of the study is on the expected reduction of administrative costs and burden, based on the first experience with the new regulation on programme development and implementation. The study looks at simplification measures presented in the regulatory framework for the period 2014-2020, consisting of the Common Provisions Regulation 1303/2013 (CPR) and several fund-specific regulations<sup>20</sup> that establish rules that simplify the legal framework.

Overall, the efforts to reduce administrative costs and burden are paying-off. While administrative cost levels are less high as often perceived, the simplification measures introduce for the 2014-2020 period have reduced them even more.

The same goes for the administrative burden for beneficiaries, where the actual reductions in administrative burden are already larger than for the administrative costs.

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<sup>16</sup> t33/Sweco 2012, Measuring the impact of changing regulatory requirements on administrative costs and administrative burden of managing EU structural funds (ERDF and CF)

<sup>17</sup> 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.

<sup>18</sup> EPEC-COWI 2012, Study Measuring Current and Future Requirements on Administrative Cost and Burden of Managing the ESF.

<sup>19</sup> Cappgemini, Rambøll & Deloitte 2011, Study on administrative burden reduction associated with the implementation of certain Rural Development measures.

<sup>20</sup> The regulatory framework for the 2014-2020 programming period comprises the following Regulations:

- 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 (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), 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 (hereafter CPR).

- Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal (referred to as ETC Regulation).

- Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006 (hereafter ERDF Regulation).

- Regulation (EU) No 1300/2013 of the European Parliament and of the Council of 17 December 2013 on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006 (hereafter CF Regulation).

- Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006 (hereafter ESF Regulation)

- Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development and repealing Council Regulation (EC) No 1698/2005 (hereafter EAFRD Regulation).

- Regulation (EU) No 508/2014 of the European Parliament and of the Council of 15 May 2014 on the European Maritime and Fisheries Fund (EMFF) and repealing Council Regulations (EC) No 2328/2003, (EC) No 861/2006, (EC) No 1198/2006 and (EC) No 791/2007 and Regulation (EU) No 1255/2011 of the European Parliament and of the Council (hereafter EMFF Regulation).

Given the uncertainty related to assessing changes in administrative costs and burden until the end of the 2014-2020 programme period, the figures presented in the study are merely proxies and need to be treated carefully.

### **Key findings**

- This first comparative assessment of administrative costs and burden covering all ESI Funds shows that the figures are better than often perceived.
- Administrative costs are about 3.9% and administrative burden 2.0% of the total ESI Fund budget. It is difficult to establish a clear external benchmark for the administrative costs of ESIF with other comparable policies or programmes, due to both data availability and deviating definitions. However, a previous study showed that e.g. the EBRD has comparable levels of administrative costs and other international actors, e.g. World Bank programme, have considerably higher administrative costs.<sup>21</sup>
- Simplification measures introduced for the 2014-20 programme period are expected to meet expectations for reduced administrative costs for ERDF/CF which were covered by the 2012 impact study. They do not fully meet expectations for reduced administrative burden, mainly due to lower impacts of e-cohesion and e-governance.
- 10 of 21 simplification measures studied actually achieve a reduction of administrative efforts (i.e. combination of administrative costs and burden), while 2 simplification measures actually increase the administrative costs and burden, and for the remaining measures have no noticeable impact.

### **Administrative costs**

- Administrative costs have been reduced by 2 to 5% across all ESI Funds.
- For ERDF/CF, the reductions are 4 to 8% (compared to 7% forecasted by the impact study), for ESF 2 to 5%, and for EAFRD 1 to 3%. However, for EMFF it seems the measures increase administrative costs between 7 and 15%.
- The simplification measures contributing most to reduced administrative costs are Simplified Cost Options (SCO), followed by e-cohesion/e-governance, simpler rules for revenue generating projects, and proportionate control/minimal on-the-spot checks.
- Further efforts to simplify and reduce administrative costs are particularly promising for SCO (for all funds), and to some degree also for e-cohesion/e-governance (for EMFF).

### **Administrative burden for beneficiaries**

- Administrative burden is expected to be reduced by 9 to 15% across all ESI Funds.
- The relative reduction is greatest for EAFRD (up to 20%), followed by EMFF (up to 17%), ERDF (up to 14%), and ESF (up to 14%).
- The simplification measures contributing most to reduced administrative burden are SCO, simpler rules for revenue generating projects, e-cohesion/e-governance, and the harmonisation of rules across ESI Funds.
- Further reductions are particularly promising for SCO (for all funds), and to some degree also with Joint Action Plans (for ERDF and ESF), special calculation rules for compensation (for EMFF), and advance payments (for EAFRD and EMFF).

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<sup>21</sup> 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.

## 1.1 How information has been collected and analysed

The report builds on desk studies, qualitative insights deriving from 157 interviews and quantitative information collected through two European-wide online surveys:

- 110 persons have been interviewed concerning the administrative costs and burden covering 39 programmes and 17 Member States, 9 ERDF/CF, 4 ETC, 12 ESF, 8 EAFRD and 6 EMFF programmes<sup>22</sup>.
- 47 persons have been interviewed concerning gold plating and the role of national and sub-national administrations.
- 631 persons answered the online survey concerning the administrative costs and burden, covering 398 programmes covering all Member States and all types of programme bodies. Of these survey responses, 152 concern ERDF/CF programmes, 98 ETC, 134 ESF, 114 EAFRD, 37 EMFF and 96 multi-fund programmes. Although with variations across the funds, the response rate is high for all ESIF (e.g. for all ESIF more than 50% of MA took part to the survey) which ensures the robustness of data extracted from the survey.
- 95 beneficiaries from different funds have responded to an online survey on gold plating.

Based on previously performed impact studies (see above) and supplementing information deriving from the interviews and survey, baseline values for a number of key administrative tasks have been established for the administrative costs and burden of the five ESI Funds. These figures concern the 2007-13 period.

A second step focussed on selected simplification mandatory and optional simplification measures introduced in the regulatory framework for the period 2014-20 (see Table 13). The simplification measures introduced have been analysed with regard to the administrative tasks they are likely to affect.

The analysis of these results shows how much a simplification measure affects the administrative costs and burden. The main focus is on the share of administrative costs and burden of the total ESIF budget. This allows comparing figures across programme periods but also to 'monetarise' figures to show how many millions euro will be saved due to the introduction of a simplification measure.

**Table 13 Simplification measures considered**

N.	2014-2020 Simplification measure				CPR	Relevant fund specific regulation
	Type of simplification measure	Where Applicable :				
		ERDF/CF /ESF	EMFF	EAFRD		
1	Partnership agreement replaces the NSRF				Part II, Art. 14-17	
2	Greater thematic concentration				Part II, Art. 9	ERDF: Art. 4; ESF: Art. 5; ETC: Art. 6 EAFRD: Art. 5
3	Common indicators (for EAFRD Enhanced monitoring framework including the performance framework)				Part II, Art. 27(4)	ERDF: Art. 6 and Annex I; ESF: Art. 5 and Annex I; ETC: Art. 16 and Annex EAFRD: Art. 14 of Reg. 808/2014
4	Harmonisation of rules				Part II, Art. 26(3), 32, 35	
5	Implementation of projects under CLLD	Option	Option		Part II, Art. 33	
6	Integrated territorial investment	Option	Option	Option	Part II, Art 36	ERDF: Art. 7
7	Option to merge the managing authority and the certifying authority (for EAFRD, restriction of the number of Paying Agencies)	Option	Option	Option	Part IV, Art. 123(3)	EAFRD: Reg. 1306/2013 - Art.7(2)
8	Proportionate control (for EAFRD,				Part IV, Art.	EAFRD: Reg. 1306/2013 -

<sup>22</sup> The list of interviewees was provided or validated by the four EC DGs (AGRI, EMPL, MARE, REGIO) involved in the study

N.	2014-2020 Simplification measure					CPR	Relevant fund specific regulation
	Type of simplification measure	Where Applicable :					
		ERDF/CF /ESF	EMFF	EARDF			
	minimum level of on the spot checks)				148	Art 59(5)	
9	Grants and repayable assistance may take the form of SCO, (standard scale of unit costs, lump sums, flat- rate financing	Option <sup>23</sup>	Option	Option	Part II, Art. 67-68	ESF: Reg. 1304/2013 - Art.14 ETC: Reg. 1299/2013 - Art.19 EAFRD: Reg. 1305/2013 - Art.14, 15, 19, 27(3), 28-34, 41(d), 62(2)	
10	E-cohesion/E-governance with beneficiaries		Option	Option	Part IV, Art. 122(3)	EAFRD: Reg. 1306/2013 - Art.72(3), 95; Reg. 1305/2013 - Art.66 (1) (c)	
11	Simpler rules for revenue generating projects				Part II, Art. 61		
12	Shorter retention period for documents				Part IV, Art. 140(1)		
13	Simplified programme modification procedure				Part III, Art. 96	EMFF: Article 22(2)	
14	Simplification of the programme document				Part III, Art. 96		
15	Joint Action Plans	Option			Part III, Art. 104-109		
16	Independent quality report for Major Projects	ERDF/CF			Part III, Art. 102(1) CPR		
17	Advance payments		Option	Option		EMFF: Reg. 508/2014 - Art. 62 , 66 EAFRD: Reg. 1305/2013 - Art. 42,63; Reg. 1306/2013 - Art. 75;	
18	Establishment of advance criteria for insurance cover		Option	Option		EMFF: Reg. 508/2014 - Art. 57(3) EAFRD: Reg. 1305/2013 - Art 36-39	
19	Accelerated procedure for selection process		Option			EMFF: Reg. 508/2014 - Art. 27 (4), 49 (5)	
20	Special calculation rules for compensation		Option			EMFF: Reg. 508/2014 - Art. 55	
21	The provider of the training or knowledge transfer activity or of the advisory services shall be considered as the beneficiary of the support			Option		EAFRD: Reg. 1306/2013 - Art. 14 and 15	

Not applicable

Source: own elaboration

For most simplification measures, the analysis differentiates between the five ESI Funds, different programme bodies (Managing Authorities, Certifying Authority / Paying Agency, Audit Authority / Certification Body), national coordination authorities and beneficiaries.

Through the report, figures are presented as ranges, due to the uncertainty of the actual impact and the diversity of answers as to how an administrative task will be affected by a certain measure. Taking into account behavioural aspects in the analysis of the survey results, the lower range presents a conservative expectation, while the higher range stands for the most likely value.

A more detailed description of the methodology can be found in the annex. This covers both the establishment of baseline values, the linking of simplification measures and tasks, as well as the analysis of the survey and interview results, incl. the use of the Likert scale to arrive ranges indicating the conservative and most likely values.

When reading the report, one must keep in mind that following the specifications of the study, the sources used are the above interviews and the online survey, which provide subjective information on the expected impacts. Asking actors about the impact of regulatory changes when these have just been implemented always involves the risk

<sup>23</sup> In the case of ESF the use of SCO is obligatory for operations not exceeding EUR 50,000 of public support to be paid to the beneficiary (Art. 14(4) of ESF Reg.)- except in the case of a state aid scheme

that the – sometimes considerable – efforts of changing routines and setting up new procedures are more in the foreground than the actual effects of these changes, which become tangible only once these new routines are up and running.

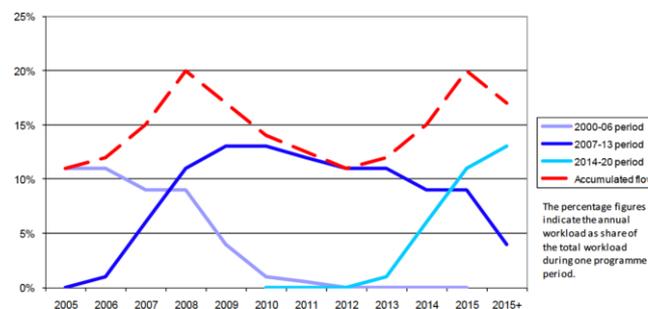
Indeed, the figures presented for reductions may be conservative, for several reasons:

- **Timing of the assessment.** The workflow is front-loaded during the programme period (see Figure 4). As illustrated in the figure below, the assessment of the expected impact of the regulations was done when most programmes had a peak in their workload. Taken together, the perception of individuals can sometimes be related to experience from the previous programme period and may not fully reflect the potential of the current (i.e. new) regulatory and administrative framework.
- **Up-front investment.** A number of simplification measures, such as new indicator systems and e-governance, imply considerable investment and work to establish and implement the new approach. However, the reduction in administrative workload and costs is expected to take effect later. In many cases, there is a risk that the expected changes in administrative costs over the full programme period are biased towards more administrative workload due to the necessary up-front investment, which respondents are currently experiencing.
- **Inertia.** The 2010 study on administrative costs showed that regulatory changes meet considerable inertia in practice. This implies that changes (including simplifications) are often not yet fully implemented at the beginning of the programme period or are implemented with a considerable time delay. Therefore, a further reduction in administrative costs and burden may be realised during the implementation phase of the respective programmes.

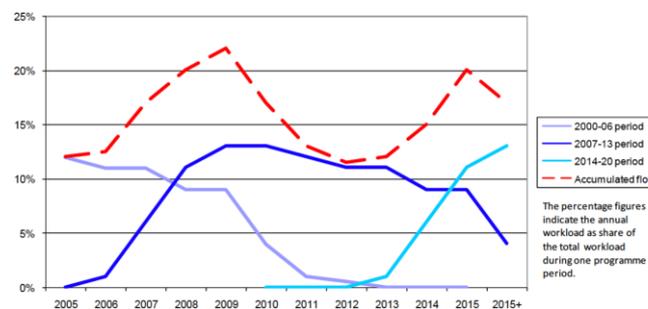
This study tries to take these factors into account, however the figures presented in this study are probably conservative and simplification measures may lead to even higher reductions of administrative costs and burden.

**Figure 4 Administration of ERDF-CF theoretical workload over time**

7(a) – Assuming similar workload cycles for all programme periods



7(b) – Considering a one year delay of the closure of the 2000-2006 period



Figures 7(a) and 7(b) are based on the results of the quantitative survey for the current period, assuming that the workflow is identical in all three programming periods. For figure 7(b) it is furthermore assumed that the closure of the 2000-06 period will be delayed by one year.

Source: SWECO (2010) Regional governance in the context of globalisation

## 1.2 Where to find what in this report

Following the executive summary and introduction the report presents the various aspects in further detail.

**Chapter 2** summaries overall findings concerning the uptake of optional simplification measures as well as on the expected reduction of administrative costs and burden of both mandatory and optional simplification. More detailed discussions on the uptake and impacts of single simplification measures are presented in chapters 3 and 4. Chapter 2 provides key information on the uptake and main reasons why optional simplification measures have or have not been used. It furthermore contains basic information about administrative costs and burden incl. baseline information and quantified figures on the impacts of the simplification measures studied. The chapter presents key figures per ESI Fund as well as key figures on the single simplification measures. These figures are based on an analysis on the current uptake of simplification measures, and the findings on the quantification of the impact the studied simplification measures have on administrative costs and burden.

To acknowledge the difference in nature between mandatory simplification measures and optional simplification measures, they are discussed in detail in separate chapters.

**Chapter 3** provides more in-depth information on the mandatory changes studied. For each regulatory change it presents some renewal reflections on the impact based on interviews with programme bodies, and findings on the quantification of the impact on administrative costs and burden. For each simplification measure it presents the actual impact on administrative costs and burden per ESI Fund. It furthermore provides information on which actors and administrative tasks are mainly affected by a simplification measure. The methodology used for calculating the impact is presented in annex I.

**Chapter 4** provides in-depth information on the optional changes studied. For optional change, the uptake of the change is important. Therefore the discussion of each optional simplification measure starts with information on the uptake. Information on the anticipated uptake is followed by information on the impact, which is presented in the same way as for the mandatory measures (see chapter 3). In addition, the chapter presents some brief information on other simplification measures that go beyond the ones analysed in the previous sections.

**Chapter 5** addresses the potential for further increasing the reduction of administrative costs and burden deriving from the simplification measures. The focus is mainly on SCO as they offer the largest room for improvement. The room for improvement is presented in form of different scenarios for calculating the potential maximum impact. The results of this chapter provide interesting insights for discussions on policy recommendations aiming at a further reduction of administrative costs and burden. How the scenarios have been developed and calculated is discussed in annex I.

**Chapter 6** focuses on the most frequently used optional simplification measure, the SCO and provides insights on how to make better use of SCO in order to allow for further reductions of administrative costs and burden. The chapter presents a more qualitative assessment on the uptake of SCO and JAP in particular, by exploring for each of the ESI Funds which types of SCO have been used most frequently, and by categorising the types of projects (or measures in the case of EAFRD and EMFF) for which SCO are used most frequently. Based on this the chapter closes with recommendations on how to increase the uptake of SCO. More detailed cases studies on SCO are presented in annex II.

**Chapter 7** provides brief insights into the issue of gold plating. Reducing gold plating is another possible measure to further reduce administrative costs and burden within ESIF. The chapter provides insights on the reasons for gold plating which moments in the programme lifecycle Member States and programmes go beyond what is required by

Union legislation and thus increase the administrative burden of beneficiaries. Furthermore the chapter provides insights on the magnitude to which national or sub-national regulatory frameworks set out additional requirements for ESIF beneficiaries.

**Chapter 8** draws some overall conclusions and links the findings of this study back to the initial expectations concerning the reduction of administrative costs and burden with regulatory framework for the 2014-2020 period. Furthermore, it outlines key strengths and weaknesses of the simplification measures studies and provides recommendations of how administrative costs and burden could be further reduced.

## 2 Overall impact of the regulatory changes

### Key findings

#### Administrative costs

- Baseline administrative costs for all ESIF correspond to approx. EUR 24.7 billion (3.9% of the budget)
- 2014-20 simplification measures are expected to reduce administrative costs from EUR 0.5 to 1.3 billion (2.1 to 5.2% of administrative costs).
- Most important simplification measures in terms of reduction of administrative costs are SCO, e-cohesion/e-governance, simpler rules for revenue-generating projects, proportionate control and harmonisation of rules .

#### Administrative burden

- Baseline administrative burden for all ESIF correspond to approx. EUR 13 billion (2.0% of the budget)
- 2014-20 simplification measures are expected to reduce administrative burden from EUR 1.2 to 1.9 billion (9.1 to 14.9% of administrative burden).
- Most important simplification measures in terms of reduction of administrative burden are SCO, e-cohesion / e-governance, simpler rules for revenue-generating projects and harmonisation of rules.

#### Uptake of optional simplification measures

- The simplification measure with the highest level of uptake are SCO.
- Estonia, Poland, Cyprus and Denmark make most use of optional simplifications.
- The main reasons for making use of simplification measure are reduced administrative burden, reduced risk of errors/mistakes and advocating by the EC.
- The main reasons for not using simplification measures are the complexity of the simplification measure, skepticism on the benefits of simplification, unwillingness to change and legal constrains.

The study analyses the effect of simplification measures introduced for the 2014/2020 programming period (see chapter 1 for a list of simplification measures analysed). The study does not cover all changes. Primarily, the study quantifies the change in administrative costs for Member States and administrative burden for beneficiaries generated by simplification in the overall delivery mechanism of programme management and control.

This chapter presents some overall findings concerning the uptake of optional simplification measures as well as on the expected reduction of administrative costs and burden of both mandatory and optional simplification. More detailed discussion on the uptake and impacts of single simplification measures are presented in chapters 3 and 4.

### 2.1 Uptake of optional simplification measures

To estimate the effect of simplification measures, one needs to know to what degree the various measures are used.

Data collected through the survey show a different level of uptake of the optional simplification measures introduced by the 2014-2020 regulation. With regard to the optional measures common to all ESI Funds, the possibility of using SCO (in the form of flat rates, lumps sums or standard scales of unit costs) is by far the most frequently used option (79% of respondents declare use of this option). The level of uptake varies

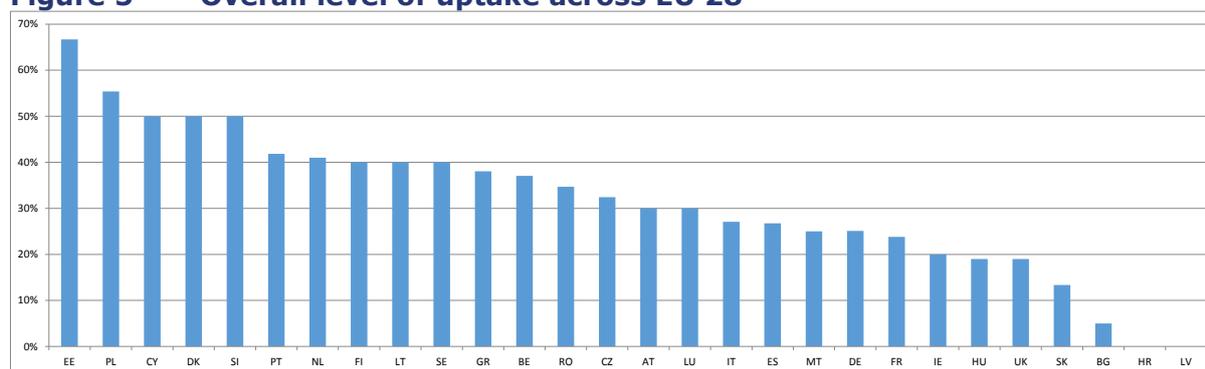
across the different funds, from 45% of the EMFF programmes to 91% of ETC programmes.

With regard to fund-specific optional measures, the most frequently used option (45% of respondents) is the possibility offered by EMFF and EAFRD regulations to provide advance payments to beneficiaries of specific measures.

With regard to the differences across the different funds, available data highlight that the level of uptake of the different optional measures is rather similar across the different ESI Funds, even if multifund programmes generally demonstrate a higher level of use of the respective options.

According to the data collected through the survey and presented in the figure above, the Member States with the highest use of the options provided by the 2014-2020 regulations are Estonia, Poland, Cyprus and Denmark (see Figure 5).

**Figure 5 Overall level of uptake across EU 28**



\* The percentage figures indicate the average level of uptake according to the online survey (number uptake divided by number of responses) per Member State.

Source: online survey

Table 14 presents an overview of the reasons leading to the use or non-use of simplification measures across the different Member States<sup>24</sup>.

The table highlights the fact that the rationale underpinning the choice of using the options provided in the 2014-2020 regulations is rather similar across all 28 Member States. The reductions in administrative burden and in the risks of errors are generally the two main reasons that justify the use of the optional measures.

With regard to the reasons for not making use of the different options, the factors that seem to impede adoption higher uptake of simplification options are mainly related to the perceived complexity of the measures, general scepticism towards the possible benefits of the simplifications, as well as a lack of willingness to change the administrative approaches/systems already in place.

Finally, beyond the specific information provided on the results of the online survey, the interviews seems to depict the following common general perceptions regarding the changes introduced in the 2014-2020 regulations: In general terms, a large portion of interviewees consider that the 2014-2020 regulative framework is effectively oriented towards the increase of (i) the legality and regularity of the expenditures and (ii) the added value of the funds. However, this has implied an increase in the number of implementing and delegated acts and complexity with significant risks of negatively affecting administrative costs, in particular during the set-up of the programmes.

<sup>24</sup> BG, DK, EE, HR and LV are excluded from the table: in these cases, in fact, respondents have not provided any information on the reasons leading to the uptake or not of the optional measures.

**Table 14 Overview table on reasons for non-uptake (red) and uptake (green) of simplification options**

	Legal constraints (at National Level)	Lack of information/knowledge about the simplification	The simplification is too complex to be implemented	Scepticism on the benefits of simplification	Negative feed-back from other authorities that have implemented the simplification	Risk of misuse of the resources by beneficiaries	The beneficiaries are considered not ready for simplification	No willingness to change because it functions well at administrative level	Advocated by the EC	Lack of financial/human resources to implement the measure	Reduced administrative burden	Reduced risk of errors/mistakes	Greater emphasis on achieving clear, concrete, measurable results	Improving the monitoring and evaluation processes	Improving the efficiency of the financial management of the operations	Developing innovative/collaborative approaches within and between administrations	Developing innovative approaches with the beneficiaries	Improving the quality of the Call for proposals (clear and effective objectives and actions)	Providing a faster and better response to the needs of target groups/territories	Positive feedback from other authorities that have implemented simplification	
AT																					
BE																					
CY																					
CZ																					
DE																					
ES																					
FI																					
FR																					
GR																					
HU																					
IE																					
IT																					
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SI																					
SK																					
UK																					
ETC																					
<b>EU 28</b>																					

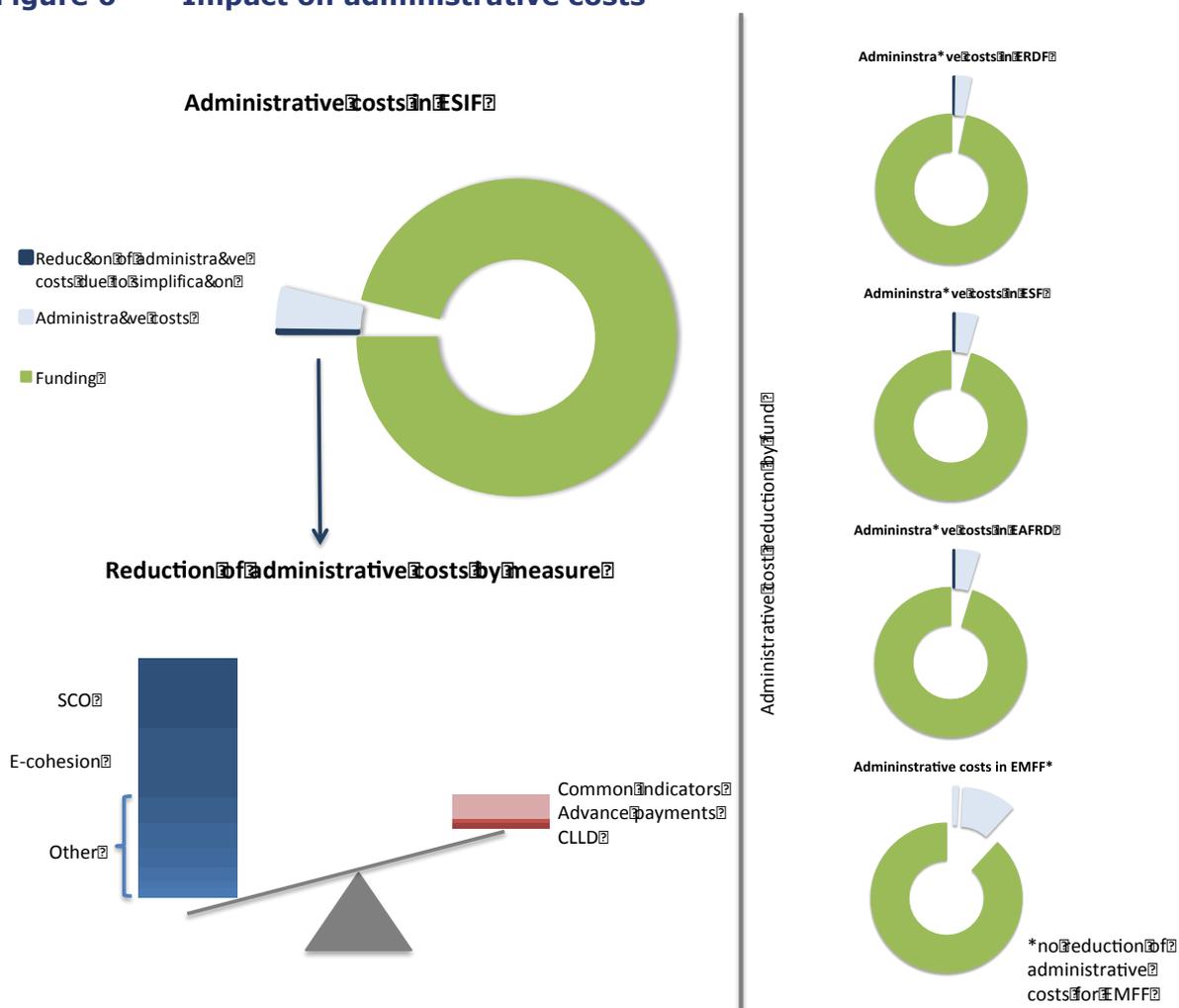
## 2.2 Quantification of the impact of the regulatory changes on administrative costs

Discussing the impact of the simplification measures, it is important to keep in mind that administrative costs are only a small share of the total ESIF budget<sup>25</sup>.

In Figure 6 the green part of the circle stands for all ESIF budget except administrative costs, which are depicted in blue. The combined blue parts stand for the administrative cost's share of the total ESIF budget prior to the simplification measures. The dark blue part is the reduction of administrative costs deriving from the simplification measures. The small graphs to the right show that there is some variation between the five ESIF Funds.

Most of the reduction is due to the measures on e-cohesion and SCO, while common indicators, advanced payments and CLLD tend to add to the administrative costs.

**Figure 6 Impact on administrative costs**



Source: own elaboration

As presented in the introduction, based on the information collected on the uptake of the various simplification measures and their expected impact on a range of administrative tasks, the reduction of administrative costs and burden could be calculated. The ranges

<sup>25</sup> The 4% technical assistance allowed for in ESIF are partially used to cover administrative cost. However, there are considerable differences on the size of the administrative costs and the use of the technical assistance budget between the individual programmes.

indicate the reductions achieved given the present information on the implementation of simplification measures.

Considering for each individual optional simplification measure, the uptake (as presented in chapter 4) and assuming an uptake of 100% for mandatory simplification measures, the simplification measures assessed reduce administrative costs for ESI Funds by EUR 0.5 to 1.3 billion, i.e. 2.1 to 5.2% of administrative costs. In other words, taking the 2007-13 period as a baseline, administrative costs for 2014-20 without implementation of simplification measures would total EUR 24.7 billion, i.e. 3.9% of the ESIF budget. However, with the current implementation of simplification measures, they would be EUR 23.4 to 24.2 billion, i.e. 3.7 to 3.8%.

There are variations between the funds (see Table 15 and Figure 7). There is a substantial administrative cost reduction for ERDF/CF (up to 7.5%), a more modest reduction for ESF (up to 4.9%), and a small reduction in the case of EAFRD (up to 3.0%). For EMFF, the new programme period and the changes studied imply an increase in administrative costs. This is mainly due to the introduction of common indicators, the enhanced monitoring framework, greater thematic concentration and the harmonisation of rules<sup>26</sup>.

**Table 15 Impact of simplification measures on administrative costs by fund**

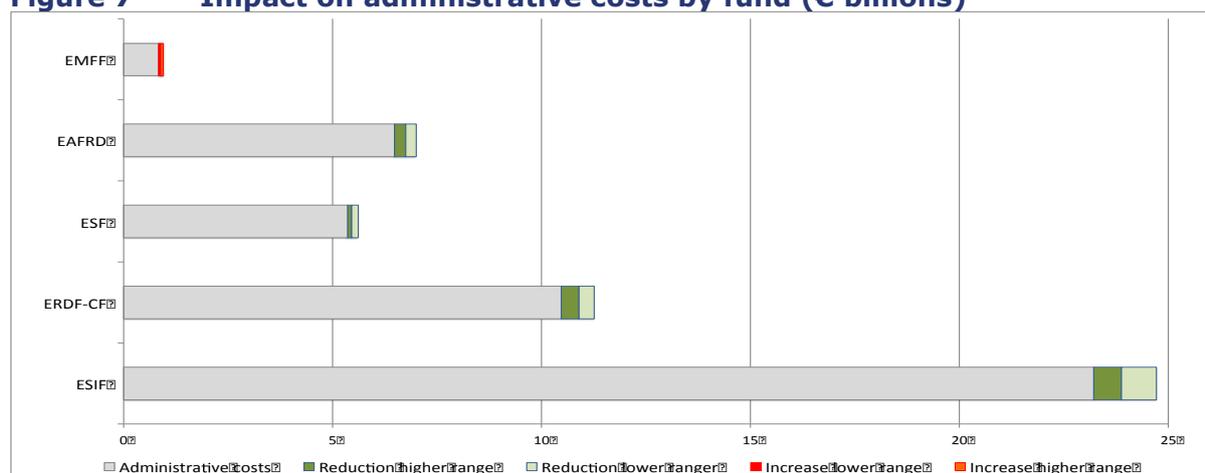
Fund	Baseline costs (2007-13) (€ billions)	Baseline costs (2007-2013) (% of budget)	Actual impact (2014-2020) (€ billions)		Actual impact (2014-2020) (%)	
			Most likely	Conser- vative	Most likely	Conser- vative
<b>ESIF</b>	<b>24.7</b>	<b>3.9%</b>	<b>-1.3</b>	<b>to -0.5</b>	<b>-5.2%</b>	<b>to -2.1%</b>
ERDF/CF	11.3	3.2%	-0.8	to -0.5	-7.5%	to -4.2%
ESF	5.6	4.4%	-0.3	to -0.1	-4.9%	to -2.0%
EAFRD	7.0	4.7%	-0.2	to -0.05	-3.0%	to -0.6%
EMFF	0.8	10.4%	0.06	to 0.1	6.8%	to 14.9%

Source: own elaboration

Simplification measures are expected to reduce administrative costs to different degrees. As shown in Table 16, the highest contributions to cost reduction are from SCO (EUR 293.9 to 428.1 million), e-cohesion/e-governance for communication with beneficiaries (EUR 256 to 408.8 million), simpler rules for revenue-generating projects (EUR 97.4 to 160 million), proportionate control/minimal on-the-spot checks (EUR 92.3 to 153.7 million), and the harmonisation of rules (EUR 39.3 to 117.9 million).

<sup>26</sup> An additional element that may contribute to the increase of administrative burden was the shift of certain measures (eg. data collection, control and enforcement, contribution to Integrated Maritime Policy) from direct to shared management. Nevertheless, the examination of these elements were out of the scope of the current study.

**Figure 7 Impact on administrative costs by fund (€ billions)**



Source: own elaboration

However, some measures even increase administrative costs for programme authorities. These include common indicators & enhanced monitoring (EUR 128.4 to 223.2 million), and to some degree also merging Managing Authorities and Certifying Authorities / reducing the number of Paying Agencies, greater thematic concentration, integrated territorial investments (ITI), community-led local development (CLLD) and advance payments.

**Table 16 Impact of simplification on administrative costs**

Simplification measure	Impact (€ millions)		Impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
Partnership Agreements replace the National Strategic Reference Framework and National Strategic Plan	3.0	to 4.1	0.0%	to 0.0%
Greater thematic concentration	7.8	to 60.4	0.0%	to 0.2%
Common indicators & enhanced monitoring framework	128.4	to 223.2	0.5%	to 0.9%
Harmonisation of rules	-117.9	to -39.3	-0.5%	to -0.2%
Proportionate control/minimum level of on-the-spot checks	-153.7	to -92.3	-0.6%	to -0.4%
E-cohesion/E-governance with beneficiaries	-408.8	to -256.0	-1.7%	to -1.0%
Simpler rules for revenue-generating projects	-160.0	to -97.4	-0.6%	to -0.4%
Shorter retention period for documents	-75.0	to -48.4	-0.3%	to -0.2%
Simplified programme modification procedure	-9.3	to -4.9	0.0%	to 0.0%
Simplification of the programme document	-3.8	to -0.6	0.0%	to 0.0%
Independent quality report for major projects	-2.1	to -0.6	0.0%	to 0.0%
Considering providers of training or knowledge transfer as beneficiaries	-40.6	to -24.9	-0.2%	to -0.1%
Community-led local development (CLLD) & local action groups	15.1	to 24.6	0.1%	to 0.1%
Integrated territorial investments (ITI)	11.9	to 35.2	0.0%	to 0.1%
Merging MA-CA/reducing number of PA	-52.5	to -24.5	-0.2%	to -0.1%
Grants and repayable assistance as simplified cost options (SCO)	-428.1	to -293.9	-1.7%	to -1.2%
Joint action plans (JAP)	0.0	to 0.0	0.0%	to 0.0%
Advance payments	16.2	to 27.6	0.1%	to 0.1%
Establishment of advance criteria for insurance cover	-0.2	to 0.3	0.0%	to 0.0%
Accelerated procedure for selection process	-6.6	to -5.0	0.0%	to 0.0%
Special calculation rules for compensation	2.3	to 3.1	0.0%	to 0.0%
<b>Total ESIF</b>	<b>-1,273</b>	<b>to -509</b>	<b>-5.2%</b>	<b>to -2.1%</b>

Source: own calculations based on survey results

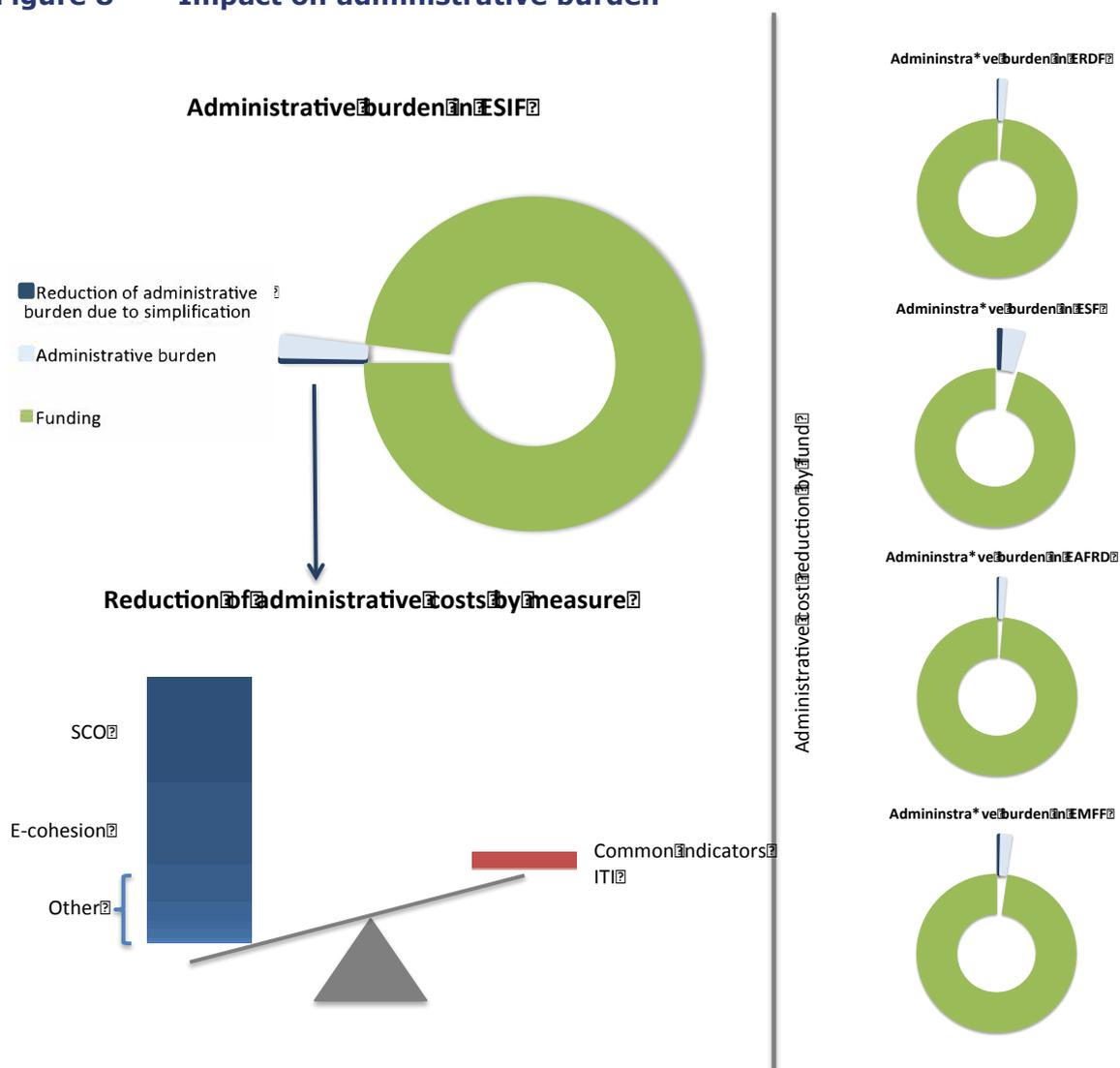
The contribution of individual measures towards reducing administrative costs varies between funds, as discussed elsewhere in this report.

### 2.3 Quantification of the impact of the regulatory changes on administrative burden

Also with regard to administrative burden, it needs to be born in mind that the administrative burden only stands for a small share of the total ESIF budget. In Figure 8 the green part of the circle stands for all ESIF budget except administrative burden and the blue parts stand for the administrative burden's share of the total budget prior to the simplification measures. The dark blue part is the reduction of administrative burden deriving from the simplification measures. The impact of simplification measures is greater on the administrative burden for beneficiaries than on administrative costs for programme bodies/public authorities. The small graphs to the right show that there is some variation between the five ESI Funds.

Most of this reduction is due to the measures on SCO and e-cohesion and SCO, while common indicators and ITI tend to increase the administrative burden.

**Figure 8 Impact on administrative burden**



Source: own elaboration

For administrative burden, each ESI Fund has a different starting position. For the first time, this study compares administrative burden across funds. Table 17 confirms results from earlier studies, showing that administrative burden varies with the financial volume, number of actions and complexity of the actions funded. For example, the administrative burden for a large infrastructure investment is relatively smaller than for a multifaceted and small-scale labour market action.

Simplification measures are expected to reduce the administrative burden for all ESI Funds by EUR 1.2 to 1.9 billion, or 9.1% to 14.9%. In other words, taking the 2007-13 period as a baseline, the administrative burden for 2014-20 without implementation of simplification measures would be EUR 13 billion, i.e. 2% of the ESIF budget. The implementation of simplification measures is expected to reduce the burden to EUR 11.1 to 11.8 billion, i.e. 1.7% - 1.8% of the ESIF budget.

For all ESI Funds, the simplification measures reduced the administrative burden for their beneficiaries. However, there are variations between the funds (see Table 17). The greatest potential reduction in absolute terms would be for ESF (EUR 0.5 to 0.8 billion), while in relative terms, EAFRD would have the greatest reduction (12.1% to 20.1%). A substantial reduction of the administrative burden could also be achieved for EMFF (9.9% to 17.0%).

**Table 17 Impact on administrative burden by fund**

Fund	Baseline costs (2007-13) (€ billions)	Baseline costs (2007-13) (% of budget)	Actual impact (2014-20) (€ billions)		Actual impact (2014-20) (%)	
			Most likely	Conser- vative	Most likely	Conser- vative
<b>ESIF</b>	13.0	2.0%	<b>-1.9</b>	<b>to -1.2</b>	<b>-14.9%</b>	<b>to -9.1%</b>
ERDF/CF	4.8	1.4%	-0.7	to -0.4	-14.1%	to -8.6%
ESF	6.0	4.7%	-0.8	to -0.5	-13.8%	to -8.4%
EAFRD	2.0	1.3%	-0.4	to -0.2	-20.1%	to -12.1%
EMFF	0.2	2.3%	-0.03	to -0.02	-17.0%	to -9.9%

Source: own elaboration

The various simplification measures are expected to reduce the administrative burden to varying degrees. As shown in Table 18, the greatest contributions in absolute terms are from SCO (approximately EUR 592.7 to 826.3 million), e-cohesion / e-governance with beneficiaries (approximately EUR 449.4 to 623.6 million), simpler rules for revenue-generating projects (approximately EUR 175.9 to 282.2 million), and the harmonisation of rules (approximately EUR 96.4 to 153.2 million).

Two of the measures studied increase administrative burden. These are integrated territorial investments and community-led local development.

The impact of establishing advance criteria for insurance coverage is minimal, as the range indicates either a minor decrease or increase of burden.

The extent to which individual measures are expected to reduce administrative burden varies between funds. This will be further discussed in the following sections.

**Table 18 Impact of simplification on administrative burden**

Simplification measure	Impact (€ millions)		Impact (%)	
	Most likely	Conser- vative	Most likely	Conser- vative
Partnership Agreements replace the National Strategic Reference Framework and National Strategic Plan	0.0	to 0.0	0.0%	to 0.0%
Greater thematic concentration	0.0	to 0.0	0.0%	to 0.0%
Common indicators & enhanced monitoring framework	116.1	to 200.2	0.9%	to 1.5%
Harmonisation of rules	-153.2	to -96.4	-1.2%	to -0.7%
Proportionate control/minimum level of on-the-spot checks	-71.1	to -51.0	-0.5%	to -0.4%
E-cohesion/E-governance with beneficiaries	-623.6	to -449.4	-4.8%	to -3.4%
Simpler rules for revenue-generating projects	-282.2	to -175.9	-2.2%	to -1.4%
Shorter retention period for documents	-66.3	to -46.5	-0.5%	to -0.4%
Simplified programme modification procedure	0.0	to 0.0	0.0%	to 0.0%
Simplification of the programme document	0.0	to 0.0	0.0%	to 0.0%
Independent quality report for major projects	0.0	to 0.0	0.0%	to 0.0%
Considering providers of training or knowledge transfer as beneficiaries	-15.9	to 1.5	-0.1%	to 0.0%
Community-led local development (CLLD) & local action groups	-9.4	to 15.1	-0.1%	to 0.1%
Integrated territorial investments (ITI)	9.9	to 22.5	0.1%	to 0.2%
Merging MA-CA/reducing number of PA	0.0	to 0.0	0.0%	to 0.0%
Grants and repayable assistance as simplified cost options (SCO)	-826.3	to -592.7	-6.3%	to -4.5%
Joint action plans (JAP)	-5.6	to -4.4	0.0%	to 0.0%
Advance payments	-9.8	to -2.1	-0.1%	to 0.0%
Establishment of advance criteria for insurance cover	-3.0	to -1.8	0.0%	to 0.0%
Accelerated procedure for selection process	0.0	to 0.0	0.0%	to 0.0%
Special calculation rules for compensation	-3.7	to -2.9	0.0%	to 0.0%
<b>Total ESIF</b>	<b>-1,944</b>	<b>to -1,184</b>	<b>-14.9%</b>	<b>to -9.1%</b>

Source: own calculations based on survey results

### 3 Mandatory simplification measures

#### Key findings

- Mandatory simplification measures do contribute to a notable reduction of administrative costs and burden.
- Among mandatory simplification measures the highest contribution in terms of decrease of administrative costs and burden is expected by proportionate control/ minimum level of on-the-spot checks, e-cohesion/e-governance, simpler rules for revenue generating project, shorter retention period for documents and in the case of EAFRD to possibility to consider providers of training or knowledge transfer as beneficiaries.
- Thematic concentration and common indicators are generally not perceived as a simplification, but their primary goal is different (performance, critical amount of funding).

Some of the simplification measures introduced for the 2014/2020 programming period have been mandatory and some optional. This chapter looks at impacts of the mandatory changes. The next chapter will do the same for the optional changes.

The assessment is based on the results of interviews and the online survey, which implies that it might differ from figures based on other means of information collection.

Some simplification measures are mandatory and thus have to be implemented by the programmes. The table below provides a quick overview of the simplification measures that are mandatory under each fund. It should be noted that the measures have been analysed to assess their potential simplification effect, although their primary objective is not necessarily simplification itself (e.g. the main objective of common indicators is to facilitate the aggregation of data at EU level).

**Table 19 Mandatory simplification measures of the ESI Funds**

N.	2014-2020 Simplification measure					CPR	Relevant fund-specific regulation
	Type of simplification measure	Where applicable					
		ERDF/CF/ESF	EMFF	EAFRD			
1	Partnership agreement replaces the NSRF				Part II, Art. 14-17		
2	Greater thematic concentration				Part II, Art. 9	ERDF: Art. 4; ESF: Art. 5; ETC: Art. 6 EAFRD: Art. 5	
3	Common indicators (for EAFRD Enhanced monitoring framework including the performance framework)				Part II, Art. 27(4)	ERDF: Art. 6 and Annex I; ESF: Art. 5 and Annex I; ETC: Art. 16 and Annex EAFRD: Art. 14 of Reg. 808/2014	
4	Harmonisation of rules				Art. 26(3), 32 ff, 37 ff, 47(1), 65, 67 f, 119(2) CPR		
5	Proportionate control (for EAFRD, minimum level of on-the-spot checks)				Part IV, Art. 148	EAFRD: Reg. 1306/2013 - Art 59(5)	
6	E-cohesion/E-governance with beneficiaries		Option		Part IV, Art. 122(3)	EAFRD: Reg. 1306/2013 - Art.72(3), 95; Reg. 1305/2013 - Art.66 (1) (c)	
7	Simpler rules for revenue-generating projects				Part II, Art. 61		
8	Shorter retention period for documents				Part IV, Art. 140(1)		
9	Simplified programme modification procedure				Part III, Art. 96	EMFF: Article 22(2)	
10	Simplification of the programme document				Part III, Art. 96		
11	The provider of the training or					EAFRD: Reg. 1306/2013 - Art. 14	

2014-2020 Simplification measure						
N.	Type of simplification measure	Where applicable			CPR	Relevant fund-specific regulation
		ERDF/CF/ESF	EMFF	EARDF		
	knowledge transfer activity or of the advisory services shall be considered as the beneficiary of the support					and 15

Not applicable

Source: own elaboration

It is assumed that all programmes apply these mandatory simplification measures and that they do so in the most suitable way.

For each of these mandatory simplification measures, the following sections look at the (anticipated) impact in more general terms, based on interviews mainly with MAs, and the quantifiable impacts. Primarily, the study quantifies the change in administrative costs for Member States and administrative burden for beneficiaries generated by simplification in the overall delivery mechanism of programme management and control. As presented in the introduction, based in the information collected on the expected impact the various simplification measures have on a range of administrative tasks, the reduction of administrative costs and burden could be calculated. The ranges indicate the reductions achieved given the present information on the implementation of simplification measures.

As regards the impacts of the mandatory simplification measures, overall, the interviews and online survey conducted for this study show modest expectations with regard to the reduction of administrative costs, an outcome, which is largely in line with the results of previous studies.

### 3.1 Partnership Agreements replace the National Strategic Reference Framework and National Strategic Plan

The preparation of a Partnership Agreement (Art. 14-17 CPR) is a mandatory measure for all ESI Funds, which replaces the National Strategic Reference Framework (NSRF) and National Strategic Plan (NSP).

As stated in CPR recital (20), 'each Member State should prepare, in cooperation with its partners, and in dialogue with the Commission, a Partnership Agreement. The Partnership Agreement should translate the elements set out in the Common Strategic Framework (CSF) into the national context and set out firm commitments to the achievement of Union objectives through the programming of the ESI Funds.' The Partnership Agreement is based on a development strategy to be submitted by the Member States and contains information on:

- the contribution to Europe 2020 objectives and targets;
- thematic objectives and a list of Operational / Rural Development Programmes (OPs/RDPs);
- structural and institutional preconditions;
- arrangements for territorial issues;
- coordination with other funds;
- indicative financial allocation;
- and compliance with additionality.

Compared with the NSRF and NSP, the Partnership Agreement has obliged the Member States to set up a strategic planning document that covers all ESI Funds. It has also facilitated focusing the support on a limited number of streamlined policy objectives. However, setting up the Partnership Agreement has often required more formal decisions and additional processes (e.g. intense negotiations between the European Commission (EC) and Member State (MS), and in the case of federal states, also within the MS).

### 3.1.1 General response to the regulatory changes

The answers obtained from interviews conducted with representatives of MAs regarding the benefit of Partnership Agreements replacing the National Strategic Reference Framework were mixed, mostly as a result of different national specificities. The majority of programmes, stated that Art. 14-17 CPR did not have any impact on administration costs and did not represent a significant change vis-à-vis the previous requirements.

Some other programmes instead affirmed the positive effect of the provision, which led to a more strategic and integrated approach in some MS, leveraging synergies, eliminating duplications and even bringing benefits in terms of increased institutional capacities.

For example, in the Croatian ERDF Competitiveness and Cohesion Programme, the Partnership Agreement offered the opportunity to elaborate one common national strategic document. Not only did this ensure coordination among the different ESIF programmes, a key factor in simplifying procedures for beneficiaries, but it also ensured coordination among different sectors. This led to synergy effects and also brought benefits in terms of capacity building, in particular as it 'forced' the different sectors to adopt a strategic programming approach. This created benefits particularly for sectors that lacked long-term strategies. Furthermore, the new approach has the potential to forestall duplications between regional funds. The Croatian programme also sees a positive side to the ex-ante conditionalities, which not only ensure the implementation of key activities, but also enable the administration to pass on clear messages to policy makers in terms of levels of activity and minimum resources that must be guaranteed. The National EMFF Programme Spain also mentioned that the focus on results had a beneficial effect on the analysis and clear definition of needs and strategic priorities, which helps to spread an evaluation culture and increases the level of commitment to the document. According to the UK NRDP, the structure of the Partnership Agreement matched well with the administrative structure within the UK and encouraged collaborative work, which actually sped up the process of drafting the document.

Other programmes, however, linked the Partnership Agreement to increased complexity and administrative effort, in particular in federal MS<sup>27</sup>. Programmes argued that the coordination effort needed to streamline the different administrative procedures and integrate the different logics they are following (e.g., in terms of linking objectives and operations under the EAFRD to the overall goal of growth and employment) has rendered the process more cumbersome. For example, the Managing Authority of the Slovenian ESF OP commented on the increased coordination work required between the authorities managing the funds while, at the same time, the Partnership Agreement does not provide detailed long-term objectives and has, therefore, a limited added value. In the case of Spain, programmes were also struggling with the fragmentation of powers regarding sector policies, which added to the complex coordination required and made the definition of cross-sectoral and territorial challenges difficult. By the same token, the Partnership Agreement forced all regional and national actors involved in programming to adopt a more strategic approach and improve horizontal and vertical coordination<sup>28</sup>. By contrast, in the case of Belgium, the institutional complexity and the high degree of coordination required resulted in a poorly integrated strategy and a Partnership Agreement that was kept very general, according to the Managing Authority of the Wallonia RDP. The German Saxony-Anhalt RDP further reported that it was difficult to ensure that EAFRD interests were taken into consideration appropriately in the development of the Partnership Agreement, as ERDF representation from DG REGIO and ERDF Managing Authorities dominated other funds, both in quantitative and qualitative

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<sup>27</sup> For example, in the case of Germany, the development of the Partnership Agreement took about two years as a result of the significant coordination effort needed.

<sup>28</sup> An outcome of the improved vertical coordination between national and regional authorities in Spain was the creation of a working group on internationalization by the Spanish Foreign Trade Promotion Service, which involves the regions.

terms. However, the level of detail required in the Partnership Agreement was also cited as an example of increased complexity.

In the case of the Managing Authority of the EMFF 2014–2020 Spain, the role of the Commission was seen in a rather critical light. Even though the cooperation was described as positive and fluid, the restrictive approach regarding the interpretation of the regulations (e.g. concerning the funding of certain types of infrastructure) and the demand on the programme to apply requirements beyond the regulations complicated the process.

In conclusion, the introduction of Partnership Agreement did not have significant impact on the administrative costs and is not perceived as a simplification. Nevertheless, in some specific contexts the elaboration of Partnership Agreement represented an opportunity for a more strategic and integrated programming.

### 3.1.2 Quantification of the impact of the regulatory changes

The introduction of Partnership Agreements (which have replaced the NSRF and NSP) has mainly affected administrative costs, which fall under the responsibility of the level of national coordination bodies. At this level, a reduction in administrative costs has been reported.

In total, the expected impact of the shift to partnership agreements is a slight increase in administrative costs, approximately EUR 3 to 4 million. The administrative burden are not affected by these measures and most of the work increase is related to the national coordination authority in the Member States.

Although the partnership agreements cover all funds, the estimated impacts vary between the different ESI Funds, as shown in the table below.

**Table 20 Partnership agreement: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	3.0	to 4.1	0.0%	to 0.0%
ERDF/CF	1.7	to 2.2	0.0%	to 0.0%
ESF	0.8	to 1.0	0.0%	to 0.0%
EAFRD	0.4	to 0.6	0.0%	to 0.0%
EMFF	0.2	to 0.2	0.0%	to 0.0%
<b>Administrative burden</b>				
ESIF	0.00	to 0.00	0.0%	to 0.0%
ERDF/CF	-	to -	-	to -
ESF	-	to -	-	to -
EAFRD	-	to -	-	to -
EMFF	-	to -	-	to -
Actors	Direction of change			
National Coordination Authority	increase			
Managing Authority	neutral			
Certifying Authority / Paying Agency	neutral			
Audit Authority / Certification Body	neutral			
Beneficiary	neutral			

Source: own calculations based on survey results

The detailed figures of the responses show that about 94% of the responses indicated an increasing workload for national coordination authorities. Indeed, about 69% indicated a minor increase, whereas 19% indicated a very high increase.

Overall, it seems the survey results are somewhat more negative concerning the impact of this measure on the administrative costs than the interviews reflected in section on

uptake. In the interviews, some interviewees stated that the more strategic and integrated approach does lever synergies and reduces duplications of efforts. However, there were also strong voices outlining the increased complexity and administrative efforts, particularly in federal Member States. In that context, respondents highlighted the coordination efforts needed to streamline and integrate across programmes as being especially cumbersome.

## **3.2 Greater thematic concentration**

Compared with the previous programming period, the current period requires programmes to focus on a more limited number of thematic objectives (Art. 9 CPR) and investment priorities (Art. 5 ERDF, Art. 4 CF, Art. 4 ESF, Art. 7 ETC Regulation) or, for the EAFRD, Union priorities (Art. 5 EAFRD Regulation). This focus has facilitated the definition of clearer intervention logics and improved targeting. It has influenced the range of thematic knowledge needed within programme management, and affected the exercise of various management tasks, which may also have affected the number of bodies involved in programme management and costs for the development and management of support schemes. Some gains can be expected at programme management level, with fewer sector criteria for the selection of operations, and fewer procedures for the implementation of support schemes to be included in the programmes.

### **3.2.1 General response to the regulatory changes**

In the majority of programmes interviewed, however, thematic concentration led to neither a reduction nor an increase in administrative costs.

According to some programmes, administrative costs and burden have even increased as a result of the change of approach, which produced additional workload in the programming phase, as well as additional work for developing or adapting the IT system. For example, the German ERDF Operational Programme Saxony remarked that, while in the previous programming, priorities could be combined, thus limiting their number, the new period required the definition of a higher number of priorities to meet all regional needs.

However, there was also positive feedback on thematic concentration. In the case of the Italian ERDF Operational Programme Marche Region, due to the characteristics of the Partnership Agreement that defined not only TOs and IPs but also specific objectives and indicative actions to be supported, the new approach to thematic concentration has facilitated the work of the national authority. However, the MA also noted that this approach has limited the flexibility of the regional authorities.

Other programmes showed mixed opinions regarding the impact of thematic concentration on the flexibility of regions to adapt programmes to their territorial needs. While the Managing Authority of the National EMFF Programme Spain found fault with the rigidity of the pre-defined objectives, the German Saxony-Anhalt RDP considered the thematic objectives sufficiently broad to accommodate specific regional needs. For them, the main challenge was to ensure that regional needs were actually addressed in view of the strong steering and influence exerted by the Commission. Furthermore, according to the programme, disagreements and diverging opinions among the DGs involved had an impact on the programming process.

In conclusion, thematic concentration is generally not perceived as a simplification. On the contrary, in some cases interviewed reported that administrative costs have even increased as a result of the change of approach.

### **3.2.2 Quantification of the impact of the regulatory changes**

In total, the estimated impact of thematic concentration is more or less neutral. Indeed, the survey reveals an almost neutral effect (increase of approximately 0 to 0.2% in total

administrative costs, i.e. approximately EUR 7.8 to 60.4 million). There is no impact on the administrative burden.

While thematic concentration is reported to have reduced administrative costs for Audit Authorities and Certification Bodies, it has increased the costs for Managing Authorities and national Coordination Bodies. For the other programme bodies, the impact of thematic concentration is more or less neutral.

Differentiating between funds shows a rather diverse picture. In particular, the Managing Authorities of EMFF and to some degree also of EAFRD programmes expect thematic concentration to increase their workload. The increase in workload in absolute figures is mainly linked to the selection of operations and, in the case of EMFF, also to the verification of deliveries and compliance and the monitoring activity.

On the other hand, Managing Authorities of ERDF/CF in particular, but also those of ESF programmes, expect their administrative cost to decrease as a result of greater thematic concentration. In the case of ERDF, the main decrease is linked to the selection of operations, the verification of deliveries and compliance, but also to monitoring tasks. In the case of ESF, the main reductions are linked to implementation reports and monitoring. In this context it can also be noted that 30% of the Managing Authorities responding indicated that greater thematic concentration led to a reduction of priority axes, and 18% indicated that it led to a reduction of intermediate bodies. This is important with a view to the fact that a simplification of the programme structure may result in a considerable simplification of the implementation of the programme.

The reduction in administrative costs for Audit Authorities and Certification Bodies is mainly linked to the audit of samples and to some degree also to other tasks, such as preparation, submission and updating of the audit strategy and preparation and submission of the annual control report.

As shown in the table below, the total impact on administrative costs per fund varies substantially.

**Table 21 Greater thematic concentration: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	7.8	to 60.4	0.0%	to 0.2%
ERDF/CF	-32.0	to -8.3	-0.3%	to -0.1%
ESF	-4.3	to 5.6	-0.1%	to 0.1%
EAFRD	10.2	to 17.6	0.1%	to 0.3%
EMFF	33.9	to 45.6	4.1%	to 5.5%
<b>Administrative burden</b>				
ESIF	0.00	to 0.00	0.0%	to 0.0%
ERDF/CF	-	to -	-	to -
ESF	-	to -	-	to -
EAFRD	-	to -	-	to -
EMFF	-	to -	-	to -
<b>Actors</b>		<b>Direction of change</b>		
National coordination authority		increase		
Managing Authority		increase		
Certifying Authority / Paying Agency		neutral		
Audit Authority/Certification Body		decrease		
Beneficiary		neutral		

Source: own calculations based on survey results

The detailed figures of the responses across funds show that the majority of the respondents actually do not expect greater thematic concentration to affect the

administrative workload, which is in line with the interviews reported in the section of uptake. Looking at the tasks most affected by greater thematic concentration, two tasks of Managing Authorities stick out in particular: (a) Annual data provision by Member State on operational level data, and (b) evaluation during the programming period. Although these tasks are most affected, they do not necessarily have the highest impact on the overall effect of these simplification measures, as their baseline values are comparably low.

In the interviews reflected in chapter 2, some interviewees pointed out increased administrative workload also in the programming phase and for developing or adapting IT systems.

### **3.3 Common indicators & enhanced monitoring framework**

In the 2014–2020 programming period, the use of common indicators, harmonised across the EU, is obligatory for all ESI Funds: *'For each ESI Fund, the Fund-specific rules shall set out common indicators'* (Art 27 (4) CPR<sup>29</sup>). Unlike other measures analysed in this study, the main objective of common indicators and of the enhanced monitoring framework is not to reduce the administrative workload but to enhance the accountability and the evidence-based policy making.

However, as illustrated by previous studies (see t33/SWECO 2012), beside benefits related to the quality of the policy, the introduction of common indicators is also expected to allow a reduction of the administrative workload: to make the aggregation of data at EU level easier can in fact reduce the workload for monitoring and preparing reports, as the time-consuming identification, re-adjustment and interpretation of indicators is no longer needed<sup>30</sup>. For beneficiaries, the focus on common output and common result indicators (in the case of ESF) could reduce the workload. However, some of the proposed common indicators may require additional monitoring arrangements.

#### **3.3.1 General response to the regulatory changes**

While the main objective of common indicators, the facilitation of the aggregation of data at EU level is achieved, programme authorities interviewed report for the most part an increase in administrative workload. According to the Belgium Wallonia RDP, one additional staff member had to be hired in the administration team to cope with the monitoring tasks. This is mainly due to the increase in complexity of the new evaluation and monitoring framework of ESI Funds, which demands administrative learning and significant adaptation efforts. More specifically, the National EMFF Programme Spain reports that a considerable effort had to be undertaken to adapt the common output indicators to the systems used by the authorities in charge of ESIF management, which have their own monitoring systems and indicators in place, which are often similar to the Commission indicators, but nevertheless defined differently.

Findings from interviews are generally confirmed by data extracted from the on-line survey: the overall actual impact of the measure is a slight increase of the administrative costs and burden. It is however important to underline that figures on actual impact mainly depend on replies provided by a part of the survey respondents (in the case of actual impacts on burden, 25% of survey respondents expect an increase in administrative burden) while according to approximately half of the respondents common indicators and enhanced monitoring framework have a neutral impact (no increase or decrease of the administrative workload (for more details about the

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<sup>29</sup> Common output indicators are set out in Art. 6 and Annex I ERDF, Art. 5 and Annex I ESF and Art. 16 and Annex ETC.

<sup>30</sup> For the EAFRD, common indicators were already available in the 2007-2013 period and the reduction is expected to be less relevant.

methodology for the calculation of the impacts see ANNEX 1 – Methodological explanations).

Finally, it is important to underline that some programmes fear that reprogramming will become necessary due to non-achievement of milestones in the performance framework, which will cause additional work.

In conclusion, being understood that the main objective of the measure is not to reduce the administrative workload, evidences gathered through the study show that common indicators & enhanced monitoring framework are considered to have increased the administrative workload.

### **3.3.2 Quantification of the impact of the regulatory changes**

Unlike other measures analysed in this study, the main objective of common indicators and of the enhanced monitoring framework is not to reduce the administrative workload but to enhance the accountability and the evidence-based policy making.

However, as illustrated by previous studies (see t33/SWECO 2012), beside benefits related to the quality of the policy, the introduction of common indicators is also expected to allow a reduction of the administrative workload.

In total, the expected impact of the introduction of new rules for common indicators and an enhanced monitoring framework in the case of EAFRD is an increase in the administrative workload. Indeed, the survey reveals a slight increase of approximately 0.5 to 0.9% in the total administrative costs, i.e. approximately EUR 128.4 to 223.2 million. This increase is to be found on the level of Managing Authorities, while the impact for other programme bodies remains neutral.

On the level of beneficiaries, the introduction of new rules for common indicators and an enhanced monitoring framework is expected to result in an increase in administrative burden by approximately EUR 116.1 to 200.2 million, i.e. 0.9 to 1.5%.

Differentiating between funds shows a rather diverse picture with regard to administrative costs, while the increase in administrative burden is rather similar across funds. In particular, the Managing Authorities of EMFF expect the new rules for common indicators to increase their workload substantially. This finding from the survey has also been confirmed in interviews, referring to still on-going discussions about indicators and changes in indicator systems. This increase in workload is mainly linked to the selection of operations, the verification of deliveries and compliance, and ensuring a system for data recording.

However, Managing Authorities of the other funds also expect the new rules for common indicators and an enhanced monitoring framework in the case of EAFRD to increase their administrative costs. In the case of ESF and also ERDF/CF, the Managing Authorities expect increasing administrative costs, in particular those linked to ensuring a system for data recording. At the same time, ERDF/CF Managing Authorities also indicate that their administrative costs related to common indicators to decrease with regard to the verification of deliveries and compliance.

In the case of EAFRD, the enhanced monitoring framework is expected to increase administrative costs, in particular with regard to tasks such as ensuring a system for data recording and the selection of operations, but also evaluations and monitoring.

On the level of beneficiaries, the expected increase in administrative burden is mainly linked to monitoring and reporting to the programme management and the proving/verification of deliveries. As shown in the table below, the total impact on administrative costs per fund varies.

**Table 22 Common indicators & enhanced monitoring framework: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	128.4	to 223.2	0.5%	to 0.9%
ERDF/CF	1.4	to 36.9	0.0%	to 0.3%
ESF	17.4	to 32.8	0.3%	to 0.6%
EAFRD	65.6	to 90.6	0.9%	to 1.3%
EMFF	44.0	to 62.9	5.3%	to 7.6%
<b>Administrative burden</b>				
ESIF	116.1	to 200.2	0.9%	to 1.5%
ERDF/CF	41.7	to 71.9	0.9%	to 1.5%
ESF	50.7	to 87.3	0.8%	to 1.5%
EAFRD	21.1	to 36.4	1.1%	to 1.8%
EMFF	2.6	to 4.5	1.4%	to 2.4%
<b>Actors</b>		<b>Direction of change</b>		
National coordination authority		neutral		
Managing Authority		increase		
Certifying Authority/Paying Agency		neutral		
Audit Authority/Certification Body		neutral		
Beneficiary		increase		

Source: own calculations based on survey results

The detailed figures of the responses across funds show that about 50% of the respondents actually do not expect this measure to increase administrative workload, while about a third of the respondents expect the workload of Managing Authorities to increase. The common indicators systems and enhanced monitoring framework affect a wide range of tasks with the highest increases (in relative terms) being linked to the transmission of data to the Commission services and the annual data provision by Member States. More details on the expected impacts of the measure at the level of the different authorities and tasks are provided by Figure 24 (see ANNEX 2 – IOs and tasks affected by the simplification measures). Overall, these findings are in line with the results of earlier interviews, where in at least one case, a Managing Authority had to hire additional staff to cope with the monitoring tasks.

About 25% of the respondents expect an increased administrative burden for beneficiaries, mainly linked to the two tasks mentioned above.

### 3.4 Harmonisation of rules

The CPR provides common rules that are applicable to all ESI Funds, such as rules on eligibility (Art. 65 CPR), simplified cost options (Art. 67, 68 CPR), CLLD (Art. 32 ff. CPR) and financial instruments (Art. 37 ff. CPR). In addition, the CPR includes the options of multifund programmes (Art. 26(3) CPR) and of joint monitoring committees (Art. 47(1) CPR) and the possibility that each Fund may support technical assistance operations eligible under any of the other Funds (Art. 119(2) CPR). How the harmonisation of rules across the ESI Funds reduces complexities for beneficiaries is set out in the Guidance for Beneficiaries of European Structural and Investment Funds and Related EU Instruments that was prepared by the EC.<sup>31</sup>

<sup>31</sup> Enabling synergies between European Structural application: and Investment Funds, Horizon 2020 and other research, innovation and competitiveness-related Union programmes.  
[http://ec.europa.eu/regional\\_policy/sources/docgener/guides/synergy/synergies\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/guides/synergy/synergies_en.pdf)

### **3.4.1 General response to the regulatory changes**

Programme responses testify that programmes expect only a moderate benefit stemming from the harmonisation of rules, mostly on the part of beneficiaries who apply for funding under different funds. Whether selected options were taken up depended largely on the specific set-up of the programme, but also, as one respondent acknowledged, on political willingness to harmonise different ESIF strategies and actions.

However, programmes reported on efforts made to exploit synergies. The specific situation of the Italian ERDF Operational Programme Marche Region, where two programmes are managed by the same MA, allows the Managing Authority to develop one joint communication strategy for both programmes and to envisage the possibility of organising joint procurement for the on-going evaluation. Nevertheless, the Programme does not expect a reduction in administrative costs, but recognizes an increase in effectiveness. Also, the Croatian ERDF Competitiveness and Cohesion programme confirmed the positive effects of the harmonisation of rules among funds, which was already undertaken in the 2007–2013 programming period and carried forward in the 2014–2020 period by harmonising procedures among the four programmes involved.

Several Member States established joint monitoring committees. According to the German Saxony-Anhalt RDP, the establishment of a joint Monitoring Committee brought a number of synergies: (a) issues that occur in all funds and (b) horizontal objectives (equality between men and women, non-discrimination, sustainable development) can be discussed together; (c) the different programmes can mutually raise awareness for their specific needs and concerns and develop a better understanding of each other; (d) measures that are of relevance for all funds or at least for more than one fund (e.g. CLLD, broad band), can be discussed at the same meeting. On the downside, the monitoring committee has grown from about 30 to some 80 members, which poses considerable challenges to the organisation of committee meetings.

In the case of the Saxony in Germany, the coordination between the ERDF and ESF programme did not result in a joint Monitoring Committee, because the composition of committee members did not overlap, for the most part; however, committee meetings are held on the same day and scheduled well in advance, so that those members who participate in both meetings only need to travel once. Similarly, the National EMFF Programme Spain kept a separate monitoring committee, but Spanish ESIF programmes ensure that each fund is represented in each Monitoring Committee.

In general, programmes were critical towards the multitude of basic regulations and delegated and implementing acts, often creating confusion and thus the opposite of simplification. For example, the National EMFF Programme France stated that the elaboration of a harmonised EMFF-EAFRD procedure for beneficiaries required the consideration of more than 50 different regulatory acts, resulting in a document of more than 1,000 pages. Programmes also pointed out that different ESI Funds have different beneficiaries and that therefore harmonisation is often of limited benefit to them.

In conclusion, information collected testify that the harmonisation of rules is expected to slightly reduce the administrative workload, in particular in the case of beneficiaries who apply for funding under different funds.

### **3.4.2 Quantification of the impact of the regulatory changes**

The expected impact of the harmonisation of rules among the different ESI Funds is a decrease in the administrative workload. The survey reveals a slight decrease of approximately 0.2 to 0.5% of the total administrative costs, i.e. approximately EUR 39.3 to 117.9 million. This decrease is to be found at the level of Managing Authorities, while the impact for other programme bodies remains neutral – with a minor increase on the level of national coordination bodies.

At the level of beneficiaries, the harmonisation of rules is expected to result in a considerable reduction in administrative burden of approximately EUR 96.4 to 153.2 million, i.e. 0.7 to 1.2% of the total administrative burden.

As for the administrative costs, the picture varies substantially among the different ESI Funds. Managing Authorities of ERDF/CF programmes expect the harmonisation of rules to lead to a substantial decrease in their administrative costs (0.7 to 1.1%) and ESF Managing Authorities also expect some decrease (0.1 to 0.5%). However, Managing Authorities of EAFRD programmes rather expect a slight increase in administrative costs (0.2 to 0.3%), and Managing Authorities of EMFF expect a rather substantial increase (3.0 to 4.1%).

In the case of ERDF/CF, the tasks where the harmonisation of rules is expected to contribute to a reduction in administrative costs are mainly information and communication, selection of operations, and verification of deliveries and compliance.

In the case of EAFRD in particular, tasks related to ensuring a system for data recording are expected to increase administrative costs and monitoring tasks are also expected to increase because of the harmonisation of rules.

In the case of EMFF, the harmonisation of rules is expected to lead to increased administrative costs, in particular related to tasks such as the verification of deliveries and compliance, monitoring, and ensuring a system for data recording.

The expected reduction in the administrative burden on the level of beneficiaries is mainly linked to the financial management & preparation of the financial reports, proving/verification of deliveries & compliance, and keeping records and maintenance of the audit trail.

**Table 23 Harmonisation of rules: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser- vative	Most likely	Conser- vative
<b>Administrative costs</b>				
ESIF	-117.9	to -39.3	-0.5%	to -0.2%
ERDF/CF	-125.0	to -83.2	-1.1%	to -0.7%
ESF	-28.1	to -8.4	-0.5%	to -0.1%
EAFRD	10.7	to 18.1	0.2%	to 0.3%
EMFF	24.6	to 34.2	3.0%	to 4.1%
<b>Administrative burden</b>				
ESIF	-153.2	to -96.4	-1.2%	to -0.7%
ERDF/CF	-55.0	to -34.6	-1.1%	to -0.7%
ESF	-66.8	to -42.0	-1.1%	to -0.7%
EAFRD	-27.9	to -17.5	-1.4%	to -0.9%
EMFF	-3.5	to -2.2	-1.9%	to -1.2%
<b>Actors</b>		<b>Direction of change</b>		
National coordination authority		increase		
Managing Authority		decrease		
Certifying Authority/Paying Agency		neutral		
Audit Authority/Certification Body		neutral		
Beneficiary		decrease		

Source: own calculations based on survey results

In line with the mixed results of the earlier interviews, the detailed figures of the responses across funds show that about 35% of the respondents expect this measure to increase administrative workload on the level of national coordination. However, this is counterbalanced by 17%, who expect a decrease in administrative costs at the Managing Authorities level. Due to different baseline values, this results in the total decrease in administrative costs presented above.

The single task most affected by the simplification measures is annual data provision by Member States on the level of operations. There is, however, a large range of tasks where more respondents expect a decrease in administrative costs compared with those who expect an increase.

About 19% of respondents expect the administrative burden of beneficiaries to decrease, which is mainly linked to the three tasks mentioned above.

### **3.5 Proportionate control/ minimum level of on-the-spot checks**

With the Common Provisions Regulation, the minimum number of on-the-spot checks was reduced. Art. 148 CPR introduces two key simplification measures:

- (1) Operations below specific limits can only be audited once prior to the submission of accounts for the accounting year in which the operation is completed, while operations above the relevant thresholds can only be audited once per accounting year;
- (2) The Commission audit work will be focused on more risk-prone areas (Art. 148 (2,3) CPR).

The major difference between the proportionality of audits for the previous programming period and that foreseen in the 2014-2020 framework lies in the introduction of specific thresholds<sup>32</sup>, below which operations are exempted from more than one audit (either by the Audit Authority or the Commission). The general effort towards proportionate control systems is also reinforced in the EAFRD context: Art.59 (5) of Regulation 1306/2013 establishes that *'Member States may reduce that minimum level where the management and control systems function properly and the error rates remain at an acceptable level'*. A more proportionate control approach where each level builds and relies on assurance from the previous level is expected to reduce workload both for the administration and for beneficiaries.

#### **3.5.1 General response to the regulatory changes**

In general, information collected from the survey shows that overall actual impact of the measure is a decrease of the administrative costs and burden. The picture that emerges from interviews is slightly different with Managing Authorities and Audit/Certifying Authorities interviewed that do not expect any (significant) easing of burden compared to the previous programming period. Authorities interviewed consider that they have, in practice, never exceeded the limits specified in the current regulations. To quote one programme, the Czech ERDF OP Enterprise and Innovation for Competitiveness states that *"it is good that this rule exists. However, we do not remember whether it ever happened that the control in the previous programming period has been performed more often."*

According to the Swedish National OP for investments in growth and employment, thresholds are too low to have a real impact. Programmes express concerns that the increased attention to monitoring (e.g. in terms of a higher number of indicators, more control activities) will increase the costs of the controls. As a title of example, the German Saxony-Anhalt RDP expects an increase in administrative burden offsetting the simplification effect in the event that errors are found, which would result in an action plan to be developed for all measures for which the error was relevant.

However, in general, interviewees found it too early to make a judgement regarding the reduction of administrative costs with respect to Art. 148 CPR. Only the ERDF Operational Programme Digital Poland clearly confirmed a positive impact.

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<sup>32</sup> EUR 200,000 for the ERDF and the Cohesion Fund, EUR 150,000 for the ESF and EUR 100,000 for the EMFF.

### 3.5.2 Quantification of the impact of the regulatory changes

The expected impact of more proportionate controls and minimum level of on-the-spot checks is a decrease in the administrative workload. Indeed, the survey reveals a slight decrease of approximately 0.4 to 0.6% in the total administrative costs, i.e. approximately EUR 92.3 to 153.7 million.

In absolute terms, this decrease is to be found on the level of Certifying and Paying Agencies, followed by Audit Authorities and Certification Bodies, and also, to some degree, on the level of Managing Authorities. Furthermore, this measure is expected to reduce the administrative burden of beneficiaries.

Certifying and Paying Agencies expect that more proportionate controls and minimum level of on-the-spot checks will reduce their administrative costs, in particular with regard to the certification of expenditure entered in the accounts. This is followed by tasks such as taking account of the results of all audits and drawing up and submitting payment applications to the Commission.

Audit Authorities and Certification Bodies expect that more proportionate controls and minimum level of on-the-spot checks will reduce their administrative costs with regard to the audit of samples and to some degree also with regard to audits of the management and control system.

On the level of Managing Authorities, more proportionate controls and minimum level of on-the-spot checks are expected to decrease the administrative costs with regard to ensuring an adequate audit trail.

On the level of beneficiaries, a decrease of approximately EUR 51 to 71.1 million, i.e. about 0.4% is expected. This is linked to record keeping and maintenance of the audit trail.

**Table 24 Proportionate control/minimum level of on-the-spot checks: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser- vative	Most likely	Conser- vative
<b>Administrative costs</b>				
ESIF	-153.7	to -92.3	-0.6%	to -0.4%
ERDF/CF	-50.8	to -30.8	-0.5%	to -0.3%
ESF	-17.7	to -10.9	-0.3%	to -0.2%
EAFRD	-76.5	to -45.5	-1.1%	to -0.6%
EMFF	-8.6	to -5.1	-1.0%	to -0.6%
<b>Administrative burden</b>				
ESIF	-71.1	to -51.0	-0.5%	to -0.4%
ERDF/CF	-25.5	to -18.3	-0.5%	to -0.4%
ESF	-31.0	to -22.3	-0.5%	to -0.4%
EAFRD	-12.9	to -9.3	-0.6%	to -0.5%
EMFF	-1.6	to -1.2	-0.9%	to -0.6%
<b>Actors</b>	<b>Direction of change</b>			
National coordination authority	neutral			
Managing Authority	decrease			
Certifying Authority / Paying Agency	decrease			
Audit Authority / Certification Body	decrease			
Beneficiary	decrease			

Source: own calculations based on survey results

The detailed figures of the responses across funds show that about 44% of the Managing Authorities expect a decrease of administrative costs, which affects only one but a very important task, i.e. ensuring an adequate audit trail.

About 23% of the Audit Authorities/Certification Bodies respondents expect a reduction in administrative workload, particularly with regard to the audit of samples. Furthermore, about 19% of the Certifying Authorities/Paying Agencies expect a reduction in their administrative costs, linked to six different tasks – although about 18% expect an increase in workload, which somewhat counterbalances the picture. In that sense, the figures are somewhat more positive than the interview results, where no significant easing of administrative workloads was expected, and most interviewees found it too early to make a judgement.

For the beneficiaries, about 37% of the respondents expect a reduction in administrative workload, mainly linked to record keeping and maintenance of the audit trail.

### **3.6 E-cohesion/E-governance with beneficiaries**

According to Art. 122(3) CPR Member States have to ensure that *'no later than 31 December 2015, all exchanges of information between beneficiaries and a managing authority, a certifying authority, an audit authority and intermediate bodies can be carried out by means of electronic data exchange systems'*. The general effort toward the adoption of two-way electronic information portals is also embraced in the EAFRD context (Art. 95 and 72(3) 1306/2013; Art. 66(1)(c) and Art. 70 1305/2013). This measure is compulsory in the case of ERDF, ESF, CF and for certain elements of EAFRD area related measures but only optional in the case of EMFF (as specified in Art. 122(4) of the CPR).

In terms of administrative costs and burden, e-cohesion is expected to reduce the workload related to the communication of information (e.g. reduced need for data entry) and the management (e.g. storing, search and sharing) of documents. For beneficiaries, electronic one-stop-shop solutions are expected to ease the workload related to: (a) preparation and submission of funding applications, (b) financial management and reporting, (c) communication with the programme level, and (d) monitoring and audit.

#### **3.6.1 General response to the regulatory changes**

Data collected through the survey offer an overview of the type of e-cohesion/e-governance measures put in place at programme level. Table 25 illustrates the percentage of programmes (per each Member State) out of the total number of programmes answering to specific e-cohesion/e-governance measures, declaring their use of specific e-cohesion/e-governance measures. 68% of the respondents declare that they have set up a system offering the possibility of downloading forms, 60% of respondents provide online info about public services, while approximately half of respondents offer a full electronic case handling, decision and delivery (payment). The adoption of these specific e-measures is generally increasing compared with the previous programming period.

**Table 25 Type of e-cohesion /e-governance measures adopted at programme level**

	Type of e-cohesion measures							Other questions						
	A	Compared with 07-13	B	Compared with 07-13	C	Compared with 07-13	D	Compared with 07-13	E	Compared with 07-13	F	Compared with 07-13	G	Compared with 07-13
AT	50%	=	100%	↑	50%	↑	100%	↑	0%	=	100%	↑	50%	=
BE	80%	↑	80%	↑	80%	↑	40%	↑	60%	↑	60%	↑	40%	=
BG	100%	=	100%	=	100%	=	100%	↑	100%	↑	100%	=	100%	=
CZ	33%	↓	33%	↓	33%	=	100%	↑	100%	=	0%	↓	0%	↓
DE	78%	↑	89%	↑	61%	↑	33%	↑	17%	↑	89%	↑	28%	=
EE	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
ES	67%	↑	83%	↑	33%	↑	50%	↑	33%	↑	33%	↑	0%	=
FI	100%	=	100%	=	100%	=	100%	↑	100%	↑	0%	↓	100%	=
FR	100%	↑	80%	↑	20%	↑	40%	↑	20%	↑	80%	↑	100%	↑
GR	100%	↓	0%	↓	100%	↓	100%	↓	0%	↓	100%	↓	0%	↓
HU	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
IE	50%	↑	50%	↑	0%	=	0%	=	0%	=	50%	↑	50%	↑
IT	67%	↑	83%	↑	78%	↑	67%	↑	67%	↑	17%	↓	50%	↑
LT	100%	=	100%	=	100%	↑	100%	↑	100%	=	0%	↓	0%	=
LU	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
LV	0%	=	100%	=	100%	↑	100%	↑	0%	=	100%	=	0%	=
MT	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
NL	100%	=	75%	↓	75%	↑	75%	↑	25%	=	0%	↓	75%	=
PL	54%	↑	92%	↑	54%	↑	31%	↑	92%	↑	69%	↑	69%	↑
PT	83%	↓	67%	↓	83%	↓	83%	↓	100%	↓	0%	↓	50%	↓
RO	50%	=	50%	=	100%	↑	50%	↑	100%	↑	50%	=	50%	=
SE	100%	=	100%	=	100%	↑	100%	↑	0%	=	100%	=	0%	=
SK	50%	=	50%	=	50%	=	50%	=	100%	↑	100%	=	50%	=
UK	90%	↑	80%	↑	70%	↑	70%	↑	60%	↑	20%	↑	60%	↑
tot	<b>90%</b>	<b>↑</b>	<b>80%</b>	<b>↑</b>	<b>70%</b>	<b>↑</b>	<b>70%</b>	<b>↑</b>	<b>60%</b>	<b>↑</b>	<b>20%</b>	<b>↑</b>	<b>60%</b>	<b>↑</b>

Legend:

**Type of e-cohesion measures:**

- A: online info about public services (% of yes answers?)
- B: possibility to download forms (% of yes answers?)
- C: Possibility to download and fill in forms, incl. authentication (% of yes answers?)
- D: Possibility of full electronic case handling, decision and delivery (payment) (% of yes answers?)

**Other questions:**

- E: Has the use of e-cohesion/e-governance been made obligatory for beneficiaries? (% of yes answers?)
- F: Is there a duplicate paper trail? (% of yes answers?)
- G: Are their e-cohesion systems also used for other regional/national/EU-funding schemes (spill over)? (% of yes answers?)

Concerning the optional use of electronic data exchange systems with beneficiaries by EMFF programmes, according to the information collected solely through the survey (Table 26), only three programmes (Czech, Finnish and Romanian) state that they make use of this option<sup>33</sup>. The three 'users' consider that this solution allows for a reduction in administrative burden and risks of errors and mistakes. However, it also improves the efficiency of the financial management of the operations. Regarding the reasons for not taking up electronic data exchange systems, 'non-users' mainly refer to the complexity of the system to be implemented and to the fact that beneficiaries are perceived as not ready for making use of the simplification.

**Table 26 Use of electronic data exchange systems with beneficiaries by EMFF programmes**

Member State	Electronic data exchange
Belgium	No
Czech Republic	Yes
Germany	No
Estonia	No
Finland	Yes
France	No
Italy	No
Lithuania	No
Poland	No
Romania	Yes
Slovenia	No

Source: online survey

Findings from the interviews conducted with EMFF Managing Authorities paint a more positive picture: two programmes affirmed the use of e-Cohesion or the intention to put it in place in the coming years, either because of a specific national requirement (e.g., in the case of Spain), or because they see clear advantages in the electronic exchange with beneficiaries. Only the National EMFF Programme Italy held a critical view towards e-Cohesion because of the risk of misuse. In the case of the National EMFF Programme France, the implementation of e-Cohesion is hampered by national rules on data protection.

Concerning interviews conducted with Managing Authorities of ERDF, ESF and EAFRD Programmes, for which the implementation of e-Cohesion is mandatory, the general tenor of responses was that the benefit lies mainly with beneficiaries. The potential benefit that could be expected for programme authorities is often impaired by national rules requiring the submission of additional paper documents, which implies that MAs have to provide both options (e.g., in the case of Germany or Sweden). In the cases of the Czech ERDF Operational Programme Transport, the introduction of an electronic exchange system proved to be less practical due to the relatively large number of maps and plans submitted, which often cannot be opened by the authorities, as they do not have the necessary software.

It is worth mentioning that in several Member States, beneficiaries still have the option to choose between electronic or paper submission. In the case of the Spanish National

<sup>33</sup> Data collected through the DG Mare questionnaire for map-up of the take-up of simplification options partly contradict data presented in the current report: 'Around one-fifth of the Member States (CZ, FR, LV, MT) already had this data exchange system in place in the previous period and the same number of Member States (IE, NL, SI, UK) will newly establish a fully-fledged data exchange system for the purposes of the EMFF.'

EMFF Programme, an electronic monitoring system will be implemented for all ESIF, which will, however, not be used for interaction with beneficiaries. Nevertheless, its use will be extended to other regional and national funds.

Some of the programmes interviewed had already set up e-Cohesion/e-Governance during the previous programming period, so for them, the introduction of the obligatory use of e-cohesion will not bring any substantial change in terms of reduction or increase in administrative costs. Drawing on the experience with e-Cohesion from the previous period, the Croatian ERDF Competitiveness and Cohesion Programme reported that, thanks to e-Cohesion, the programme was able to reduce the number of requests for information from beneficiaries. Based on this positive experience, it is planned to improve the system in order to significantly reduce the overall workload and the risk of double funding. One programme, the German Saxony-Anhalt RDP, reported on a comprehensive use of the IT-system, namely not only for EU-funded operations but also for operations that are supported exclusively by regional or national funds.

In the specific case of the ETC Programmes interviewed, one of them, the Northwest-Europe Transnational Cooperation Programme, considered the use of e-Cohesion as the most significant simplification measure introduced in the new programming period. This is due to the fact that the ETC Programmes have jointly developed an open-source electronic monitoring system, and that the Northwest Europe Programme was part of the core development team. This is confirmed also by the Adrion programme, which considers that the use of an open-source system also allowed benefiting from improvements made by other ETC programmes.

Nevertheless, one programme mentioned the additional workload resulting from the introduction of a new IT system with all its 'teething problems'.

### **3.6.2 Quantification of the impact of the regulatory changes**

E-cohesion/e-governance is generally perceived as a simplification and it is expected to reduce the workload on administrations and on beneficiaries.

In total, the expected impact of e-cohesion and e-governance with beneficiaries is a decrease in the administrative workload. The survey reveals a decrease of approximately 1 to 1.7% of the total administrative costs, i.e. approximately EUR 256 to 408.8 million.

This decrease is to be found on the level of Managing Authorities, Certifying Authorities /Paying Agencies and Audit Authorities/Certification Bodies.

Across all four funds, administrative costs will decrease, in particular with regard to the verification of deliveries and compliance. In the case of ERDF/CF and ESF, this is followed by reductions linked to the selection of operations, monitoring and ensuring a system for data recording.

In the case of EAFRD, savings related to verification of deliveries and compliance are followed by ensuring a system for data recording and monitoring.

In the case of EMFF, the largest savings are expected in the field of ensuring a system for data recording.

E-cohesion and e-governance with beneficiaries will also reduce the administrative costs of Audit Authorities and Certification Bodies. This relates in particular to the audits of samples and audits of management and control systems.

The expected reduction in the administrative burden on the level of beneficiaries amounts to approximately EUR 449.4 to 623.6 million. This is mainly linked to financial management and preparation of the financial report. In addition – though to a lesser degree – tasks affected also include monitoring and reporting to the programme management, keeping records and maintenance of the audit trail, and proving/verification of deliveries and compliance.

As shown in the table below, the total impact on administrative costs per fund varies.

**Table 27 E-cohesion/E-governance with beneficiaries: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	-408.8	to -256.0	-1.7%	to -1.0%
ERDF/CF	-204.6	to -136.9	-1.8%	to -1.2%
ESF	-101.6	to -58.4	-1.8%	to -1.0%
EAFRD	-86.1	to -49.2	-1.2%	to -0.7%
EMFF	-16.6	to -11.5	-2.0%	to -1.4%
<b>Administrative burden</b>				
ESIF	-623.6	to -449.4	-4.8%	to -3.4%
ERDF/CF	-228.5	to -164.7	-4.7%	to -3.4%
ESF	-277.4	to -199.9	-4.6%	to -3.3%
EAFRD	-115.8	to -83.5	-5.8%	to -4.2%
EMFF	-1.9	to -1.4	-1.0%	to -0.7%
<b>Actors</b>	<b>Direction of change</b>			
National coordination authority	neutral			
Managing Authority	decrease			
Certifying Authority/Paying Agency	decrease			
Audit Authority/Certification Body	decrease			
Beneficiary	decrease			

Source: own calculations based on survey results

The figures reflect the findings derived from the interviews, including the slightly higher expectations of EMFF authorities. At the same time, the interviews also mentioned additional workload and investments in the start-up phase due to the introduction of new IT systems. To what degree such start-up investments are considered in the survey responses is hard to say. However, since these investments have been near to the date of the survey, some respondents probably included them, which would imply that in the long run, the benefits might be even higher than indicated here.

The detailed figures of the responses across funds show that in particular Audit Authorities/Certification Bodies expect a clear reduction in administrative costs linked to audit of samples and also to audit of management and control systems, as well as the preparation and submission of annual controls.

Managing Authorities expect e-cohesion and e-governance to reduce their administrative costs for a range of different tasks, while these will actually increase costs for annual data provision and for ensuring a system for data recording.

The respondents also clearly expect a reduction in administrative burden for beneficiaries, rather equally distributed over the tasks mentioned above.

### 3.7 Simpler rules for revenue-generating projects

Exemptions from the requirement to deduct net revenues set out under Art. 68 (5) are expected to result in a reduction of administrative costs for managing revenue-generating project. For beneficiaries, some reduction of administrative burden is expected for revenue-generating projects due to the flat rate options introduced, which avoid complicated calculations of expected net revenues.

#### 3.7.1 General response to the regulatory changes

Programmes in general do not see any substantial improvement regarding their workload with respect to the simplification of rules for revenue-generating projects. The reasons for this are partly that revenue-generating projects play only a minor part in the programme, and partly it has been stressed that there are issues with national laws

when implementing this simplification. The latter seems to be the case, e.g. in Poland, Germany<sup>34</sup> and Slovenia.

The Czech ERDF Operational Programme Transport stated that the new provisions have a positive impact especially with a view to introducing flat rates for different types of projects. By the same token, the National EMFF Programme Spain confirms a general positive effect for beneficiaries, but points to a number of problems arising from the introduction of flat rates: the flat rates set out in the regulations may be too low and problems arise from establishing national flat rates in light of the differences in income and living costs between the different regions of Spain. Furthermore, there are concerns that auditors might still want to check and control, even if there are flat rates.

A negative impact for both beneficiaries and authorities was testified by the German ERDF Operational Programme Saxony, as operating cost-savings generated by the operation shall still be treated as net revenue unless they are offset by an equal reduction in operating subsidies (the same rule applied in 2007-2013). Also, the German Saxony-Anhalt RDP expects an increase in administrative burden as they face specific challenges which relate to agreeing on how to define requirements for the controlling of revenue-generating projects for public and private beneficiaries.

### 3.7.2 Quantification of the impact of the regulatory changes

The expected impact of simpler rules for revenue-generating projects is a decrease in the administrative workload. The survey reveals a decrease of approximately 0.4 to 0.6% in total administrative costs, i.e. approximately EUR 97.4 to 160 million.

This decrease is to be found on the level of Managing Authorities. Beneficiaries are expected to benefit from this simplification measure to a much larger degree, i.e. about EUR 175.9 to 282.2 million (i.e. 1.3 to 2.2% of the administrative burden).

While Managing Authorities of ERDF/CF programmes expect a clear reduction in administrative costs deriving from these simpler rules, Managing Authorities of other ESI Funds consider the effects to be rather insignificant, despite decreasing the costs. This can be explained with the different type of investments between the funds, in particular with the fact that revenue generating operations are usually supported by the ERDF/CF. In absolute terms, EAFRD respondents actually expect an increase in administrative costs related to verification of deliveries and compliance and the selection of operations.

In absolute terms, the expected substantial reduction of the administrative burden on the level of beneficiaries is mainly linked to tasks such as financial management and preparation of the financial report, and record keeping and maintenance of the audit trail. Some decrease is also expected, related to the proving/verification of deliveries and compliance. For the reduction in administrative burden, the picture is rather similar across all funds.

As shown in the table below, the total impact on administrative costs per fund varies.

**Table 28 Simpler rules for revenue-generating projects: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser- vative	Most likely	Conser- vative
<b>Administrative costs</b>				
ESIF	-160.0	to -97.4	-0.6%	to -0.4%
ERDF/CF	-154.7	to -94.8	-1.4%	to -0.8%

<sup>34</sup> Revenue-generating projects are only relevant for *one* operation in Saxony-Anhalt RDP on day care and school education (STARK III). Here the requirements differ between facilities run by public (municipal) and private / independent institutions. For public institutions, it was agreed that they have to submit invoices and their certified financial accounts. For private and independent institutions, it is however more difficult. So far, no final agreement could be reached. However, the Federal Ministry for Economic Affairs is in touch with the EU COM (Ares (2015)2572299, June 19<sup>th</sup> 2015, p. 5, Point 7).

ESF	-6.4	to	-4.3	-0.1%	to	-0.1%
EAFRD	1.0	to	1.6	0.0%	to	0.0%
<b>Administrative burden</b>						
ESIF	-282.2	to	-175.9	-2.2%	to	-1.4%
ERDF/CF	-103.7	to	-64.6	-2.1%	to	-1.3%
ESF	-125.9	to	-78.5	-2.1%	to	-1.3%
EAFRD	-52.6	to	-32.8	-2.6%	to	-1.6%
<b>Actors</b>			<b>Direction of change</b>			
National coordination authority			neutral			
Managing Authority			decrease			
Certifying Authority / Paying Agency			neutral			
Audit Authority / Certification Body			neutral			
Beneficiary			decrease			

Source: Own calculations based on survey results

The detailed figures of the responses across funds show that Management Authorities expect the highest reductions in administrative costs in relative terms for the tasks related to the selection of operations, verification of deliveries and compliance, and assessment & monitoring of operations generating net revenue. In that sense, the responses of the survey are a little more optimistic than the interviews reflected in in the section on uptake, where no substantial reductions of administrative costs and burden have been reported, mainly due to the limited number of cases where this measure applies or due to national laws that come into play.

The respondents also expect a substantial reduction in administrative burden for beneficiaries, rather equally distributed over the tasks mentioned above.

### 3.8 Shorter retention period for documents

Art. 140(1) CPR sets out that supporting documents regarding expenditure supported by the Funds on operations for which the total eligible expenditure is less than EUR 1,000,000 need to be retained for a period of three years from 31 December following the submission of the accounts in which the expenditure of the operation is included. For operations above the threshold of EUR 1,000,000, the retention period is two years from 31 December following the submission of the accounts in which the final expenditure of the completed operation is included.

This reduction of the timespan for possible audits is expected to reduce the workload related to the detection of irregularities. Also, costs for the maintenance of records and the data recording system should decrease. For beneficiaries, the reduced audit requirement and retention rules are expected to ease the burden related to proof and verification of deliverables, compliance, record-keeping (including accounting) and maintenance of the audit trail. An additional benefit is the expected increase in legal certainty for stakeholders.

#### 3.8.1 General response to the regulatory changes

Data from the survey shows that the measure is expected to reduce administrative costs and burdes. Interviews partially confirm this picture even if also some examples of expected increase in administrative costs are reported.

According to some of the interviewees problems mainly arise in the context of state aid rules, which seem to be tighter as regards document retention requirements than ESIF regulations. For instance, one UK interviewee stated that state aid rules may be an issue where they may ask for longer retention periods than the CPR. Similarly, according to the German ERDF Operational Programme Saxony, in connection with long-term projects and cases of state aid, costs might increase as the new rules imply individual retention periods for beneficiaries, making the system more error-prone. Also in Poland, the issue

of individual retention periods due to the introduced thresholds has been highlighted as a reason why the shorter retention periods are not regarded as simplification.

More generally, the new retention approach requires closer coordination between MA, CA, AA, as there are different trigger points for operations above and below the threshold as regards the start of the respective deadline.

In synthesis, the shorter retention period for documents is expected to reduce administrative costs and burden. Interviews reveal that benefits of the measure can be potentially limited by state aid rules impose longer retention periods.

### 3.8.2 Quantification of the impact of the regulatory changes

The expected impact of shorter retention periods for documents is a decrease in the administrative workload. The survey reveals a decrease of approximately 0.2 to 0.3% in the total administrative costs, i.e. approximately EUR 48.4 to 75 million.

This decrease is to be found on the level of Managing Authorities of ERDF, ESF and EMFF programmes, as this simplification measure does not concern EAFRD. The Managing Authorities of ERDF, ESF and EMFF programmes expect the reduction in administrative costs to concern the verification of deliveries and compliance.

Audit Authorities/Certification Bodies expect this simplification measure to increase their administrative costs slightly. The expected increase is mainly linked to the audit of samples.

Furthermore, beneficiaries are also expected to benefit from this simplification measure. The reduction in administrative burden is approximately 0.4 to 0.5% of the total administrative burden, i.e. EUR 46.5 to 66.3 million. This reduction is mainly linked to the financial management & preparation of the financial reports, proving/verification of deliveries and compliance, and keeping records and maintenance of the audit trail.

**Table 29 Shorter retention period for documents: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	-75.0	to -48.4	-0.3%	to -0.2%
ERDF/CF	-41.6	to -26.9	-0.4%	to -0.2%
ESF	-29.0	to -19.0	-0.5%	to -0.3%
EMFF	-4.3	to -2.6	-0.5%	to -0.3%
<b>Administrative burden</b>				
ESIF	-66.3	to -46.5	-0.5%	to -0.4%
ERDF/CF	-29.1	to -20.4	-0.6%	to -0.4%
ESF	-35.4	to -24.8	-0.6%	to -0.4%
EMFF	-1.8	to -1.3	-1.0%	to -0.7%
<b>Actors</b>	<b>Direction of change</b>			
National coordination authority	neutral			
Managing Authority	decrease			
Certifying Authority / Paying Agency	neutral			
Audit Authority / Certifying Body	increase			
Beneficiary	decrease			

Source: Own calculations based on survey results

Across funds, almost 50% of the Managing Authorities expect a reduction in their administrative costs due to shorter retention periods for documents. The corresponding figure for Audit Authorities / Certification Bodies is 25%. As for beneficiaries, there is a strong indication (60% of the respondents) that the administrative burden linked with keeping records and maintenance of the audit trail will decrease.

Besides these positive effects, the interviews also point to cases of tighter national regulations that prevent this simplification measure of shorter retention periods to have an effect, and the need for closer coordination between programme bodies to ensure that the beneficiaries know the final date of the retention period.

### 3.9 Simplified programme modification procedure

Art. 96(11) of the CPR aims at reducing the administrative workload required to modify the programmes in the event of amendments with minor impacts on programmes. This measure is common to the ERDF, ESF, and CF; in the case of EMFF, a similar procedure is specified under Art. 22(2) of the EMFF Regulation.

#### 3.9.1 General response to the regulatory changes

The majority of programmes testified that this provision does not introduce any substantial change with respect to the previous programming period, or they acknowledge that a proper assessment is not possible at this early stage of implementation. This is generally confirmed by data coming from the survey that attest a limited reduction in the administrative costs. Among the interviewees only the Swedish National OP for Investments in Growth and Employment reported on positive effects of the simplified programme modification procedure on administrative workload. The National EMFF Programme France expects the time required for the Commission to provide feedback on modifications to decrease, which, however, will not translate into decreased costs, as MAs still need to justify modifications.

On the other hand, the German ERDF Operational Programme Saxony predicts an increase in administrative costs due to the increase in requirements to be met, such as description of the contribution to implementation of the EU 2020 Strategy.

In general the introduction of the simplified programme modification procedure is expected to have a limited impact in terms of reduction of the administrative workload.

#### 3.9.2 Quantification of the impact of the regulatory changes

The introduction of a simplified programme modification procedure (which applies to ERDF/CF, ESF and EMFF) has mainly affected administrative costs. In total, the expected impact is a slight decrease in administrative costs, of approximately EUR 4.9 to 9.3 million, which is insignificant in absolute terms. These low figures are in line with the interview results (chapter 2) that there are no substantial effects compared to the previous programme period.

The decrease is mainly affecting the administrative work of Managing Authorities linked to the preparation of programmes, guiding the work of the monitoring committee, and, for EMFF, the transmission of data to the European Commission, and annual data provision by Member States on operational level data.

**Table 30 Simplified programme modification procedure: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	-9.3	to -4.9	0.0%	to 0.0%
ERDF/CF	-6.4	to -4.2	-0.1%	to 0.0%
ESF	-2.7	to -1.1	0.0%	to 0.0%
EMFF	-0.2	to 0.3	0.0%	to 0.0%
<b>Administrative burden</b>				
ESIF	0.0	to 0.0	0.0%	to 0.0%
ERDF/CF	-	to -	-	to -
ESF	-	to -	-	to -

EMFF	-	to	-	-	to	-
Actors	Direction of change					
National coordination authority	neutral					
Managing Authority	decrease					
Certifying Authority/Paying Agency	neutral					
Audit Authority/Certification Body	neutral					
Beneficiary	neutral					

Source: Own calculations based on survey results

### 3.10 Simplification of the programme document

Increased thematic concentration (i.e. the concentration of operations on a limited number of TOs/IPs), the streamlining of the intervention logic, and the fact that programmes no longer need to include a social-economic analysis are supposed to reduce administrative costs. More precisely, thematic concentration is expected to reduce negotiation costs between the MA and administrative bodies in charge of sector policies, as well as complexity in the drafting and discussion of OPs. However, the new framework is likely to have resulted in additional efforts needed for producing high-quality documents (e.g. for the development of indicators) and possibly in more intense negotiations within the programme authorities to identify and agree on the focus of the programme.

#### 3.10.1 General response to the regulatory changes

In general, programmes do not see a significant simplification arising from the simplification of the programme document, with some even noting that the total administrative burden has in fact increased. The German ERDF Operational Programme Saxony reported that various OP versions had to be drafted in the development phase of the OP due to new requirements coming from the Commission (e.g., new formulations, new structure, template changes etc.) and the necessary adjustments resulting from them. The drafting tied up a lot of resources and more specific guidelines from the Commission would have been needed in a timelier manner, as delays resulted from the late adoption of the regulations.<sup>35</sup>

In synthesis, the simplification of the programme document does not imply significant reduction of the administrative costs.

#### 3.10.2 Quantification of the impact of the regulatory changes

The simplification of programme documents is expected to have a very limited effect in terms of decrease in the administrative costs of approximately EUR 0.6 to 3.8, which is insignificant in absolute terms.

This decrease is to be found on the level of Managing Authorities of ERDF/CF and ESF programmes, with ESF programmes being more positive about possible reductions of administrative costs. This simplification does not apply to EAFRD and EMFF programmes.

In both cases, they indicate a reduction in administrative costs related to the preparation of the programme documents. Although only 26% of the respondents indicated a decrease in costs (compared to 30% indicating an increase), their estimations of the decrease were higher than those indicating an increase. This ambiguous result is also in line with the interviews reflected in chapter 2 where the programmes do not see a clear reduction in administrative costs due to the simplification of programme documents.

<sup>35</sup> For the funding period 2007-2013, the regulations were already adopted in summer 2006 and processes were clearly defined. For the 2014-2020 period, the basic regulations were adopted only on 17/12/2013.

**Table 31 Simplification of the programme document: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser- vative	Most likely	Conser- vative
<b>Administrative costs</b>				
ESIF	-3.8	to -0.6	0.0%	to 0.0%
ERDF/CF	-1.3	to 0.1	0.0%	to 0.0%
ESF	-2.5	to -0.8	0.0%	to 0.0%
<b>Administrative burden</b>				
ESIF	0.0	to 0.0	0.0%	to 0.0%
ERDF/CF	-	to -	-	to -
ESF	-	to -	-	to -
<b>Actors</b>		<b>Direction of change</b>		
National coordination authority		neutral		
Managing Authority		decrease		
Certifying Authority/Paying Agency		neutral		
Audit Authority/Certification Body		neutral		
Beneficiary		neutral		

Source: own calculations based on survey results

### 3.11 Considering providers of training or knowledge transfer as beneficiaries (EAFRD)

In order to reduce administrative costs and to facilitate access to advisory services for the final beneficiaries, Art. 14 and 15 of Regulation 1305/2013 (EAFRD Regulation) allow the provider of a training or knowledge transfer activity or advisory services (and not the participants in the training) to be defined as the beneficiary.

#### 3.11.1 General response to the regulatory changes

Data collected through the survey illustrate that the measure is expected to decrease the administrative workload. Only a few responses were obtained from interviews on the implementation of this provision, most of which state that it will not have any impact on the administrative burden of programmes. In the case of the German Saxony-Anhalt RDP, knowledge transfer activities are not supported under the RDP, while the Belgium Wallonia 2014-2020 RDP states that the measure did not change compared to the previous programming period, but the implementation of selection criteria led to a complication rather than a simplification. The Romanian NRDP expects a reduction in administration to result from it.

In general, as illustrated below the possibility to consider providers of training or knowledge transfer as beneficiaries is expected to reduce the administrative costs and burden.

#### 3.11.2 Quantification of the impact of the regulatory changes

The expected impact of considering providers of training or knowledge transfer as beneficiaries is a decrease in the administrative workload for EAFRD programmes (as this measure is only applicable for EAFRD).

There is a slight reduction in administrative costs of approximately EUR 24.9 to 40.6 million, i.e. 0.1 to 0.2% of the total ESIF administrative costs (respectively 0.3 to 0.6% of the EAFRD administrative costs). The reduction of administrative costs reported by Certifying Authorities is mainly linked to tasks such as taking account of the results of all audits and maintaining records of expenditure declared to the European Commission. Almost insignificant positive impacts are reported for drawing up and submitting payment applications and ensuring the provision of adequate information to the MA.

The impact on administrative burden varies from a reduction of EUR 15.9 million to a slight increase of 1.5 million. The possible reduction in administrative burden on the level of beneficiaries is mainly linked to the financial management and preparation of the financial report.

Looking at the responses across funds at task level shows that most respondents actually do not expect the administrative costs and burden to change due to this measure. This picture confirms the findings of the interviews in the section on uptake.

**Table 32 Considering providers of training or knowledge transfer as beneficiaries: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	-40.6	to -24.9	-0.2%	to -0.1%
EAFRD	-40.6	to -24.9	-0.6%	to -0.4%
<b>Administrative burden</b>				
ESIF	-15.9	to 1.5	-0.1%	to 0.0%
EAFRD	-15.9	to 1.5	-0.8%	to 0.1%
Actors	Direction of change			
National Coordination Authority	neutral			
Managing Authority	neutral			
Certifying Authority / Paying Agency	decrease			
Audit Authority / Certification Body	neutral			
Beneficiary	neutral			

Source: own calculations based on survey results

## 4 Optional simplification measures

### Key findings

- The most important optional simplification measures making a significant contribution to reducing administrative costs and burden are SCO.
- The second most important optional simplification measures in terms of reduction of administrative costs is the merge of MA-CA/reducing the number of PA.
- CLLD and ITI are generally not perceived as a simplification.

Some simplification measures provided by the ESIF regulatory framework are optional for Member States and programme bodies and are therefore not implemented by all programmes. The table below provides a quick overview of which simplification measures are optional under which fund.

For these optional simplification measures, the following sections provide an overview on the assumed simplification, the MA responses to the survey concerning the anticipated use of the measures, the reasons why they envisage using or not using them as well as the expected impact on administrative cost and burden due to the measure. This is complemented by insights derived from the interviews.

**Table 33 Optional simplification measures of the ESI Funds**

N.	Type of simplification measure	2014-2020 Simplification measure			CPR	Relevant fund-specific regulation
		Where applicable				
		ERDF/CF/ESF	EMFF	EARDF		
1	Implementation of projects under CLLD	Option	Option		Part II, Art. 33	
2	Integrated territorial investment (ITI)	Option	Option	Option	Part II, Art. 36	ERDF: Art. 7
3	Merger of managing and certifying authority (for EAFRD, restriction of the number of Paying Agencies)	Option	Option	Option	Part IV, Art. 123(3)	EAFRD: Reg. 1306/2013 - Art.7(2)
4	Grants and repayable assistance may take the form of SCO, (standard scale of unit costs, lump sums, flat-rate financing)	Option <sup>36</sup>	Option	Option	Part II, Art. 67-68	ESF: Reg. 1304/2013 - Art.14 ETC: Reg. 1299/2013 - Art.19
5	Joint Action Plans (JAP)	Option			Part III, Art. 104-109	
6	Independent quality report for Major projects	ERDF/CF			Part III, Art. 102 (1) CPR	
7	Advance payments		Option	Option		EMFF: Reg. 508/2014 - Art. 62, 66
						EAFRD: Reg. 1305/2013 - Art. 42,63; Reg. 1306/2013 - Art. 75;
8	Establishment of advance criteria for insurance cover		Option	Option		EMFF: Reg. 508/2014 - Art. 57(3)
						EAFRD: Reg. 1305/2013 - Art. 36-39
9	Accelerated procedure for selection process		Option			EMFF: Reg. 508/2014 - Art. 27 (4), 49 (5)
10	Special calculation rules for compensation		Option			EMFF: Reg. 508/2014 - Art. 55

Not applicable

Source: own elaboration

For each mandatory simplification measure, the following sections assess the anticipated use of simplification options and the reason why certain options have (or have not) been included in the programmes, or why their inclusion is envisaged (or not). Through the

<sup>36</sup> In the case of ESF the use of SCO is obligatory for operations not exceeding EUR 50,000 of public support to be paid to the beneficiary (Art. 14(4) of ESF Reg.)- except in the case of a state aid scheme.

interviews at programme level, a number of reflections on the use of these measures have been collected. It is important to understand to what degree and why simplification measures are or will be used, to estimate the impact of the mandatory simplification options.

Based on the uptake information from the interviews and survey information, the quantifiable impacts of these mandatory simplification options are addressed. Primarily, the study quantifies the change in administrative costs for Member States and administrative burden for beneficiaries generated by simplification in the overall delivery mechanism of programme management and control. As presented in the introduction, based in the collected information on the uptake of the various simplification measures and their expected impact on a range of administrative tasks, the reduction of administrative costs and burden could be calculated. The ranges indicate the reductions achieved given the present information on the implementation of simplification measures. Furthermore, it should also be noted that in some cases, information provided on the anticipated use of simplification options may differ from the actual wording in the programme.

As will be discussed in chapter 5 – in relation to the potential maximum impacts – the modest results of expected impact may be due to the levels of uptake of simplification measures, as well as to conservative estimations of their potential impact.

With regard to the optional measures common to all ESI Funds, the possibility of using SCO (in the form of flat rates, lumps sums or standard scales of unit costs) is by far the most frequently used option (79% of respondents declare use of this option). The level of uptake varies across the different funds, from 45% of the EMFF programmes to 91% of ETC programmes.

With regard to fund-specific optional measures, the most frequently used option (45% of respondents) is the possibility offered by EMFF and EAFRD regulations to provide advance payments to beneficiaries of specific measures.

With regard to the differences across the different funds, available data highlight that the level of uptake of the different optional measures is rather similar across the different ESI Funds, even if multifund programmes generally demonstrate a higher level of use of the respective options.

## **4.1 Community-led local development (CLLD) & local action groups**

Community-led local development (CLLD) is a tool for involving citizens at the local level in developing responses to social, environmental and economic challenges. Based on Leader experience under EAFRD, it aims at facilitating the involvement of actors at sub-programme level.

CLLD was developed in the context of rural development policies (Leader approach), and later the concept was extended to fishery policies (LAG). While CLLD is mandatory in the case of EAFRD programmes, the 2014-2020 legal framework (Art. 32-35 CPR) provides for the possibility that CLLD approaches may be supported by the ERDF, ESF or EMFF as well. It also enables Member States and regions to implement CLLD strategies jointly funded by two or more ESIF. Strategies supported by several funds are more complex to design and implement and could prove difficult to implement; however, at the administrative level, their implementation is expected to streamline and simplify the implementation of the local strategy, taking advantage of the harmonisation of the delivery rules among the funds. The potential benefit can be particularly relevant for the beneficiaries, who are expected to benefit from a single set of rules for different funds.

### **4.1.1 Use of the simplification measure**

Table 34 shows an overview of CLLD use among the different funds, according to the online survey. Overall, approximately one-fifth of the non EAFRD programmes that

responded to the survey indicate that they will make use of CLLD. The level of uptake varies from 6% for ERDF to 36% for multifund programmes and even 86% for EMFF programmes.

**Table 34 Share of programmes for each fund implementing CLLD**

	Prog.	No uptake		Uptake		Data sample		EU level	
		Prog.	Budget (mln €)	Uptake	Budget (mln €)	Response rate <sup>37</sup>	% uptake <sup>38</sup>	% budget <sup>39</sup>	
<b>tot</b>	<b>417</b>	<b>135</b>	<b>136276</b>	<b>29</b>	<b>45511</b>	<b>39%</b>	<b>18%</b>	<b>23%</b>	
ERDF/CF	tot	127	48	50645	3	11222	40%	6%	18%
	More developed	62	28	10942	1	2066	47%	3%	16%
	Transition	15	5	2517	0	0	33%	0%	0%
	Less developed	36	12	33354	0	0	33%	0%	0%
	Mixed dev. status <sup>40</sup>	14	3	3831	2	9156	36%	40%	71%
ESF	tot	95	34	27281	3	2833	39%	8%	9%
	More developed	48	19	8606	2	235	44%	10%	3%
	Transition	11	1	22	0	0	9%	0%	0%
	Less developed	17	6	4275	1	2598	41%	14%	38%
	Mixed dev. status	19	8	14379	0	0	42%	0%	0%
EMFF	tot	27	1	41	6	2311	26%	86%	98%
	More developed	7	0	0	0	0	0%		
	Transition	1	0	0	0	0	0%		
	Less developed	9	1	41	3	1016	44%	75%	96%
	Mixed dev. status	10	0	0	3	1295	30%	100%	100%
MULTI	tot	92	23	53005	13	28627	39%	36%	35%
	More developed	21	3	5007	2	4466	24%	40%	47%
	Transition	18	2	1819	3	1153	28%	60%	39%
	Less developed	43	13	34837	8	23008	49%	38%	40%
	Mixed dev. status	10	5	11342	0	0	50%	0%	0%
ETC	tot	76	29	5304	4	518	43%	12%	9%

Source: online survey

Looking into the reasons why programmes decided to make use of CLLD, Table 35 illustrates that CLLD is perceived as ensuring greater emphasis on achieving measurable results, and on innovative approaches. Furthermore, in particular in the case of ESF and multifund programmes, CLLD has been included because it was advocated by the EC.

In the case of 'other' reasons, respondents mainly refer to the integrated approach nature of this territorial development tool.

The potential of CLLD to reduce the administrative burden was mainly seen by respondents from ETC programmes.

**Table 35 Frequency of reasons for using CLLD**

Reasons for UPTAKE	TOT	ERDF/CF	ETC	ESF	EMFF	MULTI
<i>Greater emphasis on achieving clear, concrete, measurable results</i>	<b>16%</b>	20%	8%	17%	-	19%

<sup>37</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification) / total number of programmes

<sup>38</sup> % uptake = number of programmes taking up the simplification / (number of programmes taking up the simplification + number of programmes not taking up the simplification)

<sup>39</sup> % budget is calculated by: (i) considering the representativeness of the data sample in terms of budget allocation; (ii) calculating the relation between the total budget of the representative sample of programmes taking up the simplification and sum of the total budget of the representative sample of programmes taking up and not taking up the simplification

<sup>40</sup> "Mixed dev. status" refer to programmes involving different type of regions (i.e. including both "more developed" and "transition" regions)

<i>Developing innovative approaches with the beneficiaries</i>	<b>16%</b>	40%	17%	17%	-	13%
<i>Advocated by the EC</i>	<b>13%</b>	0%	8%	17%	-	16%
<i>Reduced administrative burden</i>	<b>11%</b>	0%	17%	8%	-	13%
<i>Providing a faster and better response to the needs of target groups/territories</i>	<b>11%</b>	40%	8%	8%	-	9%
<i>Improving the efficiency of the financial management of the operations</i>	<b>7%</b>	0%	8%	0%	-	9%
<i>Developing innovative/collaborative approaches within and between administrations</i>	<b>7%</b>	0%	8%	0%	-	9%
<i>Other</i>	<b>7%</b>	0%	17%	8%	-	3%
<i>Improving the quality of the Call for proposals (clear and effective objectives and actions)</i>	<b>5%</b>	0%	8%	17%	-	0%
<i>Positive feedback from other authorities which have implemented simplification</i>	<b>3%</b>	0%	0%	8%	-	3%
<i>Reduced risk of errors/mistakes</i>	<b>2%</b>	0%	0%	0%	-	3%
<i>Improving the monitoring and evaluation processes</i>	<b>2%</b>	0%	0%	0%	-	3%

Source: online survey

The complexity of implementation and scepticism about benefits are the most important reasons given for not taking up CLLD (Table 36). The main reasons are that CLLD is considered too complex and the respondents are sceptical towards its potential for simplification. This is also confirmed by the high proportion of respondents who answered 'other'; these respondents mainly refer to the fact that there was no need for CLLD or that the decision on CLLD was made by the authority in charge of EAFRD.

These survey results are confirmed by the qualitative information collected through interviews. In general, interviewees share the overall objective of promoting bottom-up approaches and acknowledge the innovativeness of CLLD in the promotion of regional development.

However, as in the case of ITI (see below), respondents consider CLLD to be a complex administrative solution that implies significant coordination efforts and requires the establishment of a new coordinating body. More precisely, according to the view of some Croatian and Italian authorities, setting up intermediate bodies complicates the expenditure cycle and increases the risks of delays.

**Table 36 Frequency of reasons for not making use of CLLD**

Reasons for NO UPTAKE	TOT	ERDF/CF	ETC	ESF	EMFF	MULTI
<i>Other</i>	<b>23%</b>	28%	21%	20%	-	19%
<i>Scepticism on the benefits of simplification</i>	<b>20%</b>	20%	17%	20%	-	22%
<i>The simplification is too complex to be implemented</i>	<b>18%</b>	20%	19%	18%	-	14%
<i>No willingness to change because it functions well at administrative level</i>	<b>11%</b>	8%	14%	11%	-	14%
<i>Lack of information/ knowledge about the simplification</i>	<b>8%</b>	4%	17%	5%	-	8%
<i>Legal constraints (at National Level)</i>	<b>5%</b>	4%	5%	2%	-	11%
<i>Risk of misuse of the resources by beneficiaries</i>	<b>4%</b>	6%	5%	2%	-	3%
<i>The beneficiaries are considered not ready for simplification</i>	<b>4%</b>	4%	0%	7%	-	6%
<i>Lack of financial/human resources to implement the measure</i>	<b>4%</b>	3%	2%	11%	-	0%

Negative feed-back from other authorities which have implemented the simplification

2% 3% 0% 2% - 3%

Source: online survey

Out of the Managing Authorities interviewed other than EAFRD, only three programmes actually implement CLLD (as well as ITI, in some cases). The Slovenian ESF OP for the Implementation of the EU Cohesion Policy states that *'the implementation of CLLD and ITI will probably increase the costs, because it introduces a new actor and intermediary between the MA and the beneficiary. In the case of ITI, this is the city municipalities association, in the case of CLLD it is the local action group. For the beneficiary, there is no change. But the whole system becomes more dispersed, the number of small projects increases, which is a burden for the whole system.'*

Also the Spanish EMFF interviewee underlines that CLLD may increase complexity and thus administrative costs: *'There are quite a lot of FLAG (Fishery Local Action Groups) in Spain and many regions will use the CLLD approach to support them. However, it seems that complexity increased due to the consideration of State Aid relevance for some of the actions supported by the EMFF (all not related to fishery directly). Now all local managers, all IB and all stakeholders involved in the certification and control process will need to know about and apply the State Aid Rules. This brings more workload.'*

More answers were obtained regarding reasons for non-uptake, which confirm survey findings. Programmes consider CLLD (and ITI) to be too complex. They criticise insufficient compatibility with the ERDF and EAFRD legislative framework. In addition, the implementation of CLLD requires putting more effort into coordination and, hence, increases the administrative burden. Ultimately, there is also demand for a separate monitoring and controlling of the CLLD and the coordination with the ESF regarding compatible contents, all of which means additional work. According to the Italian ERDF Operational Programme Marche Region, the same objectives pursued by CLLD, ITI and JAP could be achieved by increasing the harmonization among funds, and by better support for local stakeholders.

#### 4.1.2 Quantification of the impact of the regulatory change

Considering the levels of uptake, the expected impact of CLLD is a slight increase in administrative costs, approximately EUR 15.1 to 24.6 million, i.e. about 0.1% of total administrative costs. At the same time, the burden is expected to vary between an increase of 15.1 and a decrease of 9.4 million, i.e. 0.1 to -0.1% of the total administrative burden.

In the case of EAFRD where local action groups are mandatory, the increase in administrative costs is rather minor compared with the increase expected by Managing Authorities of other ESI Funds. EMFF Managing Authorities expect a somewhat higher increase than their colleagues from other funds.

In the case of the other ESI Funds for which the use of CLLD is optional, the measure is expected to have a higher impact on the administrative costs of Managing Authorities. In the case of ERDF/CF and ESF, the increase is mainly linked to the task involving information and communication, followed by the selection of operations. In the case of EMFF, the picture is the other way around; the highest increases are linked to the selection of operations, followed by information and communication tasks. An almost insignificant increase is expected in these funds from the preparation of programmes.

These findings confirm the interview results, identifying CLLD as a complex administrative solution that entails considerable coordination efforts.

On the level of beneficiaries, the reduction in administrative burden is expected for EAFRD, while for the other funds, a slight increase in administrative burden is expected. The increase is mainly linked to the administrative burden related to proving/verification of deliveries, compliance and record keeping.

**Table 37 Community-led local development (CLLD): actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	15.1	to 24.6	0.1%	to 0.1%
ERDF/CF	3.4	to 6.6	0.0%	to 0.1%
ESF	6.7	to 10.3	0.1%	to 0.2%
EAFRD (mandatory)	2.5	to 4.2	0.0%	to 0.1%
EMFF	2.5	to 3.5	0.3%	to 0.4%
<b>Administrative burden</b>				
ESIF	-9.4	to 15.1	-0.1%	to 0.1%
ERDF/CF	12.7	to 18.0	0.3%	to 0.4%
ESF	15.4	to 21.8	0.3%	to 0.4%
EAFRD (mandatory)	-38.3	to -25.8	-1.9%	to -1.3%
EMFF	0.8	to 1.1	0.4%	to 0.6%
<b>Actors</b>	<b>Direction of change</b>			
National Coordination Authority	neutral			
Managing Authority	increase			
Certifying Authority / Paying Agency	neutral			
Audit Authority / Certification Body	neutral			
Beneficiary	neutral			

Source: Own calculations based on survey results

Seen across funds, 52% of the Managing Authorities responded that they do not expect any change in administrative costs due to CLLD, while 35% expect an increase and 14% expect a decrease in administrative costs.

The tasks for which an increase or in some cases a decrease is indicated are mainly preparation of programmes, information and communication, and selection of operations.

As for the beneficiaries, a higher share of the respondents (67%) do not expect any change and the respondents expecting a decrease versus an increase come from different funds, as pointed out above.

## 4.2 Integrated territorial instruments (ITI)

Integrated territorial Investment (ITI) facilitates the implementation of integrated territorial strategies at sub-programme level. As delivery mechanism it allows a cross-cutting way of implementing the programme. Likewise CLLD, ITI is expected to streamline and simplify the implementation of local strategies, taking advantage of local specificities and taking advantage of funding from multiple priority axis from one or a combination of funds.

According to Art. 36 CPR, 'Where an urban development strategy or other territorial strategy, or a territorial pact referred to in Article 12(1) of the ESF Regulation requires an integrated approach involving investments from the ESF, ERDF or Cohesion Fund under more than one priority of one or more operational programmes, actions may be carried out as an integrated territorial investment.'

### 4.2.1 Use of the simplification measure

Table 38 provides an overview of ITI use among the different funds, according to the survey respondents. At the current stage of the survey implementation, the level of uptake varies from 6% for ETC to 66% for multifund programmes. In particular, regional multifund programmes seem to make use of ITI.

**Table 38 Share of programmes for each fund taking up ITI**

	Prog.	No uptake		Uptake		Data sample		EU level
		Prog.	Budget (mln €)	Response rate <sup>41</sup>	% uptake <sup>42</sup>	Response rate <sup>43</sup>	% uptake <sup>44</sup>	% budget <sup>45</sup>
<b>tot</b>	<b>417</b>	<b>115</b>	<b>95855</b>	<b>52</b>	<b>94766</b>	<b>40%</b>	<b>31%</b>	<b>47%</b>
ERDF/CF	tot	127	38 35082	13	26785	40%	25%	43%
	More developed	62	24 10416	5	2592	47%	17%	20%
	Transition	15	5 2517	0	0	33%	0%	0%
	Less developed	36	6 18356	6	14998	33%	50%	45%
	Mixed dev. status	14	3 3792	2	9195	36%	40%	71%
ESF	tot	95	26 22972	11	12550	39%	30%	35%
	More developed	48	15 6159	5	2659	42%	25%	30%
	Transition	11	1 22	0	0	9%	0%	0%
	Less developed	17	5 8756	3	3546	47%	38%	29%
	Mixed dev. status	19	5 8035	3	6344	42%	38%	44%
EMFF	tot	27	8 2972	1	224	33%	11%	7%
	More developed	7	0 0	0	0	0%	-	-
	Transition	1	0 0	0	0	0%	-	-
	Less developed	9	3 833	1	224	44%	25%	21%
	Mixed dev. status	10	5 2138	0	0	50%	0%	0%
MULTI	tot	92	13 29858	25	54591	41%	66%	65%
	More developed	21	1 1268	4	6754	24%	80%	84%
	Transition	18	2 718	3	2254	28%	60%	76%
	Less developed	43	6 21195	17	40917	53%	74%	66%
	Mixed dev. status	10	4 6677	1	4665	50%	20%	41%
ETC	tot	76	30 4972	2	617	42%	6%	11%

Source: online survey

The main reasons why programmes decided to use ITI are illustrated in Table 39. One main reason was the emphasis the Commission Services put on ITI. Apart from that, the reasons underpinning the decision to take up ITI relate to large part to the possibility of developing innovative/collaborative approaches both within and between administrations and with the beneficiaries. For multifund programmes in particular, the possibility of using ITI to place greater emphasis on achieving clear, concrete, measurable results also played an important role. Respondents providing 'other' reasons for the uptake mentioned the political decision and, in the case of NL, the fact that the initiative complies with the labour market policy of the member state.

Of the Managing Authorities interviewed, only three (Slovenian ESF OP for the Implementation of the EU Cohesion Policy, Croatian ERDF Competitiveness and Cohesion and EMFF 2014 -2020 Spain) chose to implement ITI. According to the Slovenian ESF OP for the Implementation of the EU Cohesion Policy, *'ITI can represent a simplification in the sense that the entrustment of the implementation to third bodies exempts the central level from control and management tasks. However, from a general perspective,*

<sup>41</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification) / total number of programmes

<sup>42</sup> % uptake = number of programmes taking up the simplification / (number of programmes taking up the simplification + number of programmes not taking up the simplification)

<sup>43</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification) / total number of programmes

<sup>44</sup> % uptake = number of programmes taking up the simplification / (number of programmes taking up the simplification + number of programmes not taking up the simplification)

<sup>45</sup> % budget is calculated by: (i) considering the representativeness of the data sample in terms of budget allocation; (ii) calculating the relation between the total budget of the representative sample of programmes taking up the simplification and sum of the total budget of the representative sample of programmes taking up and not taking up the simplification

ITI doesn't represent a simplification in itself but represents a useful tool for targeting specific goals.'

While recognising the usefulness of ITI for tackling clear territorial problems across administrations and adding visibility, programmes point to the increased administrative workload it involves and to the fact that the same objective can be reached by other means.

**Table 39 Frequency of reasons for taking up ITI**

Reasons for UPTAKE	TOT	ERDF/CF	ETC	ESF	EMFF	MULTI
<i>Advocated by the EC</i>	18%	22%	33%	14%	0%	19%
<i>Developing innovative approaches with the beneficiaries</i>	18%	22%	33%	22%	0%	15%
<i>Developing innovative/collaborative approaches within and between administrations</i>	14%	30%	0%	14%	25%	10%
<i>Greater emphasis on achieving clear, concrete, measurable results</i>	14%	0%	0%	14%	25%	18%
<i>Providing a faster and better response to the needs of target groups/territories</i>	13%	13%	0%	11%	25%	14%
<i>Improving the efficiency of the financial management of the operations</i>	6%	0%	0%	8%	0%	6%
<i>Other</i>	5%	4%	0%	8%	25%	3%
<i>Reduced administrative burden</i>	4%	4%	0%	3%	0%	5%
<i>Improving the monitoring and evaluation processes</i>	4%	0%	0%	3%	0%	6%
<i>Improving the quality of the Call for proposals (clear and effective objectives and actions)</i>	3%	4%	33%	3%	0%	3%
<i>Reduced risk of errors/mistakes</i>	1%	0%	0%	0%	0%	1%
<i>Positive feedback from other authorities which have implemented simplification</i>	0%	0%	0%	0%	0%	0%

Source: online survey

Table 40 amalgamates the information collected on the main reasons leading to the decision not to use ITI. In principle, the findings are very similar as for CLLD. The main reasons are that ITI is considered too complex and the respondents are sceptical about its potential for simplification. This is also confirmed by the high proportion of respondents who answered 'other' as the reason for not making use of ITI. This high proportion mainly reflects the fact that ITI was not considered relevant or that they found other implementation forms to achieve the relevant objectives.

**Table 40 Frequency of reasons for not taking up ITI**

Reasons for NO UPTAKE	TOT	ERDF/CF	ETC	ESF	EMFF	MULTI
<i>Other</i>	26%	18%	38%	22%	25%	31%
<i>The simplification is too complex to be implemented</i>	23%	30%	22%	22%	25%	6%
<i>Scepticism on the benefits of simplification</i>	17%	21%	8%	19%	13%	25%
<i>No willingness to change because it functions well at administrative level</i>	11%	5%	14%	16%	13%	13%
<i>Legal constraints (at National Level)</i>	5%	7%	3%	6%	0%	6%
<i>Lack of information/ knowledge about the simplification</i>	5%	4%	11%	0%	0%	6%
<i>The beneficiaries are considered not ready for simplification</i>	4%	4%	3%	6%	13%	0%
<i>Lack of financial/human resources to implement the measure</i>	4%	2%	0%	6%	13%	13%

<i>Risk of misuse of the resources by beneficiaries</i>	3%	4%	3%	3%	0%	0%
<i>Negative feed-back from other authorities which have implemented the simplification</i>	2%	5%	0%	0%	0%	0%

Source: online survey

In general, survey results are confirmed by the qualitative information collected through the interviews. Interviewees share the overall objective of promoting integration among funds; however, they also consider ITI as a complex administrative solution. More precisely, in their view, setting up intermediate bodies complicates the expenditure cycle and increases the risks of delays.

In several cases, interviewees consider that integrated investments at the local level can be more easily promoted not by setting up specific intermediate bodies in the form of ITIs, but instead by increasing coordination between the MAs in charge of the different ESIF (e.g. by increasing synergy/coherence among the calls for project proposals).

#### 4.2.2 Quantification of the impact of the regulatory change

Considering the levels of uptake, the expected impact of ITI reveals a slight increase in total administrative costs, i.e. approximately EUR 11.9 to 35.2 million (up to 0.1% of total administrative costs). In addition, an increase in administrative burden on the level of beneficiaries is expected, approximately EUR 9.9 to 22.5 (up to 0.2% of the total administrative burden).

The impact of ITI has only been assessed for ERDF, ESF and EMFF. In the case of ERDF/CF and EMFF, the increase in administrative costs for Managing Authorities is mainly linked to the selection of operations, followed by information and communication tasks with a considerable margin. In the case of ESF, Managing Authorities expect an increase in administrative costs, mainly related to information and communication tasks, closely followed by the selection of operations.

**Table 41 Integrated territorial investments (ITI): actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	11.9	to 35.2	0.0%	to 0.1%
ERDF/CF	9.1	to 26.2	0.1%	to 0.2%
ESF	2.7	to 8.9	0.0%	to 0.2%
EMFF	0.1	to 0.1	0.0%	to 0.0%
<b>Administrative burden</b>				
ESIF	9.9	to 22.5	0.1%	to 0.2%
ERDF/CF	4.3	to 9.9	0.1%	to 0.2%
ESF	5.3	to 12.0	0.1%	to 0.2%
EMFF	0.3	to 0.6	0.1%	to 0.3%
Actors	Direction of change			
National Coordination Authority	neutral			
Managing Authority	increase			
Certifying Authority / Paying Agency	neutral			
Audit Authority / Certification Body	neutral			
Beneficiary	increase			

Source: own calculations based on survey results

As for the beneficiaries, more than two thirds of respondents (71%) do not expect any change in administrative burden, while about 20% of the respondents expect an increase in administrative burden. The increase is mainly linked to the financial management and preparation of the financial reports, provision/verification of deliveries and compliance, keeping records and maintenance of the audit trail.

### 4.3 Merge MA-CA / reducing number of PA

According to Art. 123(3) CPR (applicable to ERDF, CF, ESF and EMFF), 'The Member State may designate for an operational programme a managing authority, which is a public authority or body, to carry out, in addition, the functions of the certifying authority'. The attempt to reduce the number of bodies involved in programme implementation figures also in the EAFRD: according to Art. 7(2) of Regulation 1306/2013<sup>46</sup> 'Each Member State shall (...) restrict the number of its accredited paying agencies to no more than one at national level or, where applicable, to one per region'.

This is expected to reduce the number of existing paying agencies and consequently reduce the administrative costs related to implementation of EAFRD programmes. Overall administrative workload would decrease as (potentially duplicated) checks of beneficiaries by an independent CA would no longer be needed. More generally, some efficiency gains might be expected, as functions currently performed independently by two different authorities can be taken care of by a single body. However, the simplification may imply, particularly in the initial phase of the programme lifecycle, an additional effort for reorganisation.

#### 4.3.1 Use of the simplification measure

Table 42 shows the programmes opting for a reduced number of authorities at fund level, based on the answers to the online survey. The level of uptake varies considerably, overall 23% of the respondents indicated an uptake, which would correspond an overall uptake covering approx. 19% of the total ESIF budget.

With regard to the difference between regional and national programmes, currently available data show a relatively higher level of uptake in the case of regional programmes, in particular for multifund programmes.

**Table 42 Share of programmes for each fund merging MA-CA/reducing number of PA**

	Prog.	No uptake		Uptake		Data sample		EU level
		Prog.	Budget (mln €)	Response rate <sup>47</sup>	% uptake <sup>48</sup>	Response rate <sup>49</sup>	% uptake <sup>50</sup>	% budget <sup>51</sup>
<b>tot</b>	<b>532</b>	<b>168</b>	<b>221537</b>	<b>49</b>	<b>53779</b>	<b>41%</b>	<b>23%</b>	<b>19%</b>
ERDF/CF	127	38	50986	14	13447	41%	27%	21%
More developed	62	21	11124	8	1883	47%	28%	14%
Transition	15	4	1307	1	1210	33%	20%	48%
Less developed	36	8	25567	5	10354	36%	38%	29%
Mixed dev. status	14	5	12988	0	0	36%	0%	0%
ESF	95	32	28973	5	6549	39%	14%	18%
More developed	48	18	8011	2	807	42%	10%	9%
Transition	11	0	0	1	22	9%	100%	100%
Less developed	17	6	6583	2	5719	47%	25%	46%
Mixed dev. status	19	8	14379	0	0	42%	0%	0%

<sup>46</sup>Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008

<sup>47</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification) / total number of programmes

<sup>48</sup> % uptake = number of programmes taking up the simplification / (number of programmes taking up the simplification + number of programmes not taking up the simplification)

<sup>49</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification) / total number of programmes

<sup>50</sup> % uptake = number of programmes taking up the simplification / (number of programmes taking up the simplification + number of programmes not taking up the simplification)

<sup>51</sup> % budget is calculated by: (i) considering the representativeness of the data sample in terms of budget allocation; (ii) calculating the relation between the total budget of the representative sample of programmes taking up the simplification and sum of the total budget of the representative sample of programmes taking up and not taking up the simplification

	Prog.	No uptake		Uptake		Data sample		EU level	
		Prog.	Budget (mln €)	Response rate <sup>47</sup>	% uptake <sup>48</sup>	Response rate <sup>49</sup>	% uptake <sup>50</sup>	% budget <sup>51</sup>	
EAFRD	tot	115	36	61070	3	2910	34%	8%	5%
	More developed	55	19	20186	2	1422	38%	10%	7%
	Transition	19	3	2093	1	1487	21%	25%	42%
	Less developed	22	6	25262	0	0	27%	0%	0%
	Mixed dev. status	19	8	13529	0	0	42%	0%	0%
EMFF	tot	27	12	4895	1	69	48%	8%	1%
	More developed	7	0	0	0	0			
	Transition	1	1	29	0	0	100%	0%	0%
	Less developed	9	5	1187	0	0	56%	0%	0%
	Mixed dev. status	10	6	3680	1	69	70%	14%	2%
MULTI	tot	92	31	72121	11	28237	46%	26%	28%
	More developed	21	5	7264	1	2612	29%	17%	26%
	Transition	18	5	2972	0	0	28%	0%	0%
	Less developed	43	16	50543	10	25625	60%	38%	34%
	Mixed dev. status	10	5	11342	0	0	50%	0%	0%
ETC	tot	76	19	3490	15	2568	45%	44%	42%

Source: online survey

Among the reasons for taking up the measure (Table 43), reducing the administrative burden tops the ranking (particularly pronounced in the case of ETC and ESF), followed by improved efficiency of the financial management and improved monitoring (in particular for multifund programmes), and evaluation processes (the latter is actually the most important reason in the case of ERDF and CF programmes).

**Table 43 Frequency of reasons for merging MA-CA**

Reasons for UPTAKE	TOT	ERDF/CF	ETC	ESF	EMFF	MULTI
<i>Reduced administrative burden</i>	<b>30%</b>	19%	44%	38%	25%	23%
<i>Improving the efficiency of the financial management of the operations</i>	<b>20%</b>	14%	20%	15%	0%	29%
<i>Improving the monitoring and evaluation processes</i>	<b>19%</b>	38%	4%	15%	25%	19%
<i>Reduced risk of errors/mistakes</i>	<b>12%</b>	10%	16%	8%	25%	10%
<i>Advocated by the EC</i>	<b>7%</b>	5%	4%	8%	0%	13%
<i>Developing innovative/collaborative approaches within and between administrations</i>	<b>5%</b>	10%	8%	0%	0%	3%
<i>Other</i>	<b>3%</b>	5%	4%	0%	25%	0%
<i>Positive feedback from other authorities which have implemented simplification</i>	<b>2%</b>	0%	0%	15%	0%	0%
<i>Improving the quality of the Call for proposals (clear and effective objectives and actions)</i>	<b>1%</b>	0%	0%	0%	0%	3%

Source: online survey

These survey findings were confirmed in the qualitative interviews. Managing Authorities of the two programmes that had merged MA and CA cite the reduction in administrative costs as the main reason for adoption and the main benefit resulting from the simplification measure. In the case of the ERDF Operational Programme Digital Poland, merging MA and CA reduced costs and the amount of coordination needed, and accelerated communication between MA and CA.

According to the Italian ERDF Operational Programme Marche Region, merging allowed them to streamline the administrative structure, which means that the number of desk officers needed for the same tasks could be reduced by two, compared with the previous period. It also, to some extent, sped up the transmission of data from the MA to the CA and then to the EC thus reducing the time required for the transmission of data by about one week. According to the programme '*merging has not reduced the quality and the level of control but has introduced a more efficient framework with less paper, a single internal communication system, a single external communication system and a single computer system to manage and maintain.*' In general, the programme noted that the simplification option was not sufficiently advocated by the EC.

Looking at the reasons why programmes did not make use of the possibility of merging MA and CA, Table 44 provides some overall findings that underline the strong inertia in administrative systems. 'If it isn't broken, don't fix it' is the main rationale for not changing current arrangements with the current functional system properly working, also able to preserve the separation of functions. This is followed by perceived legal constraints and scepticism concerning the benefits of possible changes.

Besides the general positive feedback described above, some interviewees were more sceptical about the optional merger. They expected a rather moderate impact, as the measure seems to rather transfer the workload instead of reducing it.

Furthermore, the merger of functions may also compromise the quality of the control function. For example, the Czech Operational Programmes Transport stated that an independent Certifying Authority can perform systematic controls of MAs and this process strengthens the management and control system of ESI Fund implementation and better protects and safeguards the proper use of EU funds. Several programmes expressed the concern that merging the system of implementation and control might compromise the impartiality of the CAs. Also, a high error rate experienced in the previous funding period convinced programmes to retain a clear separation of functions, to avoid conflicts of interest.

**Table 44 Frequency of reasons for not merging MA-CA**

Reasons for NO UPTAKE	TOT	ERDF/CF	ETC	ESF	EMFF	MULTI
<i>No willingness to change because it functions well at administrative level</i>	<b>30%</b>	30%	45%	25%	38%	20%
<i>Scepticism on the benefits of simplification</i>	<b>21%</b>	26%	23%	23%	15%	15%
<i>Legal constraints (at National Level)</i>	<b>20%</b>	15%	6%	16%	31%	38%
<i>Other</i>	<b>14%</b>	15%	6%	18%	8%	15%
<i>The simplification is too complex to be implemented</i>	<b>9%</b>	9%	10%	14%	0%	5%
<i>Lack of financial/human resources to implement the measure</i>	<b>3%</b>	4%	6%	2%	0%	3%
<i>Lack of information/ knowledge about the simplification</i>	<b>2%</b>	0%	3%	2%	0%	5%
<i>Negative feed-back from other authorities which have implemented the simplification</i>	<b>1%</b>	2%	0%	0%	8%	0%

Source: online survey

An important obstacle to wider use of the provision is to be found in the MS-specific institutional, legal and financial framework, which often makes it difficult or even impossible to implement the option. Member States found it difficult to separate functions within one department or organisation, or the division of tasks and responsibilities of the organisations hosting MA/CA did not allow for a merger. For example, in Slovenia, the CA is housed by the Ministry of Finance, which, however, is only concerned with the financial side of projects; in the UK the CA has to be separate from government departments.

More generally, doubts were raised regarding the synergetic effect of merging MA and CA when, at the same time, two separate units within the MA are required to clearly separate these two functions. In the specific case of the German ERDF Operational Programme Saxony, there is currently one Certifying Authority responsible for both ERDF and ESF. For merging ERDF MA and ERDF CA, it would have been necessary to establish two separate Certifying Authorities for ERDF and ESF, and synergies would have decreased.

Furthermore, scepticism was voiced by the interviewed programmes regarding the legal certainty of the simplification option, particularly in relation to the necessary separation of functions between the MA and CA. Programmes expressed their disappointment that initial expectations with regard to this provision are not reflected in the regulations adopted and they also expressed the wish for more Commission guidance on legal requirements under this simplification option.

#### 4.3.2 Quantification of the impact of the regulatory change

Considering the levels of uptake, the expected impact of the merger of MA and CA seems to determine a slight increase of administrative costs of MA, but reduces the administrative costs of CA, as their tasks are transferred to MA.

Overall there is a slight decrease of administrative costs, i.e. approximately EUR 24.5 to 52.5 million (between 0.1 and 0.2% of the total administrative costs).

As regards EAFRD, the reduction in the number of Paying Agencies has a neutral impact on the administrative costs of the EAFRD authorities.

**Table 45 Merger MA-CA / reducing number of PA: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	-52.5	to -24.5	-0.2%	to -0.1%
ERDF/CF	-39.2	to -20.8	-0.3%	to -0.2%
ESF	-5.5	to 2.2	-0.1%	to 0.0%
EAFRD	0.0	to 0.0	0.0%	to 0.0%
EMFF	-7.9	to -5.9	-0.9%	to -0.7%
<b>ESIF Administrative burden</b>				
ESIF	0.0	to 0.0	0.0%	to 0.0%
ERDF/CF	-	to -	-	to -
ESF	-	to -	-	to -
EAFRD	-	to -	-	to -
EMFF	-	to -	-	to -
<b>Actors</b>	<b>Direction of change</b>			
National Coordination Authority	neutral			
Managing Authority	increase			
Certifying Authority/Paying Agency	decrease			
Audit Authority/Certifying Body	neutral			
Beneficiary	neutral			

Source: Own calculations based on survey results

Seen across funds, 52% of the MA responded that they do not expect any impact on administrative costs, while 25% expected a medium increase and another 25% expected a low-to-medium decrease in administrative costs. These responses fit the interview results, pointing out that this measure seems to transfer workload rather than to reduce it. More generally, doubts were raised regarding the synergetic effect of the merger when, in the end, there will be two units with a MA that are required to clearly separate these functions.

The indicated extreme effect in the case of annual data provision by the Member State on operational level data is merely due to a low response rate on the impact for that task. At the same time the merger of MA and CA implies the reduction of administrative costs CA.

#### 4.4 Grants and repayable assistance as simplified cost options (SCO)

The CPR includes options for calculating eligible expenditure of grants and repayable assistance on the basis of simplified cost options (SCO), i.e. flat-rate financing, standard scales of unit costs and lump sums. The general rules for SCO are set out in Art. 67 of the CPR, which builds on and extends the system used in the 2007-2013 period for the ESF and the ERDF. Given the differences among the ESI Funds, Art. 67(5)(e) CPR provides options for defining fund-specific rules, building on the experience from ESF and from EAFRD with area and animal related measures (agri-environment payments per hectare were a mandatory measure in 2007-2013 period).

SCO have the potential to significantly reduce administrative costs and burden during implementation as well as verification and audit phases. Where SCO are used, the tracing of every euro of co-financed expenditure is no longer required. As opposed to SCO, the application of the 'real cost' method for reimbursement of expenditures forces beneficiaries to submit a significant number of documents and often requires complex and error-prone calculations.

The introduction of SCO is consequently expected to have a significant impact on the verification and audit phase, and to reduce financial management costs for beneficiaries and MS, especially as it substantially reduces the number of documents that need to be provided and kept by the beneficiaries, and the complexity of the procedures to be implemented. The adoption of SCO is also expected to have significant beneficial effects on results-orientation, as attention is directed away from administrative and procedural aspects towards the policy objectives of Structural Funds and the reduction of errors in the use of the Funds.

##### 4.4.1 Use of the simplification measure

Table 46 presents an overview of SCO use among the different funds. In the case of ESF, data presented in the tables only refer to ESF programmes that declare their use (or intent to use) SCO also for operations exceeding EUR 50,000 of public support to be paid by the beneficiary<sup>52</sup>. In total, 79% of the programmes responding to the survey state that they use flat-rate financing, standard scales of unit costs or lump sums, extrapolated to all ESIF programmes, that would mean that programmes standing for about 82% of the total ESIF budget use SCO – though only for a share of their programme budget.

According to the survey respondents, SCO are already widely used. ETC programmes lead the field, followed by ERDF/CF, ESF, EAFRD and multifund programmes. EMFF programmes are clearly more restrictive in the use of SCO as compared to other programmes.

With regard to the difference between regional and national programmes, the available data show a slightly higher use in the case of regional programmes (83% compared with 74% in the case of national programmes).

**Table 46 Share of programmes for each fund taking up SCO**

No uptake	Uptake	Data sample	EU level
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<sup>52</sup> For ESF, the use of flat-rate financing, standard scales of unit costs and lump sums is obligatory for small operations (not exceeding EUR 50,000 of public support to be paid by the beneficiary) – see Art. 14(4) ESF Regulation.

		Prog.	Prog. Budget (mln €)	Response rate <sup>53</sup>	% uptake <sup>54</sup>	Response rate <sup>55</sup>	% uptake <sup>56</sup>	% budget <sup>57</sup>	
	tot	<b>532</b>	<b>56</b>	<b>65780</b>	<b>210</b>	<b>280433</b>	<b>50%</b>	<b>79%</b>	<b>82%</b>
ERDF/CF	tot	127	11	12244	51	72937	49%	82%	86%
	More developed	62	3	1004	30	13251	53%	91%	93%
	Transition	15	0	0	7	7984	47%	100%	100%
	Less developed	36	6	6170	10	41366	44%	63%	87%
	Mixed dev. status	14	2	5069	4	10337	43%	67%	67%
ESF	tot	95	10	4191	44	49326	57%	81%	92%
	More developed	48	5	1616	23	10385	58%	82%	87%
	Transition	11	1	22	4	2239	45%	80%	99%
	Less developed	17	3	2040	8	14400	65%	73%	88%
	Mixed dev. status	19	1	513	9	22302	53%	90%	98%
EAFRD	tot	115	12	14222	39	74008	44%	76%	84%
	More developed	55	6	4090	21	29924	49%	78%	88%
	Transition	19	2	1835	4	2278	32%	67%	55%
	Less developed	22	2	3024	8	33549	45%	80%	92%
	Mixed dev. status	19	2	5272	6	8256	42%	75%	61%
EMFF	tot	27	7	2713	7	2519	52%	50%	48%
	More developed	7	0	0	1	268	14%	100%	100%
	Transition	1	1	29	0	0	100%	0%	0%
	Less developed	9	4	1057	1	130	56%	20%	11%
	Mixed dev. status	10	2	1627	5	2122	70%	71%	57%
MULTI	tot	92	13	32008	34	75355	51%	72%	70%
	More developed	21	2	2994	6	8767	38%	75%	75%
	Transition	18	0	0	5	2972	28%	100%	100%
	Less developed	43	11	29015	16	48030	63%	59%	62%
	Mixed dev. status	10	0	0	7	15586	70%	100%	100%
ETC	tot	76	3	403	35	6288	50%	92%	94%

Source: online survey

Regarding the share of programme budget covered by SCO, data collected through the survey have been complemented with data collected from other sources<sup>58</sup>. As illustrated by the table below, EAFRD is the fund with the highest level of programmes budget covered by SCO followed by ESF while a more limited impact of SCO in terms of budget coverage seems to characterise the other funds. The high level of budget share covered by SCO under EAFRD is related to operations for which eligible expenditure is not calculated on real costs but is predefined compensation (for more details see Table 108, presented under annex 3 – case study on SCO in EAFRD).

<sup>53</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification) / total number of programmes

<sup>54</sup> % uptake = number of programmes taking up the simplification / (number of programmes taking up the simplification + number of programmes not taking up the simplification)

<sup>55</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification) / total number of programmes

<sup>56</sup> % uptake = number of programmes taking up the simplification / (number of programmes taking up the simplification + number of programmes not taking up the simplification)

<sup>57</sup> % budget is calculated by: (i) considering the representativeness of the data sample in terms of budget allocation; (ii) calculating the relation between the total budget of the representative sample of programmes taking up the simplification and sum of the total budget of the representative sample of programmes taking up and not taking up the simplification

<sup>58</sup> Programme budget covered by SCO: data on EAFRD provided by DG Agri based on the analysis of the budget allocated under measures 6, 10, 11, 12, 13, 14, 15, 18; data on ESF provided by DG Employment based on a specific survey; data on ERDF-CF and MULTI provided by DG REGIO based on a specific EGESIF survey; data on ETC based on the survey carried out in the context of the present study.

More details on the type of SCO used under the different funds as well as on the changes in the use of SCO compared with the previous programming period are presented in chapter 3 and in the case studies on SCO presented under annexes 3, 4, 5, and 6.

**Table 47 Share of programmes budget covered by SCO and Fund<sup>59</sup>**

	ERDF/CF		ESF		EAFRD		EMFF	MULTI		ETC	
tot	2%	2,210 mil. €	36%	23,095 mil. €	49%	48,935 mil. €	n.a.	7%	5,260 mil. €	5%	382 mil.€
more developed	11%	367 mil. €	47%	6,291 mil. €	67%	7,951 mil. €	n.a.	12%	1,627 mil. €		
transition	9%	204 mil. €	46%	1,378 mil. €	24%	23 mil. €	n.a.	0%			
less developed	1%	1,381 mil.€	28%	6,106 mil.€	48%	13,605 mil.€	n.a.	6%	3,614 mil.€		
mixed dev. status	2%	257 mil.€	37%	9,321 mil.€	47%	27,395 mil.€	n.a.	15%	27 mil.€		

Source: online survey and other sources

Looking into the reasons for using SCO, Table 48 shows that the main motivation is the reduction of administrative burden, followed by the reduction of the risk of errors and mistakes. This is followed by the ambition to improve the efficiency of the financial management of operations. Although there are some variations between funds, the overall picture is the same for all ESI Funds.

**Table 48 Frequency of reasons for taking up SCO**

Reasons for UPTAKE	TOT	ERDF/CF	ETC	ESF	EAFRD	EMFF	MULTI
<i>Reduced administrative burden</i>	<b>26%</b>	28%	19%	30%	24%	24%	26%
<i>Reduced risk of errors/mistakes</i>	<b>20%</b>	23%	15%	21%	18%	21%	16%
<i>Improving the efficiency of the financial management of the operations</i>	<b>13%</b>	12%	11%	17%	12%	15%	16%
<i>Advocated by the EC</i>	<b>11%</b>	10%	12%	9%	15%	11%	16%
<i>Greater emphasis on achieving clear, concrete, measurable results</i>	<b>9%</b>	9%	14%	4%	12%	4%	5%
<i>Improving the monitoring and evaluation processes</i>	<b>4%</b>	1%	5%	3%	7%	4%	5%
<i>Developing innovative approaches with the beneficiaries</i>	<b>4%</b>	3%	8%	5%	2%	2%	5%
<i>Providing a faster and better response to the needs of target groups/territories</i>	<b>4%</b>	1%	3%	5%	1%	9%	5%
<i>Improving the quality of the Call for proposals (clear and effective objectives and actions)</i>	<b>3%</b>	1%	6%	1%	4%	4%	0%
<i>Positive feedback from other authorities which have implemented simplification</i>	<b>3%</b>	4%	3%	3%	1%	3%	0%
<i>Other</i>	<b>2%</b>	5%	1%	0%	2%	1%	0%
<i>Developing innovative/collaborative approaches within and between administrations</i>	<b>2%</b>	1%	3%	0%	1%	2%	5%

Source: online survey

Findings from the interviews conducted with Managing, Certifying/Paying and Audit Authorities are broadly in line with findings from the survey. Most programmes take a positive view on the possibility of introducing SCO. Reasons for the (voluntary) uptake of SCO are primarily the expected reduction in bureaucracy, both for beneficiaries and programme authorities. SCO are expected to simplify funding application as well as project implementation.

<sup>59</sup> In the case of EAFRD, monetary values presented in table correspond to data provided by DG Agri which exclude national co-financing. For all other funds, monetary values presented in table include natio

Related benefits mentioned in the context of reduced administration are the increased efficiency and effectiveness of financial management of the operations, which translates into a reduction of the time that elapses between application and assessment and between claim and payment. In the long run, that might attract more beneficiaries to take part in projects. For auditors and controllers, implementation of SCO means that they can allocate more time to reviewing project outputs rather than controlling project expenses. It also enables programmes to respond faster and better to the needs of target groups and territories. The second most frequently mentioned benefit of SCO that induced programmes to implement them was the prospect of reducing errors and irregularities. Two programmes also acknowledged that the uptake of SCO was, in large part, the result of the Commission's strong promotion of the instrument. Another important reason for the uptake of SCO was positive experience with SCO in the 2007–2013 programming period.

Turning to the reasons for not making use of SCO, Table 49 shows that there is no uniform picture. The relatively large portion of 'other' reasons provided were mainly oriented to the time consuming nature of the measure; respondents from the ETC programmes highlighted that the introduction of SCO would be slow and therefore decisions on SCO will be made at a later stage. Furthermore, other respondents underline their fear of divergent interpretation by auditors or that the programme simply does not see the need for the simplifications offered by SCO.

Looking at the more standard responses reveals that:

- SCO implementation is generally considered to be complex, particularly in the case of ERDF/CF and EAFRD;
- there is too little knowledge about the simplification options, in particular in the case of EAFRD and ETC. As illustrated by the case studies on SCO presented under annexes 3, 4, 5 and 6 a primary issue expressed by the authorities interviewed under all ESIF is the little knowledge on how operations covered by SCO will be audited and the concrete consequences if an error is detected in the calculation during implementation ;
- the risk of misuse of the resources by beneficiaries is mainly stressed by respondents from multifund programmes;
- types of operations covered are too complex to be standardised;
- the presence of legal constraints at national level in particular in the case of ERDF/CF. Survey respondents do not provide information regarding the specific legal constraints hampering the use of SCO, but more detailed information on this issue is provided under chapter 6.7 and in Annex 6 – case studies on SCO in ERDF and ETC.

In general, more detailed information on the reasons underpinning the choice of whether or not to take up SCO as well as on potential hurdles and constraints limiting the use of SCO are provided under chapter 3.

**Table 49 Frequency of reasons for not taking up SCO**

Reasons for NO UPTAKE	TOT	ERDF/CF	ETC	ESF	EAFRD	EMFF	MULTI
<i>Other</i>	<b>23%</b>	30%	67%	33%	10%	23%	18%
<i>The simplification is too complex to be implemented</i>	<b>18%</b>	20%	0%	20%	24%	23%	9%
<i>Lack of information/ knowledge about the simplification</i>	<b>15%</b>	0%	33%	7%	29%	15%	14%
<i>Risk of misuse of the resources by beneficiaries</i>	<b>12%</b>	10%	0%	7%	5%	0%	32%
<i>No willingness to change because it functions well at administrative level</i>	<b>11%</b>	10%	0%	20%	10%	15%	5%
<i>Legal constraints (at National Level)</i>	<b>7%</b>	30%	0%	0%	10%	0%	5%
<i>Scepticism on the benefits of simplification</i>	<b>7%</b>	0%	0%	7%	10%	0%	14%

Reasons for NO UPTAKE	TOT	ERDF/CF	ETC	ESF	EAFRD	EMFF	MULTI
<i>The beneficiaries are considered not ready for simplification</i>	<b>6%</b>	0%	0%	7%	5%	15%	5%
<i>Lack of financial/human resources to implement the measure</i>	<b>1%</b>	0%	0%	0%	0%	8%	0%
<i>Negative feed-back from other authorities which have implemented the simplification</i>	<b>0%</b>	0%	0%	0%	0%	0%	0%

Source: online survey

#### 4.4.2 Quantification of the impact of the regulatory change

Considering the levels of uptake discussed in chapter 2, the expected impact of simplified cost options related to grants and repayable assistance is a substantial decrease in terms of administrative workload and administrative burden. As regards administrative costs, the survey reveals a decrease of approximately EUR 293.9 to 428.1 million in administrative costs, i.e. 1.2 to 1.7% of the total ESIF administrative costs. In addition, there is a reduction of approximately EUR 592.7 to 826.3 million in administrative burden, i.e. 4.5 to 6.3% of the total ESIF administrative burden.

This decrease is to be found on the level of Managing Authorities, Certifying Authorities/Paying Agencies, and Audit Authorities/Certification Bodies. Furthermore, also beneficiaries will benefit considerably from this simplification measure.

In absolute monetary terms authorities from all ESI Funds expect a reduction in their administrative costs, this is in particular true for Managing Authorities of ERDF/CF programmes. They are followed by ESF and EAFRD programmes, and with some considerable distance, by EMFF programmes. In the case of ERDF, ESF and EAFRD, the main reduction in administrative costs is related to the verification of deliveries and compliance. In the case of ERDF/CF programmes, this is followed by the prevention, detection and correction of irregularities, and the selection of operations. In the case of ESF and EAFRD, this is followed by the selection of operations, ensuring an adequate audit trail, and the prevention, detection and correction of irregularities. In the case of EMFF, Managing Authorities expect only a small reduction in administrative costs to be linked to the prevention, detection of irregularities and the transmission of data to the European Commission.

Simplified cost options are expected to result in a decrease in the administrative workload of Certifying Authorities and Paying Agencies with regard to the certification of expenditure entered in the accounts and to some degree also the maintenance of records of expenditure declared to the European Commission.

The simplified cost options are expected to decrease the administrative workload of Audit Authorities and Certification Bodies. This relates in particular to the audits of samples and to a minor degree also to audits of management and control systems.

The reductions of the administrative burden on the level of beneficiaries are linked to a number of different tasks. The highest reduction is expected in relation to the financial management and preparation of the financial report. Other tasks affected (though to a lesser degree) are proving/verification of deliveries and compliance, keeping records and maintenance of the audit trail, and monitoring and reporting to the programme management.

**Table 50 Grants and repayable assistance as simplified cost options (SCO): actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	-428.1	to -293.9	-1.7%	to -1.2%

ERDF/CF	-201.8	to	-139.4	-1.8%	to	-1.2%
ESF	-105.2	to	-72.4	-1.9%	to	-1.3%
EAFRD	-109.3	to	-78.3	-1.6%	to	-1.1%
EMFF	-11.8	to	-3.8	-1.4%	to	-0.5%
<b>Administrative burden</b>						
ESIF	-826.3	to	-592.7	-6.3%	to	-4.5%
ERDF/CF	-296.8	to	-212.9	-6.1%	to	-4.4%
ESF	-360.4	to	-258.5	-6.0%	to	-4.3%
EAFRD	-150.4	to	-107.9	-7.5%	to	-5.4%
EMFF	-18.7	to	-13.4	-10%	to	-7.2%
<b>Actors</b>			<b>Direction of change</b>			
National Coordination Authority			neutral			
Managing Authority			decrease			
Certifying Authority / Paying Agency			decrease			
Audit Authority / Certification Body			decrease			
Beneficiary			decrease			

Source: Own calculations based on survey results

Seen across funds, 40% of the Managing Authorities, 32% of the Certifying Authorities/Paying Agencies and 47% of the Audit Authorities/Certification Bodies responded that they expect a decrease in administrative workload due to SCO. Most of them expect a low to medium decrease.

The tasks where most respondents expect a reduction in administrative costs are the audit of samples in the case of Audit Authorities/Certification Bodies and for Managing Authorities, the most frequently mentioned tasks are ensuring an adequate audit trail, prevention, detection and correction of irregularities, and verification of deliveries and compliance.

54% of respondents expect a reduction in administrative burden for beneficiaries, 20% even a medium decrease. The most relevant tasks in which a reduction of administrative burden is expected are: financial management and preparation of the financial reports, proving/verification of deliveries and compliance, keeping records and maintenance of the audit trail, and monitoring and reporting to the programme management.

## 4.5 Joint action plans (JAP)

Joint Action Plans are introduced under Art. 104-109 CPR. A JAP enables Member States to implement parts of one or more programmes using a results-oriented approach towards a predefined goal. JAPs are an innovative implementation measure that allows a shift in focus from inputs to outputs, i.e. the achievement of a pre-defined objective. Moreover, the financial management of a JAP is based exclusively on unit costs and lump sums defined in the Commission decision approving it. This significantly simplifies management and control arrangements and reduces the error rate. However, the elaboration of a JAP is expected to imply additional workload to negotiate it, as well as a general need for a new approach and possibly new procedures due to the specific risks related to JAP implementation.

### 4.5.1 Use of the simplification measure

Bearing in mind that to date no JAP has been submitted to the Commission for approval, the survey provides only information concerning the envisaged use of JAP. JAP is envisaged in only approximately 5% of ESIF programmes; more frequently among regional multifund programmes, followed by national ESF programmes. Among the respondents, there was also one cross-border ETC programme (the German-Dutch programme) that envisages using JAP.

The eight programmes reporting that an uptake of JAPs is envisaged are, ROP Campania ERDF (Italy), ERDF OP 'Stimulate private sector investment for economic growth'

(Malta), National Netherland RDP, ROP Lubuskie ERDF-ESF (Poland), ROP Zachodniopomorskie Voivodeship ERDF-ESF (Poland), ROP Algarve ERDF-ESF (Portugal), ROP Centro ERDF-ESF (Portugal).

**Table 51 Share of programmes for each fund envisaging to take up JAP**

	Prog.	No uptake		Uptake		Data sample		EU level	
		Prog.	Budget (mln €)	Uptake	Budget (mln €)	Response rate <sup>60</sup>	% uptake <sup>61</sup>	% budget <sup>62</sup>	
tot	<b>390</b>	<b>147</b>	<b>171023</b>	<b>8</b>	<b>11377</b>	<b>40%</b>	<b>5%</b>	<b>6%</b>	
ERDF/CF	tot	127	47	53236	2	4129	39%	4%	7%
	More developed	62	29	13008	0	0	47%	0%	0%
	Transition	15	3	1784	1	15	27%	25%	1%
	Less developed	36	10	25456	1	4114	31%	9%	14%
	Mixed dev. status	14	5	12988	0	0	36%	0%	0%
ESF	tot	95	37	32410	1	764	40%	3%	2%
	More developed	48	21	8184	1	764	46%	5%	9%
	Transition	11	1	22	0	0	9%	0%	0%
	Less developed	17	8	12303	0	0	47%	0%	0%
	Mixed dev. status	19	7	11901	0	0	37%	0%	0%
MULTI	tot	92	33	80315	4	6041	40%	11%	7%
	More developed	21	4	7619	0	0	19%	0%	0%
	Transition	18	4	2524	1	448	28%	20%	15%
	Less developed	43	20	58829	3	5594	53%	13%	9%
	Mixed dev. status	10	5	11342	0	0	50%	0%	0%
ETC	tot	76	30	5063	1	443	41%	3%	8%

Source: online survey

The main reasons for using JAPs are seen in the possibility of developing innovative/collaborative approaches within and between administrations and the greater emphasis on achieving measurable results (see Table 52). Also, the advocacy of the EC plays an important role.

The reasons for not applying JAP are rather diverse. The comments of the respondents that indicated 'other' range from 'not relevant' (alternatively 'no need, not appropriate for the delivery of the selected scheme'), to 'no advantages seen with such relatively large-scale instruments', to 'too complicated' (alternatively 'too bureaucratic and too much administrative work'). Among the standardised responses shown in Table 53, the main reasons for not making use of JAP are the complexity of the instruments and scepticism concerning the benefits. This confirms a general scepticism on the part of programme authorities towards this specific option (for more details see chapter 3). In this sense, it is also interesting to note that 13% of responses complain about a lack of information on JAP.

**Table 52 Frequency of reasons for taking up JAP**

Reasons for UPTAKE	TOT	ERDF/CF	ETC	ESF	MULTI
<i>Developing innovative/collaborative approaches within and between administrations</i>	21%	50%	33%	0%	15%
<i>Advocated by the EC</i>	16%	50%	0%	100%	8%

<sup>60</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification)/total number of programmes

<sup>61</sup> % uptake = number of programmes taking up the simplification/(number of programmes taking up the simplification + number of programmes not taking up the simplification)

<sup>62</sup> % budget is calculated by: (i) considering the representativeness of the data sample in terms of budget allocation; (ii) calculating the relation between the total budget of the representative sample of programmes taking up the simplification and sum of the total budget of the representative sample of programmes taking up and not taking up the simplification

<i>Greater emphasis on achieving clear, concrete, measurable results</i>	16%	0%	33%	0%	15%
<i>Reduced administrative burden</i>	11%	0%	0%	0%	15%
<i>Reduced risk of errors/mistakes</i>	11%	0%	0%	0%	15%
<i>Providing a faster and better response to the needs of target groups/territories</i>	11%	0%	33%	0%	8%
<i>Improving the monitoring and evaluation processes</i>	5%	0%	0%	0%	8%
<i>Improving the efficiency of the financial management of the operations</i>	5%	0%	0%	0%	8%
<i>Developing innovative approaches with the beneficiaries</i>	5%	0%	0%	0%	8%
<i>Improving the quality of the Call for proposals (clear and effective objectives and actions)</i>	0%	0%	0%	0%	0%
<i>Positive feedback from other authorities which have implemented simplification</i>	0%	0%	0%	0%	0%
<i>Other</i>	0%	0%	0%	0%	0%

Source: online survey

**Table 53 Frequency of reasons for not taking up JAP**

Reasons for NO UPTAKE	TOT	ERDF/CF	ETC	ESF	MULTI
<i>Other</i>	<b>23%</b>	29%	31%	18%	12%
<i>The simplification is too complex to be implemented</i>	<b>20%</b>	24%	19%	20%	14%
<i>Scepticism on the benefits of simplification</i>	<b>19%</b>	21%	11%	24%	19%
<i>Lack of information/ knowledge about the simplification</i>	<b>13%</b>	6%	11%	12%	23%
<i>No willingness to change because it functions well at administrative level</i>	<b>9%</b>	3%	17%	8%	14%
<i>Legal constraints (at National Level)</i>	<b>6%</b>	6%	3%	2%	12%
<i>The beneficiaries are considered not ready for simplification</i>	<b>4%</b>	3%	6%	4%	2%
<i>Lack of financial/human resources to implement the measure</i>	<b>4%</b>	3%	3%	6%	2%
<i>Risk of misuse of the resources by beneficiaries</i>	<b>3%</b>	3%	0%	4%	2%
<i>Negative feed-back from other authorities which have implemented the simplification</i>	<b>1%</b>	0%	0%	2%	0%

Source: online survey

The survey findings are supported by the interviews conducted with Managing Authorities who consider JAPs as complex and risky. In some cases the interesting argument is put forward, namely is that the same positive effects facilitated by JAPs can be achieved by using simplified cost options (including Art. 14(1) ESF) without programmes having to deal with the specific constraints of JAPs. Also, a risk-management argument plays a role: According to the ERDF Operational Programme Saxony, 'although the implementation would take place at local level, the MA would still be accountable for the implementation towards the Commission. That means that the MA would not have any control mechanisms to detect and correct errors in implementing the joint action plan at local level, nor any legal competences to give binding instructions to local actors (due to local self-government in Germany).'

Further information on the reasons hampering the use JAP are provided in chapter 6.

## 4.5.2 Quantification of the impact of the regulatory change

Considering the fact that there is not yet an approved joint action plan (JAP), the survey results suggest that joint action plans are more or less neutral for administrative costs on the level of programme bodies. Indeed, the survey did not provide any useful results for a possible reduction in administrative costs on the level of programme bodies.

However, the survey results suggest that joint action plans are mainly expected to reduce the administrative burden on the level of beneficiaries. The expected reduction in administrative burden is estimated at EUR 4.4 to 5.6 million, which is still insignificant in absolute terms.

The expected reduction in administrative burden on the level of beneficiaries is mainly linked to tasks such as monitoring and reporting to the programme management, financial management and preparation of the financial report. This is followed by other tasks including record keeping and maintenance of the audit trail, and proving/verification of deliveries and compliance. To a minor degree, the evaluation tasks and the preparation of funding applications are also expected to be less burdensome.

**Table 54 Joint action plans (JAP): actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser- vative	Most likely	Conser- vative
<b>Administrative costs</b>				
ESIF	0.0	to 0.0	0.0%	to 0.0%
ERDF/CF	0.0	to 0.0	0.0%	to 0.0%
ESF	0.0	to 0.0	0.0%	to 0.0%
<b>Administrative burden</b>				
ESIF	-5.6	to -4.4	0.0%	to 0.0%
ERDF/CF	-2.5	to -2.0	-0.1%	to 0.0%
ESF	-3.1	to -2.4	-0.1%	to 0.0%
Actors	Direction of change			
National Coordination Authority	neutral			
Managing Authority	neutral			
Certifying Authority/Paying Agency	neutral			
Audit Authority/Certification Body	neutral			
Beneficiary	decrease			

Source: Own calculations based on survey results

83% of respondents actually do not expect joint action plans to have any impact on the administrative burden of beneficiaries. 3% expect a very low decrease and 14% a low decrease in administrative burden due to joint action plans. This is linked to the tasks mentioned above. It is worth noting that nobody expected an increase in administrative burden.

## 4.6 Independent quality reports for Major Projects

Operations above certain thresholds ('major projects') are subject to a specific approval procedure. In addition to the regular Commission appraisal procedure which existed already in the 2007-2013 period, Art. 102 CPR sets out a new procedure according to which a major project can be appraised through a quality review by independent experts. The independent quality review by independent experts is supposed to reduce the time needed for project approval

#### 4.6.1 Use of the simplification measure

Table 55 shows the programmes envisaging to submit an independent quality report (IQR) for major projects, based on the answers to the online survey. Overall 37% of the respondents indicated to envisage to submit an IQR for major projects.

**Table 55 Share of ERDF-CF programmes envisaging to submit an independent quality report for major projects**

		Prog.	No uptake		Uptake		Data sample		EU level
			Prog.	Budget (mln €)	Uptake	Budget (mln €)	Response rate <sup>63</sup>	% uptake <sup>64</sup>	% budget <sup>65</sup>
ERDF-CF	<b>tot</b>	<b>127</b>	<b>35</b>	<b>27790</b>	<b>12</b>	<b>32270</b>	<b>37%</b>	<b>26%</b>	<b>54%</b>
	More developed	62	25	10870	4	2138	47%	14%	16%
	Transition	15	2	1723	0	0	13%	0%	0%
	Less developed	36	5	5873	7	27481	33%	58%	82%
	Mixed dev. status	14	3	9324	1	2650	29%	25%	22%

Source: online survey

The assumption that IQR reduces the time needed for approval was confirmed by some programmes during interviews. The Croatian ERDF Competitiveness and Cohesion Programme reported that while *'in the previous programming period the average was 1 year, now with the new rules we expect to spend no more than 6 months.'* The majority of programmes, however, noted that they do not fund operations that would be classified as major projects, or at least they have not pre-defined major projects and therefore cannot estimate the effect that Art. 102 CPR may have on the time needed for project approval. It should also be noted that the changes in the definition of major projects (higher thresholds, total eligible cost basis) resulted in a significant reduction of the overall number of major projects in 2014-2020 (560 compared to over 1000 in 2007-2013). This will bring considerable savings for the managing authorities and allow focusing the Commission appraisal on the financially most important projects.

#### 4.6.2 Quantification of the impact of the regulatory change

In total, the expected impact of independent quality reports for major projects is a slight decrease in the administrative workload, estimated in approximately EUR 0.6 to 2.1. When considering that the number of major projects will be substantially reduced in the 2014-2020 (with respect to the previous programming period) figures on the actual impact seem extremely conservative. In the interviews under Task 2, most respondents indicated that they do not have pre-defined major projects and therefore cannot estimate the effect, which might also hold true for the survey respondents. Thus, the picture might change at a later stage in the programme implementation once the authorities gather more experience with the new procedure.

In general terms, as confirmed by DG REGIO study on "The use of new provisions during the programming phase of ESIF", it is important to underline that the number of major projects implemented in the 2014-2020 period is expected to dramatically decrease with respect to the previous programming period, which should result in an overall reduction of the costs of the related tasks.

For what concerns survey results, the expected decrease of the costs is to be found on the level of Managing Authorities of ERDF/CF programmes, as this simplification does not apply to other ESIF programmes.

<sup>63</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification) / total number of programmes

<sup>64</sup> % uptake = number of programmes taking up the simplification / (number of programmes taking up the simplification + number of programmes not taking up the simplification)

<sup>65</sup> % budget is calculated by: (i) considering the representativeness of the data sample in terms of budget allocation; (ii) calculating the relation between the total budget of the representative sample of programmes taking up the simplification and sum of the total budget of the representative sample of programmes taking up and not taking up the simplification

**Table 56 Independent quality reports for major projects: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	-2.1	to -0.6	0.0%	to 0.0%
ERDF/CF	-2.1	to -0.6	0.0%	to 0.0%
<b>Administrative burden</b>				
ESIF	0.0	to 0.0	0.0%	to 0.0%
ERDF/CF	-	to -	-	to -
<b>Actors</b>		<b>Direction of change</b>		
National coordination authority		neutral		
Managing Authority		neutral		
Certifying Authority/Paying Agency		decrease		
Audit Authority/Certification Body		neutral		
Beneficiary		decrease		

Source: own calculations based on survey results.

The reduction in administrative costs is linked to the task of management of major projects. 38% of the respondents indicated a decrease in costs for this task. Furthermore, one has to take into account that the number of major project went from over 1,000 in the last programme period to about 560 in the 2014-20 period.

## 4.7 Advance payments (EAFRD and EMFF)

The EMFF (Articles 62 and 66 of Reg. 508/2014) and EAFRD (Articles 42 and 63 of Regulation 1305/2013, as well as Article 75 of Reg.1306/2013) allow Member States to provide advance payments to beneficiaries of the respective measures.

This option potentially increases the liquidity of the beneficiary. Under both funds, for CLLD the advance payment should not use more than 50% of public support for running costs and animation. This indicates that the objective of the advance payment is clearly to initiate implementation.

### 4.7.1 Use of the simplification measure

The online survey conducted for the current study shows a rather limited use of this simplification measure for EMFF and EAFRD combined. Programmes in only eleven Member States indicated that they use advance payments. Table 57 shows that – according to the online survey – half of the EMFF and a little less than half of EAFRD programmes intend to use advance payments.

**Table 57 Share of EAFRD/EMFF programmes using advance payments**

	Prog.	No uptake		Uptake		Data sample		EU level	
		Prog.	Budget (mln €)	Uptake	Budget (mln €)	Response rate <sup>66</sup>	% uptake <sup>67</sup>	% budget <sup>68</sup>	
tot	<b>142</b>	<b>26</b>	<b>21400</b>	<b>21</b>	<b>32995</b>	<b>33%</b>	<b>45%</b>	<b>61%</b>	
EAFRD	tot	115	21	20058	16	31113	32%	43%	61%
	More developed	55	13	12971	6	4950	35%	32%	28%
	Transition	19	1	654	3	3144	21%	75%	83%

<sup>66</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification )/total number of programmes

<sup>67</sup> % uptake = number of programmes taking up the simplification /(number of programmes taking up the simplification + number of programmes not taking up the simplification)

<sup>68</sup> % budget is calculated by: (i) considering the representativeness of the data sample in terms of budget allocation; (ii) calculating the relation between the total budget of the representative sample of programmes taking up the simplification and sum of the total budget of the representative sample of programmes taking up and not taking up the simplification

	Prog.	No uptake		Uptake		Data sample		EU level
		Prog.	Budget (mln €)	Uptake	Budget (mln €)	Response rate <sup>66</sup>	% uptake <sup>67</sup>	% budget <sup>68</sup>
Less developed	22	2	2170	4	13753	27%	67%	86%
Mixed dev. status	19	5	4263	3	9266	42%	38%	68%
	27	5	1342	5	1883	37%	50%	58%
EMFF More developed	7	0	0	0	0	0%	-	-
Transition	1	0	0	1	29	100%	100%	100%
Less developed	9	4	1057	0	0	44%	0%	0%
Mixed dev. status	10	1	285	4	1854	50%	80%	87%

Source: online survey

This picture is not as positive as the results of an earlier study carried out by DG MARE, according to which 83% of the replying Member States (CY, DK, FR, HR, IE, LT, LV, PT, RO, SI) will provide this advance payment option to their beneficiaries.

Table 58 illustrates the reasons underpinning the decision to use or not use advance payments. The main reasons for using advance payments are the reduction of the administrative burden and the reduction of risks of errors, as well as the increased efficiency of financial management of operations. This was confirmed by the interview with the Italian National EMFF Programme, which testified that it '*speeds up the expenditures for the types of measures that are particularly challenging in terms of risks of decommitment.*'

The reasons why programmes do not envisage using advance payments are mainly a lack of knowledge, followed by the argument that advance payments are too complex to be implemented, and unwillingness to change.

The respondents indicating 'other' reason for not using advance payments were mainly pointing to the long timing of implementation and to specific characteristics of some territories (e.g. 'the complexity of the type of investment in agriculture in a mountain area does not allow the use of simplified costs. These costs are more suited for homogeneous agricultural areas').

**Table 58 Frequency of reasons for using and not using advance payments**

Reasons for UPTAKE		Reasons for NO UPTAKE	
<i>Reduced administrative burden</i>	24%	<i>Lack of information/ knowledge about the simplification</i>	30%
<i>Reduced risk of errors/mistakes</i>	21%	<i>The simplification is too complex to be implemented</i>	20%
<i>Improving the efficiency of the financial management of the operations</i>	14%	<i>No willingness to change because it functions well at administrative level</i>	15%
<i>Advocated by the EC</i>	11%	<i>Legal constraints (at National Level)</i>	10%
<i>Providing a faster and better response to the needs of target groups/territories</i>	10%	<i>Other</i>	10%
<i>Positive feedback from other authorities that have implemented simplification</i>	5%	<i>Scepticism on the benefits of simplification</i>	5%
<i>Improving the monitoring and evaluation processes</i>	4%	<i>The beneficiaries are considered not ready for simplification</i>	5%
<i>Improving the quality of the Call for proposals (clear and effective objectives and actions)</i>	4%	<i>Risk of misuse of the resources by beneficiaries</i>	5%
<i>Greater emphasis on achieving clear, concrete, measurable results</i>	4%	<i>Negative feed-back from other authorities that have implemented the simplification</i>	0%
<i>Developing innovative/collaborative approaches within and between</i>	2%	<i>Lack of financial/human resources to implement the measure</i>	0%

Reasons for UPTAKE		Reasons for NO UPTAKE	
<i>administrations</i>			
<i>Developing innovative approaches with the beneficiaries</i>	2%		
<i>Others</i>	1%	Reasons for NO UPTAKE	<b>TOT</b>

Source: online survey

Out of the EMFF and EAFRD programmes interviewed, only the Spanish and Romanian National EMFF Programmes have implemented the possibility of providing advance payments to beneficiaries, a measure which, in the case of the Spanish programme, had already been implemented in the previous funding period. However, while in the previous period, beneficiaries could certify 100%, in the current period they may only certify 40% of the expenses, which means that the simplification option is less attractive both for beneficiaries and for programme bodies (see rules set out under Art. 131(4) CPR), as it reduces the impact of the provision, but increases and complicates the management of it.

Other programmes stated that the option will not be implemented, either because advance payments would not be in line with national or regional law (e.g. Financial Regulation of Saxony-Anhalt in the case of the German Saxony-Anhalt RDP), or because they did not want to include exceptions to the current, well-functioning system. The National EMFF Programme France claimed a logical error inherent in the scheme, as the advance payment can only be made by banks, while the public authority can only issue a bank guarantee. A similar line of argument was put forward by the Belgian EMFF programme, where this option was not chosen by the programme because of the obligation to establish a bank guarantee (which would cancel out the advantage). However, there is a possibility for advance payments for the 'member state' contribution.

#### 4.7.2 Quantification of the impact of the regulatory change

Considering the fact that this option of advance payments is only applicable to EAFRD and EMFF programmes, the expected impact is an increase in the administrative cost of approximately EUR 16.2 to 27.6 million, i.e. about 0.1% of the total ESIF administrative costs. This concerns mainly Managing Authorities and Certifying Authorities / Paying Agencies.

In the case of EAFRD Managing Authorities, the increase is mainly expected for tasks related to ensuring a system for data recording. Some of this increase is balanced by expected reductions in administrative costs related to the prevention, detection and correction of irregularities and ensuring an adequate audit trail.

In the case of EMFF Managing Authorities, the tasks concerned are the same as for EAFRD programmes. However, in all cases, EMFF respondents expect an increase in administrative costs.

The Certifying Authorities/Paying Agencies also expect an increase in their administrative costs, mainly linked to drawing up and submitting payment applications to the Commission.

At the same time, the advance payments measure is expected to result in a decrease in administrative burden of approximately EUR 2.1 to 9.8, which is up to 0.1% of the administrative burden of EAFRD and EMFF.

**Table 59 Advance payments: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	16.2	to 27.6	0.1%	0.1%

EAFRD	11.0	to	20.4	0.2%	0.3%
EMFF	5.3	to	7.2	0.6%	0.9%
<b>Administrative burden</b>					
ESIF	-9.8	to	-2.1	-0.1%	to 0.0%
EAFRD	-8.7	to	-1.9	-0.4%	to -0.1%
EMFF	-1.1	to	-0.2	-0.6%	to -0.1%
<b>Actors</b>			<b>Direction of change</b>		
National Coordination Authority			neutral		
Managing Authority			increase		
Certifying Authority/Paying Agency			increase		
Audit Authority/Certifying Body			neutral		
Beneficiary			decrease		

Source: Own calculations based on survey results

Across both funds an increase in administrative workload is clearly indicated for two tasks of Managing Authorities, namely ensuring a system for data recording, and ensuring separate accounting systems for the beneficiaries and intermediate bodies. This is followed by preventing, detecting and correcting irregularities, and ensuring an adequate audit trail. For the relevant task of Certifying Authorities/Paying Agencies, the picture is somewhat more mixed as to whether it will be an increase or a decrease in administrative costs, and most responses expect the impact to be neutral.

#### 4.8 Establishment of advance criteria for insurance cover (EAFRD and EMFF)

EMFF and EAFRD (Art. 57(3) of the EMFF Regulation and Articles 36-39 of the EAFRD Regulation) offer Member States and regions the possibility of setting conditions to insure beneficiaries against events of crisis, including type of event and (automatic) recognition of the occurrence: *'Member States may establish advance criteria on the basis of which the formal recognition of the occurrence of specific circumstances shall be deemed to be granted (Art. 57(3)).'* This could substantially accelerate such financing for beneficiaries.

##### 4.8.1 Use of the simplification measure

As illustrated by Table 60, only six programmes state that they use advance criteria for insurance cover: three EMFF programmes (France, Italy, Poland), and two regional RDP (one in UK and one in Portugal).

In the case of EMFF programmes, this picture is less positive than the results of the earlier DG MARE study, where approximately one-third of the replying Member States declared that they make use of advance criteria.

**Table 60 Share of programmes using advance criteria for insurance cover**

	Prog.	No uptake		Uptake		Data sample		EU level	
		Prog.	Budget (mln €)	Uptake	Budget (mln €)	Response rate <sup>69</sup>	% uptake <sup>70</sup>	% budget <sup>71</sup>	
tot	<b>142</b>	<b>37</b>	<b>46238</b>	<b>5</b>	<b>6769</b>	<b>41%</b>	<b>36%</b>	<b>12%</b>	
EAFRD	tot	115	31	45506	2	4306	29%	6%	9%
	More developed	55	17	11745	0	0	31%	0%	0%
	Transition	19	3	3450	0	0	16%	0%	0%

<sup>69</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification) / total number of programmes

<sup>70</sup> % uptake = number of programmes taking up the simplification / (number of programmes taking up the simplification + number of programmes not taking up the simplification)

<sup>71</sup> % budget is calculated by: (i) considering the representativeness of the data sample in terms of budget allocation; (ii) calculating the relation between the total budget of the representative sample of programmes taking up the simplification and sum of the total budget of the representative sample of programmes taking up and not taking up the simplification

	Prog.	No uptake		Uptake		Data sample		EU level
		Prog.	Budget (mln €)	Uptake	Budget (mln €)	Response rate <sup>69</sup>	% uptake <sup>70</sup>	% budget <sup>71</sup>
Less developed	22	5	24922	1	340	27%	17%	1%
Mixed dev. status	19	6	5389	1	3966	37%	14%	42%
	27	6	732	3	2463	33%	33%	77%
EMFF								
More developed	7	0	0	0	0	0%	-	-
Transition	1	0	0	0	0	0%	-	-
Less developed	9	3	346	1	711	44%	25%	67%
Mixed dev. status	10	3	386	2	1752	50%	40%	82%

Source: online survey

With regard to the reasons leading to taking up advance criteria for insurance cover, information was only provided by two EAFRD authorities: one indicated that the Advocacy by the EC played a role while the other stated that Providing of faster and better response to the needs of target groups/territories was decisive.

The reasons for not making use of this simplification measure are rather diverse, as explained in the 'other' reasons provided by respondents, ranging from not being relevant or being a political decision, to the fact that there are already other (national) systems in place. Several respondents refer in particular to the implementation of risk management measure and existing approaches related to this.

Additional reasons, shown in Table 61, are the lack of knowledge as well as the impression that advance criteria for insurance coverage are too complex, or that people are sceptical with regard to the benefits of this measure.

Interviews with EMFF and EAFRD Programmes yielded similar results. The complexity of the solution and issues with the incompatibility with State law were cited as reasons for non-uptake. Only one of the programmes interviewed, the National EMFF Programme Spain, reported that some Spanish regions will make use of the option, but reckons that the extent of the simplification will be small.

**Table 61 Frequency of reasons for using and not using advance criteria for insurance cover**

Reasons for NO UPTAKE	EAFRD
<i>Other</i>	42%
<i>Lack of information/ knowledge about the simplification</i>	16%
<i>The simplification is too complex to be implemented</i>	16%
<i>Scepticism on the benefits of simplification</i>	16%
<i>Legal constraints (at National Level)</i>	5%
<i>Risk of misuse of the resources by beneficiaries</i>	3%
<i>Lack of financial/human resources to implement the measure</i>	3%
<i>Negative feed-back from other authorities that have implemented the simplification</i>	0%
<i>The beneficiaries are considered not ready for simplification</i>	0%
<i>No willingness to change because it functions well at administrative level</i>	0%

Source: online survey

#### 4.8.2 Quantification of the impact of the regulatory change

Considering the fact that this option of advance payments is only applicable to EAFRD and EMFF programmes, the expected impact is a limited decrease in administrative costs and burden.

Although this measure is optional for both EAFRD and EMFF, only EMFF respondents provided information with regard to this option.

The effect on administrative costs concerns EMFF Managing Authorities, and ranges from an increase of EUR 0.3 million to a decrease of EUR 0.2 million, which is insignificant in relative terms. The change is mainly linked to the selection of operations.

The effect on administrative burden for EMFF beneficiaries varies between a decrease of EUR 3 million and of EUR 1.8million, which corresponds to -1% and -1.6% of the EMFF administrative burden.

The reduction in the administrative burden on the level of beneficiaries is mainly linked to the financial management and preparation of the financial report, followed by the provision /verification of deliveries and compliance.

**Table 62 Establishment of advance criteria for insurance cover: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	-0.2	to 0.3	0.0%	to 0.0%
EAFRD	no data		No data	
EMFF	-0.2	to 0.3	0.0%	to 0.0%
<b>Administrative burden</b>				
ESIF	-3.0	to -1.8	0.0%	to 0.0%
EAFRD	no data			
EMFF	-3.0	to -1.8	-1.6%	to -1.0%
<b>Actors</b>		<b>Direction of change</b>		
National Coordination Authority		neutral		
Managing Authority		neutral		
Certifying Authority / Paying Agency		neutral		
Audit Authority / Certification Body		neutral		
Beneficiary		decrease		

Source: own calculations based on survey results

## 4.9 Accelerated procedure for selection process (EMFF)

Art. 27 (4) and Art. 49 (5) of the EMFF Regulation on advisory services in fisheries and aquaculture respectively allow for the establishment of an accelerated selection procedure in cases, where support from the EMFF remains below EUR 4,000. Given the small size of the operation in terms of financing, the accelerated procedure could be coupled with shorter applications. The take-up of these provisions could be beneficial, particularly for small beneficiaries (e.g. individuals or SMEs).

### 4.9.1 Use of the simplification measure

As shown in Table 63, only one respondent (Poland) declares to use accelerated procedures. Again, these figures are more negative than data coming from an earlier DG MARE study, where two-thirds (France, Croatia, Ireland, Lithuania, Portugal, Romania) of the Member States responding to the survey that included fisheries measures chose to establish accelerated procedures, and 60% (Cyprus, France, Croatia, Ireland, Portugal, Romania) of those that included aquaculture measures in their operational programme chose to establish such procedures.

**Table 63 Uptake of accelerated procedure for selection process**

No uptake	Uptake	Data sample	EU level
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		Prog.	Prog.	Budget (mln €)	Uptake	Budget (mln €)	Response rate <sup>72</sup>	% uptake <sup>73</sup>	% budget <sup>74</sup>
EMFF	tot	27	8	2910	1	711	33%	11%	20%
	More developed	7	0	0	0	0	0%		
	Transition	1	0	0	0	0	0%		
	Less developed	9	4	476	1	711	56%	20%	60%
	Mixed dev. status	10	4	2434	0	0	40%	0%	0%

Source: online survey

According to the interviewed EMFF Managing Authorities, the provisions are not likely to have a significant simplification effect, as they only concern small operations, which often accounts for the limited applicability of the simplification measure in many programmes.

The National EMFF Programme Spain commented that the selection process in general has become more complex (e.g. the requirement to verify ex-ante that a potential beneficiary has never received a penalty for environmental pollution), so that any simplification resulting from Art. 27(4) and Art. 49(5) of the EMFF Regulation will not have a noticeable impact.

#### 4.9.2 Quantification of the impact of the regulatory change

Considering the levels of uptake, accelerated procedures for selection processes are expected to result in a decrease in the administrative workload. These optional measures concern only EMFF programmes.

The survey reveals a slight decrease in costs, i.e. approximately EUR 5.0 to 6.6 million, i.e. 0.6 to 0.8% of EMFF administrative costs.

This decrease is mainly expected to affect Managing Authorities. For EMFF Managing Authorities, the reduction in administrative costs is mainly linked to the verification of deliveries and compliance, and to some degree, to the selection of operations.

Accelerated procedures for selection processes are also identified in the interviews under Task 2 as not having a significant effect on administrative costs, as they only concern small operations. This fact accounts for the limited applicability of the simplification measure in many programmes.

**Table 64 Accelerated procedures for selection processes: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	-6.6	to -5.0	0.0%	to 0.0%
EMFF	-6.6	to -5.0	-0.8%	to -0.6%
<b>Administrative burden</b>				
ESIF	0.0	to 0.0	0.0%	to 0.0%
EMFF	0.0	to 0.0	0.0%	to 0.0%
<b>Actors</b>	<b>Direction of change</b>			
National Coordination Authority	neutral			
Managing Authority	decrease			

<sup>72</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification) / total number of programmes

<sup>73</sup> % uptake = number of programmes taking up the simplification / (number of programmes taking up the simplification + number of programmes not taking up the simplification)

<sup>74</sup> % budget is calculated by: (i) considering the representativeness of the data sample in terms of budget allocation; (ii) calculating the relation between the total budget of the representative sample of programmes taking up the simplification and sum of the total budget of the representative sample of programmes taking up and not taking up the simplification

Certifying Authority/Paying Agency	neutral
Audit Authority/Certification Body	neutral
Beneficiary	neutral

Source: own calculations based on survey results

## 4.10 Special calculation rules for compensation (EMFF)

The EMFF Regulation (Art. 55) allows for Member States to apply special calculation rules for compensating mollusc farmers with less than three years of activity for the temporary suspension of harvesting for public health reasons. However, since the threshold of the loss should be calculated on the basis of the previous three years' average turnover, this implies that aquaculture farms needed at least three years of records. The EMFF (Art. 35) may also contribute to mutual funds that pay financial compensation to fishermen for economic losses caused by adverse climatic events or environmental incidents.

### 4.10.1 Use of the simplification measure

An earlier survey conducted by DG MARE concludes that the use of this measure is relatively low (72% of replying Member States do not finance this measure from the EMFF); only 40% of the Member States that included this measure in their operational programme opted for establishing this special calculation and ensuring access to funding for a wider range of aquaculture companies.

The present online survey showed that EMFF programmes in Italy and Slovenia make use of this measure, while respondents from Belgium, Czech Republic, Estonia, France, Lithuania, Poland and Romania indicated that they do not make use of this measure.

The three interviewees who discussed this issue provided a mixed picture: the French National EMFF Programme stated that the articles are not relevant because the French rules are more restrictive than the EU ones. The Italian National EMFF Programme confirmed the implementation of both articles. Only the National EMFF Programme Spain expects a positive impact to arise from the provision in the mid- and long-term, even if, at the moment, the additional workload related to the implementation of the provision prevails. This is mainly because of the coordination required with auditors to forestall auditors' complaints at a later stage of implementation of the programme.

**Table 65 Share of EMFF programmes using special calculation rules for compensation**

Prog.	No uptake		Uptake		Data sample		EU level
	Prog.	Budget (mln €)	Uptake	Budget (mln €)	Response rate <sup>75</sup>	% uptake <sup>76</sup>	% budget <sup>77</sup>

<sup>75</sup> Response rate = (number of programmes taking up the simplification + number of programmes not taking up the simplification) / total number of programmes

<sup>76</sup> % uptake = number of programmes taking up the simplification / (number of programmes taking up the simplification + number of programmes not taking up the simplification)

	Prog.	No uptake		Uptake		Data sample		EU level
		Prog.	Budget (mln €)	Uptake	Budget (mln €)	Response rate <sup>75</sup>	% uptake <sup>76</sup>	% budget <sup>77</sup>
	tot	27	7 2030	2	1011	33%	22%	33%
EMFF	More developed	7	0 0	0	0	0%	-	-
	Transition	1	0 0	0	0	0%	-	-
	Less developed	9	5 1187	0	0	56%	0%	0%
	Mixed dev. status	10	2 843	2	1011	40%	50%	55%

Source: online survey

#### 4.10.2 Quantification of the impact of the regulatory change

Considering the levels of uptake, special calculation rules for compensation are expected to result in a decrease in the administrative workload. These optional measures only concern EMFF programmes.

The survey reveals a slight increase in the total administrative costs, i.e. approximately EUR 2.3 to 3.1 million, corresponding to 0.3 to 0.4% of the EMFF administrative costs in the two tasks of selection of operations and verification of deliveries and compliance.

EMFF beneficiaries are, however, expected to benefit from a reduction in their administrative burden by approximately EUR 2.9 to 3.7 million, corresponding to 1.6 to 2% of the EMFF administrative burden.

The reduction in the administrative burden of beneficiaries derives mainly from the financial management and preparation of financial reports.

**Table 66 Special calculation rules for compensation: actual impact**

Fund	Actual impact (€ Millions)		Actual impact (%)	
	Most likely	Conser-vative	Most likely	Conser-vative
<b>Administrative costs</b>				
ESIF	2.3	to 3.1	0.0%	to 0.0%
EMFF	2.3	to 3.1	0.3%	to 0.4%
<b>Administrative burden</b>				
ESIF	-3.7	to -2.9	0.0%	to 0.0%
EMFF	-3.7	to -2.9	-2.0%	to -1.6%
Actors	Direction of change			
National Coordination Authority	neutral			
Managing Authority	increase			
Certifying Authority/Paying Agency	neutral			
Audit Authority/Certification Body	neutral			
Beneficiary	decrease			

Source: own calculations based on survey results

#### 4.11 Additional simplification measures

In addition to the optional simplification measures addressed, the interviews also provided some insights into experience with additional simplification measures in the 2014-2020 period.

Additional simplification arises mostly from cooperation across programmes that allow for synergies. Concrete examples of this are:

<sup>77</sup> % budget is calculated by: (i) considering the representativeness of the data sample in terms of budget allocation; (ii) calculating the relation between the total budget of the representative sample of programmes taking up the simplification and sum of the total budget of the representative sample of programmes taking up and not taking up the simplification

- In the case of Spain, a **common catalogue of specific objectives** was developed, which allows a common framework for all programmes (all regions, all funds). This facilitates the common development, similar use and aggregation of indicators and results and thus reduces administrative workload. (Spanish EMFF Programme)
- In the case of ETC, the **open source development of the e-cohesion platform**, open to use for all ETC programmes, has been underlined as a significant simplification by various interviewees, in the sense that it has allowed them to benefit from the improvements made by other ETC programmes.

Furthermore, the **reduction of intermediate bodies** is perceived as simplification of administrative work – at least in cases of previously extensive use of intermediated bodies, as for example in Spain (Table 64). In Spain, the number of intermediate bodies has been reduced significantly in the OPs, which would be the most important simplification measure. This is based not on the EU Regulation but on an attempt on the part of Spain (and the EC) to simplify and clarify the structures of the OP, within the present study it is not possible to say how many IBs there are in Spain for the 2014-20 period.

In a similar way, the **reduction of programmes** has also been perceived as a simplification. This is clearly the case where several programmes of the same fund have been merged. In the case of mergers leading to multifund programmes, the picture is mixed, as multi-fund programmes have their own administrative challenges.

**Table 67 ERDF programme configurations 2007-13 by Member State (excl. ETC)**

Country	Total eligible expenditure in EUR	ERDF & CF funding in EUR	No. of Operational Programmes	No. of bodies involved in programme management	No. of bodies involved in programme certification	No. of bodies involved in programme audit
AT	1 276 780 733	680 066 021	9	20	2	1
BE	2 403 876 316	990 283 172	4	6	3	3
BG	6 624 538 988	5 488 168 381	5	7	1	1
CY	579 606 868	492 665 838	1	7	1	1
CZ	26 503 627 152	22 528 083 056	14	24	1	1
DE	26 396 199 001	16 107 961 527	18	90	23	20
DK	509 577 240	254 788 620	1	7	1	1
EE	3 611 579 771	3 011 942 552	2	16	1	1
ES	39 001 563 519	26 600 405 159	23	200+	1	20
FI	2 103 523 445	977 401 980	5	60	1	1
FR	22 690 079 887	8 054 673 061	30	73	1	1
GR	20 172 569 973	15 846 461 042	10	100	1	1
HU	25 049 482 420	21 292 060 049	13	20	1	1
IR	938 897 096	375 362 372	2	16	1	1
IT	44 092 710 694	21 027 307 507	28	50	26	25
LT	7 068 539 664	5 747 186 096	2	14	1	1
LU	85 107 216	25 243 666	1	2	1	1
LV	5 096 599 364	3 979 793 917	2	15	1	16
MT	856 615 354	728 123 051	1	5	1	1
NL	1 968 601 000	830 000 000	4	10	1	1
PL	70 617 533 404	55 514 676 992	20	74	17	17
PT	23 512 385 699	14 899 172 647	10	46	1	1
RO	18 916 024 612	15 528 889 094	5	34	1	1
SE	2 026 189 558	934 540 730	8	1	1	1
SI	3 935 705 031	3 345 349 266	2	8	1	1
SK	11 674 087 288	9 861 016 794	9	24	1	16
UK	11 088 825 121	5 416 019 735	16	23	5	5

Source: Sweco study on administrative costs 2007-13

## 5 Potential for increasing the impact

### Key findings

- In particular increasing the number of programmes using SCO (at current budget shares) holds a major potential to reduce administrative costs (by EUR 233.1 to 333.4 million) and burden (by EUR 212.7 to 296.5 million).
- Increasing also the budget shares covered by SCO allows to manifold the reductions in administrative costs and burden. However, the reduction potential varies considerable differences between funds (i.e. up to 2,909 million for ERDF/CF; up to 118 million in the case of EMFF).
- Three concrete steps can be taken to boost SCO: (a) mandatory use of SCO for 'small operations', (b) validating SCO through a specific delegated act, following the example of the procedure under Art. 14(1) ESF, and (c) provision of EU level off-the-shelf SCO, eliminating thus the need to define a SCO methodology for MS.
- Also more e-cohesion / e-governance in EMFF holds a high potential to reduce administrative costs (by EUR 2.4 to 3.5 million).

As shown in chapters 2 to 4, the simplification measures do contribute to a notable reduction of administrative costs and burden. However, more could be done.

The impact of the simplification measures could be increased in two different ways:

- more programmes could implement simplification measures, and/or
- programmes could increase their use.

To provide some insights on potential impact of these increases, the following section discuss two scenarios.

- The first scenario assumes that 100% of all ESIF programmes adopt the optional simplification measures discussed above at the current rate and calculates the potential impact of simplification accordingly.
- The second scenario assesses what would happen if SCO are used for a larger share of the programme budgets. This follows the previous finding that the highest potential for increasing the effects of simplification measures is with SCO.

The two scenarios are followed by a section addressing possible impacts from fewer programmes, programme bodies and priority axes.

### 5.1 Scenario 1: All programmes make use of SCO

Not all programmes do make of the simplification options offered. As has been shown in chapters 2 and 4, in particular SCO make major contributions to the reduction of administrative costs and burden. That poses the question, what would happen if also to programmes not having taken up SCO would do so.

Let's assume the programmes which – so far – do not make use of a specific simplification measure would do so to the same extend as the average programme using the simplification options.

In other words, taking the nominal reduction of a simplification measure (as presented in chapter 2) and applying it to the baseline of the programmes which actually make use of the simplification measures, provides a relative share which then can also be applied to the baseline of the programmes which do not make of the simplification measures. The result shows the figures for the assumption that all programmes would take up the studied simplification measure, i.e. the potential maximum impact.

This figure on the potential maximum impact can be compared to the actual impact presented in chapter 2. The difference between the potential maximum and the actual

impact shows the room for improvement, or the 'unused potential' for further simplification.

The greatest potential for further reduction of administrative costs lies with SCO, which could reduce administrative costs by a further EUR 233.1 to 333.4 million. It should also be noted that all ESI Funds have the potential for further reductions, as shown in Figure 9 and Table 69. Table 68 provides an overview of the actual and potential impact as well as the difference between the two (room for improvement).

**Table 68 Impact and potential maximal impact on administrative costs**

Simplification measure	Actual impact (€ millions)	Potential max. impact (€ millions)	Room for improvement (€ millions)
Grants and repayable assistance as simplified cost options (SCO)	-428.1 to -293.9	-761.5 to -527.0	-333.4 to -233.1
E-cohesion/E-governance with beneficiaries (only EMFF, for other ESI Funds already obligatory)	-16.6 to -11.5	-20.0 to -13.9	-3.5 to -2.4

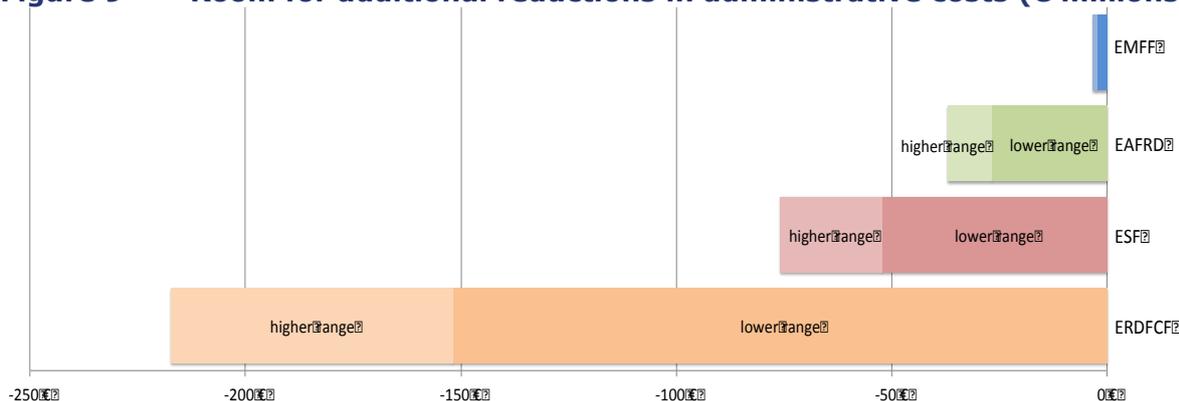
Source: own elaboration

**Table 69 Potential maximum impact on administrative costs, by fund**

	ERDF/CF		ESF		EAFRD		EMFF	
	Max potential in million €	Unused potential in million €	Max potential in million €	Unused potential in million €	Max potential in million €	Unused potential in million €	Max potential in million €	Unused potential in million €
Grants and repayable assistance as SCO	-418.9 to -291.2	-217.2 to -151.7	-181.1 to -124.6	-75.9 to -52.3	-146.3 to -105.1	-37.0 to -26.8	-15.2 to -6.1	-3.4 to -2.3
E-cohesion/E-governance with beneficiaries (only EMFF)	already obligatory for ERDF/CF, ESF and EAFRD						-20.0 to -13.9	-3.5 to -2.4

Source: Own calculations based on survey results

**Figure 9 Room for additional reductions in administrative costs (€ millions)**



Source: own elaboration

Similar to administrative costs, the impact of simplification measures on administrative burden borne by beneficiaries can also be increased. Calculations are based on the same assumptions as for administrative costs.

In short, the greatest potential for further reduction of administrative burden lies with SCO, (EUR 212.7 to 296.5 million). All ESI Funds could further reduce administrative burden, as shown in Figure 10 and Table 71.

In addition, administrative burden could be further reduced by higher uptake of up to one Joint Action Plan per programme under ERDF/CF and ESF (EUR 57.2 to 71.8 million), special compensation calculations for EMFF (EUR 1.9 to 2.4 million) and by advance payments under EAFRD and EMFF (EUR 2.3 to 10.2 million).

Table 70 provides an overview of the actual and potential impact as well as the difference between the two (room for improvement). Table 71 provides a more detailed picture by fund.

**Table 70 Impact and potential maximal impact on administrative burden**

Simplification measure	Actual impact (€ millions)	Potential max. impact (€ millions)	Room for improvement (€ millions)
Grants and repayable assistance as SCO	-826.3 to -592.7	-1,122.8 to -805.4	-296.5 to -212.7
Joint action plans (JAP)	-5.6 to -4.4	-77.4 to -61.6	-71.8 to -57.2
Special calculation rules for compensation	-3.7 to -2.9	-5.6 to -5.3	-2.4 to -1.9
Establishment of advance criteria for insurance cover	-3.0 to 1.8	-3.0 to 1.8	-0.0 to -0.0
Advance payments	-9.8 to -2.1	-20.0 to -4.4	-10.2 to -2.3

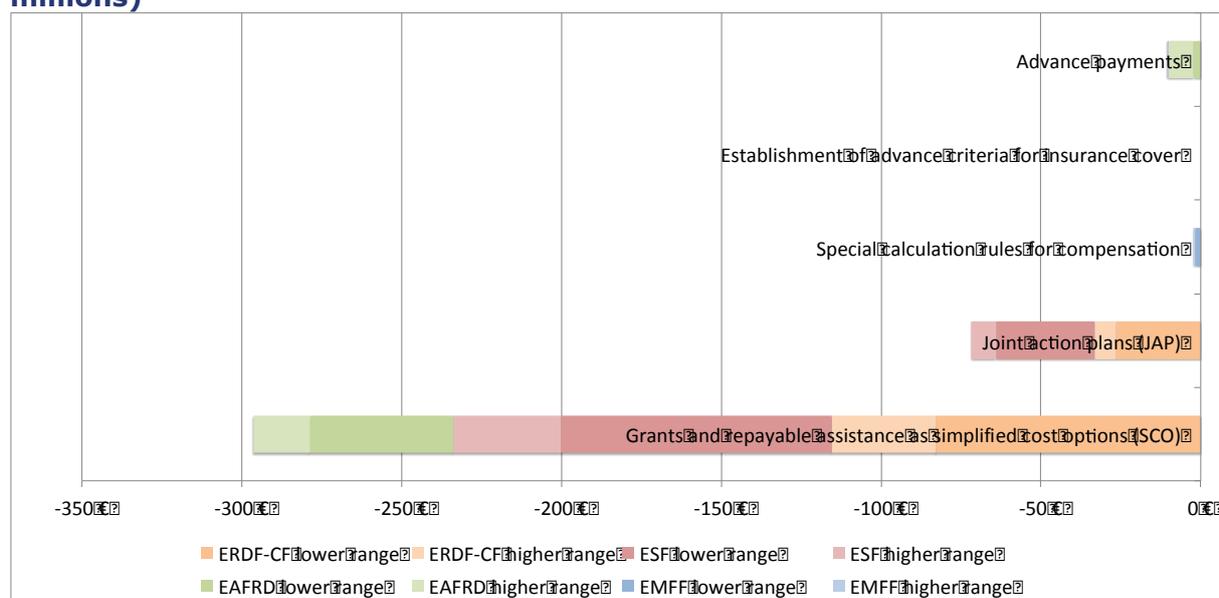
Source: own elaboration

**Table 71 Potential maximum impact on administrative burden, by fund**

	ERDF/CF		ESF		EAFRD		EMFF	
	Max potential in million €	Unused potential in million €	Max potential in million €	Unused potential in million €	Max potential in million €	Unused potential in million €	Max potential in million €	Unused potential in million €
Grants and repayable assistance as SCO	-412.3 to -295.7	-115.4 to -82.8	-478.6 to -343.4	-118.3 to -84.9	-213.2 to -153.0	-62.8 to -45.0	-18.7 to -13.4	-0.0 to -0.0
Joint action plans (JAP)	-35.8 to -28.5	-33.3 to -26.5	-41.6 to -33.1	-38.5 to -30.7				
Advance payments					-18.7 to -4.1	-10.0 to -2.2	-1.3 to -0.3	-0.2 to -0.1
Advance criteria for insurance cover					0.0 to 0.0	0.0 to 0.0	-3.0 to -1.8	-0.0 to -0.0
Special calculation rules for compensation							-5.6 to -5.3	-2.4 to -1.9

Source: own calculations based on survey results

**Figure 10 Room for additional reductions in administrative burden (€ millions)**



Source: own elaboration

The picture of the potential reduction in administrative costs and burden looks more diversified when differentiating between types of bodies affected, as shown in Table 72. For Managing Authorities, the maximum potential impact in monetary terms is linked to grants and repayable assistance as SCO (approximately EUR 357.7 to 516.8 million, corresponding to 1.5 to 2.1% of the administrative costs of Managing Authorities). Audit Authorities/Certification Bodies also have a high reduction potential with SCO, i.e. EUR 121.9 to 183.3 million or 0.5 to 0.7% of their administrative cost.

**Table 72 Potential maximum impact by simplification options and bodies**

Potential maximum impact	MA		CA / PA		AA / CB		BEN	
	in million €	in %	in million €	in %	in million €	in %	in million €	in %
Grants and repayable assistance as SCO	-516.8 to -357.7	-2.1% to -1.5%	-61.5 to -47.4	-0.2% to -0.2%	-183.3 to -121.9	-0.7% to -0.5%	-1,122.8 to -805.4	-8.6% to -6.2%
Joint action plans (JAP)	0.0 to 0.0	0.0% to 0.0%	0.0 to 0.0	0.0% to 0.0%	0.0 to 0.0	0.0% to 0.0%	-77.4 to -61.6	-0.6% to -0.5%
Independent quality report for major projects	-4.3 to -1.3	0.0% to 0.0%	0.0 to 0.0	0.0% to 0.0%	0.0 to 0.0	0.0 to 0.0	0.0 to 0.0	0.0 to 0.0
Advance payments	10.6 to 16.1	0.0% to 0.1%	5.6 to 11.5	0.0% to 0.0%	0.0 to 0.0	0.0% to 0.0%	-19.9 to -4.3	-0.2% to 0.0%
Advance criteria for insurance cover	-0.2 to 0.3	0.0% to 0.0%	0.0 to 0.0	0.0% to 0.0%	0.0 to 0.0	0.0% to 0.0%	-3.0 to -1.8	0.0% to 0.0%
Special calculation rules for compensation	2.3 to 3.1	0.0% to 0.0%	0.0 to 0.0	0.0% to 0.0%	0.0 to 0.0	0.0% to 0.0%	-5.6 to -5.8	-3.0% to -2.9%
E-cohesion/E-governance with beneficiaries (only for EMFF)	-9.1 to -6.0	-1.1% to -0.7%	-0.1 to -0.0	0.0% to 0.0%	-10.8 to -7.8	-1.3% to -0.9%	-11.3 to -9.7	-6.1% to -5.2%

Source: Own calculations based on survey results

The table also shows that for advance payments, Managing Authorities and Certifying Authorities/Paying Agencies experience an increase in administrative costs. However, the reduction in administrative burden for beneficiaries is considerably higher than the increase in administrative costs at programme level.

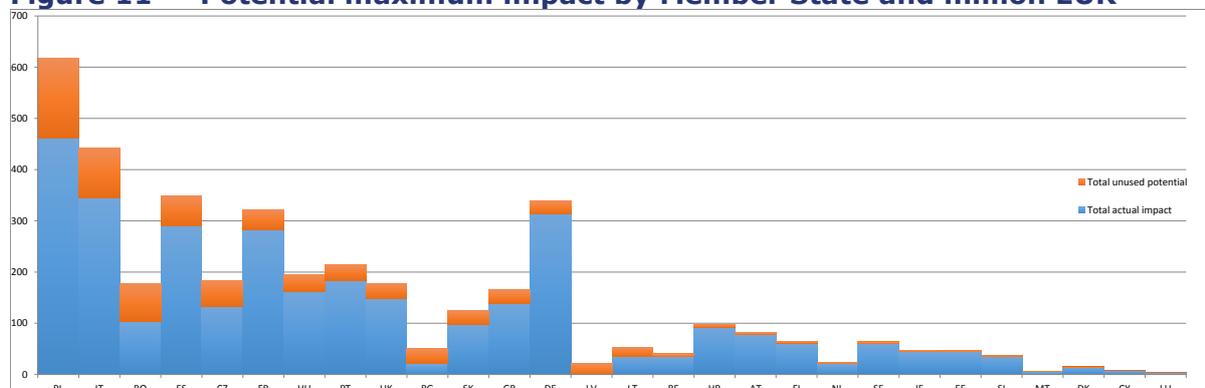
At the level of Member States, the greatest unused potential in monetary terms can be found in Poland, Italy, Spain, Romania, France, Czech Republic and Germany (see distance between blue and orange in the figure below). At the same time, in these countries, the actual reductions in administrative costs (from the uptake of simplification measures) are already higher than in most other Member States (blue in the figure below). This is mainly an effect of analysing reductions in administrative costs in monetary terms, where countries with larger ESIF budgets and corresponding administrative costs have more potential for reducing these costs in absolute terms.

Among the Member States with smaller ESIF budgets, there is little unused potential for reducing administrative costs in absolute monetary terms. For Luxembourg, Malta, Cyprus and Denmark, there is almost nothing. Exceptions among countries with smaller ESIF budgets are Bulgaria and Latvia, where it seems that there is a comparably high share of unused potential.

Figure 11 provides a general indication of used and unused potential by Member State. The bigger the orange field, the higher the potential in absolute monetary terms. While the blue area describes the total actual impact as discussed in chapter 4, the orange area describes the unused potential. Taken together, they describe the potential maximum impact.

For all Member States, the unused potential is mainly in the field of grants and repayable assistance as SCO.

**Figure 11 Potential maximum impact by Member State and million EUR**



(Countries are sorted according to their unused potential shown in orange.)

Source: own calculations based on survey results

## 5.2 Scenario 2: Increasing the budget shares covered by SCO

Programmes which make use of SCO often do so only for a relatively small share of their programme budget. This poses the question, what would happen if programmes would use a higher share of their budgets for SCO.

Let's assume all programmes would make use of SCO (as in scenario 1) plus that the programmes would apply SCO to a larger share of their programme budgets. Further extending the simplification potential, this would lead to additional reductions of administrative costs and burden.

To estimate the impacts, figures on the current budget shares covered by SCO and a reasonable higher budget share to be targeted need to be established. As there is no

precise information on these figures, it is only possible to work with estimations. These estimations need to be differentiated by fund, as both the actual use and the potential use of SCO differs widely between funds.

As for the current level of budget share covered by SCO, data collected through the survey offers limited insights (as information on this was only provided by a limited number of respondents). For this reason, survey information has been integrated with information coming from other sources (e.g. data on the obligatory use of SCO under EAFRD measures 6, 9, 10, 11, 12, 13, 14, 15, 18; DG Empl SCO-JAP-Survey 2015) and with insights from case studies interviews.

As for the maximum budget share that can realistically be covered by SCO under the different funds, currently no information is available. Information collected during the study (in particular with interviews) as well as the analysis of the different fund regulatory provisions (i.e. art. 14 (1) ESF) suggest that the maximum budget share differs across the funds:

- In the case of ERDF/CF, given the low levels of budget shares currently covered (see Table 47) and the limitation of ERDF/CF interventions which can be covered by SCO a reasonable estimation about the increase of the budget shares might be by 40 to 70 percentage points.
- For ESF, considering the relatively high levels (approx. 40%, see Table 47) of budget shares currently covered as well as the possibility to use Art. 14 (1) the increase of the budget shares might be by 30 to 60 percentage points.
- In the case of EAFRD, considering relatively high levels (approx. 50%, see Table 47) of budget shares currently covered and the limitation of EAFRD interventions which can be covered by SCO, the increase of the budget shares might be by 10 to 40 percentage points.
- For EMFF, given the low levels of budget shares currently covered and the limitation of EMFF interventions which can be covered by SCO, the increase of the budget shares might be by 40 to 70 percentage points.

Moreover, it is considered that SCO can cover part or all of the budget to which they are in principle applicable, depending on the type of SCO. For instance, by definition flat rates cover only a part of the budget allocated to an operation (e.g. up to 20% of eligible direct staff costs in the case of Art.19 of ETC Regulation) while lumps sums and Standard Scales of Unit Costs (SSUC) can be used to cover the entire amount of an operation budget. Based on these considerations, four hypotheses concerning the type of SCO used are considered:

1. Flat rate to cover indirect costs  
(20% of budget covered by SCO);
2. Flat rate to cover all costs other than direct staff costs  
(40% of budget covered by SCO);
3. SSUC to cover specific costs categories (e.g. staff costs);  
(60% of budget covered by SCO);
4. SSUC or lumps sums to cover all operation costs, when relevant in combination with flat rate to cover indirect costs<sup>78</sup>  
(100% of budget covered by SCO);

The four hypotheses refer to a less or more 'intensive' use of SCO. In particular, flat rates to cover indirect costs offer the minimum budget coverage, although they also imply the lowest organisational and technical investments. At the opposite side of the scale, SSUC or lumps sums can be used to cover the entire budget of an operation. In this case, investments for the definition and set up of the SCO system are more important.

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<sup>78</sup> In the case of operations also implying indirect costs

Following the above assumptions, SSUC and lumps sums to cover all operation costs lead to the largest further reduction of administrative costs and burden. However, the use of this type of SCO also implies more organisational and technical investments than other SCO types.

Table 73 provides estimations of the further unused potential (in terms of reduction of administrative costs and burden) which can result from the increase of the budget shares covered by SCO by all ESIF programmes (100% of ESIF programmes taking up SCO and increasing their SCO budget share to the maximum potential). For each ESIF, the table illustrates the further unused potential depending on the use of the different SCO types (and their implications in terms of budget coverage).

**Table 73 Preliminary estimation of the further unused potential deriving from the increase of the budget shares covered by SCO by all ESIF programmes (100% uptakers)**

	ERDF/CF		ESF		EAFRD		EMFF	
SCO potential (costs + burden) <sup>79</sup>	-831.2		-659.8		-359.5		-33.8	
Maximum further unused potential	-2909.2 to -1662.4		-989.7 to -494.8		-287.6 to -71.9		-118.4 to -67.7	
	EUR	%	EUR	%	EUR	%	EUR	%
Flat rate to cover indirect costs	-581.8 to -332.5	-3.6 to -2.1	-197.9 to -99.0	-1.7 to -0.9	-57.5 to -14.4	-0.6 to -0.2	-23.7 to -13.5	-2.3 to -1.3
Flat rate to cover all costs other than direct staff costs	-1163.7 to -665.0	-7.2 to -4.1	-395.9 to -197.9	-3.4 to -1.7	-115.0 to -28.8	-1.3 to -0.3	-47.4 to -27.1	-4.7 to -2.7
SSUC to cover specific costs categories or lumps sums to cover specific parts of the operation	-1745.5 to -997.5	-10.8 to -6,2	-593.8 to -296.9	-5.1 to -2.6	-172.6 to -43.1	-1.9 to -0.5	-71.1 to -40.6	-7.0 to -4.0
SSUC or lumps sums to cover all operation costs	-2909.2 to -1662.4	-18.1 to -10.3	-989.7 to -494.8	-8.5 to -4.3	-287.6 to -71.9	-3.2 to -0.8	-118.4 to -67.7	-11.7 to -6.7

Source: own elaboration

Regarding the different ESIF, the largest further reduction of administrative costs and burden lies with the two funds where SCO cover comparably low shares of the programme budgets: ERDF/CF with a potential of further reduction of 10.3 to 8.1% of the overall costs and burden in the case of the use of SSUC or lumps sums to cover all operation costs. This is followed by EMFF with a reduction potential of 6.7 to 11.7% and ESF with an reduction potential of 4.3 to 8.5% of the total administrative costs and burden. The potential impact is more limited in the case of EAFRD, with an estimated reduction potential of 0.8 to 3.2% and -0.8%.

### 5.3 Possible arrangements for increasing the uptake of SCO

Having discussed the estimated potential for reducing administrative costs and burden by an increased use of SCO, the question is how to achieve it. The possibility to increase the use of SCO is naturally limited by the fact that not all operations or projects can be covered by SCO (as in the case of operations or projects which are publicly procured). Keeping this in mind, arrangements that are considered particularly effective by the majority of the study interviewees include:

1. Mandatory use of SCO for 'small operations': this solution is generally considered effective both by ESF authorities (which appreciate the introduction of Art. 14(4)

<sup>79</sup> See figures presented under chapter 2 ("most likely scenarios")

ESF) and by the other ESIF authorities. Generally, the ESIF authorities interviewed consider that the extension of this obligation to funds other than ESF would represent an improvement in the regulatory framework, as it would allow for an automatic extension of the use of SCO to a significant proportion of financed operations;

2. Possibility of validating SCO through a specific delegated act or comfort letter, following the example of the procedure under Art. 14(1) ESF: despite initial scepticism, Art. 14(1) is now generally considered by the ESF authorities as an effective solution to overcome legal uncertainty and increase the uptake of SCO;
3. Provision of EU level SCO /off-the-shelf solutions, which would eliminate the need to define a methodology for SCO.

The following sections provide some more information on the implications of these possible arrangements.

### 5.3.1 Mandatory use of SCO for small operations to all ESIF

What would be the impact of mandatory use of SCO for small operations under ESIF other than ESF?

Survey data allows to estimate the actual impact deriving from the obligatory use SCO for small operations under the ESF: The actual impact of Art. 14(4) ESF is estimated as a reduction of 314.2 mill. € (0.9% of the total ESF administrative costs and 4.4% of the total ESF administrative burden considering the "most likely scenario").

Furthermore for ERDF/CF, it is known that approx. 69% of all operations funding – accounting only for 7% of the total expenditure – are below the threshold of EUR 100,000.<sup>80</sup>

Let's assume that ESF operations under EUR 50,000 cover a programme budget share similar to that covered by ERDF-CF operations under EUR 100,000, i.e. 7%. This assumption is based on the expectation of a higher proportion of 'small' operations under the ESF, and corroborated by qualitative findings from both ESF and ERDF/CF MA interviews.

Under this assumption it is possible to calculate the impact of mandatory use of SCO for each euro spent for small operations under ESF, as shown in Table 74.

**Table 74 Impact of the mandatory use of SCO for each euro spent in small operations under ESF**

the total monetary impact Art. 14(4)	/	total cost of ESF operations below 50,000	=	imp in %
-314.2 mill.€	/	8,970.7 mil.€ (7% of ESF)	=	-3.5%

Source: own elaboration

The reduction deriving from the compulsory use of SCO for operations below 50,000 € is estimated at 3.5% for each euro spent on small operations (or 35,000 € for each million € spent on small operations). Multiplying this percentage by the ERDF-CF budget covered by operations below 100,000€ gives an indicative estimation of the impact deriving from the extension of the obligatory use of SCO for small operations under ERDF/CF. The calculation is detailed in the table below.

**Table 75 Potential reduction of the extension of the compulsory use of SCO**

the ERDF-CF budget covered by operations below 100,000 €	*	Imp€ %	=	Monetary impact
24,677.1 mil.€	*	-3.5%	=	-864.4 mil. € <sup>81</sup>

Source: own elaboration

<sup>80</sup> See DG Regio study 'Setting up a database to assess impacts and effects of certain thresholds and limits in Regulation (EU) No 1303/2013'

<sup>81</sup> Approximately 30% of the total unused potential for ERDF

Under the above assumption concerning the share of budget of ESF operations under EUR 50,000, the compulsory use of SCO for ERDF/CF operations under EUR 100,000 leads to an administrative costs and burden reduction of approximately 860 million.

Lastly, it is important to mention that, during the study interviews, several ESF authorities recommended that the EC should consider the possibility of setting a higher threshold for the mandatory use of SCO (e.g. EUR 100,000). In the view of ESF interviewees, a higher threshold, by increasing the percentage of ESF budget covered by SCO, would boost the reduction of administrative costs and burden.

### **5.3.2 Extend the possibility of validating SCO through a delegated act to all ESIF**

Legal uncertainty is among the main factors that can limit or impede the uptake of SCO and, therefore, a further reduction in administrative costs and burden (see chapter 6). According to the authorities involved in the case study interviews, a significant contribution to greater legal certainty could be made by extending the possibility of receiving an approval from the Commission for the respective SCO system prior to its implementation.

In this context, the main reference is the procedure introduced by Art. 14(1) ESF. The interviewed authorities proposed to extend this possibility, allowing the adoption of specific Delegated Acts for all ESI Funds, other than ESF. As regards this proposal, a few aspects should be considered:

- All (ESF) authorities that had carefully assessed Art. 14(1) ESF provisions provided positive feedback on the measure.
- These authorities have not only stressed the advantages of Art. 14(1) ESF in terms of improved legal certainty, but also in terms of setting up a stronger and more direct collaboration with the Commission, while managing the process.
- On the other hand, the interviewees proposed to lighten the procedure by "skipping the step with Parliament and Council" which would mean in practice moving from adoption by delegated act to adoption by implementing act or by other less regulated procedures.

In terms of impact, the extension of the Art. 14(1) ESF procedure to all ESIF Funds could:

- encourage the (further) uptake of SCO by those authorities who perceive the risk due to legal uncertainty as too high (further uptake = higher reduction in costs and burden);
- reduce the time, costs and burden related to the definition and implementation of the SCO system. Cooperation with the Commission in developing the calculations and establishing clear rules and conditions up front are key factors to prevent the risk of discussions and any issues in the implementation phase, with evident advantages in terms of increased efficiency of the whole process.

### **5.3.3 The provision of EU-level SCO / off-the shelf solutions**

As emerged from case study interviews on SCO, one of the key factors limiting the use of SCO is the initial investment needed for setting up the system. This is also confirmed by data collected through the survey, with approximately 20% of MAs not taking up SCO justifying their choice by referring to the complexity of the solution (Table 49) and with over one-third of the MAs taking up SCO declaring that the use of SCO increases the costs related to setting up management and control systems.

According to the authorities involved in the case study interviews, a significant contribution to limit the set-up costs could be made by extending the possibility of using off-the-shelf SCO solutions, following the example of what is already offered under Art. 68(1) CPR, Art. 14(2) ESF and Art. 19 ETC. Off-the-shelf solutions foreseen in the 2014-2020 regulation are in fact considered by interviewees as very helpful, particularly for types of projects/operations for which not enough historical data is available.

As in the case of the ex-ante validation of SCO through a delegated act or other means, establishing off-the-shelf solutions could be based on a collaboration between Member States and the Commission by developing the calculations and establishing clear rules up front. As recommended by the interviewees, the EC could set up and coordinate EU-level cooperation networks and initiatives, directly involving practitioners from the MS. A good example of the potential added value of such initiatives is again offered by the ESF experience: the Thematic Network on Simplification set up by DG EMPL, although launched only recently, has already involved representatives from 24 Member States and the EC (Policy and Legislation Unit, Auditors, Geographical Units). EU-level SCO is one of the main topics that will be discussed by the Thematic Network.

#### **5.4 Possible impacts of a reduction in the number of programmes, programme bodies and priority axes**

In addition to the increased uptake of optional simplification measures, the specifications for this study also ask for consideration of the possible impact of a reduction in the number of programmes, programme bodies and priority axes. The below discuss these points and provides monetary impact of the reductions as far as possible. The figures are however rather indications as precise figures are impossible given the fuzzy nature of the changes.

##### **Impact of reduction of programmes**

Reducing the number of programmes clearly reduces administrative costs. Previous studies have shown that administrative costs as a share of the programme budget decrease as the financial volume of programme increases.<sup>82</sup> There are two main reasons behind this. Firstly, programmes with larger financial volumes traditionally concentrate on infrastructure thus investments that have lower administrative costs than small-scale projects. Secondly, as pointed out in the 2010 Sweco study, programme administration includes a number of tasks that are unit costs (per programme) and do not vary considerably in relation of the overall financial volume. This implies that programmes with a relatively small financial volume spend a higher share of their budget on basic administrative tasks than programmes with a large financial volume.

To estimate the reduction in administrative costs deriving from the reduction of programmes, two different cases need to be considered:

- **Merger of single fund programmes under the same fund.** The highest reduction in administrative costs can be expected from merging two or more mono- fund programmes operating under the same fund. In these cases, the financial volume of the programme increases and following the findings of the Sweco 2010 study, the administrative costs as a share of the programme budget will decline. Figure 12 shows that a substantial reduction in administrative costs can be expected when a merger of programmes implies that the budget increases from well below EUR 1 billion to well above, and again when the budget exceeds the EUR 1 billion threshold. Comparing the 2007-13 and 2014-20 periods, Austria is an interesting case, as 9 regional ERDF programmes have been merged into one national programme. For the 2014-20 period, the Austrian ERDF programmes

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<sup>82</sup> Please provide references.

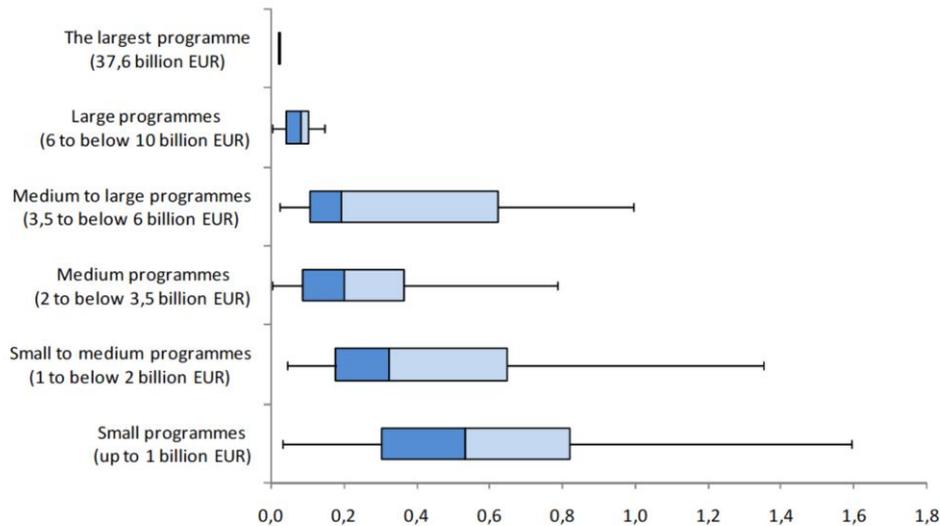
has a TA budget of EUR 42 million, which amounts to 2% of the EUR 2 billion programme budget (including co-funding). In comparison, for the 2007-13 period, the combined administrative costs for the 9 Austrian regional programmes were estimated at EUR 90 million, corresponding to 7% of the programme budgets.

- **Merger of programmes under multiple funds.** Merging programmes from different funds into multifund programmes also implies a reduction in administrative costs. However, due to the additional coordination effort between different funds as well as the diversity of activities funded, the expected impact of a merger is smaller than in the case of a merger of mono fund programmes. First indications on the size of the impact can be obtained by comparing the 2014-20 TA budgets for single and multifund programmes. While in the case of single fund programmes the TA budget stands on average at 3.2% of the total programme budget, it is 4.6% of multifund programmes. At the same time, the average programme budget of multifund programmes is approximately 5% larger than that of single fund programmes. Given that usually the share of administrative costs declines with an increasing financial volume of a programme, it shows that multi-fund programmes tend to have higher administrative costs than single fund programmes. Accordingly, mergers of programmes into multifund programmes will reduce administrative costs to a lesser degree than mergers of single fund programmes – it might even be the case that administrative costs can increase in the case of such a merger.

Overall, reducing the number of programmes holds a considerable potential for reducing administrative costs. However, the magnitude of such a reduction depends on various factors, including the size and the character of programmes.

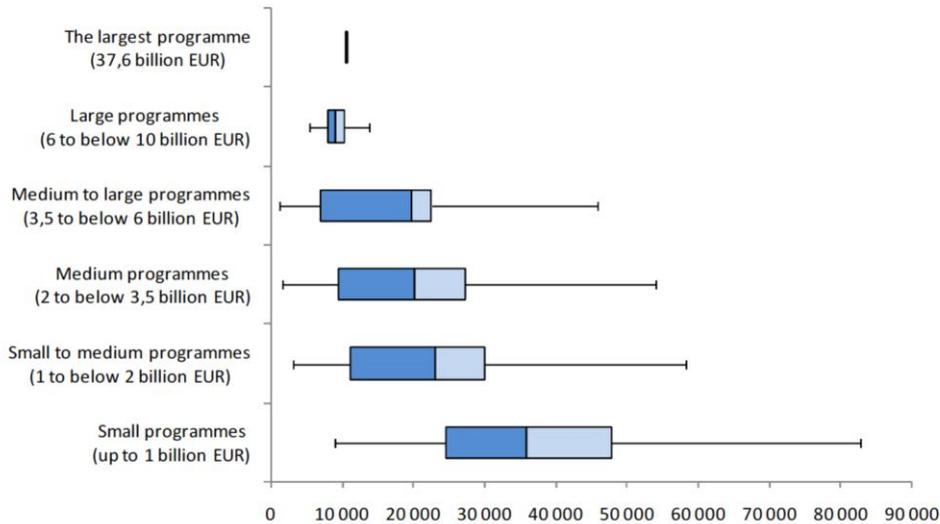
## Figure 12 Comparing administrative costs in relation to the financial volume of a programme

Figure 40: Programme management – administrative workload by the programmes' financial volume\*  
(in person years per million EUR of total eligible expenditure)



\* This overview does not cover European Territorial Cooperation Programmes.

Figure 41: Programme management – administrative costs by the programmes' financial volume\*  
(in EUR per million EUR of total eligible expenditure)



\* This overview does not cover European Territorial Cooperation Programmes.

Source: SWECO (2010) Regional governance in the context of globalisation

### Impact of reduction of Intermediate Bodies

The survey results allow drawing some conclusions concerning the reduction of IBs and its impact in particular with reference to greater thematic concentration.

The mean and the median impact for each task related to thematic concentration differs substantially between respondents that indicate they have reduced the number of IBs due to thematic concentration and those who didn't. There is a larger decrease of

administrative costs for authorities reducing the IBs compared to those not reducing the IBs.

As regards the magnitude of the difference and the detection of the tasks with the largest difference among those interested in the simplification of thematic concentration, selection of operations and monitoring show the largest difference between the two groups of respondents.

This is particularly prominent for two tasks:

- Selection of operations: For this task the magnitude of the difference expressed in terms of ratio between the average impact between the two groups shows that the Managing Authorities reducing the number of IBs have an average reduction of administrative costs ten times larger than the Managing Authorities not reducing the number IBs. Taking into account outliers in the dataset due to some large dimensions of OPs affecting in turn the dimension of the impacts, the same comparison between groups has been carried out using median values, which are less prone to outlier bias. In this case Managing Authorities reducing the number of IBs having a median of reduction of costs four times larger than the Managing Authorities not adopting the reduction of IBs.
- Monitoring: For this task the results from the use of both statistical measures are even wider apart - with almost no reduction of administrative costs in the case of Managing Authorities not reducing the IBs, and reductions up to 20% in the other case.

Data collected on the reduction of IBs generally confirm qualitative and quantitative findings concerning measures implying the setting up of new intermediate bodies: reducing the number of intermediate bodies helps to reduce administrative costs (in particular in relation to activities such as selection of operations and monitoring) while the setting up of new intermediate bodies (as in the case of ITI) results in an increase of the overall administrative costs (see chapter 4.2).

### **Impact of reduction of priority axes or measures**

The variety of activities funded under a programme to some degree also affects administrative costs. A reduction in the number of priority axes or measures may therefore also contribute to some reduction in administrative costs. However, if you take thematic concentration as a proxy for the reduction of priority axes, the information collected in the survey point to the fact that the total estimated impact of thematic concentration is more or less neutral. In fact, the survey reveals rather the risk of a slight increase (approximately 0 to 0.2%) of total administrative costs, deriving from the difficult process of finding and keeping a focus. When interpreting these results it should be noted that one reason behind the introduction of thematic concentration into the legal framework was indeed the reduction of priority axes or measures and the overall simplification of the programme structure. Moreover, the first sentence of Art. 96(1) CPR sets out the basic principles, according to which a priority axis shall concern one Fund and one category of region and shall correspond to a thematic objective and comprise one or more of the investment priorities of that thematic objective. However, in reality, many Member States have not opted for simple and clearly structured programmes and priority axes. Instead, many Member States made use of the derogations introduced by the co-legislators during the negotiations (see Art. 96(1) (a-d) CPR), and combined different categories of regions or investment priorities from different funds or from different thematic objectives – or have even made use of several of these combination options. This approach has significantly increased the complexity of many programmes. Therefore "thematic concentration" as implemented in practice cannot be used as a proxy for the impact of the reduction of priority axes.

## 6 Simplified Cost Options and Joint Action Plans

### Key findings

- Flat rates represent the type of SCO most commonly used. If compared to the previous programming period the use of SSUC is also increased.
- Regarding the type of costs covered by SCO, indirect costs and staff costs represent the categories of costs most frequently covered.
- Calculation methods based on historical data, particularly data available from the MA's internal databases, are generally the preferred calculation methods.
- Key advantages related to the use of SCO are:
  - less administrative burden both for authorities and beneficiaries;
  - reduction of errors and irregularities;
  - enhancement of the value and the quality of the operations (increased focus on content, process and results);
  - increase in the quality of programming (spending is more targeted);
  - increase in the attention paid to developing better partnerships at all levels.
- The limited use of JAP seems mainly to depend on the fact that stakeholders perceived this measure as excessively risky and complicated to be implemented.
- Key recommendations to enhance the use of SCO are:
  - improve legal certainty to tackle the issues and risks related to legal uncertainty;
  - strengthen guidance and support to MS;
  - harmonize rules for different funds;
  - provide more off-the-shelf flat rates;
  - make the use of SCO mandatory in the case of small operations;
  - lighten the Art. 14(1) ESF procedure and extend to other ESIF the possibility to approve through delegated acts.

Data presented in the previous chapter (see in particular chapter 4.4) highlight the fact that SCO are the most frequently used optional simplification measure. Approximately 80% of the MAs taking part in the survey declare their use of SCO. The percentage of users is even higher in the case of ESF and ETC programmes (respectively 84%<sup>83</sup> and 91%) and corresponds to 100% in the case of MAs from Austria, Cyprus, Denmark, Estonia, Finland, Croatia, Ireland, Luxembourg, Sweden and Slovenia.

Regarding the share of programme budget covered by SCO, as illustrated by the Table 47 (see chapter 4.4), EAFRD is the fund with the highest level of programmes budget covered by SCO (49%) followed by ESF (36%) while a more limited impact of SCO in terms of budget coverage seems to characterise ERDF/CF (2%), MULTI (7%) and ETC (5%).

The present chapter is based on the information collected through the interviews and the survey. It presents a more qualitative assessment on the uptake of SCO and JAP in particular, by exploring for each of the ESI Funds which types of SCO have been used most frequently, and by categorising the types of projects (or measures in the case of EAFRD and EMFF) for which SCO are used most frequently. Moreover, it includes some recommendations to MS/Regions and to the EC for extending the use of SCO and JAP.

The chapter is organised as follows: the description of the key findings is developed for each Fund (except where not applicable, i.e. Art. 14(1) and 14(4) ESF Reg. and JAPs), in relation to the following:

For all ESIF:

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<sup>83</sup> The data for ESF only refer to programmes that declare their use (or intent to use) SCO also for operations exceeding EUR 50,000 of public support to be paid by the beneficiary – except for operations receiving support within the framework of a State Aid Scheme (Art. 14(4) ESF Regulation)

- 6.1. Types of SCO taken up
- 6.2. Categorization of projects (measures for EAFRD and EMFF) covered by SCO
- 6.3. Costs covered by SCO
- 6.4. Calculation methods
- 6.5. Involvement of stakeholders
- 6.6. Change management process
- 6.7. Hurdles and constraints, limiting or impeding the uptake
- 6.8. Risks related to SCO
- 6.9. Opportunities related to SCO

Only for ESF:

- 6.10. Art. 14(1): most suitable types of project, risks and opportunities
- 6.11. Art. 14(4): findings on the mandatory use of SCO

More detailed case studies on the use of SCO are to be found in annex 3, 4, 5 and 6.

## 6.1 Types of SCO taken up

The current chapter presents further information on the type of SCO used, collected both through the survey and the interviews.

With regard to the type of SCO used in the 2007-2013 programming period, information collected by the interviews with ESF, ERDF, ETC and authorities generally confirm data from the survey (see Table 76). In particular, the following observations emerge:

- wide use of **flat rates** (53% of MAs declaring their use of SCO in 2007-2013), in particular to cover indirect costs. According to interviewees, this was encouraged by three main aspects: (i) the possibility of having the calculation methodology approved by the EC<sup>84</sup>; (ii) the need for simplification related to indirect costs (significant amount of work to justify very small amounts, potentially high error rate and subsequent discussions and corrections); (iii) (for ESF) this type of SCO was introduced earlier than the others (already set out in Article 11.3(b) of Regulation (EC) No 1081/2006);
- significant use of **SSUC**, particularly for ESF (43% of ESF MAs with previous experience in the use of SCO). This type of SCO was introduced during the last programming period<sup>85</sup> and most MAs interviewed have only started to use it in the final two years of the last programming period. Despite this, the level of uptake of SSUC at the end of that period can be considered significant, both in quantitative terms (35% of total MAs declaring their use of SCO in 2007-2013) and qualitative terms (variety of approaches and solutions adopted);
- limited use of **lump sums** (11% of total MAs declaring their use of SCO in 2007-2013). According to the information collected in interviews, the limited use of lump sums in the 2007-2013 period was mainly due to:
  - difficulties in calculating the amount;
  - risks related to the 'on-off effect' that is peculiar to lump sums: as described in the EC Guidance Note on SCO<sup>86</sup> *'the main difference between lump sums and the standard scales of unit cost system is that the calculation of costs is not proportional to quantities. In the case of standard scales of unit costs, when quantities decrease, the costs decrease proportionally. In the case of lump sums, this 'proportional link' between quantities and payments does not*

<sup>84</sup> In the new period (2014-2020), prior approval by the Commission is only possible in the context of Art. 14(1) ESF or for SCO developed within the framework of a Joint Action Plan. .

<sup>85</sup> By Regulation (EC) No 396/2009 (amending Article 11.3 (b) of Regulation (EC) No 1081/2006) and Regulation (EC) No 397/2009 (amending Article 7.4 of Regulation (EC) No 1080/2006)

<sup>86</sup> Guidance Note on SCO - Par. 6.4.3.1 and Par. 6.4.3.2 and Par. 6.4.3.3.

apply. The calculation of the costs will be based on a 'binary' approach", which implies that 'the document setting out the conditions for support to the beneficiary should be drafted very carefully in order to define the basis on which costs will be calculated and how they will be reduced if the objectives are not reached. This issue of reduction of the costs is crucial in the case of lump sums because of the potential problems that could be created by a binary approach where there are no other choices than paying 0 % or 100% of the grant'. It is however also important to underline that 'the possibility to have several stages corresponding to different costs' represent a solution to soften the 'binary approach';

- some specific issues related to national laws/regulations, as in the case of the specific national law disallowing the use of lump sums mentioned by the Spanish authorities interviewed.

**Table 76 Type of SCO used in the 2007-2013 and 2014-2020 periods**

	Flat rate			Lump sums			SSUC					
	07-13		14-20		07-13		14-20		07-13		14-20	
<b>ERDF/CF</b>	20	out of 23	41	out of 43	2	out of 23	10	out of 43	9	out of 23	23	out of 43
<b>ESF</b>	19	out of 23	22	out of 24	4	out of 23	6	out of 24	17	out of 23	20	out of 24
<b>ETC</b>	7	out of 8	28	out of 28	2	out of 8	7	out of 28	1	out of 8	4	out of 28
<b>MULTI</b>	11	out of 12	23	out of 24	4	out of 12	9	out of 24	8	out of 12	15	out of 24
<b>tot</b>	57	out of 66	114	out of 119	12	out of 66	32	out of 119	35	out of 66	62	out of 119
<b>AT</b>	2	out of 2	2	out of 2	0	out of 2	0	out of 2	2	out of 2	2	out of 2
<b>BE</b>	4	out of 4	3	out of 3	1	out of 4	1	out of 3	2	out of 4	2	out of 3
<b>BG</b>	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0
<b>CY</b>	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0
<b>CZ</b>	2	out of 2	3	out of 3	0	out of 2	0	out of 3	2	out of 2	2	out of 3
<b>DE</b>	12	out of 13	16	out of 17	2	out of 13	6	out of 17	9	out of 13	12	out of 17
<b>DK</b>	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0
<b>EE</b>	0	out of 1	1	out of 1	0	out of 1	1	out of 1	1	out of 1	1	out of 1
<b>ES</b>	2	out of 2	7	out of 7	0	out of 2	0	out of 7	2	out of 2	5	out of 7
<b>FI</b>	1	out of 1	1	out of 1	1	out of 1	1	out of 1	0	out of 1	1	out of 1
<b>FR</b>	1	out of 1	5	out of 5	0	out of 1	1	out of 5	1	out of 1	1	out of 5
<b>GR</b>	1	out of 1	6	out of 6	0	out of 1	2	out of 6	0	out of 1	1	out of 6
<b>HR</b>	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0
<b>HU</b>	0	out of 1	1	out of 1	0	out of 1	0	out of 1	1	out of 1	1	out of 1
<b>IE</b>	0	out of 0	2	out of 2	0	out of 0	0	out of 2	0	out of 0	0	out of 2
<b>IT</b>	2	out of 4	8	out of 9	1	out of 4	2	out of 9	4	out of 4	8	out of 9
<b>LT</b>	1	out of 1	1	out of 1	1	out of 1	1	out of 1	1	out of 1	1	out of 1
<b>LU</b>	1	out of 2	1	out of 1	0	out of 2	1	out of 1	1	out of 2	1	out of 1
<b>LV</b>	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0
<b>MT</b>	2	out of 2	2	out of 2	0	out of 2	2	out of 2	0	out of 2	2	out of 2
<b>NL</b>	0	out of 1	3	out of 3	1	out of 1	1	out of 3	1	out of 1	2	out of 3
<b>PL</b>	5	out of 5	6	out of 6	2	out of 5	2	out of 6	4	out of 5	5	out of 6
<b>PT</b>	2	out of 3	3	out of 5	1	out of 3	4	out of 5	2	out of 3	3	out of 5
<b>RO</b>	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0
<b>SE</b>	7	out of 7	8	out of 8	0	out of 7	0	out of 8	0	out of 7	0	out of 8
<b>SI</b>	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0	0	out of 0
<b>SK</b>	1	out of 1	1	out of 2	0	out of 1	0	out of 2	1	out of 1	2	out of 2
<b>UK</b>	4	out of 4	6	out of 6	0	out of 4	0	out of 6	0	out of 4	6	out of 6

Source: online survey

With regard to the type of SCO used in the 2014-2020 programming period, data from the survey and from interviews confirm:

- the extensive use of **flat rates**. As illustrated by Figure 13, flat rates are the most used type of SCO; more than 90% of MAs taking up SCO declare their use of flat rates both as a stand-alone type of SCO (33%) or in combination with other SCO (28% of programmes use both flat rates and standard scales of unit

costs, 14% use flat rates, lump sums and standard scales of unit costs, 17% use flat rates and lump sums). It is interesting to note the significant use of flat rates in the case of the ETC programmes, where all programmes taking up SCO use flat rates, either as a stand-alone solution (68%) or with other SCO (32%). Regarding the types of flat rates used, according to the information collected through the interviews, ESIF authorities are making an extended use of the off-the-shelf flat rates provided in the regulation in particular to cover indirect costs. Interviewed authorities express a strong interest towards the possibility to use flat rates to cover other category of costs and in this sense they also underlined that an important trigger for the (further) diffusion of flat rates will be the extended possibilities of off-the-shelf rates provided for in the 2014-2020 Regulations<sup>87</sup>. More precisely, all interviewed MAs declared that off-the shelf solutions are very helpful and asked for additional ones and also for harmonisation of the available options (i.e. ERDF, EAFRD and EMFF Authorities declared they would like to be able to use the flat rates provided for in the ESF Regulation).

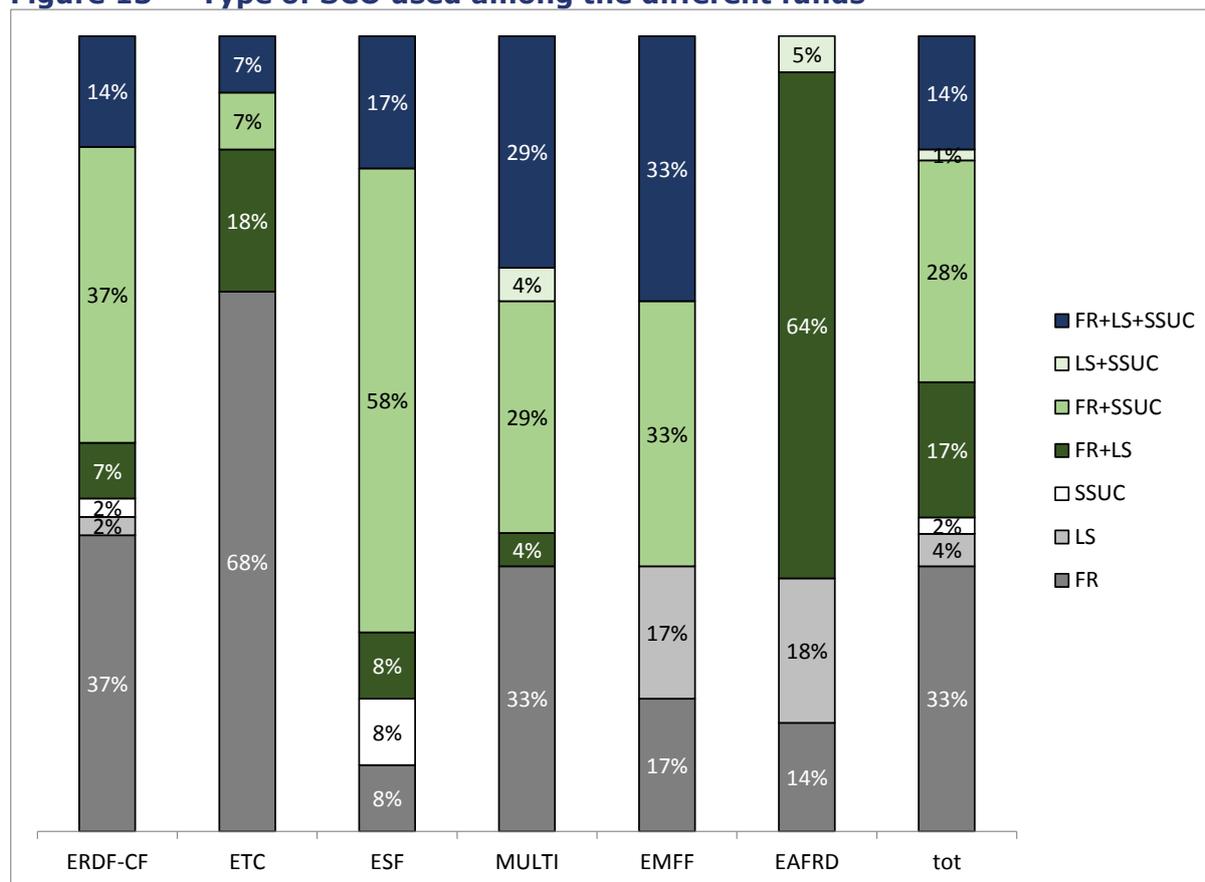
- increased use of **SSUC**. According to data extracted from the survey, 46% of the MAs taking up SCO declare their use of SSUC (28% with flat rates, 14% with flat rates and lump sums). From interviews with authorities with previous experience in the use of SCO (in particular ESF and ERDF/CF), MAs to SSUC (and to SCO in general), a trend is emerging away from an administrative approach (basically driven by the need to reduce the administrative burden) towards a more 'systemic approach', generally characterised by:
  - a significant level of involvement of external stakeholders, based on partnerships (for further details see chapter 6.5);
  - the development of a wider change management process, approaching SSUC not only in administrative and financial terms, but in terms of the willingness to take a 'cultural leap' (for further details see chapter 6.6), in particular for the purpose of increasing the programmes' results orientation (as noted in particular by ESF MAs from Spain, Belgium, the Netherlands, Czech Republic and France, and AAs from Spain, Belgium, and the Netherlands which stressed the importance of linking payments to measurable results and outcomes);
- the assumption that the introduction of SCO brought relevant advantages, not only in administrative and financial terms, but also in that they support a much wider innovation process (for further details see chapter 6.5 and 6.9). Increased use of **lump sums** (approximately 37% of the MAs taking up SCO declare their use of SCO), which is largely due to the extended use made of lump sums by EAFRD MAs (86% of the EAFRD MAs taking up SCO declare their use of lump sums), who, as it emerged from interviews, consider lump sums a useful solution, in particular to cover small operations. For the other funds, the use of lump sums, even if it has increased in comparison with the previous programming period, remains limited when compared with flat rates and standard scales of unit costs. From interviews, it emerges that lump sums are often considered as a residual solution, used for specific costs (e.g. mobility costs, preparation costs), specific small operations or limited parts of the operations. Interviews with ETC authorities confirm the attention on lump sums that emerges from the survey: for example, a lump sum covering project preparation costs<sup>88</sup> has been jointly designed by three ETC programmes (i.e. Interreg Europe, North West Europe and 2Seas).

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<sup>87</sup> E.g. Art. 68(1) CPR or Art. 14(2) ESF or Art. 19 ETC.

<sup>88</sup> Costs related to the preparation of the Project Proposals: staff, travel, expertise, meetings

**Figure 13 Type of SCO used among the different funds**



Source: online survey

**Table 77 Type of SCO used: dominant option per fund**

Fund	Flat rate	Lump sum	SSUC
<b>EAFRD</b>	77%	86%	5%
<b>EMFF</b>	83%	50%	67%
<b>ERDF-CF</b>	95%	23%	53%
<b>ESF</b>	92%	25%	83%
<b>ETC</b>	100%	25%	14%
<b>MULTI</b>	96%	38%	63%
tot	93%	37%	46%

Source: online survey

## 6.2 Categorisation of projects (or measures EAFRD and EMFF) covered by SCO

This chapter illustrates information regarding the type of projects and measures that, in the opinion of the interviewees, appear as the most suitable for the use of SCO.

With regard to the type of projects most suitable for SCO under **ESF**, the different experiences investigated through interviews indicate a change compared with the previous programming period. While in 2007-2013 SCO were mainly used for education and training actions, or employment services (among the interviewees only Czechs reported using SCO for social care actions in 2007-2013), in the new programming period, most of the MAs interviewed plan to use SCO for the vast majority of project categories set out in the respective OPs. In line with data from the survey presented above (chapter 6.1), interviewees depict flat rates as the most flexible type of SCO and

the one that is potentially applicable in almost all types of operations. Experiences on standard scales of unit costs are, on the other hand, more heterogeneous and are summarised in Table 78.

**Table 78 Categories of ESF projects covered by SCO**

SCO most frequently used in the case of:	SCO less frequently used in the case of:
<i>education programmes/projects</i> (covered by SCO in all MS-regions involved in interviews) in particular in projects covering the following areas: compulsory schooling, vocational qualifications and diplomas, higher education	<i>social inclusion actions</i> (with the exception of the experiences in SK and CZ);
<i>training actions</i> both for unemployed and employed (covered by SCO in all MS-regions involved in interviews) vocational training, lifelong learning	<i>childcare facilities</i> (with the exception of the experiences in CZ);
<i>employment services</i> (covered by SCO in most MS-regions involved in interviews): Initial Assessment, Skills Audit, Definition of Individual Employment Plan, Career guidance, Guidance training, Company scouting and active job seeking; Entrepreneurship support services	

Source: interviews

However, as observed by the MA of the Czech Research development and Education OP, SSUC are also potentially applicable for all type of operations, with the exception of infrastructural investments (which are difficult to be standardised).

From 2017, they plan to extend the use of SCO also to Training Actions, Mobility of researchers, Training Certificates in secondary schools.

The interviewed Spanish ESF IB declared they made extensive use of SSUCs for Public Employment Services, particularly in the case of small grants related to work placements. In quantitative terms, according to the interviewee, in Spain around 70% of the budget managed by the national ESF IB for Public Employment Services will be covered by SSUCs.

In the **ERDF/CF** context, all actors interviewed agree in considering *Research, Development and Innovation (RDI)* projects as the most suitable for applying SCO. According to interviewees, this is mainly due to the fact that costs related to RDI projects are more easily standardised and also more suitable for being covered by SCO (i.e. higher incidence of staff costs – lower incidence of procured actions) than costs typically related to investments in infrastructures.

However, it is also due to the fact that in several cases, the weight of RDI projects is so predominant (e.g. for the UK OPs interviewed, RDI projects represent approximately 50% of the OP budget) as to make the initial investment needed for quantifying the costs more advantageous. With regard to **ETC**, interviewees consider the uptake of SCO as advantageous (which is in line with the extremely high level of uptake of SCO by ETC programmes reported in the survey). Although the calculation of SCO valid for the different Member States involved in the Programmes require further efforts than those defined at national level, once the methodology is defined, the implementation of SCO is particularly useful to simplify the administrative management of projects at the transnational level.

With regard to **EAFRD**, information collected through interviews (see in particular interviews with NL authorities) have first of all drawn attention to the fact that simplified cost options have, for decades, represented the typical approach for covering expenditures under specific EAFRD measures (see in particular all measures with hectare-based payments), for which management and control is delegated to a single Integrated Management and Control System (Article 67 of R.1306/2013) common to the CAP 1st pillar. Interviewees have also underlined the fact that the 2014-2020 phase introduces a real change also in the EAFRD context, with the possibility of extending the

use of SCO also to measures other than the hectare-based or livestock unit-based measures. In particular, interviews demonstrate strong interest in the use of SCO under the following measures:

- *M. 1.1 Knowledge transfer*
- *M. 1.2 Demonstration*
- *M. 3.2 information and promotion activities*
- *M. 4.1 Productive investments*
- *M. 4.3 Infrastructural investments*
- *M. 4.4 Non-productive investments*
- *M. 16 Cooperation*
- *M. 19 Leader*

In the case of **EMFF**, information collected through interviews confirms data extracted from the survey. (EMFF is the fund with the lowest level of uptake of SCO.) With respect to other funds, experience in the use of SCO appear, for the moment, to be limited. Interesting insights were provided by Danish authorities. An initial attempt was made to use SSUC under the following investment measures: *Storage of fishery products* (Art. 67 EMFF), *Data collection* (Art. 77 EMFF), *Fishery, Nature and Environment* (Art. 37, Art. 39, Art. 40 EMFF), *Production and marketing plans* (Art. 68 EMFF), *Investments in fishery vessels* (Art. 38, Art. 42 EMFF), and *Fishing Harbours* (Art. 43 EMFF). However, the proposal on unit costs was not considered satisfactory by beneficiaries who were worried about potential price fluctuations (fuel prices in particular). With regard to the type of investments more suitable for the use of SCO under EMFF, interviewees generally concentrate their attention on indirect costs and staff costs, in particular in relation with the measures detailed below.

**Table 79 Categories of EMFF measures potentially suitable for SCO**

Article
Art. 26 Innovation
Art. 27 Advisory services
Art. 28 Partnerships between scientists and fishermen
Art. 29 Promotion of human capital, job creation and social dialogue
Art. 50 Promotion of human capital and networking
Art. 66 Production and marketing plans
Art. 68 Marketing measures

Source: interviews

### 6.3 Costs covered by SCO

In terms of costs covered by SCO, the main 'targets' in 2007-2013 (set by ESF and ERDF authorities) were:

- indirect costs
- staff costs

According to the interviewed authorities, these were the main specific types of costs on which they focused their attention, in the event that it was not possible (or at least they did not perceive it as possible/feasible) to cover all types of costs of the operations.

In 2014-2020, the above-mentioned categories are still the ones most frequently used, but it is important to highlight that many MAs have planned to extend the use of SCO to cover further cost categories (and in some cases even all cost categories concerned by operations) by using SSUC, as well as off-the-shelf solutions offered by the Regulations (particularly those provided for in the ESF Regulation).

The main exceptions to this trend are those operations that are subject to public procurement procedures (e.g. small investments, equipment). This represents a potential limit to a further uptake of SCO under those Funds where support frequently concerns operations involving public procurement obligations (see also 6.7).

For ESF, Belgian and Czech MAs declare that SCO could potentially cover all types of costs (according to Czech interviewees the only exception is represented by investment costs). The same authorities and also Spanish and French MAs noted that covering all types of costs of the operations is particularly important when result-based SSUCs are designed. (Particularly in these cases, beneficiaries should just concentrate on the results of the actions.)

For ERDF, the attention of UK Northern Ireland MA was mainly concentrated on overheads (covered with flat rates) and labour costs. The uptake of SCO (and specifically of SSUCs) is expected to have a relevant (positive) impact particularly in the case of labour costs. In addition to representing approximately 50% of RDI project costs, labour costs had, in fact, the highest error rate and required the most workload for checking (together with overheads).

For ETC, besides administration costs and preparation costs (see 3.1), within the Interreg Europe Programme SCO have been used also to cover the costs of the programme events organised by the National Contact Points to promote the programme (e.g. catering, room rental, personnel time, expertise, related to the organisation of conferences, seminars, workshops etc.) and the travel costs of the Member States representatives.

For EAFRD, the authorities of the Netherlands NRDP declared that in the case of the measures-based payments (*payment per hectare, meter - hedges etc., piece*), they have covered all eligible costs incurred and income foregone. In the other cases the MA plans to cover mainly: Labour costs (*including cost of own labour & cost of voluntary work*) and indirect costs.

For EMFF, the MA of the Danish National EMFF Programme declared they have planned to cover all costs related to the measures mentioned in the chapter above (see 3.2) by defining specific SSUCs. On the other hand, they are concerned about how to cover specific types of costs for which a potential high fluctuation in prices is expected (e.g. fuel price).

## 6.4 Calculation methods

Concerning the type of methods used for the calculation of costs, the point of view of the actors interviewed is similar across the funds and MS. Calculation methods based on historical data, particularly data available from the MA's internal databases, are generally the preferred calculation methods. Interviewees consider historical data as being:

- easier to collect, classify and process;
- more reliable and accurate, since they refer to previous operations that have already been audited;
- capable of ensuring more consistent calculations, since operations for which historical data are available in the internal database are mostly consistent with operations to which SCO will be applied.

It should be noted that a number of MAs (such as Spain, Czech Republic, Belgium, France, Slovakia for ESF; UK for ERDF; Denmark for EMFF and the Netherlands for EAFRD) have also made use of historical and statistical data from external sources, in most cases institutional ones (i.e. Ministries, National Statistical Offices, National Thematic Agencies).

In one case (i.e. IB for Public Employment Services in Spain) an interesting link has been reported: the historical and statistical data available at national level have supported both the calculation of SSUCs for Employment Services and the drafting of the Economic Memorandum attached to National Law on PES.

Examples of calculation methodologies based on the use of existing EU schemes have also been provided by the ETC authorities (i.e. Interreg Europe Programme authorities

made reference to the Jean Monnet programme for the Programme Events costs and Marie Curie programme for the travel costs of the Member State representatives).

Market research and benchmark analyses have been used more rarely and usually in the following situations:

- residual use: when no historical data are available (i.e. innovative actions or relevant changes in the main features of 'traditional' actions)
- 'indirect use': the data deriving from market research and/or benchmarking were not used directly to determine the calculation method itself, but rather to validate it (i.e. counterfactual process).

MAs more experienced in the use of SCO (in particular ESF in Belgium) also underlined that the use of "internal" historical data (coming from MA databases) makes sense only when historical data are based on 'real costs' (i.e. actual costs incurred by the beneficiaries). This represents a major issue in the case of MAs that have switched to full-scale SCO use in a given programme, where no new data on real costs will be generated, and therefore, internally generated historical data will no longer be available.

In perspective, this may represent an issue for mid-term revisions of the SCO systems to check if the calculation method is still fair, equitable and verifiable, even a few years after their calculation.

According to the interviewed Authorities, potential solutions to this issue must necessarily be based on the other available calculation approaches/methods:

- using historical data coming from external sources (such as those mentioned above) that are still based on actual costs (e.g. historical data on labour costs provided by the competent Ministries or National Statistical offices). Assuming that in this case, the reliability of the source(s) will not be an issue, when assessing the possibility of using these data to revise/update the methodology, the MA should check whether they are available with a sufficient level of detail and whether they are consistent with the object and the scope of the SCO system under revision;
- carrying out market research and/or benchmark analyses. When implementing these methodologies, the level of detail and consistency of the data should not be an issue. (As long as the data are available, it should be just a matter of designing clear and focused surveys.) Particular attention should, instead, be paid to the selection of the sources (in terms of reliability and credibility) and to the quality of the data (in terms of representativeness and verifiability).

## **6.5 Involvement of stakeholders**

Concerning the involvement of stakeholders (i.e. opportunity to involve them and level of their involvement) in the definition and implementation of the SCO system, interviews depict the presence of two very different approaches, one characterised by the strong involvement of all key stakeholders (AA and beneficiaries in particular), the other, where stakeholders (beneficiaries in particular) are excluded from the elaboration of SCO, which is considered an internal activity of the administration.

Although the EC strongly recommends involving all potential stakeholders in the process (first approach), in several cases, the experience described by the MA interviewed was mainly characterised by the lack of involvement of actors external to the MA.

According to this approach, which is based on a quite rigid division of roles and powers, the MA is solely responsible for the definition of the SCO system (i.e. determining the amounts/rates, the criteria and conditions to implement the options), while stakeholders (i.e. other authorities, policy makers, social partners, beneficiaries) should just concentrate on how SCO are/should be applied.

Based on the information collected through interviews, this latter approach seems to be often adopted in the following two cases:

- less experienced MAs - Although exceptions can be observed (e.g. the case of DK for EMFF reported below), when approaching SCO for the first time, MAs often tend to give more consideration to the administrative/legal 'nature' of the simplification measure and to concentrate on the definition of internal procedures and responsibilities, rather than on the involvement of external stakeholders;
- for the uptake of options that are more 'administratively' orientated (i.e. flat rates) - Although the participative approach should be adopted in all cases, given their specific features, flat rates are usually perceived as a more administrative option, compared to SSUC or lump sums. In practice, the process of defining flat rates to cover a specific category of costs is often managed through internal analyses on the basis of which costs should be considered and, consequently, how the rates should be calculated. External stakeholders, particularly beneficiaries, are not usually involved in this process by MAs (or at least they are not involved upfront within the definition of the system).

On the contrary, interviews suggest that the approach involving the active involvement of external stakeholders in all phases of the definition process is often used with very positive results by the most experienced MAs. A key factor for the success of the approach is the clear and well-defined division of roles, responsibilities and competencies among the various actors involved. The main advantages deriving from this approach are:

- the possibility of selecting the more suitable/useful activities to be covered by SCO;
- the formulation of a better and clearer definition of the actions (in 'standard terms');
- deeper reflection on the sustainability of the results/outcomes covered by the SCO;
- more attentive reflection on the most suitable indicators;
- the clear and transparent definition and communication of the conditions for implementation and control of the operations covered by the options;
- the opportunity to overcome potential preconceptions on the implementation of SCO, promoting what has, in numerous contexts, been called a 'cultural leap' (see chapter 6.6).

Interviewees underline that the 'stakeholders' to be involved include not only 'beneficiaries', but also other external (and internal) stakeholders, such as policy and decision makers, whose role can be of particular relevance for ensuring that the definition of the standards of the actions are consistent with policy orientations, and also taking into account the complementarity between different areas of competence (e.g. for ESF: links between education, training and employment services).

Examples of successful partnership approaches have been reported, particularly for ESF, in the following cases:

- Flanders – The Flemish approach is based on the following assumption: whenever subsidies are implemented, it is never the public authorities that are realising something, but rather the beneficiaries. Thus, beneficiaries should be considered as partners. Partnership should be based on trust, and control is the closing step of the circle of trust, not the first step. Furthermore, partnerships should be based on clear and transparent communication between all actors involved. Proper training of partners should be also envisaged.
- Czech Republic: both interviewed MAs (i.e. ESF OP Employment and ESF OP Research development and education) have declared that they have involved

stakeholders upfront in order to define a better and more sustainable SCO system. Both Ministries implemented targeted initiatives involving the beneficiaries. The Ministry for Education has set up specific working groups with Directors and Financial Managers of the schools (key beneficiaries). The Ministry for Employment has also used outputs from evaluations from the 2007-2013 period (clear recommendations as regards reduction of administrative burden, orientation on outputs and results, positive feedback from calls that were pilot testing unit costs in the area of childcare facilities).

An effective partnership approach has been also adopted, under EMFF, by one of the interviewed Authorities (Denmark). The MA has in fact involved the beneficiaries in the decision-making process and their feedback contributed to the orientation of the MA's proposal.

Under EAFRD, a further example of this approach has been reported by the Netherlands (NRDP). The decision to use SCO has been made with the same participants as the writers of the RDP. Provinces and policy officers of the Ministry of Economic Affairs were involved and some input was provided by the paying agency. The choice has been made to implement SCO where 'it was clear what the quick wins were'.

For ERDF, the Authorities of Northern Ireland's Investment in Growth and Jobs Programme OP declared that stakeholders' demand for simplification played a role in the decision to adopt SCO. Steering groups were organized including MA, IB and CA, with AA and the national court of Auditors as observers. The beneficiaries were not directly involved in the implementation of the calculation methodology; however their point of view has been taken into account in the definition of the scope of the SCO system (i.e. selection of the types of projects most suitable for the uptake of SCO).

For ETC, all three ETC programmes (i.e. Interreg Europe, North West Europe and 2Seas) confirmed that both representatives from the Member States and also from the beneficiaries (Lead Partners of programmed projects) have been involved in the definition process, to collect their feedbacks on the SCO that were under discussion. A specific workshop was organized for this purpose. The uptake of SCO has been coordinated within the INTERACT working groups. The Nord-pas de Calais region has coordinated harmonisation measures among the 3 Interreg programmes hosted by the same Region.

In terms of 'partnership', all interviewees confirm that specific attention should be paid to the relations between MAs and AAs. The importance of setting up collaborative and dialogic schemes between the two Authorities has been confirmed both by the MAs and by the AAs interviewed. In particular, the involvement of the AAs from the very first steps of the process of defining the SCO system was described as very useful to address upfront potential issues in terms of 'legal (un)certainty' (see chapter 6.7 and 6.8), but also for providing interesting reflections and suggestions on the expression of the actions in standard terms (e.g. contributing to a clearer definition of processes and results to which SCO are related) and on the consequent conditions and indicators that should be established and checked for the operations covered by SCO (particularly in the case of SSUC and lump sums).

This potential added value has been reported in the case of the interviews mentioned above, but also in the case of the National Level AA ESF Spain. In both the 2007-2013 and 2014-2020 programming periods, all relevant administrative authorities (AA, CA and IB) were involved in preparatory meetings. In 14-20, two training seminars with the MA, CA, AA and representatives from DG EMPL (auditors and geographic unit) were organised. The aim of the seminars was not only to inform the other bodies but also to allow them to contribute to the definition of the methodology for the calculation of SCO.

## 6.6 Change management process

The analysis of the information coming from interviews regarding the impact of SCO in terms of change management processes leads to conclusions that are similar to those described under the previous chapter (6.5).

Once again, the positions of the interviewed Authorities can be grouped into two categories.

In the first category, the uptake of SCO is basically a 'technical exercise', requiring some (often significant) investment but mostly in quantitative terms (i.e. workload to calculate the costs and to adjust certain rules, conditions and processes). In such an 'exercise', only limited and very specific organisational areas were involved (mainly those related to the administrative and procedural aspects concerned by the implementation of SCO). In this sense, the attention of the Authorities has been mainly concentrated on developing proper knowledge of the rules and provisions related to SCO, to ensure the correctness and compliance of the system in legal and administrative terms. Of course, even if limited to such aspects, the uptake of SCO has still required an investment in competencies that were not fully available prior to their adoption. Almost all interviewed authorities explicitly declared that they have set up specific training actions and working groups aimed at developing and sharing the competencies required by the definition of the SCO system, also involving specific external expertise in the following main areas: statistical and cost analysis, ICT, legal and administrative.

In the second category, the uptake of SCO implies a much wider approach to change management. According to interviewees, a key precondition to reach the full potential of simplification measures is the willingness to take a 'cultural leap' and to invest in the development of skills and competencies and on the design and implementation of organisational processes that can involve a wide range of areas of competence. According to this second approach, the definition of the SCO system should start from the object: the actions. The first step of the process should, in fact, be the clear definition of the actions in standard terms (processes, results, conditions, indicators). This requires an investment in competencies that goes beyond 'administrative and procedural aspects'. Expressing an action in standard terms presupposes not only a proper knowledge of the types and levels of the related costs, but also (more importantly) a deep knowledge of its contents and potential objectives/results is required. (In brief, the design of the action should determine the costs, not the opposite.) Interviews with the actors most experienced in the use of SCO (e.g. MA ESF in Belgium, the UK ERDF) underline that the uptake of SCO implies investments on change management processes, in terms of:

- developing a 'new mind-set', less focused on costs and procedures and more results-oriented;
- strengthening/developing the competencies related to programming and operative planning of the actions;
- realising a stronger integration and coordination between all internal areas of competence within the MAs, with specific reference to: programming, management, administrative, legal, monitoring and evaluation;
- developing new communication and collaboration schemes and solutions for the active involvement of all relevant stakeholders (see chapter 6.5).

## 6.7 Hurdles and constraints, limiting or impeding the uptake of SCO

All interviewees agree that the uptake of SCO requires an initial investment. Although in general terms, all those interviewed agreed that the return on such investment is positive (i.e. the advantages and positive outcomes related to the implementation of SCO – see chapter 6.9 – are higher than the 'costs' and efforts required by their adoption), a number of factors can limit the potential benefits of SCO or even impede their uptake:

1. *Legal uncertainty*, mainly related to:

- definition and implementation of SCO systems (calculation methodologies, harmonisation with other EU schemes, criteria to determine – and recalculate – the value of the grant, revision processes, verification of the processes and results of operations);
- specific issues related to state aid and public procurement rules: as further detailed in the case studies (see annexes 3, 4, 5 and 6) under all ESIF stakeholders interviewed underline the presence of problems related to the lack of clear and precise interpretations on State Aid and Public procurement rules ;
- audit trail (how SCO will be audited and what consequences will derive from any errors detected in the calculations and implementation);
- no possibility of receiving an approval from the Commission to secure the system, except for: Art. 14(1) of the ESF regulation, Joint Action Plans and the lump sums and unit costs that have been adopted within EAFRD RDPs.

2. *National/Local rules*. Some national schemes still seem to favour/recall real costs, although indirectly. In some cases in fact, even if in principle the reimbursement based on SCO is allowed by the national law (e.g. Czech Republic, Slovakia), administrative rules and procedures still require the fulfilment of obligations that should be applied only within real cost systems (e.g. to provide evidence of the actual payments made by the beneficiaries). Another example is reported, under ERDF, by Northern Ireland, in which appraisal of the proposals based on real costs is still required for national purposes to ensure that the minimum amount of support needed has been provided (however the burden is limited and only upfront).

On the other hand, it should be noted that the process of harmonization between National Laws and EU Regulations concerning SCO has significantly improved, compared with the first years following the introduction of the simplification measure. In many cases, the same MAs have promoted the necessary legal changes. In only one case, reported by Spanish Authorities, one specific option (i.e. lump sums) seems to be not allowed by National Laws.

One specific constraint related to national laws, reported by the MA of the Romanian ESF Human Capital OP, is particularly interesting because it is not related to administrative and financial rules and provisions, but to the technical standards of the actions that should be covered by SCO. The interviewed MA observed that while in more experienced Member States the standards of the main type of actions (e.g. duration and targeted curricula for training actions or main features of the employment services) are established in advance by national or regional laws, in Romania these have not yet been defined at sufficient level of detail. Although this issue is certainly wider than just SCO, it has a direct impact on the possibility to increase the level of uptake as, in these cases, it difficult to set up an SCO system if its object(s) is not clearly defined at policy and technical level.

3. *Other EC rules*, such as some state aid rules, demand separate accounting systems.
4. *Too high workload required to define the SCO system*: In some cases, data collection and processing for setting up the methodologies are too complicated. In particular, these aspects have been reported for those cases in which no (or very limited) historical data from the MA's internal databases are available for the specific type of action/category of project (see chapter 6.4). The lack of internal historical data and the consequent need to collect information from external sources could, in fact, generate issues, mainly in terms of reliability of the sources (if they are not coming from Public Bodies) and consistency of the data with the operations that should be covered by SCO.

A specific issue has been also raised by the MA of the Danish National EMFF Programme: the calculation of SCO seems particularly complicated in cases where the most relevant costs of the operation are strongly affected by external factors

(see in particular the price of fuel, which according to the interviewees determined a potential fluctuation of the cost of the operation of about 30%).

5. *Possible difficulties in setting up 'new' collaboration and communication schemes between:*

- the Authorities (i.e. MAs/AAs/PAs/CAs). As described in the previous paragraphs, strengthening and improving the collaboration schemes between all Authorities involved in the definition and implementation of SCO systems is a key factor for the successful uptake of the simplification measure. On the other hand, it is not always easy to introduce this approach, particularly in contexts that have been more focused on a rigid division of roles and responsibilities. One programme (National EMFF Programme Spain) also reported that auditors maintained the opinion that getting involved contradicts the requirement on auditors to remain independent. These paradigms can have a negative impact on uptake, as they tend to increase the level of uncertainty around the new measures, and in the worst (although rare) cases, they can even generate some scepticism on the effective benefits of SCO. It is important to stipulate that such scepticism is not based on an objective assessment of the simplification measures, but rather on the subjective perceptions of how these could be 'interpreted' by the other Authorities.
- the Authorities and the beneficiaries. Although in general terms, beneficiaries express a strong demand for simplification, and therefore welcome the uptake of SCO, in very specific cases, they have shown some initial resistance to implementing the simplification measures proposed by the MAs. In particular, this issue has been reported when results-based SSUC or lump-sums were introduced for the first time. In one case (National EMFF Programme Denmark), negative feedback from beneficiaries on the use of SCO discouraged the MA from introducing standard scale of unit costs, whereas beneficiaries' scepticism was due both to a general resistance towards innovation, but mostly due to a specific concern regarding the economic balance of the operations. Assuming that beneficiaries' resistance to innovation should not be considered a good reason to avoid more results-oriented approaches, according to the concerned interviewees, this has still represented an issue that, albeit in a limited number of cases, has slowed down or limited the uptake of SCO.

## 6.8 Risks related to SCO

Concerning the risks potentially related to the use of SCO, interviews stress that the main risk factor lies in the lack of legal certainty that still persists around how SCO should be defined and implemented.

Even if none of the interviewees have reported concrete cases in which conflicting interpretations have led to actual consequences, in several cases actors underlined that uncertainty could lead to different and conflicting interpretations at various levels (i.e. with AAs, PAs, EC, ECA and also beneficiaries), with potential negative effects on beneficiaries and authorities (e.g. revision of calculation methodologies already approved and used for operations already implemented).

According to interviewees, the risks deriving from legal uncertainty are mainly related to the following areas and aspects:

- Calculation Methodologies: in the form of *quantitative risks* (i.e. the number of data/operations/years considered in the methodology is not sufficient – the data are not sufficiently representative in quantitative terms) and *qualitative risks* (i.e. the reliability of the data - or of their source, in the case of external data - cannot be verified/certified; the data lack an adequate level of consistency in relation to the characteristics (activities, costs, conditions) of the operations that will be covered by the simplified costs).

- Implementation phase: (i) risks of different interpretations on the definitions of processes, results and conditions on which SCO are based; (ii) information and documents required by the MA from the beneficiaries to provide evidence of processes and results are inadequate/insufficient; (iii) information and documents required by the MA from the beneficiaries are inadequate/insufficient to ensure compliance with rules and conditions not directly related to SCO (e.g. Public Procurement, State Aid, Social Security and Tax Laws ...)

Furthermore, a number of MAs and AAs are concerned about the extent of these potential consequences, given the impossibility of securing the system up front (detecting potential errors or miscalculations prior to the implementation of the system), except in the cases in which SCO are adopted/approved by the Commission (i.e. Art. 14.1 ESF Reg; JAP; lump sums and unit costs that have been adopted within EAFRD RDPs).

This issue has been reported particularly by the following authorities:

- For ESF: by Belgium (both MA and AA), Czech Republic (both interviewed MAs), Spain (both MA and AA), Slovakia (MA) and Romania (MA).
- For ERDF by UK (both MA and AA)

In practice, according to the experience collected, most of the discussion on the implementation of SCO has taken place only after the conclusion of the operations (in some cases years later), significantly reducing the possibility of finding a positive agreement between the parties involved. Although these consequences are usually perceived as potentially 'very negative', there is some uncertainty also on their extent/scope. Thus, they have been represented in dubitative form in relation to the following hypotheses:

- If an error or a miscalculation is found in the calculation methodology after years (of implementation), assuming that this will have an influence on operations covered by those SCO, what consequences will derive in terms of financial corrections and definition of the error rate?
- In the case of questioning the definition of processes/results and/or about the documents provided by the beneficiaries, what will be the consequences? Would it be possible to recalculate the grant or would the whole cost of the operation covered by SCO be considered ineligible?
- In the case of non-compliance with provisions that are not directly SCO-related (e.g. Public Procurement) affecting a part of the operation, where SCO cover all costs of the operation, would it be possible to re-calculate the eligible costs of the operation?

## 6.9 Advantages related to SCO

Regarding the advantages related to the use of SCO, perceptions collected through the specific interviews carried out on SCO confirm the data emerging from the survey (see Table 48). In general terms, SCO offer key advantages in the sense that they allow for a reduction of the administrative burden, and improvement in the efficiency of the financial management of operations, and they contribute to speeding up the implementation and reimbursement of the Funds. More precisely, specific advantages mentioned during the interviews are:

- less administrative burden both for authorities and beneficiaries. A few authorities – MAs, AAs and PAs - stated that most advantages are on the side of the beneficiaries, but this aspect should be assessed in connection with the specific level of experience of the interviewees. This assumption has been in fact reported only in the case of less experienced Authorities that are currently engaged in the definition phase of the SCO system. Thus, their (subjective) perception is more focused on the workload they are now managing in order to develop the

calculation methodologies (which, particularly in the same case of less experienced Authorities, does not imply an active involvement of the beneficiaries);

- no more controls (and possibly long discussions) on each single expenditure item;
- reduction of errors and irregularities due to the reduction of complexities and consequently, less time and effort spent on managing corrections.

In particular, ESF authorities (e.g. Belgium, the Netherlands, Spain, France, Czech Republic) also mentioned advantages in terms of:

- enhancement of the value and the quality of the operations (increased focus on content, process and results);
- increase in the quality of programming (spending is more targeted);
- increase in the attention paid to developing better partnerships at all levels.

These further advantages were explained in particular with reference to the SSUC, which are perceived as an opportunity to improve the effectiveness of the operations and the overall efficiency of the programmes. Most experienced authorities interviewed underlined the fact that the process of defining SCO (and of SSUC in particular) should be first of all focused on the analysis of the object(s) to which SCO will be applied (the actions) and that cost analysis should be neither the main issue nor the starting point of the process. According to their perspective, the first and most relevant steps in setting up the SCO system are:

1. Definition of the main characteristics of the action in terms of:
  - objectives (why the action should be financed);
  - beneficiaries (who should implement the action);
  - target groups (who should be involved in the action / benefit from it);
  - contents (what should be done);
  - outcomes (what should we expect from the action).
2. Definition of the action in standard terms. Interviewees stressed attention to the fact that this step does not refer to the definition of the 'standard types of costs' related to the action but to an earlier step, during which authorities should define the 'technical standards' of the action, in terms of:
  - process, by clarifying exactly how the action should be implemented: specific contents of the activities; (qualitative and quantitative) resources required to implement them;
  - results, by clarifying what the concrete results of the actions should be, and at what level should these be set out.

During this phase (definition of the action in standard terms), interviewees underlined the importance of ensuring that technical standards are: accurate, clear, consistent (between themselves and with the overall characteristics of the actions); measurable, both in qualitative and quantitative terms; but also representative (of the different types of beneficiaries and operations covered by the SCO system); and sustainable in technical terms (e.g. results that can be effectively achieved).

According to the perspective of the interviewees, beyond the advantages in terms of increased effectiveness of the operations and efficiency of the programme managements, the adoption of the process just described implies a concrete innovation in the programming and management processes at various levels:

- within the MAs, as the definition of the standards requires a joint effort from all internal areas of competence related to all phases of the operation's lifecycle (Programming, Management, Administrative, Legal, Monitoring and Evaluation) with positive effects for all the actors involved;
- between MAs and AAs, by strengthening and enhancing the collaboration schemes: involving the auditors upfront (within the definition phase) brings

interesting results, not only in terms of legal certainty, but also in terms of reflections and suggestions on how the technical standards could be defined;

- between the authorities and the stakeholders, by establishing new paradigms of dialogue and collaboration based on a 'partnership approach'. As said above (see 6.5), the direct and active involvement of the stakeholders in the definition phase is considered by the most experienced authorities (but not only, see DK EMMF) as particularly important to provide a faster and better (more targeted) response to the needs of the target groups and the territories concerned by the financed operations;
- by offering new opportunities for dialogue between the authorities and the EC.

## 6.10 ERDF/CF and ESF: JAPs

Data collected through the survey and presented under section 4.5 describe a limited level of use of this specific option applicable to ERDF/CF, ETC and ESF programmes. (Only 9 MAs participating in the survey affirm that they will take up this option.)

None of the authorities interviewed have applied for this option, which limits, for the moment, the possibility of developing specific analysis, e.g. on the type of operations most suitable for JAPs. In view of the draft of the case studies, further interviews with authorities that have applied for this option<sup>89</sup> are called for.

Information currently available offers mainly insights into the key factors justifying the choice of not selecting JAP. Findings from interviews confirm the perceptions collected through the survey: (i) JAP are generally not perceived as a simplification, but as a complication, or (ii) authorities declare that they lack sufficient information regarding the potential advantages of this option. More precisely, interviewees consider JAP as:

- too risky: in the perspective of the interviewees, JAP often appear to bear the same risks as lump sums (see the binary approach described above, with reference to the EC Guidance Note on SCO<sup>90</sup>, '*where there are no other choices than paying 0% or 100% of the grant*'), but on a larger scale (due to relevant financial weight potentially covered under JAP);
- too administrative (while the idea behind introducing JAP as an instrument is the opposite: 'results orientation'). According to the perceptions of the interviewed authorities, the JAP scheme requires the collection, elaboration and submission of an excessive amount of data, information and documents within the various phases of an Action Plan's lifecycle, particularly in the preparation phase. Furthermore, stakeholders perceive the rules related to the governance of the instrument as an additional complication (i.e. the setting up of ad hoc committee. Moreover, although the 'partnership approach' related to JAPs is, in principle, appreciated by all interviewees, in practice it implies also a significant effort in terms of coordination of the administrative procedures to be managed by the various actors involved in the definition and implementation of the Action Plan.
- too 'big': as mentioned above, actors tend to perceive JAP as suitable for large operations, which on the one hand increase the perceptions of risks, and on the other, exclude small operations from the scope of the options that are typical, in particular in the case of ESF OPs.

However, in several cases (such as Belgium, Czech Republic, Spain, France, Slovakia for ESF and UK for ERDF) interviewees stated that the instrument itself represents an interesting concept. A few authorities (mainly AAs, such as National Level AA ESF Spain) expressed the need for deeper knowledge and information on JAP; in some cases actors

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<sup>89</sup> To be identified with the support of DG REGIO and DG EMPL

<sup>90</sup> Guidance Note on SCO - Par. 6.4.3.1 and Par. 6.4.3.2

involved were not aware of the existence of specific guidance on JAP prepared by the EC.<sup>91</sup>

One interesting position emerging from the interviews was that use of SCO limits the interest in taking up JAP. The reasoning behind this is, once more, related to the 'on-off effect' perceived as peculiar to the JAP (and not to SSUC implemented outside the JAP): according to this specific perspective (e.g. MA of the ESF OP Research development and education of the Czech Republic), if it is possible to define SSUC linked to specific results ('results-oriented SSUC') outside the JAP, the MA have the possibility of obtaining the same results without assuming the risks that are perceived for JAP.

In synthesis, the limited use of JAP seems mainly to depend on the fact that stakeholders perceived this measures as excessively risky and complicated to be implemented. In this sense it appears recommendable to envisage to:

- simplify the setting up procedure and the governance of JAP;
- better explain that the potential (negative) effects related to the 'binary' approach can be reduced with the definition of milestones.

### **6.11 Option Art. 14(1) ESF Reg.: most suitable types of project, risks and opportunities**

The ESF Regulation provides the possibility of reimbursing expenditure paid by Member States and regions on the basis of standard scales of unit costs and lump sums, defined in a delegated act adopted by the EC (Art. 14(1) of ESF Reg.). This specific chapter provides an overview of the qualitative information on the use of 14(1) ESF collected from interviews and from the survey.

According to the data collected through the survey 24 MAs in 12 Member States declare their interest in taking up this specific ESF option. At current stage (March 2017) delegated acts officially approved by the European Parliament cover 9 different MS<sup>92</sup>, while another 8 proposals are going to be finalised.

Beyond these quantitative findings, information collected through interviews and survey depict in several cases an initial scepticism towards the opportunity of applying this specific procedure. In particular, a large portion of MAs with less experience on the uptake of SCO declaring non-uptake (from the survey) fear that the procedure for the approval can be time consuming and too demanding in administrative terms. With regard to the main risks and constraints perceived in relation to the use of Art. 14(1), interviewees pointed out factors such as:

- rigidity of the delegated acts (i.e. not easy to amend a Delegated Act if changes of the covered actions are required);
- lengthy and complicated procedure (although a swifter procedure is envisaged now that several schemes have been approved);

Despite the above-mentioned risks and constraints, a number of MAs (such as BE, SK and ES) have stated that their initial scepticism has then turned into proper consideration, after a more careful assessment of the opportunity.

These interviewees have in particular stressed how this specific option can be seen as advantageous, due to the possibility of agreeing ex ante with the Commission on a calculation methodology for SCO, which allows them to address the issues of legal uncertainty described in the previous sections (see chapter 6.8) and also to set up a (stronger and more direct) collaboration scheme with the Commission while managing the process.

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<sup>91</sup> EGESIF\_14-0038-01, June 2015

<sup>92</sup> France, Sweden, Belgium (Flanders region), Czech Republic, Italy, Malta, Slovakia, the Netherlands and Germany

Some of the MAs interviewed had already (positively) completed the procedure (e.g. Czech Republic, Belgium, Slovakia, France, Sweden). In their perspective, the specific guidance provided by the EC has fostered and supported the elaboration of the required supporting documents and methodology.

As for the 'most suitable types of projects', the interviewed authorities have provided indications with reference to two levels of analysis:

- 1) general features (conditions) of the 'most suitable' operations;
- 2) specific types of projects they have considered/are considering as most suitable (within their OPs);

*1) General features (conditions) of the 'most suitable' operations for Art. 14(1) ESF Reg.*

This level of analysis has been proposed to the interviewed Authorities, considering that the characteristics of the same type of project may vary significantly from Member State to Member State in terms of: availability of data; level of detail and stability (in time) of the technical standard of the actions; impact on the OPs in terms of % of budget allocated to the specific types of projects.

Thus, when assessing the most suitable types of projects, it should be considered that some indications could be valid for certain Member States and not for others (e.g. childcare facilities have been considered as most suitable by Czech authorities, but it may not be the same for all MS).

Therefore, besides providing indications in terms of specific types of projects, the interviewees have been asked to indicate what general characteristics and conditions they have taken (or should be taken) into account in assessing the suitability of an operation. According to the interviewed authorities, the assessment of the most suitable operations should be based on a 'mix' of the following conditions:

- stable and standardized projects (i.e. actions that could be more easily expressed in standard terms, and whose standards are not subject to frequent modifications);
- proper quantity and quality of data to elaborate the calculation methodology;
- 'critical mass' of finance for the operations to justify workload;
- need for legal certainty (i.e. actions for which the need to secure the calculation is higher. In this sense, MAs would be more prone to select those operations for which they perceive a higher risk of discussions, particularly with the AAs, on the calculation methodology).

*2) Specific types of projects that have been/are being considered as most suitable (within their OPs)*

In terms of specific types of projects that the interviewed Authorities have considered or are considering, with reference to those foreseen within the respective OPs, the following indications have been provided:

- vocational training, including vocational qualifications/diplomas (all interviewed);
- employment services, e.g.: career guidance, information and training, job placement (all interviewed);
- entrepreneurship support services (France, Belgium, Netherlands);
- compulsory schooling or training (Czech Republic, Slovakia, Spain);
- social inclusion projects (Czech Republic, Slovakia);
- childcare facilities: establishment/transformation/operation of facilities; qualification of caregivers; rent for facilities (Czech Republic).

Furthermore, it should be noted that, in some cases, the delegated acts have been approached (will be approached) by integrating more types of projects, in two ways:

- the delegated act covers/will cover more types, although with different SCO/units (e.g. Belgium, Czech Republic, Slovakia);

- actions related (or at least targeted) to more types of projects will be covered by the same SSUC (e.g. in the case of France, the delegated act establishes a results-based unit cost in terms of number of young people not in education, employment or training (NEETs) who have: entered vocational skills training leading to a certification, started a company, or spent at least 80 working days in a professional environment).

### **6.12 Art. 14(4) ESF Reg.: mandatory use of SCO**

In general terms, all ESF authorities interviewed consider the underlying principle of Art. 14(4) ESF – i.e. the mandatory use of SCO under certain conditions – as an opportunity to extend the use of simplification measures, rather than a problematic legal obligation.

In this sense, a large portion of interviewed MAs have declared that the use of SCO could be made mandatory to a greater extent (i.e. by increasing the EUR 50,000 threshold) to increase the uptake. In their perspective, mandatory use could also help (indirectly) to overcome the few constraints/preconceptions that hinder a further uptake of SCO at national level (see 6.7). In practical terms, the perspective of the MAs can be summarised as follows: if the measure is no longer optional but mandatory, no more questioning and discussions at national/local level on the opportunity to implement it. In this sense, mandatory use seems to have played an important role in shifting attitudes towards SCO, in particular by ‘obliging’ Member States to develop deeper and better knowledge of SCO and their related benefits, and also in overcoming previous preconceptions.

Regarding the implementation of the provisions of Art. 14(4) ESF, information collected through interviews depicts the presence of two typical approaches:

1. In the case of programmes and types of projects where SCO were already used during 2007-2013, Art. 14(4) has not directly influenced the decisions of the MAs to make use of SCO, either on the types of SCO selected or costs covered by SCO.
2. In the case of programmes and types of projects with no previous experience in the use of SCO, Art. 14(4) had a direct impact in terms of uptake of SCO and also on types of SCO chosen. Specifically, the need to ensure compliance also for operations not previously covered by SCO has led most of the interviewed MAs to opt for flat rates. Off-the-shelf rates foreseen in the new Regulation were considered very helpful in this sense, in particular for specific types of projects/operations for which not enough data were available to calculate SCO, or at least data were not available in a short time (e.g. in the case of innovative projects, not foreseen within the 2007-2013 OP, for which no historical data from the MA’s internal database were available).

Finally, some of the interviewees stressed specific concerns, related in particular to:

- difficulties related to the definition of the term ‘operation’ (and therefore determining the scope of application of the provision);
- problems related to the conversion into national currencies of the amount set as threshold (expressed in EUR).

### **6.13 Internal measures to improve the uptake of SCO**

Taking into account the current state of play of SCO within the respective Member States and programmes, all authorities interviewed have been asked to formulate their key proposals on what could/should be done at a national level to improve the uptake of SCO, both in quantitative (wider use) and qualitative (better use) terms.

Although the situations in the various Funds, Member States and programmes are heterogeneous, the proposals of all authorities are surprisingly homogeneous and can be synthesized in the following key points.

National and regional authorities should/could:

- I. Invest in sharing knowledge, experiences, doubts and solutions at the national level (with other authorities), but mostly at the transnational level. The transnational dialogue should be significantly improved, particularly among practitioners. Member States should then promote and support transnational cooperation initiatives on simplification. A good example of the potential added value of such an initiative is offered by the ESF Thematic Network on Simplification set up by DG EMPL. Although the Network was only launched in December 2015 and the theme is relatively 'new' for Transnational Cooperation, very good results have already been achieved in terms of active participation of the national Authorities.
- II. Promote overcoming national constraints and harmonizing national/local rules. In some cases (e.g. the Czech Republic and Belgium for ESF), MAs supported the amendments of national/local laws that did not allow the use of SCO or that did impose obligations that only relevant within real cost systems (see 6.7).
- III. Strengthen the dialogue and collaboration with the EC; cooperate with the EC to define other off-the-shelf flat rates or even SSUC (or formulas to calculate them) at EU level. At this stage, the interviewed authorities have not provided specific information on what the result of this process should be (i.e. what projects/measures and costs should be covered by SCO, exactly what rates, unit costs, formulas should be established). According to some of the interviewees, before defining such aspects, the EC and the Member States should first carry out a joint preliminary assessment on the available data to develop the calculations and the SCO systems in general. In this sense, the active involvement of Member States would be particularly important (i.e. providing the data and supporting their interpretation).
- IV. Invest more in the SCO system. The calculation of SSUC to cover more costs requires further work beyond just flat rates, but in most cases, it is worth the investment. Administrative competencies should be strengthened.
- V. Change management processes. For some MAs (early adopters/ adopters of SSUC), a proper uptake requires a change in mind-set and approach. SCO should not be approached only in 'administrative and procedural terms'. A correct approach should be also based on the willingness to take a 'cultural leap', invest in wider areas of competencies (starting from programming and operative planning of the actions), strengthen coordination within and between the Authorities, and develop innovative communication and collaboration schemes with all relevant stakeholders.
- VI. Adopt/strengthen a partnership approach (i.e. involve all stakeholders up front, set up committees, working groups and also training sessions involving auditors, policy makers, beneficiaries and all potential stakeholders).

#### **6.14 Authorities' recommendations to the EC**

Finally, the authorities interviewed have been asked to indicate their recommendations to the EC, also taking into consideration the hurdles, constraints and risks that, according to their indications, limit or impede a wider and/or better uptake of SCO. The following key recommendations have been formulated:

- I. Improve legal certainty to tackle the issues and risks related to legal uncertainty (see 6.7 and 6.8) by strengthening, supporting and promoting the dialogue and coordination on legal conditions at two main levels:

- a. between the various actors involved at EU level: policy and legislation units, geographical units, auditors of other DGs (e.g. DG Competition) and the European Court of Auditors. Interviewees stressed the importance of hearing 'one voice' from the Commission.
- b. between the Authorities and the EC, particularly between AAs and EC Auditors. It will be important to ensure that the 'voice of the Commission' is heard by the Authorities.

Strengthening these collaboration schemes will be important to address issues up front, leaving no room for doubts and conflicting interpretations ex-post.

- II. Strengthen guidance and support to MS: seminars and guidance notes are considered very useful tools (for awareness raising and overall guidance). Even more intensive support is considered necessary. Training and working groups focused on specific aspects should be organized and the EC should enlarge hands-on support, down to on-the-ground level.
- III. Harmonize rules for different funds (e.g. strong demand from ERDF, EAFRD and EMFF authorities to dispose of solutions/opportunities similar to Art. 14.1 and 14.4 ESF Regulation). Indeed, from a legal perspective, the possibility to make use of SCO from other Union Policies (e.g. Horizon 2020) is already envisaged within the actual legislative framework (DA 480/2014); according to interviewees' perceptions, the field of application is limited to 'similar types of operations and beneficiaries'<sup>93</sup>. Although the EC has provided information and guidance on how to assess if types of operations and beneficiaries are similar (e.g. par. 5.3.3. of the Guidance Note on SCO), according to the interviewed Authorities, when it comes to practice, it is very often difficult to define whether two types of operations and beneficiaries are actually 'similar'.
- IV. Improve legal certainty on matters related to the implementation of SCO (state aid and public procurement<sup>94</sup> first and foremost) and reinforce the harmonisation between the rules on public procurements and the rules on SCO (by taking into consideration all phases, from the elaboration of SCO to the audit procedure). For additional details on see the case studies on SCO presented under annexes 3, 4, 5 and 6.
- V. Provide more off-the-shelf flat rates (those introduced in 2014-2020 have been taken up and are appreciated); in addition to that, it was proposed to also define SSUC at EU level (if not amounts, some authorities suggested formulas). Some MAs said that the Commission could adopt Delegated Acts (for all Funds) on its own initiative, through collaboration with MS. In this sense, the interviewed Authorities have cited Art. 14(1) of ESF Reg. as an example, although it should be noted that the sense of this recommendation is more to promote and strengthen the collaboration between EC and MS/Authorities than to define/develop EU-level SCO.
- VI. Make use of SCO mandatory: set a higher threshold for Art. 14(4) ESF and extend the compulsory use to the other Funds.
- VII. Promote and support the dialogue and exchange of experiences and practices at EU level between MS, particularly among practitioners. Disseminate the knowledge and information already available on cases and practices. This recommendation is complementary with point I of the previous paragraph. Member States and

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<sup>93</sup> Art. 67.(5).(b) CPR

<sup>94</sup> Some authorities proposed to delete Art. 67(4) CPR.

Authorities should support transnational dialogue on SCO; the EC could set up and coordinate EU-level cooperation schemes and initiatives, as already done by DG EMPL with the ESF Thematic Network on Simplification.

- VIII. Lighten the Art. 14(1) ESF procedure and/or find other solutions to approve the methodology. The procedure prior to the entry into force of the respective DA takes too much time. A proposal is to skip the consultation of Parliament and Council. A solution could be a commission implementing decision that is not subject to the committee procedure.
- IX. Simplify the procedure for setting up JAP as well as the governance of the instrument. Strengthen guidance and support to Member States in the elaboration of JAP, in particular in relation to the definition of milestones.

## 7 Gold plating

### Key findings

- Earlier studies indicated that gold plating stands for approx. 1/3 of the administrative burden in ESIF, information collected for this study point to the same direction.
- As a rule of thumb, the more complex a programme is (e.g. with regard to the number of different thematic objectives covered), the higher is the administrative burden and thus the likelihood for gold plating.
- While differences between Funds and Member States in terms of administrative traditions and cultures, as well as thematic focus, play a role, the collected data does not allow to draw clear conclusions on that.
- The main reasons for gold plating are risk aversion, too ambitions/detailed objectives and unwillingness to change traditional approaches.
- Main sources of gold plating are national laws/regulations, internal administrative decisions at programme level, and requirements from audit authorities.

In addition to increasing the use of simplification measures, administrative costs and burden can be reduced by cutting down unnecessary administrative add-ons. In this respect, gold plating is of particular interest.

The ESIF regulations stipulate functions and responsibilities for certain authorities which need to be fulfilled by the Member States. Following the principle of shared management, the details on how these functions have to be implemented are delegated to the individual Member States.

'Over-implementation' of EU regulations is commonly labelled as gold plating. Gold plating encompass all national and sub-national rules and regulations which render Union legislation unnecessary complicated, and thus costly, when implemented in the various Member States. This definition of gold plating covers all situations where:

- the national or regional administration extends the scope of its implementation of the EU legislation beyond what is required by the relevant EU directive/regulation,
- the national or regional administration introduces sanctions, enforcement mechanisms and burden of proof which goes beyond the minimum needed.

Gold plating can also be described in two main sub-categories: active and passive gold plating. Active gold plating occurs whenever the national authorities add – intentionally or unintentionally – administrative requirements that go beyond EU requirements. Passive gold plating occurs when national authorities and/or legislation fail to use the simplification option offered by relevant EU legislation or fund regulation. The following focus mainly on active gold plating.

The following sections are based on an desk studies assessing the administrative requirements of selected programmes, an online survey with beneficiaries and interviews with 50 Managing Authorities. The desk study of relevant rules and national/regional procedures covers a representative sample of 13 ERDF/CF, 7 multi-fund (ERDF/CF/ESF), 15 EAFRD, 12 ESF, 1 EMFF and 9 ETC programmes. The survey covered has been answered by 119 out of 663 approached beneficiaries.<sup>95</sup>

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<sup>95</sup> As regards the EMFF, there were only two responses from final beneficiaries. Hence, this ESI Fund is not covered in the results from the online survey. In order to still cover this fund, results from a study conducted by DG MARE in 2015 on the survey on simplifications on the EMFF is used (European Commission Directorate-General for maritime affairs and fisheries, Ref.Ares (2015)3345858-11/08/2015, Report on the results of the survey on simplification in the EMFF).

## 7.1 Overview on gold plating in ESIF

Increasing the administrative burden for ESIF beneficiaries through gold plating can happen in relation to a variety of moments where project beneficiaries need to comply with requirements put forward by the ESIF programme they are dealing with.

It is difficult to assess how much of the administrative requirements – and the respective administrative costs and burden – related to these four moments are actually gold plating and much is derived from the regulatory framework of ESIF.<sup>96</sup> Desk studies, interviews with Managing Authorities and an online survey to beneficiaries, help to shed some more light into the gold plating issues related to these four moments. The assessment does not reflect directly on gold plating but rather on the variation of administrative burden related to different tasks, building on the assumption that clearly above average administrative burden most likely are caused by an ‘over-implementation’ of EU regulations, i.e. gold plating. The figures need to be treated carefully.

There are four moments which are particularly relevant when discussing gold plating:

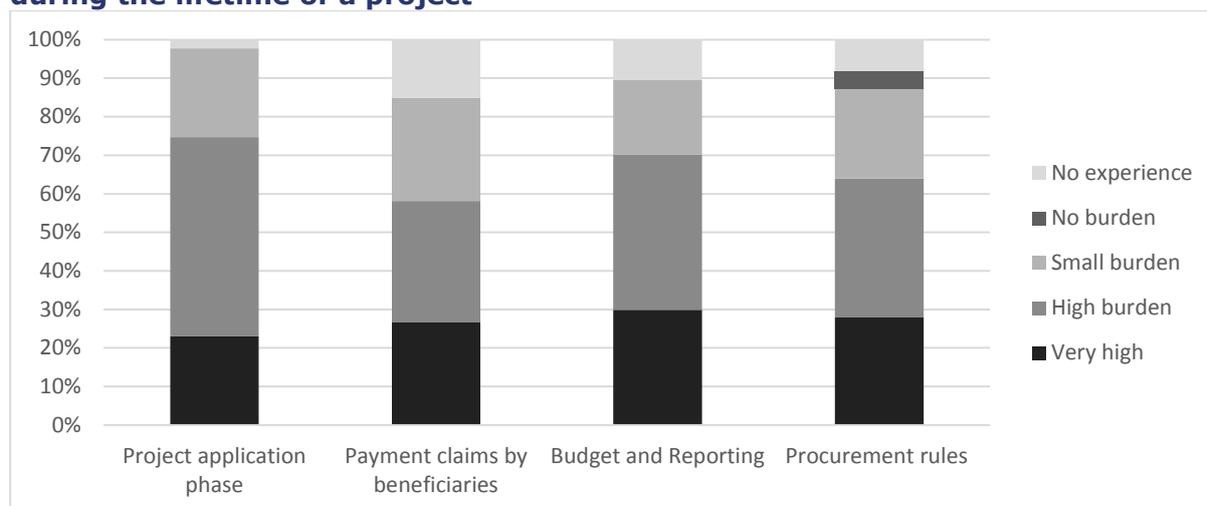
- *Funding application phase (eligibility issues):* Gold plating can be associated with a range of eligibility requirements including incomplete rules and ambiguous or vague requirements. Other issues include extremely detailed requirements for applicants, and excessive documentation requests, as well as ill-founded variations of implementation rules between calls.
- *Payment claims by beneficiaries (payment issues):* Unnecessary rigidity in finding co-financing and application of various procedures and unnecessary requirements prevent timely payment. (Final payment control is, however, not a gold plating issue.)
- *Budgetary and reporting obligations:* Multiple reporting obligations can be a result of gold plating as well as additional requirements stemming from audit recommendations. As an example, a final beneficiary might need to report expenditure up to three times: i) in the regular expenditure statements to the Commission for a given period, ii) in a complementary statement where all expenditure during a given calendar year are reported again, and iii) in a final expenditure declaration at the end of a project.
- *Procurement rules:* A general rigidity and extension of procurement rules to private entities can be a burden for investments, as well as excessive publication or notification requirements.

Of these four moments, funding application are considered to be most burdensome according to the online survey to beneficiaries. 75% of the respondents consider the funding application to be burdensome or very burdensome as illustrated by Figure 14.

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<sup>96</sup> See also the European Parliament Study of 2017 “Research for REGI Committee - Gold-plating in the European Structural and Investment Funds” IP/B/REGI/IC/2016-024

**Figure 14 Perceived administrative burden (beneficiaries) by different task during the lifetime of a project**

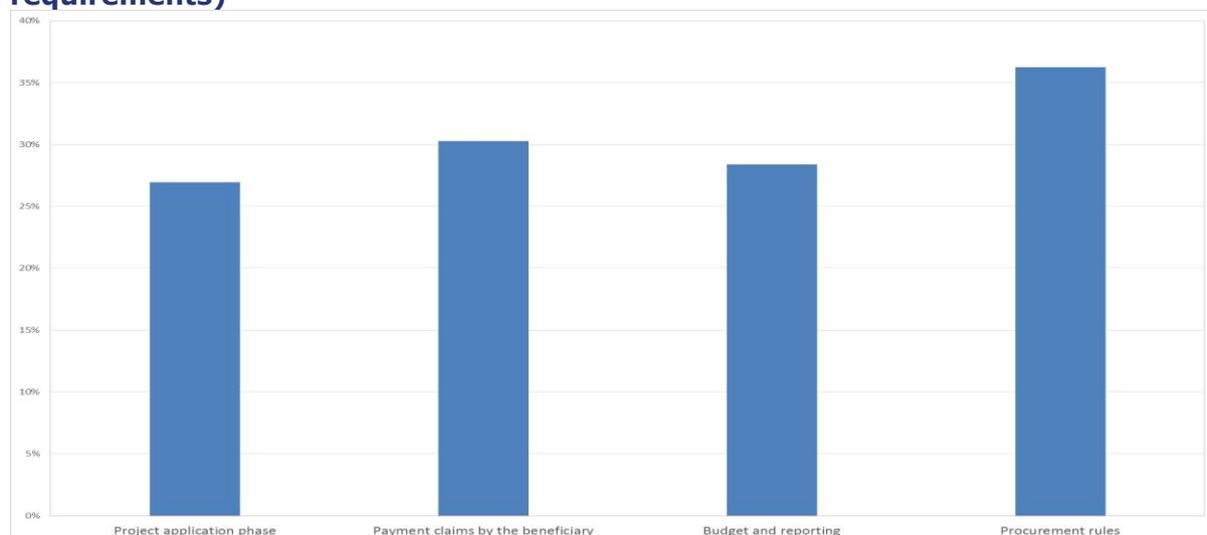


Source: Online survey to beneficiaries

According to the beneficiaries, payment claims and procurement rules are considered less burdensome than funding application and reporting. Nevertheless, when interpreting the findings, it has to be taken into account that most beneficiaries so far only have experienced the application process. This fact might influence the respondents' answers.

Turning to the results from the interviews conducted with the Managing Authority provides some estimations of the share of administrative requirements added by national or sub-national requirements. The key message is that the percentage of national requirements out of total requirements are more or less equal for the four moments identified, only procurement rules stand out, as illustrated by Figure 15.

**Figure 15 National or regional administrative requirements (in % of total requirements)**



Source: Own elaboration based on interviews

Aggregating the results on the four moments and considering the perceived percentage of the national/regional requirements out of total requirement categorised per ESI Fund by the Managing Authority, the results show variations between the funds and within the

funds. The mean value over all moments during the lifetime confirm earlier studies which estimated gold plating to constitute one third of the total administrative burden.<sup>97</sup>

In other words, about one third of the administrative procedures derive from national or regional laws and regulations. This is also in line with corresponding estimates in previous studies<sup>98</sup>

Applying this to the quantitative information on the administrative burden presented earlier in this report, provides a rough estimate on how much gold plating amounts to in monetary terms. Depending on whether to include the project application costs or not (see Table 80) the gold plating amounts to EUR 1.3 to 3.5 billion in the case of ERDF/CF, EUR 1.9 to 2.0 billion in the case of ESF and EUR 0.7 to 1.8 billion in the case of EAFRD.

Certainly, the share of gold plating varies between Member States, funds, programme types and also thematic objectives of the programmes. However, the data collected does not allow to draw reliable conclusions on which Member States, administrative traditions and cultures, funds, programmes types or thematic objectives are characterised by particularly high or low levels of gold plating.

Still, the analysis of the four gold plating moments shows that multi-fund programmes usually have higher administrative requirements than single fund programmes, and there are also huge variations of the amount of administrative requirements. This suggests that multi-fund programmes run the highest risk of gold plating, which might be explained by the complex nature of these programmes.

**Table 80 Total administrative burden per fund and share of administrative burden deriving from national requirements**

Fund	Total administrative burden (in EUR billion)			Share of administrative burden deriving from national requirements (in EUR billion)		
	Excluding application		Including application	Excluding application		Including application
ERDF/CF	4.8	to	12.5	1.3	to	3.5
ESF	6.0	to	6.3	1.9	to	2.0
EAFRD	2.0	to	5.2	0.7	to	1.8

Source: Own calculations based on the third interim report and the interview study.

<sup>97</sup> Two related studies confirm this estimate. 1) Presentation by Copa Cogeca, where gold plating as share of administrative requirements in the Common Agriculture Policy were estimated to 32 percent. Even if the object of the present study is different it can be noted the estimated share for EAFRD, which is a part of the CAP, is 29 percent, i.e. more or less the same as for the Copa Cogeca study. See: [https://ec.europa.eu/futurium/en/system/files/ged/6\\_copa\\_cogeca\\_p\\_pesonen\\_gold\\_plating\\_hlg\\_21\\_6.pdf](https://ec.europa.eu/futurium/en/system/files/ged/6_copa_cogeca_p_pesonen_gold_plating_hlg_21_6.pdf)

2) Capgemini, Deloitte, Ramboll, 2010. EU Project on Baseline Measurement and Reduction of Administrative Costs; which estimate the share of gold plating related to administrative requirement for business facing EU regulation and directives. The study had a broader scope, not only restricted to ESIF. The definition of gold plating was also different compared to the present study since a differentiation was made between national obligations going beyond EU requirements (what is required) and inefficiency of administrative routines (how is it implemented). Applying the definition of the present study, which incorporate both the categories mentioned above in the definition of gold plating, the estimate of gold plating from the study mentioned was also 32 percent.

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2) Capgemini, Deloitte, Ramboll, 2010. EU Project on Baseline Measurement and Reduction of Administrative Costs; which estimate the share of gold plating related to administrative requirement for business facing EU regulation and directives. The study had a broader scope, not only restricted to ESIF. The definition of gold plating was also different compared to the present study since a differentiation was made between national obligations going beyond EU requirements (what is required) and inefficiency of administrative routines (how is it implemented). Applying the definition of the present study, which incorporate both the categories mentioned above in the definition of gold plating, the estimate of gold plating from the study mentioned was also 32 percent.

Gold plating has direct consequences. It tends to increase the administrative burden for beneficiaries as well as administrative costs for Managing Authorities, Paying Agencies, Certifying Authorities and Audit Authorities since there are more rules to implement, comply with and check/monitor. This in turn leads to higher staff requirements and higher costs for implementation and control.

Among possible negative effects of gold plating are:

- *Disincentive for project promoters:* Gold plating makes it more complex and costly to propose and implement ESIF projects. Especially smaller projects and beneficiaries with limited administrative capacity can be discouraged to apply.
- *Negative impact on performance orientation:* Efforts tend to focus on legality and regularity of expenditure rather than on its effectiveness and results. Gold plating increases the emphasis on compliance. That has negative impact on performance orientation.
- *Higher error rates:* Unnecessary complex rules make implementation and compliance more difficult, demanding and prone to make mistakes. For example, DG Employment has estimated that around 10% of errors found for the ESF in the 2012 exercise<sup>99</sup> were linked to active gold plating.
- *Competitive disadvantage in relation to other Member States:* Gold plating related to EU funded operations (such as the ESIF investments) may have a less known side effect, namely that of creating greater regional disparities in the EU.

## 7.2 Gold plating reasons

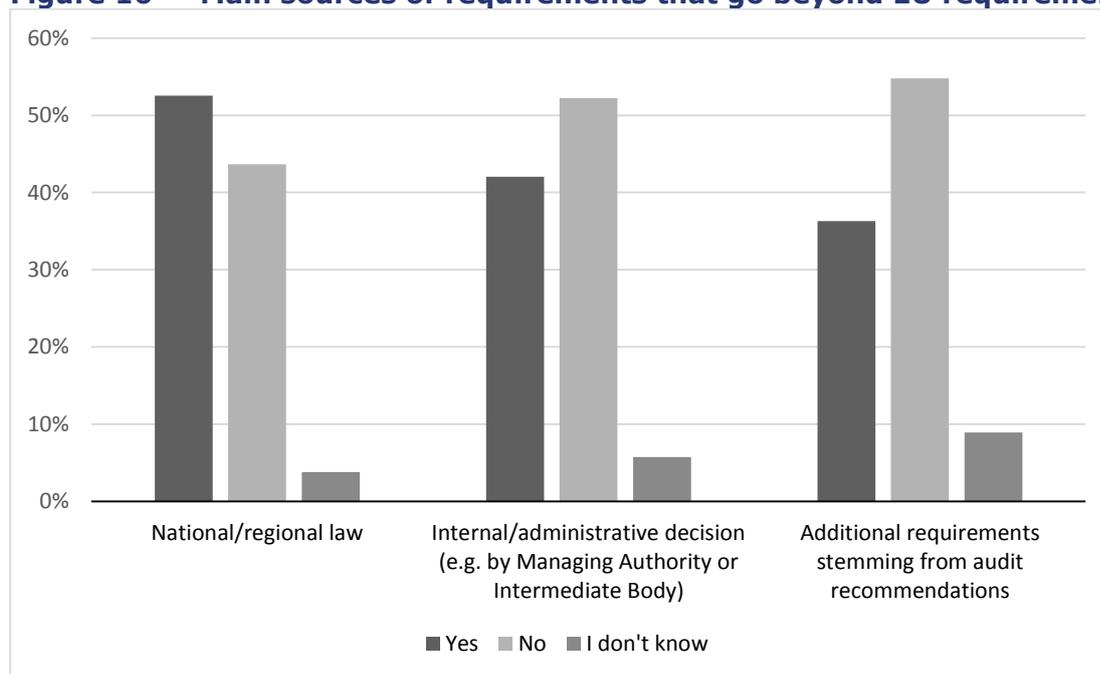
Gold plating is not done without reasons. Often the reasons for gold plating come with the shared management system of ESIF and the fact that Member States are, within certain confines, free to choose methods of implementing EU legislation through domestic legislation.

In formal terms, the source of gold plating are various obligations. Following the indications of Managing Authorities (Figure 16), the main sources of gold plating are national or regional law (53% of the respondents agreed to this statement). Second come internal administrative decisions at programme level as sources for requirements going beyond EU requirements (42%). This is followed by requirements from audit recommendation seen as source of gold plating (36%).

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<sup>99</sup> SIMPLIFICATION AND GOLD-PLATING IN THE EUROPEAN SOCIAL FUND, Ref. Ares(2013)3470438978 - 13/11/2013

**Figure 16 Main sources of requirements that go beyond EU requirements**



Source: Own elaboration based on interviews (several answers were possible)

However, going beyond the formal reasons, a number of different motivations behind gold plating can be outlined.

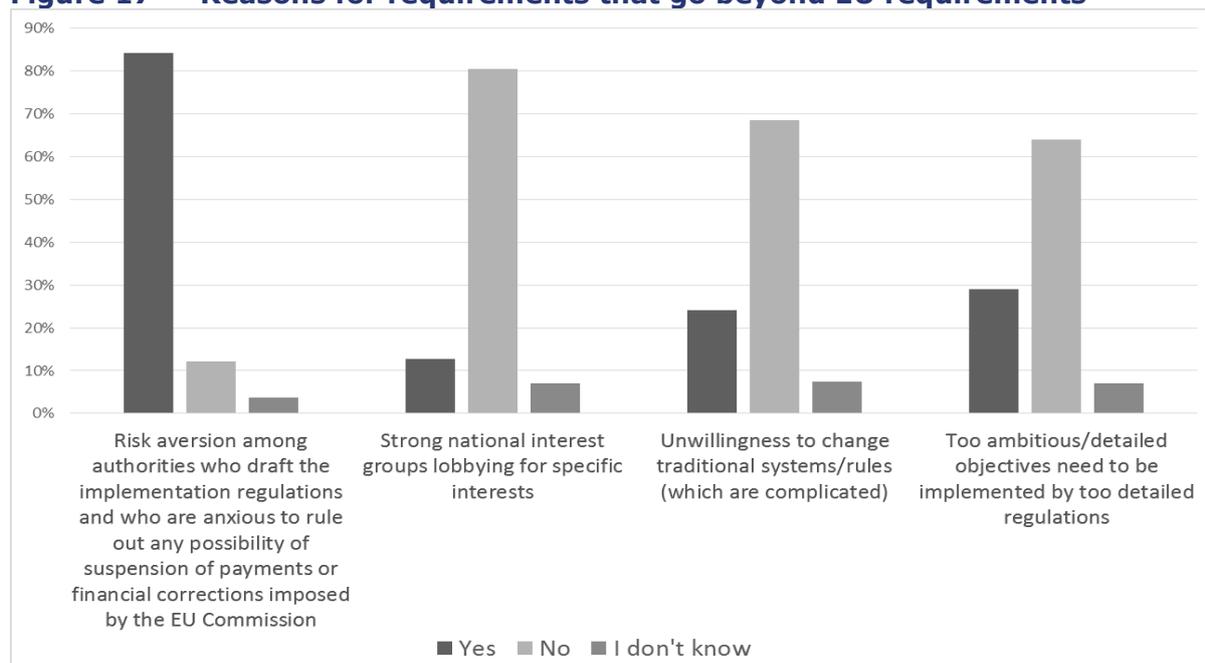
Risk aversion is clearly the most important reason for introducing requirements going beyond EU requirements, i.e. gold plating (Figure 17). The combination of legal uncertainties and a rather strong culture of risk aversion among authorities responsible for the ESIF programmes is one main cause for gold plating. The implementation of EU regulations is set to rule out any possibility of suspension of payments or financial corrections imposed by the European Commission. This risk aversion tendency creates a broad range of gold plating in terms of various sorts of administrative burden. This is also linked to cases where the uncertainties on how the ESIF rules should be interpreted are aggravated by the institutional complexity and specific operative history of the national and regional authorities responsible for implementing the programmes.

The interviewees e.g. in Sweden, Estonia, Lithuania and in the ETC programmes Baltic Sea and Czech Republic-Poland, underlined that risk aversion as reason for gold plating is based on past experiences, and ambitions to increase transparency and to protect beneficiaries from the risk of financial setback. One interviewee explains a situation related to risk-aversion as follows: "The EU might give more flexibility or perhaps be less rigid in terms of when they do find an error and in terms of the application of fines. I know we may be exceeding what the EU requires but this is fueled by the way the EU looks at these schemes, imposes fines and monitors them. A bit more subsidiarity in how to deliver these schemes would be useful." Similar comments are made by several respondents.

Other factors concern e.g. the complexity of the funding programme. The system can grow unnecessarily complex, duplicative and resource demanding when functions are delegated to too many intermediate bodies. In many cases this is linked to ambitious or very detailed objectives which need to be implemented by detailed regulations.

Furthermore, specific interest and the unwillingness to change from existing practices to simpler approaches can be reasons for gold plating.

**Figure 17 Reasons for requirements that go beyond EU requirements**



Source: Own elaboration based on interviews (several answers were possible). Note: Managing Authorities were asked to estimate the validity of each of these reasons.

### 7.3 Presence and impact of gold plating

Going into further detail, in the following the gold plating dimension will be further explored for each of the four moments identified above. Based on desk research more detail for specific obligations (e.g. number of signatures to be provided or number of questions or be answered) related to each of the four moments can be shown.

While the answers to the obligations merely indicate the administrative burden, the variation of the answers allows to draw some conclusions on gold plating. In cases where there is little variation, i.e. the programmes reviewed require similar amounts of efforts, it can be assumed that this is pretty close to the minimum necessary to comply with the ESIF regulatory framework. In cases where there is a huge variation, however, i.e. some programmes require considerably more efforts, it is likely that gold plating is at play.

In technical terms, for obligations where simply the presence has been checked (e.g. is there an electronic application form), the share of positive cases is reported in the below sections. For obligations where the extent or effort has been checked in quantitative terms (e.g. number of annex or signatures to be provided), the mean value and the standard deviation are provided below. To make the information more comparable also the coefficient of variation is provided, that is the standard deviation divided by the mean. The coefficient is also illustrated with circles, where the size of the circle reflects the value of the coefficient and the colour underlines where it is high or low. Green indicates cases with a low variation (below 1), yellow are cases with medium variation (between 1 and 2) and red are those high variation (above 2).

#### 7.3.1 Application processes

Applying for ESIF funding necessarily implies the development and submission of an application, i.e. filling in an application form and providing a number of signatures and supporting documents. This can be a rather straight forward process or a heavy and complicated task. To a certain degree, the administrative burden linked to an application process is also related to the nature and financial volume of the action to be funded.

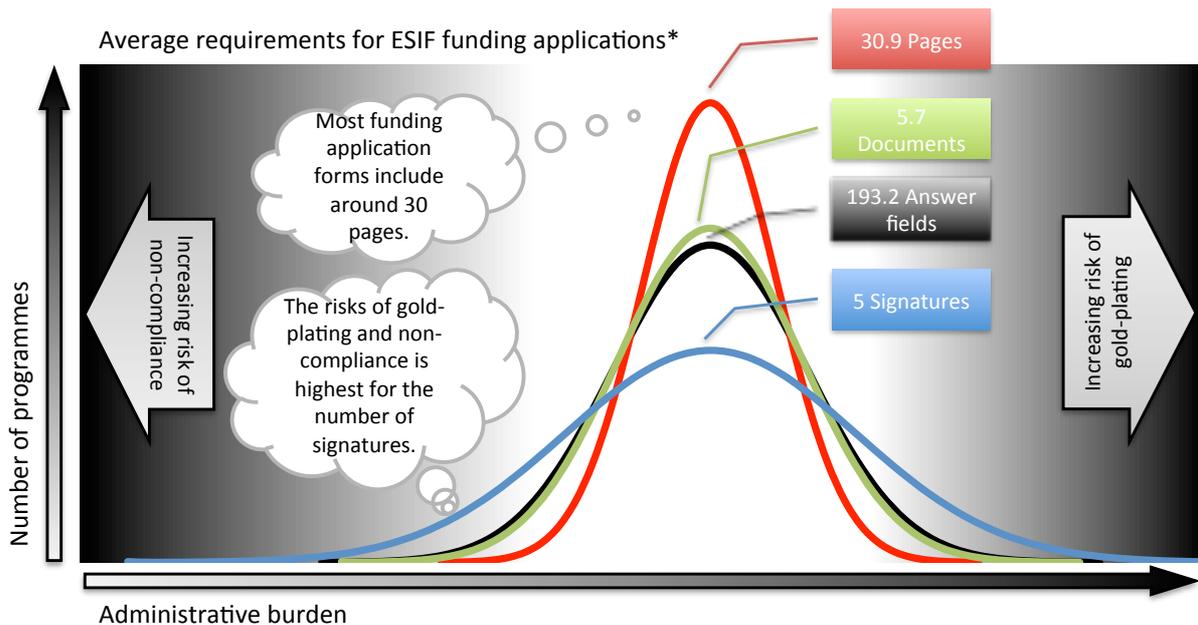
However, some general figures indicate what could be considered a European-wide ESIF point of reference (Table 81). Figure 18 provides a idealised illustration of figures presented in the table.

**Table 81 Funding application - administrative burden**

	Share of answers "yes"	Mean value	Standard deviation	Coefficient of variation
<b>1. Project application phase</b>				
a. Is there an electronic application form?	83.6%			-
b. How many pages does the form have (including obligatory annex with pre-defined answer fields)? If electronic application, please estimate corresponding number of pages		30.9	29.6	0.96
c. How many answer fields have to be filled in (including obligatory annex with pre-defined answer fields)? If electronic application, please do not consider fields with automatically generated content.		193.2	269.1	1.39
d. How many signatures need to be provided by the applicant (including obligatory annex with pre-defined answer fields)?		5	10.4	2.08
e. Apart from predefined annexes, how many supporting documents have to be attached?		5.7	7.5	1.32
f. Can these annexes be provided electronically	87			-
g. Are there restrictive requirements to provide certain types of co-financing?	46.2			-

Source: Analysis of a sample of ESIF programmes

**Figure 18 Funding application - administrative burden**



\* The graphic illustration is based on a standard coefficient based on a few cases and shows an idealised picture of the real situation

Source: Own elaboration based on table 74

In about slightly more than 80% the application form as well as the required annexes can be submitted electronically, which makes the process easier and less burdensome.

The lowest variation of level of efforts concerns the lengths of the application, where the mean value is about 31 pages. The variation is somewhat higher when it comes to the number of questions to be answered in the application form (mean value 193) and the number of annexes to be provided (mean value 5.7). This suggests that some of these might go beyond what is strictly required by the ESIF regulations. The number of signatures needed for a funding application is the requirement with the largest variation, with considerable deviations from the mean value of 5 signatures.

Overall, Member States which joined the EU after 2004 tend to have rather lengthy application forms compared to the European mean value.

Looking by type of fund, funding applications are generally more burdensome in the case of multi-fund programmes, while it is least burdensome in the case of ESF programmes. The higher indicated burden of the multi-funded programmes could partly be explained by the complex implementation routines (coordination and adaptation of fund specific rules and administrative praxis) demanded in the case of multi-fund operations.

In particular multi-fund and ERDF/CF programmes show considerable variations concerning the administrative burden linked to the funding application. This suggests that it is possible to meet the requirements of EU regulations with less numbers of pages and fields to be filled and less signatures and supporting documents to be submitted. Also in the case of ETC and EAFRD there are variations in the requirements for funding applications, which suggest also there is room for improvement for some programmes.

In general it appears that the more complex a programme, the more complicated is the application form. For example, as for the number of answer fields in the application (see Table 81), three out of the four programmes with extreme values (between 1,348 and 650 answer fields) are programmes which have very high thematic complexity indicated by the coverage of a large number of different thematic objectives (i.e. 10-12 different TOs).

As for the programmes with a value considerably below the mean value, there is no coherent picture in terms of Member States or type of funds. However, among the programmes that have indicated that the requirements derive to 100% from EU regulations, values of administrative burden are generally below the average. Other programmes indicated that up to 70% of the requirements put forward to funding applicants derive from national or regional requirements. On average it is said that slightly below one third of the requirement put forward to funding applications derives from the national or regional level, i.e. gold plating.

### **7.3.2 Payment claims**

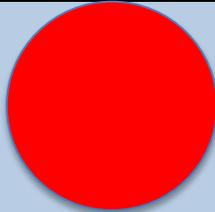
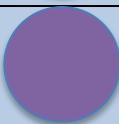
Filing a payment claim to an ESIF programme needs to meet a number of requirements to ensure correct and accountable spending of taxpayers money. Therefore it comes with the need to fill in a form and provide supporting evidence and signatures attesting the correctness of the figures provided etc. As for the funding application, to a certain degree, the administrative burden linked to filing a payment claim is related to the nature and financial volume of the action funded.

However, some general figures indicate what could be considered a European-wide ESIF point of reference (Table 82). Across the programmes studied, the mean value for the length of a payment claim form is approx. 6 pages containing 98 different fields to be filled in. Furthermore, 3 signatures and 7 supporting documents need to be provided with the payment claim. From the submission of the payment claim to the beneficiary receiving the payment, approx. 3 approval steps need to be taken within the administration.

While the programmes studied show little variation when it comes the approval steps needed from submission to payment, there is a considerable variation when it comes the number of fields to be filled in when filing a payment claim. This suggest that in particular here gold plating might be at play.

In the four tasks with the circles in for the coefficient of variation coloured in orange or red in Table 82, programmes with high thematic complexity (i.e. a coverage of 10-12 TOs) are among the outliers. Most notable is the case concerning answer fields to be filled where a programme covering 12 TOs has a procedure which requires 1,700 fields to be filled in. Another case is a programme covering 12 TOs which requires 30 supporting documents and 20 signatures in order for the beneficiary to claim a payment.

**Table 82 Payment claims – administrative burden**

	Mean value	Standard deviation	Coefficient of variation
<b>2. Payment claims by the beneficiary</b>			
a. How many pages does the request for payment form have?	5.8	6	 1.03
b How many answer fields have to be filled in (including obligatory annex with pre-defined answer fields)? If electronic application, please do not consider fields with automatically generated content.	98.1	271.7	 2.77
c. Apart from pre-defined annexes, how many supporting documents have to be attached?	6.9	8.6	 1.25
d. How many signatures have to be provided by the beneficiary?	3.2	4.9	 1.52
e. How many approval steps within the administration are needed from the submission of the payment claim until the beneficiary receives the payment?	2.8	1.8	 0,67

Source: Analysis of a sample of ESIF programmes

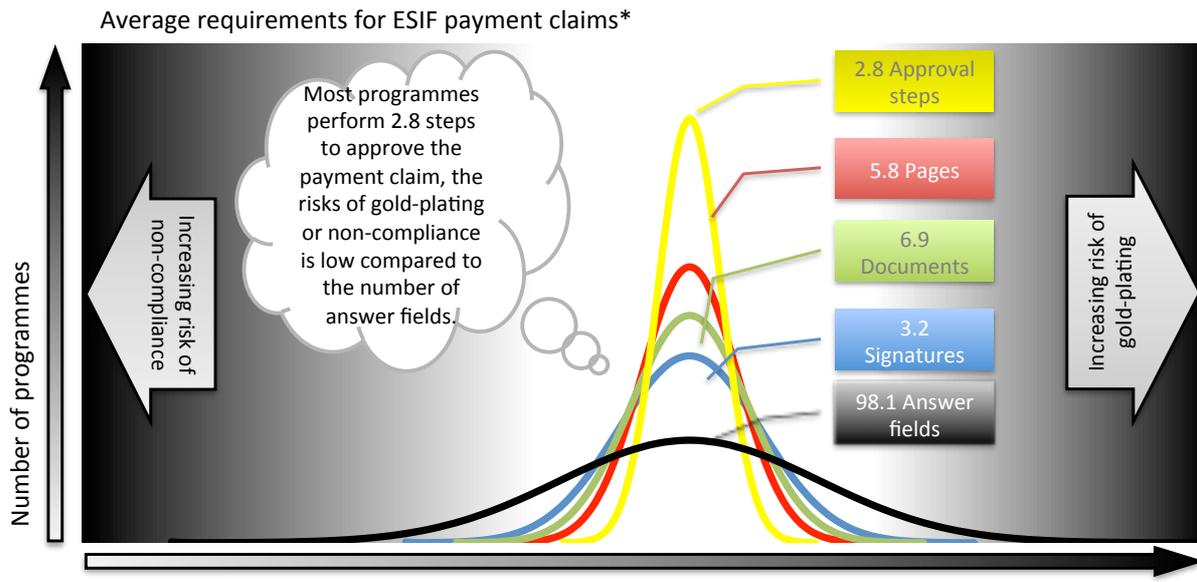
Figure 19 provides a idealised illustration of figures presented in the table.

In general, payment claims are more burdensome in the case of multi-fund programmes and also among Member States which joined EU in 2004 or later.

However, for all funds there are considerable variations of administrative burden linked to filing a payment claim. This suggests, it should be possible to meet the requirements of EU regulations with less numbers of pages and fields to be filled and a less number of signatures and supporting documents to be submitted.

Indeed, the interviews revealed that approx. 31% of the requirements featuring in payment claims derive from the national or regional level, i.e. are likely to be gold plating. According to the programmes with the lowest levels of requirements said to be linked to the national or regional level, the indicated administrative burden is generally below the mean value.

**Figure 19 Payment claims - administrative burden**



Administrative burden

\* The graphic illustration is based on a standard coefficient based on a few cases and shows an idealised picture of the real situation

Source: Own elaboration based on table 75

### 7.3.3 Reporting

Reporting on ESIF co-financed actions needs to follow certain standards to ensure that information needed to report and evaluate ESIF programmes is collected in a coherent approach. In addition there comes also an administrative burden related to the verification of what has been reported. Also in this case, to a certain degree, the administrative burden is related to the nature and financial volume of the action funded.

Some general figures indicate what could be considered a European-wide ESIF point of reference (Table 83). Across the programmes studied, the mean value for the number of reports per year is 2 and for about 49% of the operations there are on the spot-checks. In 64% of the programmes the Certifying Authority does perform own checks.

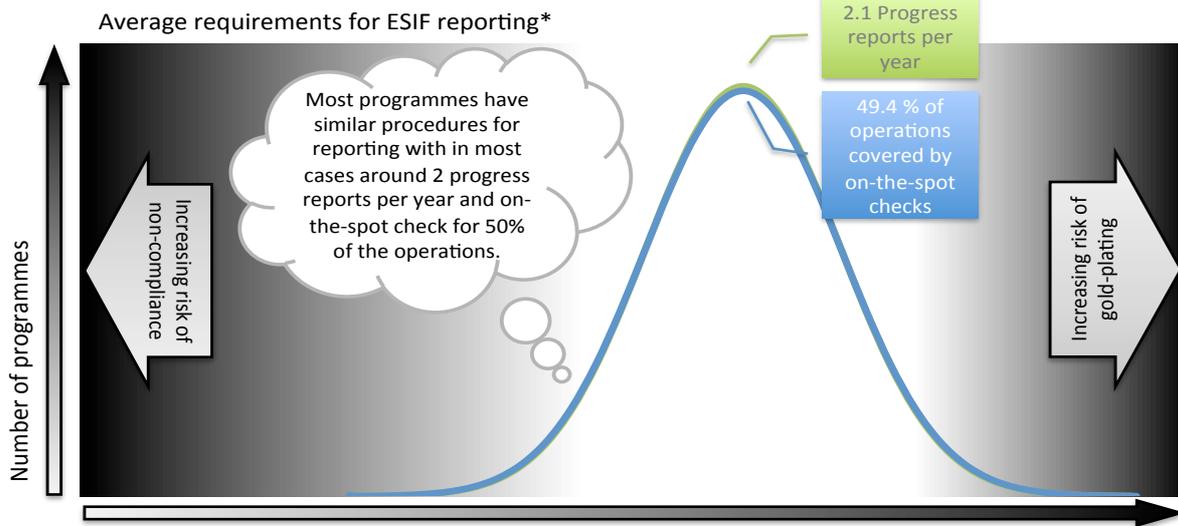
**Table 83 Reporting - administrative burden**

	Share of answers "yes"	Mean value	Standard deviation	Coefficient of variation
<b>3. Budget and reporting</b>				
a. How many times per year are reports required on the progress in project implementation? Please use decimals if less frequent than one time per year		2.1	1.9	0.89
b. Do administrative verifications cover 100% of supporting documents related to the payment claim?	81.8%			-
c. What is the percentage of operations covered by on the spot checks?		49.4	43.9	0.88
d. Does the Certifying Authority perform own checks? And if so according to which methodology?	64.4%			-

Source: Analysis of a sample of ESIF programmes

Figure 20 provides a idealised illustration of figures presented in the table.

**Figure 20 Reporting - administrative burden**



Administrative burden

\* The graphic illustration is based on a standard coefficient based on a few cases and shows an idealised picture of the real situation

Source: Own elaboration based on table 76

The variation of the reporting requirements checked is rather low, which suggest that gold plating in the case of report might be less of an issue.

In general ESF and ERDF/CF programmes seem to be least burdensome when it comes to reporting, as compared to other funds. Member States which joined EU after 2004 have on average the highest administrative burden in this task.

For all funds there are variations in the administrative burden linked to reporting task. These are caused by variations of the requirements both in terms of frequency and reporting volume. In one case it has been indicated that beneficiaries need to report on the project implementation 12 times per year, i.e. monthly.

On average Managing Authorities indicate that slightly below 30% of the reporting requirements come from other sources than EU regulations, i.e. are likely to be gold plating. While in some cases where the reporting requirements are comparably low, the Managing Authorities indicate that their requirements derive to 100% from EU regulations, i.e. nothing is added to it.

### 7.3.4 Public procurement

When ESIF programmes and funded actions procure products and services they need to apply regulatory frameworks applicable for public procurement. Past experience has shown that this is particularly prone to gold plating and over-interpretations of regulatory requirements.

The sample study reveals that in half of the cases, public procurement does not only need to follow obligatory EU thresholds but also consider stricter thresholds deriving from national, regional or local regulatory frameworks. This explains, that the mean value for the thresholds above which public procurement is required lies around EUR 38,500 (as compared to EUR 135,000 and EUR 209,000 according to Directive 2014/24/EU).

Despite this, the variation of public procurement requirements checked is rather low, which suggest that gold plating in terms of additional requirements deriving from national or sub-national level are rather low.

**Table 84 Public procurement - administrative burden**

	Share of answers "yes"	Mean value	Standard deviation	Coefficient of variation
<b>4. Procurement rules</b>				
a. Beyond the obligatory European thresholds, are there any national/regional/local procurement thresholds applied for which stricter rules for procurement apply? If existing, what is the sources of them?	52.8%			-
b. If yes above, which financial threshold does these rules apply?		38,578	34,826	0.90
c. If yes above, do these rules demand a certain number of tenders in each procurement	59.3%			-
d. If applicable, how many tenders are minimum?		2.9	0.8	0.26
e. If existing do these rules only apply for procurement made by public beneficiaries or also for non-public beneficiaries?				
f. Are the procurement procedures checked during the management verifications?	93.5%			-

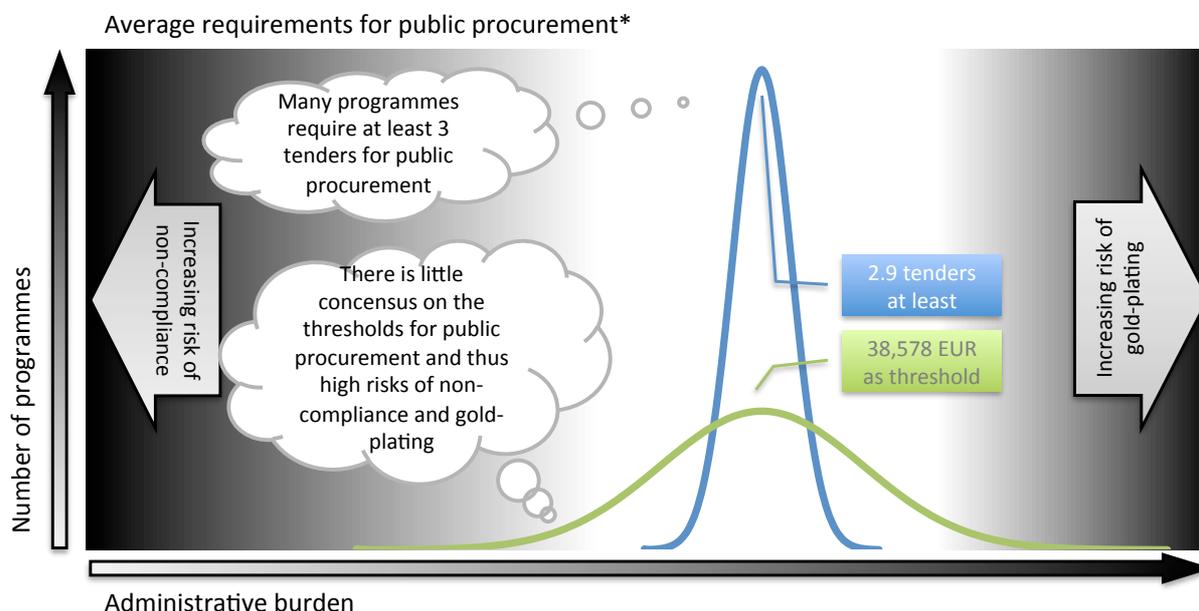
Source: Analysis of a sample of ESIF programmes

The overall picture is that in Member States which joined the EU after 2004 more often stricter procurement rules are applied than in other EU Member States.

Seen per fund, there are only minor differences concerning public procurement. ETC programmes apply stricter rules of procurement, and also stricter checks of procedures during management verification compared the national and regional programmers.

Figure 21 provides a idealised illustration of figures presented in the table.

**Figure 21 Reporting - administrative burden**



\* The graphic illustration is based on a standard coefficient based on a few cases and shows an idealised picture of the real situation

Source: Own elaboration based on table 77

## 7.4 Solutions to reduce gold plating

Risk aversion is the main reason for additional national or regional administrative requirements that go beyond the EU requirements. In that sense targeting gold plating is

not only about inconsistencies between different regulatory frameworks, but largely about certainty and trust among the actors.

There are a number of possibilities to reduce gold plating:

- According to Managing Authorities i) sharing existing knowledge between Managing Authority and other authorities across the EU, ii) disseminating good practice in the form of “quick wins” related to implementation, iii) increase the knowledge and use of simplified cost options (SCO) and, iv) promote institutional capacity, are more or less equally important in order to decrease the presence of gold plating. In other words, there is not one way of reducing gold plating instead several actions need to be considered.
- According to beneficiaries, better alignment of EU and national regulatory framework, application of unit cost, lump sums, flat rate are most interest for reducing gold plating, also enhanced IT-tools stand out. 73% of the respondents have indicated that a better alignment between EU and national regulatory framework has a potential to decrease the administrative burden in the country.
- Regarding enhancing digitalisation, the desk study shows that there is room for improvement given that 16% of the examined programmes have reported that they do not have the possibility to make an electronic application and 13% of the programmes are not providing the opportunity to provide annexes electronically. Furthermore interventions on enhanced electronic application procedures should not be limited to a certain type of Member State, but improvement can be achieved in both young and old Member States. Achievement of full digitalisation of the application procedures will also enhance the possibilities of tapping the full potential of existing platforms for knowledge dissemination in order to reduce excessive administrative burden.
- Risk aversion was the main reason for additional national or regional administrative requirements that go beyond the EU requirements. A source of this risk aversion might also be a discrepancy in the requirements from the regulation versus audit recommendations causing confusion on what the requirements actually are. If these risk averse measures do not serve a purpose, a stronger harmonisation of these two channels of communication between the European Commission and Member States may be a way to limit presence of gold plating.
- More stabilisation of procedures and rules, in order to decrease uncertainties concerning how ESIF rules should be interpreted, would limit risk averse tendencies among national authorities responsible for the ESIF programmes.

In short, possible measures in this field include

- stabilisation of procedures and rules, in order to decrease uncertainties concerning how ESIF rules;
- sharing existing knowledge between Managing Authority and other authorities across the EU;
- disseminating good practice in the form of ‘quick wins’ related to implementation;
- increase the knowledge and use of simplified cost options (SCO); and
- promote institutional capacity building.

Following indications provided by beneficiaries there are also some more concrete measure which could reduce gold plating – though they often might rather target the reduction of administrative burden and not necessarily gold plating. Among these are:

- better alignment of EU and national regulatory frameworks,
- application of unit cost, lump sums, flat rate are given, and
- enhanced IT-tools.

## 8 Conclusions

### Key findings

- Simplification measures are expected to reduce administrative costs for ESI Funds by EUR 0.5 to 1 billion, i.e. 2 to 5% of administrative costs.
- They are expected to reduce the administrative burden for all ESI Funds by EUR 1 to 2 billion, or 9 to 15%.
- Only 10 of 21 simplification measures studied led to a reduction of administrative efforts.
- Two simplification measures even increase administrative workload: common indicators and ITI.
- Reasons why not all simplification measures show results include too low uptake by programmes, e.g. merger of MA and CA / reducing number of PA, and complicated implementation practice e.g. greater thematic concentration, common indicators, ITI.

### General recommendations

Clarity, stability and legal certainty

- Fewer & clearer rules reducing the complexity of the regulatory system.
- More stable rules over time also from one funding period to the other.
- Reduce uncertainty among programme via training and guidance.

Good governance

- Simpler governance structures with less bodies involved.
- Increased capacity-building at programme level.
- Co-design regulatory changes with practitioners.

Specific measures

- Analyse simplification with regard to impact on outcomes.
- Enhanced use of SCO.
- Increase e-cohesion / e-governance.
- Reconsider Joint Action Plans.

### Fund specific recommendations

- ERDF/CF: Improve the use of SCO through offering more off-the-shelf methodologies and considering the mandatory use of SCO.
- ESF: Increase legal certainty and administrative capacities with regard to state aid and public procurement to reduce risks of gold plating.
- EAFRD: Improve the use of SCO through offering more off-the-shelf methodologies and considering the mandatory use.
- EMFF: Make e-cohesion mandatory also for EMFF.
- ETC: Improve alignment of Member State (and EU) legal frameworks in areas where different national frameworks need to be applied for the same project. Not at least in the case of SCO, common definitions and flat rates would help.

The simplification measures assessed are expected to reduce administrative costs for ESI Funds by EUR 0.5 to 1.3 billion, i.e. 2 to 5% of administrative costs. Taking the 2007-13 period as a baseline, administrative costs for 2014-20 without implementation of simplification measures would total to EUR 24.7 billion, i.e. 3.9% of the ESIF budget.<sup>100</sup> However, with the current implementation of simplification measures, they will be between EUR 23 and 24 billion, i.e. about 4%.

Furthermore, simplification measures are expected to reduce the administrative burden for all ESI Funds by EUR 1 to 2 billion, or 9 to 14%. Taking the 2007-13 period as a

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<sup>100</sup> For comparisons of the results to the 2012 study by t33/SWECO, please see section 0

baseline, the administrative burden for 2014-20 without implementation of simplification measures would be EUR 13 billion, i.e. 2% of the ESIF budget. The implementation of simplification measures is expected to reduce the burden to EUR 11 to 12 billion, i.e. about 2% of the ESIF budget.

However, as discussed in the previous chapters, the reductions of administrative burden and costs rely mainly on a few selected simplification measures. To better visualise the differences, Table 85 provides an overview of reductions or increases of administrative costs and burden for individual simplification measure, for each ESI Fund.

The first column of the table shows that 10 of 21 simplification measures led to reduced administrative efforts (i.e. the combination of costs and burden). These 10 are marked in green in the first column.

Common indicators and ITI actually show an increase in administrative costs and burden. The two are marked in red in the first column.

The remaining nine measures have almost no effect, with changes around 0%. These are marked in yellow in the first column.

Although only 10 of 21 simplification measures seem to justify the efforts of introducing simplification other factors should be considered which are not part of this study:

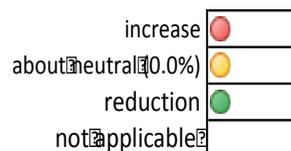
- **Improved outcome.** Looking at administrative cost and burden tells only part of the story, it does not show the full outcome of the changes. In some cases increasing administrative cost or burden might be justified by improved programme results. For instance the Partnership Agreement as well as harmonisation of rules and common indicators may result in better coordination across programmes and ESI Funds, leading to a more targeted funding strategy. Improved policy coordination should imply better results, even if this may come at a cost, i.e. the coordination costs.
- **Complicated implementation.** In some cases implementation of simplification measures turned out to be unnecessarily complicated as Member States or regions stuck to 'what they did before' or tried to work their way around the simplification measures. An example is thematic concentration (and the compliance with the minimum thresholds). Some programmes found various ways to include as many themes as possible in areas which were not subject to thematic concentration. It also seems that while EAFRD programmes built on their LEADER experience for CLLD, other programmes either made little use of it or constructed it in a way that there was no reduction of administrative burden. This may have been the same for ITI.

Managing ESI Funds and ensuring accountability and good use of taxpayers' money, means considering aspects other than the pure impact on administrative cost and burden. These other aspects are however not part of this study. Accordingly they are not taken into account.

When discussing these findings, one must keep in mind that following the specifications of the study, the sources used are the above interviews and the online survey, which provide subjective information on the expected impacts. Asking actors about the impact of regulatory changes when these have just been implemented always involves the risk that the – sometimes considerable – efforts of changing routines and setting up new procedures are more in the foreground than the actual effects of these changes, which become tangible only once these new routines are up and running.

**Table 85 Impact on administrative costs and burden by simplification measures and ESI Funds**

	ESIF covered			ERDF/CF			ESF			EAFRD			EMFF		
	Total	Costs	Burdens	Total	Costs	Burdens	Total	Costs	Burdens	Total	Costs	Burdens	Total	Costs	Burdens
Partnership agreements replace the NSRF and NSP	●	●		●	●		●	●		●	●		●	●	
Greater thematic concentration	●	●		●	●		●	●		●	●		●	●	
Common indicators & enhanced monitoring framework	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Harmonisation of rules	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Proportionate control/minimum level of on-the-spot checks	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
E-cohesion/E-governance with beneficiaries	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Simpler rules for revenue-generating projects	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Shorter retention period for documents	●	●	●	●	●	●	●	●	●				●	●	●
Simplified programme modification procedure	●	●		●	●		●	●					●	●	
Simplification of the programme document	●	●		●	●		●	●							
Independent quality report for major projects	●	●		●	●		●	●							
Considering providers of training or knowledge transfer as beneficiaries	●	●	●							●	●	●			
Community-led local development (CLLD) & local action groups	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Integrated territorial investments (ITI)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Merging MA-CA/reducing number PA	●	●		●	●		●	●		●	●		●	●	
Grants and repayable assistance as simplified cost options (SCO)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Joint action plans (JAP)	●	●	●	●	●	●	●	●	●						
Advance payments	●	●	●							●	●	●	●	●	●
Establishment of advance criteria for insurance cover	●	●	●							●	●	●	●	●	●
Accelerated procedure for selection process	●	●											●	●	
Special calculation rules for compensation	●	●	●										●	●	●



Source: own elaboration

Indeed, the figures presented for reductions may be conservative, for several reasons:

- **Timing of the assessment.** The workflow is front-loaded during the programme period. The assessment of the expected impact of the regulations was done when most programmes had a peak in their workload. Taken together, the perception of individuals can sometimes be related to experience from the previous programme period and may not fully reflect the potential of the current (i.e. new) regulatory and administrative framework.
- **Up-front investment.** A number of simplification measures, such as new indicator systems and e-governance, imply considerable investment and work to establish and implement the new approach. However, the reduction in administrative workload and costs is expected to take effect later. In many cases, there is a risk that the expected changes in administrative costs over the full programme period are biased towards more administrative workload due to the necessary up-front investment, which respondents are currently experiencing.
- **Inertia.** The 2010 study on administrative costs showed that regulatory changes meet considerable inertia in practice. This implies that changes (including simplifications) are often not yet fully implemented at the beginning of the programme period or are implemented with a considerable time delay. Therefore, a further reduction in administrative costs and burden may be realised during the implementation phase of the respective programmes.

This study tries to take these factors into account, however the figures presented in this study are probably conservative and simplification measures may lead to even higher reductions of administrative costs and burden.

Expectations of reductions were laid out in the 2012 t33/SWECO impact study. Focusing on ERDF/CF that study suggested changes in the regulatory framework would reduce administrative costs by about 7% and administrative burden by about 20%.

This study largely confirms those conclusions as concerns ERDF/CF administrative costs. They are reduced by 4 to 8%. Administrative burden reduction is between 9 and 14% of the total administrative burden, which is less than the 20% estimate in the impact study.

Comparing the changes expected for ERDF in the 2012 t33/SWECO impact study, Table 86 shows which simplification measures reduce administrative costs more than expected and which less. The expected values of the 2012 study are indicated for in the column 'expected', the values presented in this study for ESIF and for ERDF/CF are presented in the columns 'actual ESIF' and 'actual ERDF/CF'. The coloured dots indicate whether the results of this study exceed the expectation (green), are about the same as expected (yellow) or fall short of the expectations (red).

Comparing the values expected in the 2012 study to the results for all five ESIF in particular SCO, the harmonisation of rules and simpler rules for revenue-generating projects result exceed the expectations (see green dots Table 86). On the other hand, some simplification measures were expected to result in a greater decrease in administrative costs (see red dots in Table 86). These include the merger of Managing Authorities and Certifying Authorities/Reduction of Paying Agencies, and to some degree greater thematic concentration and common indicator systems. This depends in parts on the choices of the Member States or programmes to not make fully use of the simplification possibilities. For instances in the case of common indicators there is still a wide range of programmes using rather extensive indicators lists.

Comparing the 2012 ERDF/CF impact study with the ERDF/CF figures from this study shows a similar picture. In particular SCO, the harmonisation of rules and simpler rules for revenue-generating projects result in greater reductions than expected, while the merger of Managing Authorities and Certifying Authorities, thematic concentration and common indicators result in smaller reductions than expected. The lower effects of thematic concentration and common indicators might be explained by the way the regulator changes have been implemented by the programmes. The actual thematic

concentration is not as strong as was envisaged in the 2012 study as in many cases programmes. Also when it comes to common indicators, the original study assumed that there will be no programme specific indicators and that the common indicators would be well defined and related data easy to collect. This turned out to be only partially the case. As for the merger of Managing Authorities and Certifying Authorities, the uptake was lower than expected in the 2012 impact study, which explains the lower actual impact.

**Table 86 Expected and actual impact on administrative costs**

	Expected (% of costs)	Actual ESIF (% of costs)	Actual ERDF/CF (% of costs)
Partnership Agreements replace the NSRF and NSP	0.0%	0.0%	0.0%
Greater thematic concentration	-0.9%	0.0%	-0.3%
Common indicators & enhanced monitoring framework	-0.4%	0.5%	0.0%
Harmonisation of rules	0.0%	-0.5%	-1.1%
Proportionate control / minimum level of on-the-spot checks	0.0%	-0.6%	-0.5%
E-cohesion / e-governance with beneficiaries	-1.5%	-1.7%	-1.8%
Simpler rules for revenue-generating projects	0.0%	-0.6%	-1.4%
Shorter retention period for documents	0.0%	-0.3%	-0.4%
Simplified programme modification procedure	0.0%	0.0%	-0.1%
Simplification of the programme document	0.0%	0.0%	0.0%
Independent quality report for major projects	0.0%	0.0%	0.0%
Considering providers of training or knowledge transfer as beneficiaries	0.0%	-0.2%	n.a.
Community-led local development (CLLD) & local action groups	0.0%	0.1%	0.0%
Integrated territorial investments (ITI)	0.0%	0.0%	0.1%
Merging MA-CA / reducing number PA	-4.3%	-0.2%	-0.3%
Grants and repayable assistance as simplified cost options (SCO)	-1.0%	-1.7%	-1.8%
Joint action plans (JAP)	0.0%	0.0%	0.0%
Advance payments	0.0%	0.1%	n.a.
Establishment of advance criteria for insurance cover	0.0%	0.0%	n.a.
Accelerated procedure for selection process	0.0%	0.0%	n.a.
Special calculation rules for compensation	0.0%	0.0%	n.a.

- reduction lower than expected ●
- reduction about same as expected ●
- reduction higher than expected ●

Source: own elaboration

For administrative burden, it appears that simplification measures for common indicators and monitoring do not show the expected reduction, notably e-cohesion / e-governance, common indicators, shorter retention periods for documents, and ITI. With regard to e-cohesion / e-governance the reasons for this might partly lie with the progress made already in the last programme period, but also with the hesitation of Member States and programmes to move to a fully electronic system. Also when it comes to indicators, the simplification potential has not been fully used. When it comes to short retention periods for documents, partly diverging national regulations come in-between.

On the other hand, similar to the effects on administrative costs, some measures achieved much larger reductions than anticipated in the 2012 impact study. Among these are SCO and simpler rules for revenue generating projects. Comparing the 2012 ERDF/CF impact study with the ERDF/CF figures from this study shows a similar picture. This is also true for ESIF Funds overall, see Table 87. That the e-cohesion does not live up to the expectations of the 2012 impact study has probably several reasons, but not at least that in between the study studies the level of e-cohesion services has improved in many cases. This implies that some of the effects of e-cohesion have already been achieved before the new regulatory framework come into place. When it comes to the shorter retention period for documents, it seems that the full benefits of the regulatory change cannot be achieved because of retention obligations deriving from other sources than the ESIF regulations.

To conclude the simplification measures introduced have resulted in simplifications, though not all of them and not necessarily to the degree expected when the simplifications were introduced. This is partly due to the fact that in the legislative process simplifications got less clear cut than what was anticipated in the 2012 impact study, and partly also do to the fact that Member States and programmes did not make full use of the simplification potentials.

**Table 87 Expected and actual impact on administrative burden**

	Expected (% of burdens)	Actual ESIF (% of burdens)	Actual ERDF/CF (% of burdens)
Partnership Agreements replace the NSRF and NSP	0.0%	0.0%	0.0%
Greater thematic concentration	0.0%	0.0%	0.0%
Common indicators & enhanced monitoring framework	-1.6%	0.9%	0.9%
Harmonisation of rules	-1.0%	-1.2%	-1.1%
Proportionate control/minimum level of on-the-spot checks	0.0%	-0.5%	-0.5%
E-cohesion/E-governance with beneficiaries	-11.0%	-4.8%	-4.7%
Simpler rules for revenue-generating projects	-0.2%	-2.2%	-2.1%
Shorter retention period for documents	-2.6%	-0.5%	-0.6%
Simplified programme modification procedure	0.0%	0.0%	0.0%
Simplification of the programme document	0.0%	0.0%	0.0%
Independent quality report for major projects	0.0%	0.0%	0.0%
Considering providers of training or knowledge transfer as beneficiaries	0.0%	-0.1%	n.a.
Community-led local development (CLLD) & local action groups	0.0%	-0.1%	0.3%
Integrated territorial investments (ITI)	0.0%	0.1%	0.1%
Merging MA-CA/ reducing number PA	0.0%	0.0%	0.0%
Grants and repayable assistance as simplified cost options (SCO)	-3.4%	-6.3%	-6.1%
Joint action plans (JAP)	0.0%	0.0%	-0.1%
Advance payments	0.0%	-0.1%	n.a.
Establishment of advance criteria for insurance cover	0.0%	0.0%	n.a.
Accelerated procedure for selection process	0.0%	0.0%	n.a.
Special calculation rules for compensation	0.0%	0.0%	n.a.

reduction lower than expected ●  
reduction about same as expected ●  
reduction higher than expected ●

Source: own elaboration

## 8.1 Strengths and weaknesses

Based on the analysis, the following part provides an overview of the main conclusions on which measures show strengths, weaknesses, opportunities and threats with regard to their impacts on administrative costs and burden. Strengths and weaknesses beyond the impact on the reduction of administrative costs and burden are not addressed by this study.

This is followed by Table 88 providing a rough overview of key strengths and weaknesses concerning the reduction of administrative costs and burden by fund and simplification measure. It has to be remembered that the primary objectives of most of the measures study are in the area of improving ESIF and do not concern the reduction of administrative costs and burden.

### Strengths

- **EC role in negotiations.** Across the board, the EC advocated simplification during negotiations. This encouraged programmes to implement simplification measures. The uptake of these measures and the subsequent reduction of administrative cost and burden would not be as high without the efforts of EC representatives in negotiations.
- **Strong reduction of administrative burden.** Although main ESIF actors stress the role of simplification measures on reducing administrative costs, the even higher reduction of administrative burden is a clear strength of the measures.

This reduction is more visible to citizens and should increase acceptance of EU funding and the EU as an institution.

- **Reductions of burden compensate for increasing costs.** In some cases the reduction of administrative burden counterbalances an increase in administrative cost for the same measures. Examples include the harmonisation of rules under EAFRD, and the special calculation rules for compensation under EMFF.
- **Simplification of payment and reporting tasks.** Measures simplifying payments and reporting procedures are most important for reducing administrative cost and burden. This is illustrated by reductions due to SCO, proportionate controls, simpler rules for revenue generating projects and short retention period for project documents.
- **SCO.** SCO can reduce administrative cost and burden and improve the financial management of operations. They help speed up the reimbursement of funds, enhance the value and the quality of operations through increased focus on content, process and results. They also increase programming quality, as spending is more targeted, and help improve partnerships with stakeholders.
- **E-cohesion / e-governance.** Up-front investments to set up systems are recovered by reduced administrative costs and burden. For EMFF e-cohesion is optional, so here administrative burden for beneficiaries is expected to be a slightly decrease, and for programme bodies the reduction is expected to be even higher than in other funds (in relative terms).
- **Harmonisation of rules.** The harmonisation of rules simplifies administration considerably, both at the level of programmes and beneficiaries for EDRF/CF and ESF. For EAFRD and EMFF, harmonisation implies increased administrative costs at programme level as tasks become more time consuming. For EAFRD this is more than compensated by the reduced administrative burden for beneficiaries.
- **Proportionate controls.** They lower administrative cost and burden for all funds and stakeholders. The potential for this simplification measure could easily be higher than indicated in present figures, as the real effects will only be visible a few years from now.
- **Simpler rules for revenue generating projects.** These lead to lower administrative cost and burden for all ERDF/CF and ESF stakeholders. For EAFRD there is a slight increase in administrative costs, which is fully compensated for by lower administrative burden for beneficiaries. For EMFF rules for operations generating revenues where not applicable in the previous period.

## Weaknesses

- **Transition costs & up-front investments.** Every change comes at a cost and sometimes requires considerable up-front investment, as with e-cohesion and e-governance. The negative perception of transition costs can be transferred to the measure itself, even though the costs are more than compensated by reduced administrative costs and/or burden later on.
- **Time delays.** In many cases the positive effects of simplification measures come after some delay and the full impact is only visible after a considerable number of operations have passed through the administrative cycle (application, monitoring, reporting, audit, closure). Typically simplification measures such as e-cohesion / e-governance (and to a certain extent common indicators) show results only late in the process, but require additional work up-front to configure the system.
- **Simplification measures with limited effect for some measures.** While some simplification measures result in substantial reductions of administrative costs and burden, there are also a number of simplification measures which only bring limited reductions in administrative costs and/or burden, in monetary terms. Examples for simplification measures with limited effect include the simplified programme modification procedure, programme document simplification, independent quality reports for major projects, accelerated selection processes, advanced criteria for insurance coverage and special calculation rules for compensation.

- **Simplification did not happen for some measures.** For various reasons the Partnership Agreement and greater thematic concentration are not perceived as simplifications. To some degree this may be because Member States and programmes want to keep things as they were in the previous period. This created additional difficulties as they found ways to work around the new requirements. In particular even more rigid rules for the implementation of thematic concentration could have facilitated the processes, since options and flexibility can result in complexities and discussions. At the same time it needs to be acknowledged that the primary objective of thematic concentration is to facilitate the definition of clearer intervention logics and improve the targeting of programmes, and not necessarily to reduce administrative the workload.
- **Measures increasing administrative costs.** Common indicators and enhanced monitoring initially increase administrative burden and cost across all Funds. Though these measures may be needed to improve ESIF implementation, they do not always simplify administration significantly. Common indicators could have been a simplification, if they had reduced the number of programme specific indicators even more, and if common indicators had been double checked to review the efforts needed to measure them. At the same time, it also has to be acknowledged that the primary objective of the common indicators is enhance the accountability and the evidence-based policy making and not necessarily to reduce administrative the workload.
- **Reduced burden do not compensate for increased costs.** Sometimes the reduced administrative burden does not compensate for the increased administrative cost of a simplification measure. This can happen under EMFF with the harmonisation of rules and advance payments.
- **CLLD and ITI.** ITI is seen as being a complex tool with unclear benefits. The same goes for CLLD - at least partially. To a certain degree this may be due to misunderstandings. While for ITI an increase in administrative cost and burden is expected, for CLLD at least EAFRD programmes indicate a lower administrative burden for beneficiaries.
- **JAP.** Joint Action Plans, which are optional for ESF and ERDF/CF, show very low uptake. This is mainly because they are perceived as potentially risky and highly administrative. Easier rules on the setting up and on the governance of JAP as well as more information and guidance on the use of milestones can increase the attractiveness of the measure.

## Opportunities

- **Increase use of SCO.** SCO hold a great potential to reduce administrative cost and burden. Increased use of them by more programmes as well as the share of each programme offers great opportunities to both reduce administrative cost and burden further and to enhance the quality of programmes and operations. The uptake could be increased both in quantitative and qualitative terms. These include administrative solutions such as off-the-shelf flat rates to cover specific categories of costs, as well as systemic approaches such as involving all stakeholders and designing outcome based standard scales of unit cost to cover all costs of the operation.
- **E-cohesion for EMFF.** Increasing the use of e-cohesion / e-governance under EMFF holds opportunities for further reductions of administrative costs and burdens.

## Threats

- **Excessive harmonisation efforts.** For EMFF, changes introduced through the CPR imply substantial adjustments in administrative routines for programmes and beneficiaries. If there is no trade off in terms of long term reductions in administrative cost and burden, or improved impact of the fund, the changes may create negative vibrations in the EMFF community.

- **Simplification over quality.** Generally, a focus on administrative simplification may not side-line principles of quality or sound financial management. To avoid administrative simplification jeopardising the quality of ESIF achievements, the balance between good quality results and simple procedures needs to be considered. For CLLD, LEADER experience has shown that such measures can deliver crucial results which are worthwhile even given the extra workload.
- **Simplification over responsible use of public money.** Many monitoring and control requirements derive from experienced misuse of EU funding. So simplification measures need to guarantee a responsible use of taxpayers' money. Aggressive simplification measures may cause future scandals involving the misuse of EU funding, jeopardising the future of ESIF.

**Table 88 Key strengths and weaknesses concerning the reduction of administrative costs and burden by measure and ESI Fund**

		ERDF/CF	ESF	EAFRD	EMFF
Partnership Agreement	+				
	-	Increase of administrative costs.	Increase of administrative costs.	Increase of administrative costs.	Increase of administrative costs.
Greater thematic concentration	+	Slight potential to reduce administrative costs.	Slight potential to reduce administrative costs.		
	-	Transition costs in the programming phase, difficult to fit to needs of the programme area.	Transition costs in the programming phase, difficult to fit to needs of the programme area.	Increase of administrative costs.	Comparably high increase of administrative costs.
Common indicators and enhanced monitoring framework	+				
	-	Increase of administrative costs and burden.	Increase of administrative costs and burden.	Increase of administrative costs and burden.	High increase of administrative costs and burden.
Harmonisation of rules	+	Reduction of both administrative costs and burden	Reduction of both administrative costs and burden	Transition costs at programme level are more than compensated for by reductions of administrative burden.	
	-				High transition costs as some programme level tasks become more complex, these are not fully balanced by gains for beneficiaries
Proportionate controls	+	Reduction of both administrative costs and burden.	Reduction of both administrative costs and burden.	Reduction of both administrative costs and burden.	Reduction of both administrative costs and burden.
	-				
E-cohesion / e-governance.	+	Up-front investments are fully covered by reductions of administrative costs and burden.	Up-front investments are fully covered by reductions of administrative costs and burden.	Up-front investments are fully covered by reductions of administrative costs and burden.	Up-front investments are fully covered by lower administrative costs, which are higher for EMFF than other funds.

		<b>ERDF/CF</b>	<b>ESF</b>	<b>EAFRD</b>	<b>EMFF</b>
	-	Up-front investments.	Up-front investments.	Up-front investments.	Up-front investments, potential slight increase of administrative burden for beneficiaries.
Simpler rules for revenue generating projects.	+	Reduction of both administrative costs and burden.	Reduction of both administrative costs and burden.	Increase of administrative costs is fully compensated for by the reduction of administrative burden for beneficiaries.	Increased harmonisation with other ESIF, as under EMFFF rules for operations generating revenues were not applicable in the previous period.
	-			Slight increase in administrative costs.	
Shorter retention of period for documents	+	Overall reduction of administrative burden and costs.	Overall reduction of administrative burden and costs.		Overall reduction of administrative burden and costs.
	-	Slight increase of administrative costs of Audit Authorities / Certifying Bodies.	Slight increase of administrative costs of Audit Authorities / Certifying Bodies.		Slight increase of administrative costs of Audit Authorities / Certifying Bodies.
Simplified programme modification procedure	+				
	-	Limited effect in terms of reducing administrative cost and/or burden.	Limited effect in terms of reducing administrative cost and/or burden.		Limited effect in terms of reducing administrative cost and/or burden.
Simplification of programme document	+				
	-	Limited effect in terms of reducing administrative cost and/or burden.	Limited effect in terms of reducing administrative cost and/or burden.		
Independent quality report for major projects	+	Considerable reductions possible per project plus reduced time for approval. In addition there are fewer major projects. <sup>101</sup>			
	-				
Considering training providers as beneficiaries	+			Decrease of administrative costs and burden.	
	-				
CLLD	+			Reduction of administrative burden for beneficiaries. Familiarity with	

<sup>101</sup> The reduction of the total number of major projects is not fully covered by the analysis, which is why there is only a limited effect in relation to the overall ERDF/CF administrative costs.

		ERDF/CF	ESF	EAFRD	EMFF
				LEADER.	
	-	Perceived as complex tool with unclear benefits increasing administrative costs and burden.	Perceived as complex tool with unclear benefits increasing administrative costs and burden.	Slight increase in administrative costs.	Perceived as complex tool with unclear benefits increasing administrative costs and burden.
ITI	+				
	-	Seen as complex tool with unclear benefits increasing administrative costs and burden.	Seen as complex tool with unclear benefits increasing administrative costs and burden.	Seen as complex tool with unclear benefits increasing administrative costs and burden.	Seen as complex tool with unclear benefits increasing administrative costs and burden.
CA-MA merger	+	Potential reduction of administrative costs.	Potential reduction of administrative costs.	Potential reduction of administrative costs.	Potential reduction of administrative costs.
	-	'If it isn't broke, don't fix it.'	'If it isn't broke, don't fix it.'	'If it isn't broke, don't fix it.'	'If it isn't broke, don't fix it.'
SCO	+	High reduction of administrative costs and burden and potential for increasing uptake.	High reduction of administrative costs and burden and potential for increasing uptake.	High reduction of administrative costs and burden and potential for increasing uptake.	High reduction of administrative costs and burden and potential for increasing uptake.
	-				
JAP	+		Reduced administrative costs.		
	-	Low uptake because benefits are not fully clear.	Low uptake because benefits are not fully clear.		
Advance payments	+				
	-			Reduced administrative burden does not compensate for increased administrative costs.	Reduced administrative burden does not compensate for increased administrative costs.
Establishment of advanced criteria for insurance coverage	+				
	-			Limited reduction of administrative cost and/or burden is also linked to a perceived complexity and incompatibility with national laws.	Limited reduction of administrative cost and/or burden is also linked to a perceived complexity and incompatibility with national laws.
Accelerated procedures for selection processes	+				
	-				Limited reduction of administrative cost and/or burden.
Special calculation rules for compensation	+				Reduction of administrative burden does not compensate for increased

	ERDF/CF	ESF	EAFRD	EMFF
				administrative costs.
	-			Limited reduction in administrative burden, while increasing administrative coordination work at programme level.
Mandatory measure		Optional measure		Measure not applicable

Source: own elaboration

### Key conclusions related to gold-plating

**Remaining uncertainties / lack of information.** Implementing simplification measures can highlight concerns about details or a lack of information. These uncertainties can reduce the application of simplification measures or lead to gold plating. One example where a lack of information is stated as an important reason for non-uptake is the measure covering advance payments in EAFRD and EMFF.

**National and sub-national rules.** Simplification measures cannot always be applied simply, as national or sub-national rules require different procedures. This implies that the full potential for reducing administrative cost and burden cannot be realised. For example, with advance criteria for insurance cover, uptake is hampered by perceived incompatibilities with national laws.

**Gold plating.** National and sub-national regulatory frameworks count for a substantial share of administrative burden for beneficiaries. The reasons for gold-plating and the effects on administrative costs and burden vary substantially.

### Key findings on SCO per fund:

**ERDF:** SCO are taken up by the vast majority of programmes, however they are mainly used for research, development and innovation projects. Other types of projects (e.g. investment in infrastructure) are considered as difficult to 'standardise'.

**ETC:** ETC programmes uptake SCO the most. SCO are mainly used to cover preparation costs (lump sums) and direct and indirect costs. The option provided under Article 19 ETC is however perceived as not really effective, as the threshold of 20% is considered too low.

**ESF:** Many of the most advanced and interesting approaches and experiences concerning the design and implementation of SCO can be found in ESF programmes. Flat rate is used in almost all types of operations. There are also many interesting cases where Standard Scales of Unit Costs have been used (also based on outcome/result based solutions covering all costs of the operations). Compared to rules applicable to other Funds, ESF regulation includes specific provisions that have supported a broader and better use of SCO. Examples are in Article 14(4) – mandatory use of SCO for operations under EUR 50,000 of public support and Article 14(1) – possibility to validate SCO through the adoption of a Delegated Act, which is very important to address potential legal certainty issues. In addition, off-the-shelf flat rates are foreseen, such as the one introduced by Article 14(2).

**EAFRD:** In line with previous programming periods, SCO are obligatory for hectare-based or livestock unit based measures (M.6 and 9 are implemented as flat rate; M.10, 11, 12, 13, 14, 15 and 18 are implemented with a standard scale of unit costs). More

precisely, for these measures, the regulation requires either implementation through SCO or specifying the amounts and calculation methodologies in the Rural Development Programme. The 2014-2020 regulation also introduces a change for EAFRD with the possibility to use SCO also for 'investment measures'. Among the most suitable 'investment measures' for SCO are M.1.1 Knowledge transfer; M 1.2 Demonstration; M3.2 Information and promotion activities; M 4.1 Productive investments; M4.3 Infrastructural investments; M 4.4 Non-productive investments; M 16 cooperation; M 19 Leader.

**EMFF:** With the exception of "compensations" measures (see Table 110 annex 4) the experience with SCO is more limited compared to other funds. Measures which appear interesting for SCO are joint initiatives in aquaculture; joint fishery initiatives; data collection; fishery, nature and environment; production and marketing plans. Even if the use of SCO is more limited than under other ESIF, there is already some experience, particularly with the effort to involve beneficiaries and stakeholders upfront, from the early phases of designing the SCO system.

## 8.2 Additional simplification options

In general, this study confirms previous studies on administrative cost and burden. Changes in the regulatory framework are often met with scepticism and strong inertia in practice. This implies that changes (including simplifications) are often not fully implemented or are implemented with considerable delay – as illustrated by the uptake of SCO discussed in this study. Some Managing Authorities even claim that "no change would be the greatest simplification".

This study also led to insights into experience with additional simplification measures in the 2014-2020 period.

### 8.2.1 Programme management level

There is additional simplification for programme management mostly from cooperation across programmes:

- **Common catalogue of specific objectives & indicators.** Taking the approach used for thematic objectives one step further, a common catalogue of pre-defined specific objectives for several programmes (e.g. in a Member State) might offer further simplification. At Member State level, a common framework for programmes encourages common development as well as similar use and aggregation of output indicators and results, reducing administrative workload.
- **Shared e-cohesion platform.** Setting-up e-cohesion / e-governance systems is a complicated and costly task. Administrative costs and burden can be reduced if these systems are developed across programmes. An example for this is the ETC open source e-cohesion platform, where programmes can benefit from improvements made by other ETC programmes. An open source offer which could be used by all ESIF programmes might be a logical next step.

Furthermore, there can be additional simplification during the design and set-up of a programme. Some of these points might be relevant for discussions of ESIF post 2020:

- **Merger of programmes.** Reducing the number of programmes clearly reduces administrative costs as long as that implies a higher financial amount per programme. This is clearly the case where several programmes under the same fund have been merged. Where mergers lead to multi-fund programmes, the picture is mixed, as multi-fund programmes have their own administrative complexities.
- **Reduction of Intermediate Bodies.** The reduction of intermediate bodies can reduce administrative work if combined with a stronger thematic concentration of the programme. Reducing the number of intermediate bodies helps to reduce administrative costs in particular for the selection of operations and monitoring,

while setting up new intermediate bodies (as with ITI) increases administrative costs. The Polish experience of using 'institutions supporting the implementation of the partnership agreement'<sup>102</sup>, rather than intermediate bodies, in programme implementation seems to confirm this point.

- **Reduction of priority axes or measures.** In theory this could encourage simplification and reduced administrative costs, as the variety of activities funded under a programme to some degree also affects administrative costs. However, in reality this does not seem to happen. Too often programme bodies try to work their way around this thematic focus and reduce priority axes or measures, in order to keep flexibility over potential areas for support.

## 8.2.2 Level of beneficiaries

In addition to increased use of SCO, reduced gold plating and increased platform harmonisation across programmes, possible measures reducing administrative burden for beneficiaries are:

- **Shared e-cohesion / e-governance system.** A common system for funding applications and reporting across different funds, ideally also bringing ESI Funds and Horizon 2020 together, might reduce administrative burden for beneficiaries working with several programmes. In short, a single e-cohesion / e-governance system instead of programme or country specific solutions should make it easier for beneficiaries working with several programmes. If basic information only needs to be provided once then there is no need to learn different systems. In an ideal case this could even go beyond ESIF and involve e.g. Horizon 2020.
- **ESIF beneficiary passport.** Following the idea of a European Single Procurement Document (ESPD)<sup>103</sup> which helps participants declare their individual eligibility for multiple tenders, there could be a similar system for ESIF beneficiaries. Some form of beneficiary passport might allow potential beneficiaries to prove their eligibility once and thereafter be able to re-use that proof. Instead of submitting documents for every funding application, documents could be submitted once and up-dated when needed – regardless of how many funding applications they are used for. However, it needs to be checked whether it is suitable for all types of funds and actions.
- **Better alignment of EU and national regulatory frameworks.** The lack of alignment of EU and national regulatory frameworks increases administrative burden for beneficiaries, e.g. by reducing the uptake of simplification measures.

## 8.3 Recommendations

Building on the strong points of simplification measures and mitigating some of the weaknesses in future, there are a few recommendations:

### Clarity, stability and legal certainty

- **Clearer rules.** The most recurrent suggestions concern the regulations and, in particular, the need for fewer, clearer and more stable rules. There is a fine balance to strike between providing clearer rules and over-regulating. For simplification, clear rules should reduce both uncertainty and attempts of

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<sup>102</sup> In OP "Digital Poland", the MA is the ministry responsible for the regional development and the line ministry responsible for digitalisation, was an Institution Supporting the Implementation of Partnership Agreement (Instytucja Otoczenia Umowy Partnerstwa). This status recognises the ministry's constitutional right of policy-making and supervisory function over digital affairs, also for the Polish PA and the OP "Digital Poland" deployment. However, the executive agency holds IB status in the meaning of ESIF CPR and apart from policy-making involvement in the PA/OP programming and strategic management, or general supervision and legal control over its executive agency based on national laws, the line ministry does not directly intermediate in OP implementation. With this solution there is just one intermediate level between the MA and the beneficiary (the executive agency), reducing administrative burden and costs both for the ESIF implementation system and beneficiaries.

<sup>103</sup> For further information see [http://ec.europa.eu/isa/actions/02-interoperability-architecture/2-16action\\_en.htm](http://ec.europa.eu/isa/actions/02-interoperability-architecture/2-16action_en.htm) and Commission Implementing Regulation (EU) 2016/7 of 5 January 2016 establishing the standard form for the European Single Procurement Document.

programmes and Member States to find ways to work around the intended simplification. Clearer rules for thematic concentration and in some cases clearer guidelines for common indicators might have increased the benefits of simplification for these two measures.

- **More stable rules.** Rules, which are unclear or subject to frequent changes, can by themselves generate doubts and misinterpretation. Any change should be evaluated to see if it is really needed, detailing the impacts for beneficiaries and the outcome of programmes. There is clearly significant reservation concerning the added value of changes. There is also a strong desire for greater stability and therefore certainty. The 2010 SWECO study says: "The stabilisation of procedures is almost as important as their simplification. The learning of new procedures is time consuming, and only brings efficiency advantages after some time. It can be counterproductive to simplify procedures during the programming period."
- **Improve legal certainty.** Uncertainty is still an important factor for Member States and programmes to not make use of simplification measures or to "safeguard" themselves through gold plating. In particular, for State aid and public procurement linked to the application of SCO, interviewees require improved legal certainty. Retroactive changes of the regulatory framework create a lot of uncertainty among stakeholders. Even if they favour stakeholders, they highlight the risk of future retroactive changes. An important way to improve legal certainty is dialogue and collaboration between Member States and Commission Services. A positive example is the experience developed under Article 14(1) ESF. In particular for ETC programmes, greater efforts among Member States and programme bodies may be needed, as legal certainty is more of a challenge for territorial cooperation than for regional or national ESIF programmes.

### Good governance

- **Simpler governance.** In many cases simplification measures seem to not realise their full potential because too many bodies are involved in decision making and implementation. For example, sometimes there was no thematic concentration because of the interests of specific actors. In addition, large numbers of intermediate bodies increase administrative costs. Poland reduced administrative costs by moving from intermediate bodies to 'institutions supporting the development of the partnership agreement'. A third area for simplified governance structures relates to the number of audit bodies and audit levels.
- **Enhance acceptance and implementation.** As shown in the study, there is still room for improvement. In various cases simplification measures have not been taken up or only to a limited degree. This is e.g. the case for the options on SCO and on merging managing authorities and certifying authorities. In other cases, simplification measures were implemented in a more complicated way than necessary (e.g. thematic concentration) because of a lack of information or acceptance by the programme bodies. Building on the important role the EC had during programme negotiations in convincing programmes to make use of simplification measures, use and uptake could be further encouraged by highlighting the merits of specific measures, including through show casing successful examples.
- **Increased capacity-building.** As opposed to specific implementation provisions, capacity building relates more to general good management and governance practice. This could be through training and the exchange of experience between regions and Member States. Particularly important would also be direct collaboration between programme authorities and Commission Services in specific areas. A positive example is the ESF Thematic Network on Simplification. Targeted meetings between European Commission, auditors, Member State and programme representatives might help to clarify issues, and increase capacity without necessarily providing written documents.

- **Co-design with practitioners.** The implications of regulatory changes on the ground are often difficult to fully understand and to assess in advance. Therefore involving practitioners – both programme bodies and beneficiaries – during the preparation of regulatory work may help highlight potential issues during implementation. This may even offer the opportunity to test regulatory proposals before they are implemented EU-wide.

### Specific measures

- **Analyse impact on simplification versus impact on outcomes.** In particular, simplification measures which did not result in a clear reduction of administrative efforts (i.e. administrative cost and burden together), could be studied to see how much they contributed to the delivery and outcome of ESIF programmes. If there are no obvious benefits they may not be required for the post 2020 period.
- **Increased use of SCO.** Enhanced use of SCO should reduce both administrative costs and burden. This can be achieved by both increasing the number of programmes that make use of SCO and by increasing the amount within each programme covered by SCO. This could result in reductions of administrative costs of EUR 200 and 500 million and of administrative burden by up EUR 700 million. The legal framework could potentially require SCO when implementing certain measures or that the amounts and calculation methodologies are specified in the programme documents. More off-the-shelf products and more opportunities to exchange of knowledge and practice on the use of SCO between programme authorities and the EC could also enhance the use of SCO. This could also benefit the quality and impact of programmed operations. Enhancing the use of SCO could be achieved by
  - Making SCO obligatory for certain measures or amounts;
  - Providing more off-the-shelf options;
  - Enhancing legal harmonization between Funds and between different regulatory areas/schemes
  - Defining SCO at EU Level through collaboration between EC and MS, by enhancing and extending the possibilities already offered by Art. 14(1) of ESF Reg.;
  - Promoting and supporting the regular exchange of knowledge and experience between practitioners and stakeholders at EU Level, also through targeted platforms and initiatives (such as the ESF Thematic Network on Simplification).
- **One ESIF e-cohesion / e-governance platform.** Establishing a single e-cohesion / e-governance platform for all ESI Funds may simplify the use for beneficiaries working with several funds. This would also save investment costs for programmes when they need to adjust and up-date systems. Following the example of ETC, this could be done through an open source platform which programmes can use if they want and adjust to their specific needs.
- **Drop Joint Action Plans, or make them more accessible** (easier to be implemented). In particular by: simplify the procedure for setting up JAP as well as the governance of the instrument. strengthen guidance and support to Member States in the elaboration of JAP, in particular in relation to the definition of milestones.

- **ERDF/CF.** Improving the use of SCO through more off-the-shelf methodologies and possibly mandatory use should significantly reduce administrative costs and burden (see also point above).
- **ESF.** Increasing legal certainty and administrative capacities for state aid and public procurement would reduce uncertainties and risks of gold plating. This would reduce administrative costs in the long run.
- **EAFRD.** Improving the use of SCO through more off-the-shelf methodologies and possible mandatory use should significantly reduce administrative costs and burden (see also point above).

- **EMFF.** Making e-cohesion mandatory also for EMFF would not only ensure a more coherent approach across ESI Funds, but would also reduce administrative cost by about EUR 3 million and administrative burden by up to EUR 9 million.
- **ETC.** The stronger alignment of Member State (and EU) legal frameworks where different national frameworks need to be applied for the same project – discussed earlier to reduce gold plating risks – should also help ETC programmes deal with beneficiaries in different Member States. Especially for SCO, common definitions and flat rates would help.

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## ANNEX 1 – Methodological explanations

### A.1 Baselines – Administrative costs and burden before simplification

The implementation of ESI Funds requires that the national and regional authorities carry out a list of information obligations and tasks that cause costs related to the fulfilment of these obligations.

The existing costs before implementation of any regulatory change are defined as a **baseline**, i.e. the amount of administrative costs and burden for each task performed by authorities and beneficiaries. Baselines are only rough estimates and show an approximation of the overall costs which aggregates workload and labour costs.

For all ESI Funds, the approach used for quantifying the baselines of administrative costs takes into account the following two dimensions of administrative costs:

- 1) **staff costs and external costs**: comprising the costs of the administrative staff carrying out the tasks set out by the regulation for the implementation of the programme and the costs for technical support to the MA;
- 2) **overheads**: costs incurred in carrying out administrative tasks which however cannot be specifically attributed to any specific task (e.g. office rent, energy costs, paper, communications, etc.)<sup>104</sup>.

For what concerns baselines on administrative burden, this study excludes costs relating to the preparation of funding application.

As illustrated in Table 89, the present study makes use of the baselines collected in previous studies. More precisely, in the case of ERDF/CF<sup>105</sup> and ESF, baselines are defined using information from two previous SWECO studies (SWECO 2010<sup>106</sup>, t33/SWECO 2012<sup>107</sup>) and data collected by EPEC/COWI 2012.

An adapted method is used in the case of administrative burden with a view to EAFRD. In this case data on administrative burden is already provided by the CAPGEMINI, DELOITTE, RAMBOLL 2011<sup>108</sup> study but this data is updated by taking into account the new legal framework, and also integrated by covering business start-up aid for young farmers and habitat conservation measures.

Finally, for the EAFRD administrative costs and for the EMFF administrative costs and burden, new baselines for the 2014-2020 period are defined by using the information collected during this study from samples of programmes.

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<sup>104</sup> The overheads of EAFRD and EMFF have been assumed to be 10% of the total tasks cost, based on the information available from the interviews.

<sup>105</sup> Monetary values related to the label "ERDF/CF" includes ERDF + CF budget for the 2014-2020 (including national co-financing)

<sup>106</sup> 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.

<sup>107</sup> T33/Sweco 2012, Measuring the impact of changing regulatory requirements to administrative costs and administrative burden of managing EU structural funds (ERDF and CF)

<sup>108</sup> Capgemini, Rambøll & Deloitte 2011, Study on administrative burden reduction associated with the implementation of certain Rural Development measures

**Table 89 Information on the available baselines**

	ERDF/CF	ESF	EAFRD	EMFF
Costs	SWECO 2010	EPEC/COWI 2012	collected in this study	collected in this study
Burden	SWECO/t33 2012	EPEC/COWI 2012	CAPGEMINI, DELOITTE, RAMBOLL 2011	collected in this study

Source: own elaboration

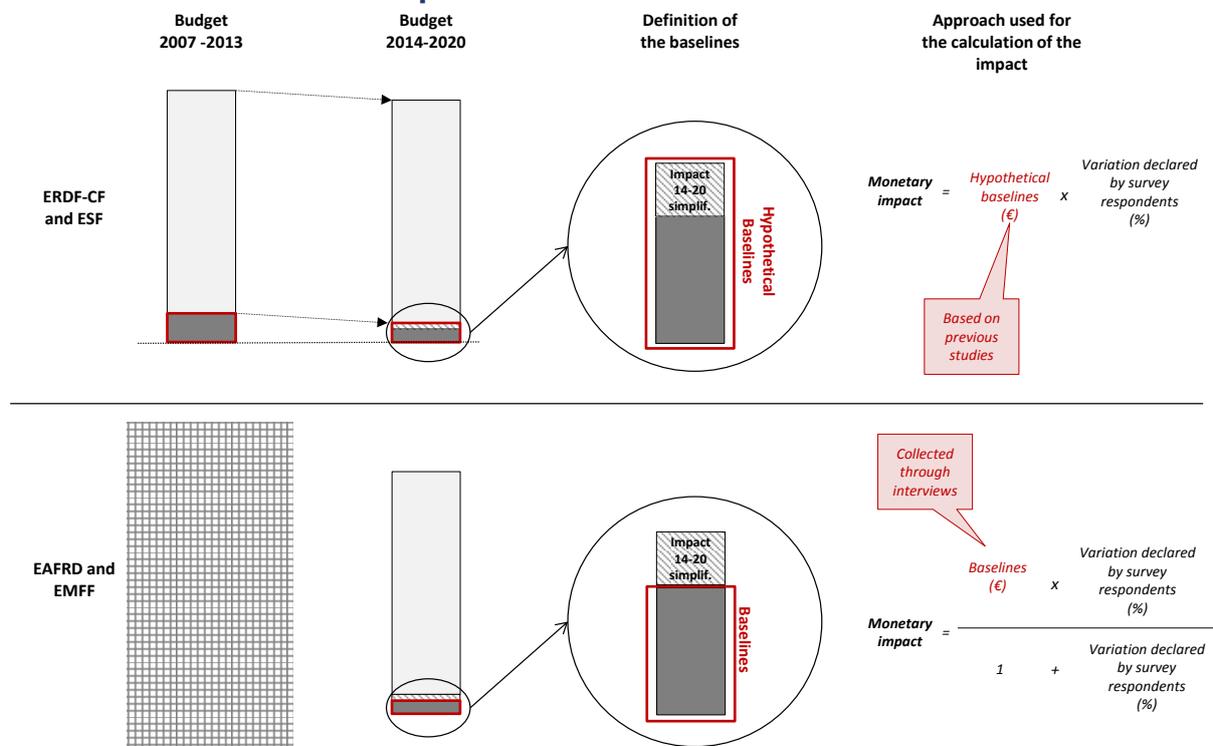
Table 90 shows the administrative cost components and the administrative burden on beneficiaries expressed both in monetary terms and as a percentage of the total eligible amount for the 2014-2020 period.

Consistently with the approach described above, in the case of ERDF/CF and ESF the monetary values are calculated by multiplying the percentage values identified in earlier studies (percentages of the total administrative costs and burden out of the total eligible amount for the 2007-2013 period) by the total eligible amount for the 2014-2020 period. In this sense, the baseline values for ERDF/CF and ESF have to be considered as hypothetical to the extent that they represent the status of administrative costs and burden for the 2014-2020 period, assuming no regulatory changes.

In the case of EAFRD and EMFF, the cost amount presented already include the potential effect of the simplification measures implemented over the 2014-2020 period.

Due to the above mentioned differences in the methods used for estimating the baselines, two different methods were used for estimating the monetary impacts deriving from the use of simplification measures (see the figure below).

**Figure 22 Approach adopted in the definition of the baselines and in the calculation of the actual impact**



Source: own elaboration

**Table 90 Main cost components of the calculated 2014-2020 baselines by fund (monetary values include national co-financing)**

	ERDF/CF		ESF-YEI		EAFRD		EMFF	
	%	€ billions	%	€ billions	%	€ billions	%	€ billions
Total budget 14-20	-	352.5	-	128.2	-	148.5	-	8.0
Internal staff + TA	2.8%	10.0	4.3%	5.4	4.3%	6.4	9.44%	0.75
Overheads	0.4%	1.3	0.1%	0.2	0.4%	0.6	0.94%	0.1
Burden	1.4%	4.8	4.7%	6.0	1.3%	2.0	2.3%	0.2
Median programme budget	362.5		344.4		736.5		172.9	

Source: own elaboration

From the table, it emerges that the different components of the administrative costs as well as the overall weight of the administrative burden vary significantly across the funds. With regard to the funds for which new baselines were collected in the case of EAFRD, the total share of administrative costs is similar to ESF, while EMFF appears to have the highest level of administrative costs (10.4% administrative costs), which can be a consequence of the relatively small size<sup>109</sup> of EMFF programmes (see median value in Table 90).

Table 91 compares the distribution of the administrative costs among the different authorities. Figures for the different funds are similar with the exception of EAFRD, for which the largest share of administrative costs depends on activities under the responsibility of the paying agency, due to the different set-up of the system.

**Table 91 Distribution of the administrative costs across the authorities**

Authority	ERDF/CF	ESF-YEI	EAFRD	EMFF
NA	0.6%	0.7%	0.3%	1.0%
MA	86.0%	90.6%	29.6%	77.8%
CA-PA	5.0%	3.5%	62.0%	4.0%
AA-CB	8.4%	5.2%	8.1%	17.2%

Source: own elaboration

### A.1.1 ERDF/CF baselines (hypothetical assuming no regulatory changes)

The reference report for ERDF/CF (Sweco, 2010) estimated that the administration of ERDF and CF on the national and programme level at EU level corresponds to 3.2% of the total eligible ERDF/CF expenditure for the entire 2007-2013 period.<sup>110</sup>

With regard to administrative burden, the t33/Sweco 2012 report estimated that the information obligations and administrative tasks that beneficiaries of ERDF/CF are required to fulfil corresponded to 1.4% of the total eligible amount for the entire 2007-2013 period.

Using as references the values estimated by the two studies cited, Table 92 and Table 93 present the monetary values of the baselines of administrative costs and burden for the 2014-2020 period, assuming no regulatory change. The monetary values detailed in the following tables are used as a basis for the estimation of the impacts (actual and

<sup>109</sup> Sweco 2010 "Financial volume makes a difference (...). Programmes with a relatively small financial volume spend a higher share of their budget on these basic administrative tasks than programmes with a large financial volume."

<sup>110</sup> In SWECO 2010, the administration of ERDF and CF at national and programme level for the full 2007- 2013 programme cycle was estimated to total approximately EUR 12.5 billion and involved about 170,000 person-years of work (excluding person-years for the purchase of various services) out of a total eligible expenditure of EUR 390 billion. This included the costs for administrative staff, external services and consultancies and overheads. These figures do not include administrative costs at the level of the beneficiaries.

maximum) of the simplification measures introduced in the 2014-2020 programming period (see following chapters).

As expected, tasks related to the implementation and control of the projects (i.e. "Verification of deliveries and compliance" and "Selection of operations") are those with the highest cost, followed by the "Information and publicity requirements"; hence, these tasks present the highest potential for cost reduction.

On the other hand, the "Elaboration of the partnership agreement" and the "Progress report" are those with the lowest costs in the list of tasks under analysis.

**Table 92 ERDF/CF baselines 2014-2020 of administrative costs assuming no regulatory change**

Authority	2014-2020 IOs and Tasks	Regulatory references in the CPR	% out of the total admin. costs (2007-2013)	Total admin. costs 2014-2020 (€ millions)	Administrative costs 2014-2020 (€ millions)
National authority	Elaboration of partnership agreement	Art. 14-17	0.2	11,263	20.6
	Progress report	Art. 52	0.1	11,263	12.2
	Designation of authorities	Art. 123,124	0.3	11,263	38.8
MA	Preparation of programmes	Art. 26 - 31	1.4	11,263	155.4
	Ex ante evaluation	Art. 55	0.4	11,263	43.4
	Setting up of management and control system	Art. 72	0.6	11,263	70.0
	Information and communication	Art. 115	7.7	11,263	867.5
	Establishing and running the monitoring committee	Art. 47	2.6	11,263	289.4
	Guiding the work of the monitoring committee	Art. 125(2a)	3.1	11,263	345.2
	Ensuring a system for data recording	Art. 125(2d,e)	6.5	11,263	731.6
	Ensuring equality between men & women and non-discrimination	Art. 7	1.2	11,263	137.3
	Ensuring separate accounting systems of the beneficiaries and intermediate bodies	Art. 125 (4b)	3.9	11,263	435.5
	Prevention, detection and correction of irregularities	Art. 72(h)	5.2	11,263	587.0
	Management of financial instruments	Art. 37-46	1.8	11,263	206.7
	Communication with the certifying authority	Art. 122(3)	2.8	11,263	313.0
	Selection of operations	Art. 125(3)	10.3	11,263	1,165.8
	Verification of deliveries and compliance	Art. 125 (4a-c, 5)	11.1	11,263	1,254.8
	Implementation reports	Art. 125(2b)	4.0	11,263	445.6
	Transmission of financial data to the EC	Art. 112	1.3	11,263	140.8
	Evaluations during the programming period	Art 56, 57 - and Art. 114	5.7	11,263	636.9
	Monitoring	Art. 56,57	6.5	11,263	728.0
	Ensuring an adequate audit trail	Art. 125 (4d)	5.2	11,263	585.4
	Assessment and monitoring of operations generating net revenue after completion	Art. 61	2.0	11,263	229.5
Management of major projects	Art. 100-103(7)	2.0	11,263	223.3	
Management of global grants	Art. 123(7)	0.8	11,263	90.0	
CA	Drawing up and submitting payment application to the Commission	Art. 126 (a)	0.9	11,263	96.4
	Certification of expenditure	Art.126 (c)	1.4	11,263	155.1

	entered in the accounts				
	Ensuring that adequate information was received by the MA	Art. 126(e)	0.7	11,263	75.9
	Taking account of the results of all audits	Art. 126(f)	1.0	11,263	110.7
	Maintenance of records of expenditure declared to the Commission	Art. 126(g)	0.7	11,263	77.3
	Accounting of amounts recoverable or withdrawn following cancellations	Art. 126(h)	0.4	11,263	49.0
AA	Audits of the management and control system	Art. 127(1)	2.7	11,263	307.8
	Audit of samples	Art. 127(1)	4.0	11,263	456.2
	Preparation, submission and updating of the audit strategy	Art. 127(4)	0.9	11,263	98.0
	Preparation and submission of the annual control report	Art. 127(5)	0.7	11,263	83.5

Source: own elaboration

Similarly to the approach used for the quantification of the administrative costs, the following table illustrates the quantified administrative burden related to the different IOs/tasks which apply to ERDF/CF beneficiaries, calculated by multiplying the percentage values estimated by t33/SWECO 2012 by the total eligible ERDF/CF expenditure for the entire 2014-2020 period. As in the administrative costs presented under Table 92, administrative burden detailed under Table 93 should be considered as hypothetical, to the extent that the impact of regulatory changes (simplification measures introduced) is not considered.

The "Financial management and preparation of the financial reports" and the activity of "Monitoring and reporting to the programme management" represent the bulk of the administrative burden for beneficiaries.

**Table 93 ERDF/CF baselines 2014-2020 of administrative burden assuming no regulatory change**

Tasks 2014-2020	% out of the total 2007-2013 admin. burden considered (prep. of funding not included)	Total admin. burden 2014-2020 (€ millions)	Administrative burden 2014-2020 (€ millions)
Financial management and preparation of the financial reports	0.29	4,847	1,399.2
Proving/verification of deliveries and compliance	0.09	4,847	449.7
Keeping records and maintenance of the audit trail	0.14	4,847	699.6
Monitoring and reporting to the programme management	0.43	4,847	2,098.8
Evaluation	0.04	4,847	199.8

Source: own elaboration

### A.1.1 ESF baselines (hypothetical assuming no regulatory changes)

Baselines on the administrative costs and burden for the ESF were estimated by adopting an approach similar to the one presented in the case of ERDF/CF (previous chapter). For ESF, monetary values for the 2014-2020 period were calculated by considering (i) the total eligible ESF-YEI expenditure for the 2014-2020 period, and (ii) the distribution of the costs and burden as calculated in EPEC/COWI 2012<sup>111</sup>.

<sup>111</sup> EPEC-COWI 2012, Study Measuring Current and Future Requirements on Administrative Cost and Burden of Managing the ESF

As for the ERDF/CF, the baseline values presented under Table 94 and Table 95 have to be considered as hypothetical, to the extent that they represent the status of administrative costs and burden for the 2014-2020 period, assuming no regulatory changes.

Table 94 illustrates the distribution of the overall administrative costs along the different IOs/tasks allocated to the different authorities responsible for the management of the EDF-YEI. As is evident, the largest portion of the ESF administrative costs is concentrated in a limited number of tasks: "*Information and publicity requirements*"; "*Verification of deliveries and compliance*"; "*Ensuring a system for data recording*"; "*Selection of operations*"; and "*Guiding the work of the monitoring committee*".

**Table 94 ESF baselines 2014-2020 of administrative costs assuming no regulatory change**

Authority	2014-2020 IOs and Tasks	Regulatory reference in CPR	% out of the total admin. costs (2007-2013)	Total admin. costs 2014-2020 (€ millions)	Administrative costs 2014-2020 (€ millions)
National authority	Elaboration of partnership agreement	Art. 14-17	0.2	5,609	13.2
	Progress report	Art. 52	0.2	5,609	13.2
	Designation of authorities	Art. 123,124	0.2	5,609	13.2
MA	Preparation of programmes	Art. 26 - 31	2.4	5,609	132.0
	Ex ante evaluation	Art. 55	0.2	5,609	13.2
	Setting up of management and control system	Art. 72	2.4	5,609	132.0
	Information and communication	Art. 115	21.2	5,609	1188.0
	Establishing and running the monitoring committee	Art. 47	0.2	5,609	13.2
	Guiding the work of the monitoring committee	Art. 125(2a)	4.7	5,609	264.0
	Ensuring a system for data recording	Art. 125(2d,e)	9.4	5,609	528.0
	Ensuring equality between men & women and non-discrimination	Art. 7	2.4	5,609	132.0
	Ensuring separate accounting systems of the beneficiaries and intermediate bodies	Art. 125 (4b)	2.4	5,609	132.0
	Prevention, detection and correction of irregularities	Art. 72(h)	2.4	5,609	132.0
	Management of financial instruments	Art. 37-46	0.2	5,609	13.2
	Communication with the certifying authority	Art. 122(3)	2.4	5,609	132.0
	Selection of operations	Art. 125(3)	7.1	5,609	396.0
	Verification of deliveries and compliance	Art. 125 (4a-c, 5)	11.8	5,609	660.0
	Implementation reports	Art. 125(2b)	4.7	5,609	264.0
	Transmission of financial data to the EC	Art. 112	0.2	5,609	13.2
	Evaluations during the programming period	Art 56, 57 and Art. 114	4.7	5,609	264.0
	Monitoring	Art. 56,57	4.7	5,609	264.0
	Ensuring an adequate audit trail	Art. 125 (4d)	2.4	5,609	132.0
	Assessment and monitoring of operations generating net revenue after completion	Art. 61	0.2	5,609	13.2

Authority	2014-2020 IOs and Tasks	Regulatory reference in CPR	% out of the total admin. costs (2007-2013)	Total admin. costs 2014-2020 (€ millions)	Administrative costs 2014-2020 (€ millions)
	Management of global grants	Art. 123(7)	4.7	5,609	264.0
CA	Drawing up and submitting payment application to the Commission	Art. 126 (a)	0.7	5,609	39.6
	Certification of expenditure entered in the accounts	Art.126 (c)	0.9	5,609	52.8
	Ensuring that adequate information was received by the MA	Art. 126(e)	0.7	5,609	39.6
	Taking account of the results of all audits	Art. 126(f)	0.5	5,609	26.4
	Maintenance of records of expenditure declared to the Commission	Art. 126(g)	0.2	5,609	13.2
	Accounting of amounts recoverable or withdrawn following cancellations	Art. 126(h)	0.5	5,609	26.4
AA	Audits of the management and control system	Art. 127(1)	2.4	5,609	132.0
	Audit of samples	Art. 127(1)	2.4	5,609	132.0
	Preparation, submission and updating of the audit strategy	Art. 127(4)	0.2	5,609	13.2
	Preparation and submission of the annual control report	Art. 127(5)	0.2	5,609	13.2

Source: own elaboration

Similarly to the methodology adopted for the ESF administrative costs, the estimation of the baseline of administrative burden was calculated by applying the distribution of administrative burden (among the different IOs/tasks under the responsibility of the ESF beneficiaries) as calculated in the EPEC-COWI report to the total eligible amount in 2014-2020.

Differently from the ERDF baselines, the activities of "*Proving/verification of deliveries and compliance*" are the most demanding in terms of administrative burden.

**Table 95 ESF baselines 2014-2020 of administrative burden, assuming no regulatory change**

Tasks 2014-2020	% out of the total 2007-2013 admin. burden considered (prep. of funding not included)	Total admin. burden 2014-2020 (€ millions)	Administrative burden 2014-2020 (€ millions)
Financial management and preparation of the financial report	0.13	6,015	784.6
Proving/verification of deliveries and compliance	0.43	6,015	2,615.3
Keeping records and maintenance of the audit trail	0.15	6,015	915.4
Monitoring and reporting to the programme management	0.17	6,015	1,046.1
Evaluation	0.11	6,015	653.8

Source: own elaboration

### A.1.2 EAFRD baselines

In the case of EAFRD, baselines on administrative costs were defined by adopting a similar approach to the one used for ERDF/CF in Sweco 2010, that is, by collecting 'real data' on the total staff costs and overheads and on the distribution of the overall costs among the different tasks from a sample of programmes (Table 96).

**Table 96 List of RDP involved in the interviews for estimating EAFRD administrative cost and updated administrative burden baselines**

Country	CCI	Programme Name	RDP Budget (€ billions)
AT	2014AT06RDNP001	National RDP	7.7
DE	2014DE06RDRP020	Regional RDP Saxony-Anhalt	1.1
RO	2014RO06RDNP001	National RDP	8.6
UK	2014UK06RDRP001	Regional RDP England	3.9

Source: own elaboration

MA, PA and CB from the four RDP<sup>112</sup> were interviewed for data on:

- total RDP budget;
- full time equivalent staff dedicated to RDP by employment category (senior manager, middle manager, professional, secretary);
- average annual earnings per year for each employment category;
- additional overhead costs;
- technical assistance budget;
- percentage of the total costs assigned to each task (i.e. the distribution of the costs among tasks);
- percentage of the administrative burden and its distribution among the beneficiaries' tasks.

For each RDP in the sample, the process of estimating the baselines involved the multiplication of FTE with the annual average earnings in order to obtain the total cost of the administrative staff. This amount was then divided per task, according to the percentages provided by the Authorities, and added with a share of the cost of the TA<sup>113</sup>.

Subsequently, the absolute values determined for each task have been expressed in relative terms as percentages of the total RDP budget. Once averaged across the RDPs, the average percentage was adopted as the EU estimate and multiplied by the total eligible expenditure for 2014-2020 to find the absolute value in EUR of each task at the EU level.

Table 97 illustrates the monetary values of the administrative costs related to the IOs/tasks under the responsibility of the different EAFRD authorities (MA, PA, CB) for the 2014-2020 period. Contrary to what has been described for ERDF/CF and ESF, in the case of EAFRD, Table 97 illustrates the 'real' baselines for the 2014-2020 period that are intended as the administrative costs, already taking into account the impacts of the regulatory changes.

Similarly to other funds, the *Selection of operations* and the *Verification of deliveries and compliance* represent the most relevant MA IOs/tasks in terms of administrative costs, whereas the estimations of the most costly administrative IOs/tasks with regard to the PA (whose activities represent the largest part of the EAFRD costs, see Table 91) are *Drawing up and submitting payment applications to the EC* and the *Certification of expenditure entered into the accounts*.

<sup>112</sup> The initial sample also included SE but insufficient information was provided to allow for inclusion in the calculations.

<sup>113</sup> The technical assistance budget and the overheads provided in the survey were divided among tasks on the basis of their weight in terms of total administrative staff costs.

**Table 97 EAFRD baselines 2014-2020 of administrative costs**

Authority	2014-2020 IOs and Tasks	Regulatory references	% out of the total admin. costs	Costs (€ millions)
National authority	Elaboration of partnership agreement	Art. 14-17 CPR	0.2	16.6
	Progress report	Art. 52 CPR	0.1	4.6
MA	Preparation of programmes	Art. 26 - 31 CPR	0.8	58.0
	Ex ante evaluation	Art. 55 CPR	0.2	17.4
	Setting up management and control system	Art. 72 CPR	0.1	10.1
	Information and communication	Art. 66(1) EAFRD Reg. and Annex 3 Impl. Reg. 808/2014	1.5	104.5
	Establishing and running of the monitoring committee	Art. 47 CPR	0.9	59.7
	Guiding the work of the monitoring committee	Art. 74 EAFRD Reg.	0.6	42.1
	Ensuring a system for data recording and provision of data by beneficiaries)	Art. 66(1)(a) and 70 EAFRD Reg.	3.2	223.6
	Ensuring equality between men & women and non-discrimination	Art. 7 CPR	0.2	16.7
	Ensuring separate accounting systems of the beneficiaries and intermediate bodies	Art. 66(1c) EAFRD Reg.	1.2	81.8
	Prevention, detection and correction of irregularities	Art. 72(h) CPR	1.1	74.2
	Management of financial instruments	Art. 37-46 CPR	0.1	8.0
	Communication with the certifying authority/paying agency	Art. 65(2) EAFRD Reg.	1.0	67.9
	Selection of operations	Art. 49 and CPR Art. 34(3) EAFRD Reg.	7.4	514.9
	Verification of deliveries and compliance	Art. 62 EAFRD Reg. and Title V Impl. Reg. 1306/2013	6.5	458.3
	Implementation reports	Art. 75 EAFRD Reg.	0.7	50.6
	Transmission of financial data to the EC	Art. 66(1)(b) EAFRD Reg.	0.3	19.4
	Evaluations during the programming period	Art. 66(1)(b), 76-79, EAFRD Reg. and Art. 110 Reg.1306/2014	1.2	83.8
	Monitoring (EAFRD: Evaluation)	Art. 56,57 CPR	1.6	108.7
	Ensuring an adequate audit trail	Art. 8(3) Impl. Reg. 908/2014	0.6	43.7
	Interim payments (declarations of expenditures)	Art.36 Reg. 1305/2013	0.4	28.6
PA	Drawing up and submitting payment applications to the Commission	Art. 7(4) Reg. 1306/2013 and Art. 22 (2,3) Impl. Reg. 908/2014	13.0	907.0
	Certification of expenditure entered in the accounts	Art. 7(4) Reg. 1306/2013 and Art. 22(1) Impl. Reg. 908/2014	17.4	1,220.8
	Ensuring that adequate information was received by the MA	Art. 7(4) Reg. 1306/2013 and Art. 22(1) Impl. Reg. 908/2015	7.4	514.5
	Taking account of the results of all audits	Art. 7(3c) Reg. 1306/2013 Art. 22(1d) Impl. Reg. 908/2014	8.9	620.3
	Maintenance of records of expenditure declared to the Commission	Art. 7(4) Reg. 1306/2013 and Art.24 (2b) Impl. Reg. 908/2014	8.1	563.8
	Accounting for amounts recoverable or withdrawn following cancellations	Art. 7(4) Reg. 1306/2013 and Art.32 (2) Impl. Reg. 908/2014 -	7.3	511.9
CB	Audits of the management and control system	Art. 9 Reg. 1306/2013 and Art. 6-7 Impl. Reg. 908/2014	2.3	161.3
	Audit of samples	Art. 9 Reg. 1306/2013 and Art. 6-7 Impl. Reg. 908/2014	3.9	271.0

Authority	2014-2020 IOs and Tasks	Regulatory references	% out of the total admin. costs	Costs (€ millions)
	Preparation, submission and updating of the audit strategy	Art. 9 Reg. 1306/2013 and Art. 6 (2) Impl. Reg. 908/2014	1.1	74.8
	Preparation and submission of the annual control report	Art. 6 (2) Reg. 1306/2013 and Art. 6 (2) Impl. Reg. 908/2014	0.8	59.0

Source: own elaboration

Similarly to EAFRD administrative costs, baselines on the EAFRD burden have been estimated by using data collected through interviews with RDP authorities, more specifically with RDP MAs. A specific part of the questionnaires addressed to RDP MAs was dedicated to the collection of data on administrative burden. Baselines estimated for 2007-2013 by Capgemini, Deloitte, Ramboll 2011 (also called CAP Pillar II 2011) were applied to the corresponding 2014-2020 RDP measures (by making reference to Annex I of Regulation (EU) No 807/2014). MAs were asked to estimate whether and to what extent the burden placed on beneficiaries by these measures were expected to increase or decrease and, using a similar approach, to provide their estimation on the administrative burden placed on the beneficiaries of start-up aid for young farmers and habitat conservation measures. Finally, MAs were asked to estimate the distribution of overall administrative costs among the different tasks performed by beneficiaries, by considering, as a reference value, the percentages estimated in the earlier study.

Data collected were then used for estimating the monetary values of the administrative burden. Firstly, percentages provided by the values allocated by MAs to administrative burden for measures 1, 4, 6, 10, 11, 12 were averaged. This average percentage was adopted as the EU estimate and multiplied by the total relevant<sup>114</sup> eligible expenditure for the 2014-2020 period, to find the absolute value in EUR of the overall EAFRD administrative burden for the relevant measures (Table 98).

**Table 98 Overall EAFRD administrative burden for the relevant measures**

Measure analysed under CAP Pillar II (2011)	Corresponding 2014-2020 measures	Monetary value of the burden (€ millions)	Burden as a % of total public contribution as estimated by the MA
Measure 111	Measure 1	250.6	14.0
Measure 121	Measure 4	2,573.3	7.6
Measure 311	Measure 6 Measure 6.1 (Business start-up aid for young farmers)	514.2	5.0
			5.7
Measure 214	Measure 10	1,317.9	5.3
			Measure 11
\	Measure 12 (Habitat conservation measures)	52.4	6.3
		5,221.4	total

Source: own elaboration

Secondly, percentages provided by Managing Authorities provide information on the share each task has of the total administrative burden. The information by the Managing Authorities was averaged and applied to the absolute value in EUR of the overall EAFRD administrative burden for the relevant measures previously identified. The results are illustrated in Table 99.

**Table 99 EAFRD baselines 2014-2020 of administrative burden**

Tasks 2014-2020	Burden (€ millions)
Financial management and preparation of the financial report	1,160.0
Proving/verification of deliveries and compliance	714.2

<sup>114</sup> Intended as the total EU budget for measures 1, 4, 6, 10, 11, 12

Keeping records and maintenance of the audit trail	
Monitoring and reporting to the programme management	
Evaluation	122.3

Source: own elaboration

### A.1.3 EMFF baselines

EMFF baselines were defined by adopting an approach similar to the one used for ERDF/CF in Sweco 2010, that is, by collecting 'real data' on the total staff costs and overheads and on the distribution of the overall costs to the different tasks from a sample of programmes (Table 100).

**Table 100 Sample of OPs adopted in the EMFF baseline estimation**

Country	CCI	Programme Name	OP Budget (€ millions)
FR	2014FR14MFOP001	EMFF – OP for France	774
PT	2014PT14MFOP001	EMFF – OP for Portugal	508
IT	2014IT14MFOP001	EMFF – OP for Italy	978

Source: own elaboration

MA, CA and AA from the three OPs were interviewed for data on:

- total OP budget;
- full time equivalent staff dedicated to OP by employment category (senior manager, middle manager, professional, secretary);
- average annual earnings per year for each employment category;
- additional overhead costs;
- technical assistance budget;
- percentage of the total costs assigned to each task (i.e. the distribution of the costs among tasks);
- percentage of the administrative burden and its distribution among the beneficiaries' tasks.

The process for the estimation of the baselines was similar to the one described for the EAFRD costs. It involved, for each OP in the sample, the multiplication of FTE by the annual average earnings in order to obtain the total cost of the administrative staff. This amount was then divided per task according to the percentages provided by the Authorities and added to a share of the cost of the TA<sup>115</sup>.

Subsequently, the absolute values determined for each task have been expressed in relative terms as percentages of the total OP budget. Once averaged across the OPs, the average percentage was adopted as the EU estimate and multiplied by the total eligible expenditure for the 2014-2020 period to find the absolute value in EUR of each task at the EU level.

Table 97 illustrates the monetary values of the administrative costs related to the IOs/tasks under the responsibility of the different EMFF authorities (MA, CA, AA) for the 2014-2020 period. As for EAFRD, Table 101 illustrates the 'real' EMFF baselines for the 2014-2020 period intended as the EMFF administrative costs, already taking into account the impacts of the regulatory changes.

Similarly to other funds, the "*Selection of operations*" and the "*Verification of deliveries and compliance*" represent the most relevant MA IOs/tasks in terms of administrative costs, whereas with regard to the AA, the "*Audit of samples*" is estimated as by far the most costly of the administrative IOs/tasks.

<sup>115</sup> The technical assistance budget and the overheads provided in the survey were divided among tasks on the basis of their weight in terms of total administrative staff cost.

**Table 101 EMFF baselines 2014-2020 of administrative costs**

Authority	2014-2020 IOs and Tasks	Regulatory references	% out of the total admin. costs	Costs (€ millions)
National authority	Elaboration of partnership agreement	Art. 14-17 CPR	0.4	3.4
	Progress report	Art. 52 CPR	0.3	2.3
	Designation of authority	Art. 123, 124 CPR	0.3	2.5
MA	Preparation of programmes	Art. 26 – 31 CPR, Art 17-22 EMFF	1.1	9.1
	Ex ante evaluation	Art. 55 CPR, Art 115-116 EMFF	0.7	5.5
	Setting up of management and control system	Art. 72 CPR	0.6	4.6
	Information and communication	Art. 119 EMFF	5.0	41.8
	Establishing and running of the monitoring committee	Art. 47 CPR, Art 112-113 EMFF	2.5	20.4
	Guiding the work of the monitoring committee	Art. 125(2a) CPR	2.8	23.2
	Ensuring a system for data recording	Art. 125(2d,e) CPR	6.1	50.3
	Ensuring equality between men & women and non-discrimination	Art. 7 CPR	1.9	16.2
	Ensuring separate accounting systems of the beneficiaries and intermediate bodies	Art. 125 (4b) CPR	2.4	19.9
	Prevention, detection and correction of irregularities	Art. 72(h) CPR	4.3	35.4
	Management of financial instruments	Art. 37-46 CPR	2.8	23.2
	Communication with the certifying authority	Art. 122(3) CPR	2.4	20.0
	Selection of operations	Art. 125(3) CPR	10.4	86.2
	Verification of deliveries and compliance	Art. 125 (4a-c, 5) CPR	14.9	123.8
	Implementation reports	Art 114 EMFF	3.5	29.0
	Transmission of financial data	Art. 98 EMFF	1.9	16.0
	Annual provision of cumulative data on operation)	Art. 97(1)(a) EMFF	1.6	13.7
	Evaluations during the programming period	Art. 117 EMFF	2.0	16.9
	Monitoring	Art. 56, 57 CPR	4.4	36.4
	Ensuring an adequate audit trail	Art. 125 (4d) CPR	4.3	35.4
Assessment and monitoring of operations generating net revenue after completion	Art. 61 CPR	1.0	8.3	
Management of global grants	Art. 123(7) CPR	1.3	10.5	
CA	Drawing up and submitting payment application to the Commission	Art. 126 (a) CPR	0.6	5.0
	Certification of expenditure entered in the accounts	Art. 126 (c) CPR	2.0	16.7
	Ensuring that adequate information was received by the MA	Art. 126(e) CPR	0.3	2.3
	Taking account of the results of all audits	Art. 126(f) CPR	0.6	5.0
	Maintenance of records of expenditure declared to the Commission	Art. 126(g) CPR	0.2	1.3
	Accounting of amounts recoverable or withdrawn following cancellations	Art. 126(h) CPR	0.4	3.0
AA	Audits of the management and control system	Art. 127(1) CPR	3.3	27.0
	Audit of samples	Art. 127(1) CPR	12.7	105.3
	Preparation, submission and updating of the audit strategy	Art. 127(4) CPR	0.5	4.3
	Preparation and submission of the annual control report	Art. 127(5) CPR	0.7	5.7

Source: own elaboration

Similarly to EAFRD, baselines on the EMFF burden have been estimated using data collected through interviews, more specifically with the MAs. A specific part of the questionnaires addressed to MAs was dedicated to the collection of data on

administrative burden. MAs were asked to estimate the overall burden on beneficiaries as a percentage of the total public contribution, and then to estimate the distribution of the burden across the different beneficiaries' tasks. Percentages calculated from the values provided by MAs were averaged and applied to the overall EMFF eligible budget for the 2014-2020 period. The results are illustrated in Table 102.

The data related to the burden for beneficiaries collected from the Authorities show a relatively similar cost allocation for "financial management and preparation of the financial report" and with activities related to the audit and monitoring. In contrast with the other funds, the "evaluation" tasks are of negligible importance.

**Table 102 EMFF baselines 2014-2020 of administrative burden**

Tasks 2014-2020	Burden (€ millions)
Financial management and preparation of the financial report	87.5
Proving/verification of deliveries and compliance	98.2
Keeping records and maintenance of the audit trail	
Monitoring and reporting to the programme management	
Evaluation	-

Source: own elaboration

## A.2 Methodology for estimating impacts of regulatory changes

This section explains the methodology adopted to calculate the impact of the simplification measures in terms of increase/decrease in administrative costs and burden

The calculation starts with structuring information from the online survey and results in calculations of the current effect and maximum potential of simplification measures.

Despite its complexity, the procedure can be explained through its four main components: the Likert scale approach, the dataset structure, the calculation and aggregation of impacts and the difference between the currently realised and the potential maximum impact.

### A.2.1 Likert scale

The uptake and impact of both mandatory and optional simplification measures were evaluated, collecting information through an online survey.

A web template was sent to the different authorities of each fund. They answered with the uptake of optional measures as well as the impact of mandatory and optional measures on administrative tasks.

The answers relating to the uptake of optional measures were expressed as simple 'uptake: yes/no' dummy variables. The answers relating to impact were qualitative and translated into a percentage increase/decrease of costs for each task using the following qualitative Likert scale.

**Table 103 The Likert scale adopted in the survey**

Qualitative label for any impact of the simplifications	Quantitative label: variation determined by the simplification measures
very low increase	+1% -- +2%
low increase	+3% -- +5%
medium increase	+6% -- +10%
high increase	+11% -- +20%
very high increase	+21% -- +50%
equal	0%
very high decrease	-21% -- -50%
high decrease	-11% -- -20%

Qualitative label for any impact of the simplifications	Quantitative label: variation determined by the simplification measures
medium decrease	-6% -- -10%
low decrease	-3% -- -5%
very low decrease	-1% -- -2%

The reasons for adopting ranges for the collection of information in combination with a relatively large number of alternatives (11) are twofold:

- It simplifies the answer for the respondents by not asking for a specific value, thus increasing the response rate and reducing the timing of data collection.
- It allows the study team to develop, as precisely as possible, a real exercise of estimation of scenarios based on simulation of different alternatives, as the value provided by each respondent could be considerably prone to biases due to the timing of the study.

As already said, the choice of values in the impact percentage column is a quantitative interpretation of the qualitative label. In order to increase the reliability of the estimations, qualitative labels were interpreted (in quantitative terms) according to two different scenarios:

- The first, which considered the centre of each interval with an overall range of impact from -30 to +30% (conservative scenario), provides a conservative interpretation of the answer provided without considering the specificities of the time frame when the survey was carried out.
- The second represents an attempt to minimise the distorting effects related to the peculiar time-frame selected for the study (early stage of the programming cycle) and where the estimation value within each interval has been defined as the largest extreme in the case of decrease and the smallest value in the case of increase, with the whole scale ranging from -50 to +21% (most likely scenario).

**Table 104 Quantitative values adopted in the two scenarios**

Qualitative label for the increasing/decreasing impact of the simplifications	Conservative	Most likely
very high decrease	-30%	-50%
high decrease	-15%	-20%
medium decrease	-8%	-10%
low decrease	-4%	-5%
very low decrease	-1.5%	-2%
equal	0%	0%
very low increase	+1.5%	+1%
low increase	+4%	+3%
medium increase	+8%	+6%
high increase	+15%	+11%
very high increase	+30%	+21%

Regarding the “most likely scenario”, it is well-established that judgements and perceptions are strongly influenced by preceding and concurrent stimulations<sup>116</sup>. In the case of the current study, respondents’ perceptions may be predominantly affected by experience from the previous programme period and may not fully reflect the simplification potential of the current regulatory and administrative framework.

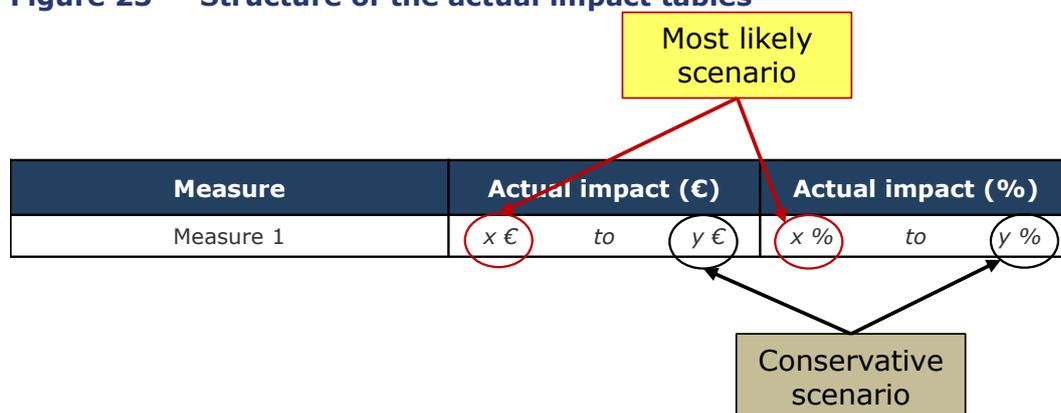
<sup>116</sup> This cognitive bias is typically defined with the terms “Anchoring”. Among others: Bevan, W., & Turner, E. D. (1964). Assimilation and contrast in the estimation of number. *Journal of Experimental Psychology*, 67, 458 –462. doi:10.1037/h0041141; Chapman, G. B., & Johnson, E. J. (2002). Incorporating the irrelevant: Anchors in judgments of belief and value. In T. Gilovich, D. Griffin, & D. Kahneman (Eds.), *Heuristics and biases: The psychology of intuitive judgment* (pp. 120–138): New York, NY: Cambridge University Press

Furthermore, when the survey was conducted programme bodies were heavily overloaded (especially by the closure of the old period and the tasks relating to the early implementation of the new period, including the designation of authorities), so they were probably less optimistic about reductions in administrative workload from simplification. This time effect on perception of respondents can be demonstrated by looking at the theoretical workload over time presented in reference studies.

As shown in Sweco (2010) study on administrative costs, the evolution of the workflow is front-loaded during the programme period. In addition, the introduction of regulatory changes meets considerable inertia in practice. This implies that changes (including simplifications) are often not fully implemented or are implemented with a considerable time delay. Furthermore, (as illustrated in Figure 23) the assessment of expected impacts of the regulations have been made at a time when most programmes experienced a peak in their workload.

In order to stress the assumption behind the calculation and increase the confidence in the proposed results the development of two alternative scenarios has allowed assessing also the dimension of the variation of the estimate according to two different perspectives, as illustrated by the actual impact tables (see example below) which provide two sets of values, one resulting from the development of the “conservative” scenario the other from the development of the “most likely” scenario.

**Figure 23 Structure of the actual impact tables**



## A.2.2 Dataset structure

The information collected from respondents is structured in a spreadsheet that can be easily analysed<sup>117</sup>. The respondent is identified by a CCI code in the rows and answers related to the simplification measures and their related tasks are in columns, as shown below.

The impact for each CCI is shown as a numeric value for each task label according to the methodological approach proposed in the above section describing the two different scenarios under different Likert scales.

**Table 105 Example of the initial dataset**

CCI	FUND	COUNTRY	N/R	Budget (EUR)	Measure 1	Measure 1	Measure 1	...	Measure i
					Uptake	Task 1	Task 2	...	Task j
2014BG16M1OP001	ERDF/CF	BG	National	1 887 587 260	Y	medium decrease	low decrease		
2014CZ05M2OP001	MULTI	CZ	National	1 900 704 517	Y	low decrease	low decrease	...	
...	...	...	...	...	...	...	...	...	

<sup>117</sup> For computational ease, in the case of MA the information has been further divided by fund into four sheets.

The following columns have been added to the initial dataset:

- percentage baseline of each task (different for each fund) as the ratio of the monetary cost of the task as presented in Chapter A.1 and the total budget 2014-2020 of each fund;
- baseline in EUR for each task. This is the budget (EUR) of each OP multiplied by the percentage baseline for the administrative cost (burden) of the task;
- impact in EUR. This is the baseline in EUR multiplied by the percentage impact value for the increase/reduction of the cost (burden) of the task. Monetary figures presented under the "impact in EUR" column represent the impact of the measure in terms of reduction or increase of the task's costs (by aggregating workload and labour costs).

The change in impact qualitative values and the three additional columns for each task of each measure are presented in the following figure.

**Table 106 Example of the augmented dataset**

CCI	FUND	COUNTRY	N/R	Budget (EUR)	Measure 1	Measure 1	Measure 1	Measure 1	Measure 1	...
					Uptake	Task 1	Task 1	Task 1	Task 1	...
						Baseline %	Baseline EUR	Impact %	Impact EUR	...
2014BG16M1OP001	ERDF/CF	BG	National	1 887 587 260	Y	0.029%	547 400	-8%	- 43 792	
2014CZ05M2OP001	MULTI	CZ	National	1 900 704 517	Y	0.056%	1 064 394	-4%	- 42 575	
...	...	...	...	...	...	...	...	...	...	

### A.2.3 Calculation and aggregation of the impact

The data for each authority has a row with a unique record  $r$  of the answer to the specific question on the impact of simplification  $s$  on a task  $t$ . The impact is the sum of the Impact EUR column for each task of each measure.

$$\text{Impact of task } j \text{ in simplification } i = \sum_{CCI(\text{respondents})} \text{impact EUR}$$

Similarly, the sum of the Baseline EUR column calculates the total administrative cost for each task of each measure.

$$\text{Baseline of task } j \text{ in simplification } i = \sum_{CCI(\text{respondents})} \text{baseline EUR}$$

The impact for each measure sums the total impact of each task and the total baseline of each task related to the simplification.

$$\text{Impact of simplification } i = \sum_{\text{Tasks in simplification } i} \text{Impact of task } j$$

$$\text{Baseline of simplification } i = \sum_{\text{Tasks in simplification } i} \text{Baseline of task } j$$

The ratio of impact EUR and baseline EUR of each simplification gives the impact as a percentage value of the baseline.

Finally, the general impact of simplification is estimated by applying the ratio to the baseline of the total administrative costs in the total budget.

## A.2.4 Actual and maximum potential

The calculation and aggregation process was applied twice in order to calculate the actual impact and the maximum impact of each optional simplification measure, distinguishing between 'uptaker' and 'non-uptaker' Authorities.

This calculation for the actual and maximum potential affects the impact percentage:

- the impact for **mandatory measures** is the same as the actual impact, as there is no potential for further improvement (mandatory measures are compulsory for all the authorities and all of them have carried out the implementation);
- the impact for **optional measures** is the impact for Authorities that have adopted them plus the potential impact of a corresponding uptake by previously non-uptaker Authorities.

As already said, the impact percentage of each simplification measure is equal to the impact of the simplification divided by the baseline. However, depending on the authority (uptaker or non-uptaker), the denominator of this ratio changes, allowing a distinction between actual and maximum impact:

- For actual impact, the simplification baseline is the sum of uptakers and non-uptakers, which reflects the current situation where not all Authorities have implemented the optional measures.
- For the maximum impact, the baseline only refers to the sum of the uptakers baselines, which offers an estimation of the effect potential use of the simplification by all authorities (100% of uptake).

The table below specifies the formulas used in the calculation of the actual and maximum potential

**Table 107 Formulas to calculate actual and maximum impact**

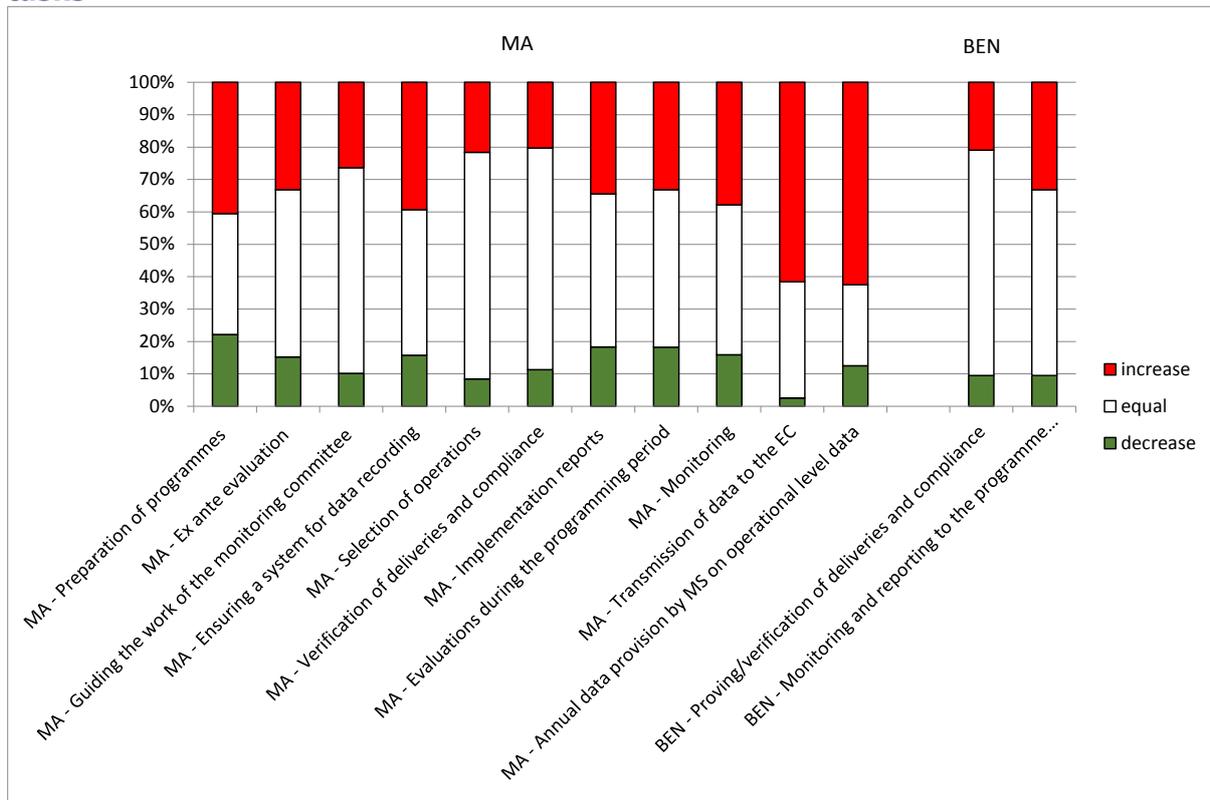
Actual impact of simplification i (%)	Maximum impact of simplification i (%)
$= \frac{\text{Impact of simplification } i}{\text{Baseline of simplification } i \text{ (uptakers and non-uptakers)}}$	$= \frac{\text{Impact of simplification } i}{\text{Baseline of simplification } i \text{ (uptakers)}}$

## ANNEX 2 – IOs and tasks affected by the simplification measures

This section presents data collected through the survey regarding the information obligations and the administrative tasks affected by the simplification measures having the highest impact in terms of reduction (or increase) of the administrative costs and burden.

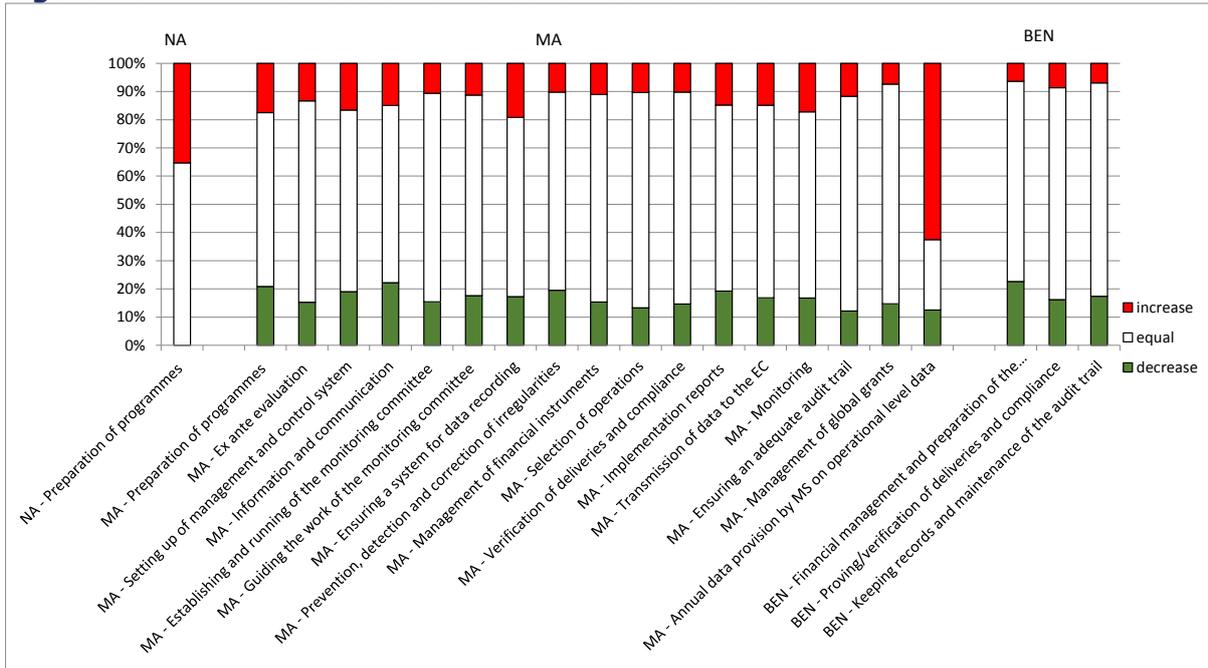
Each figure illustrates the percentages of respondents expecting the measure to increase (in red) decrease (in red) or having a neutral impact (in white) on the administrative workload related to the IOs/tasks.

**Figure 24 Common indicators & enhanced monitoring framework: affected tasks**



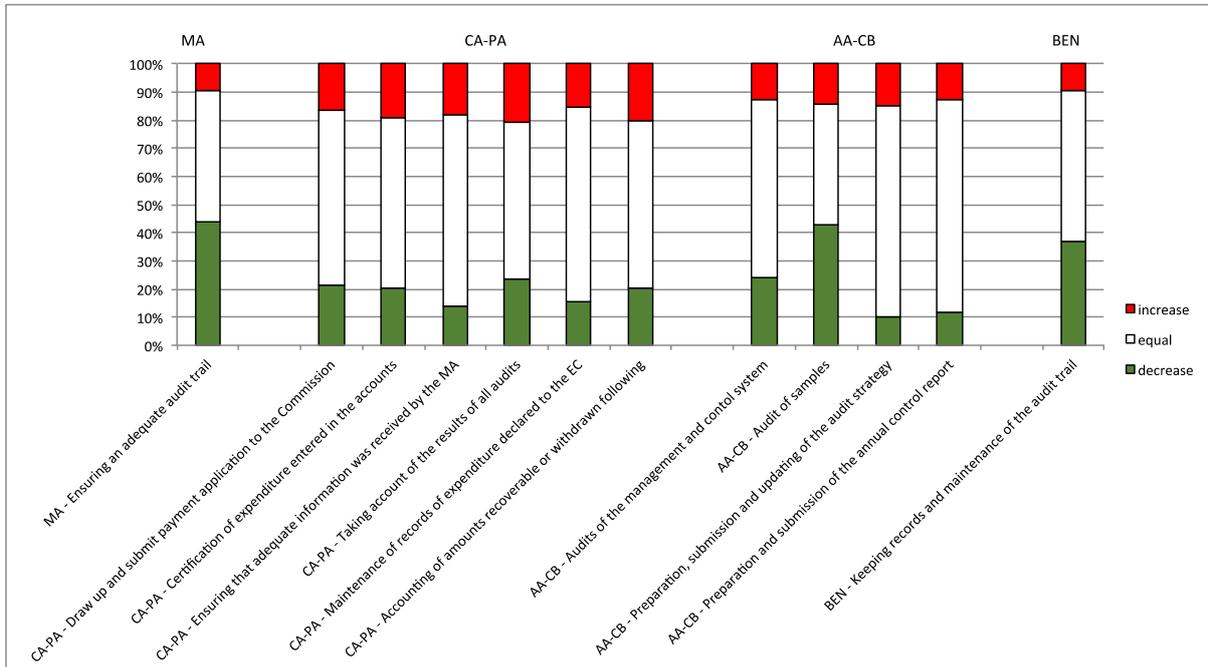
Source: own calculations based on survey results

**Figure 25 Harmonisation of rules: affected tasks**



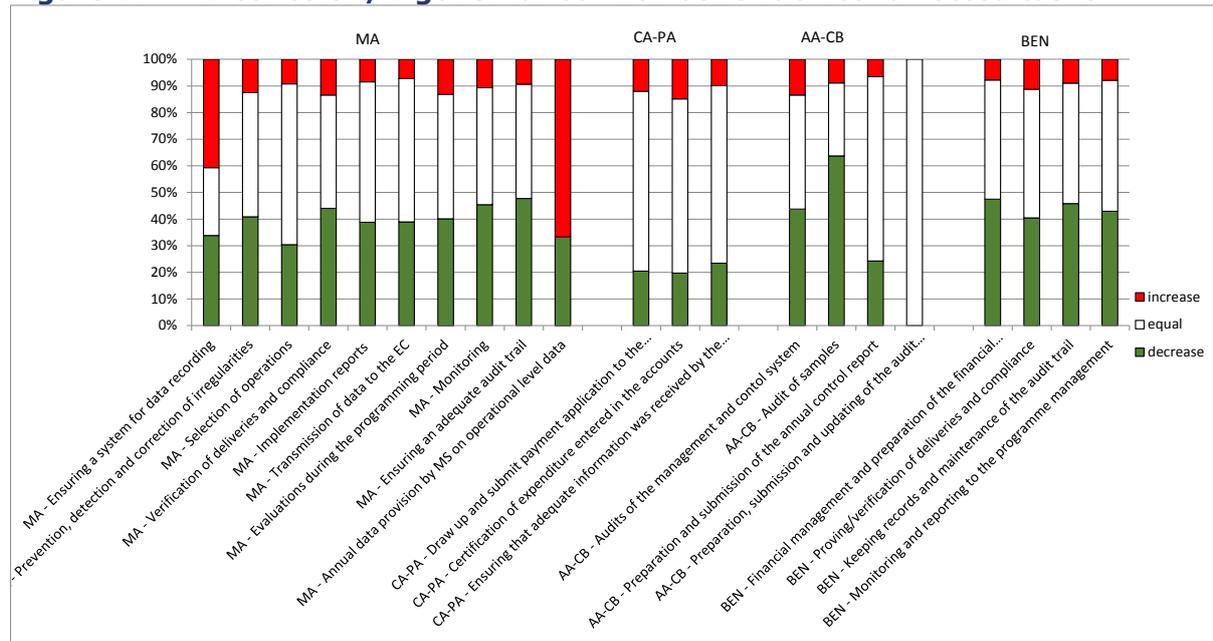
Source: own calculations based on survey results

**Figure 26 Proportionate control/minimum level of on-the-spot checks: affected tasks**



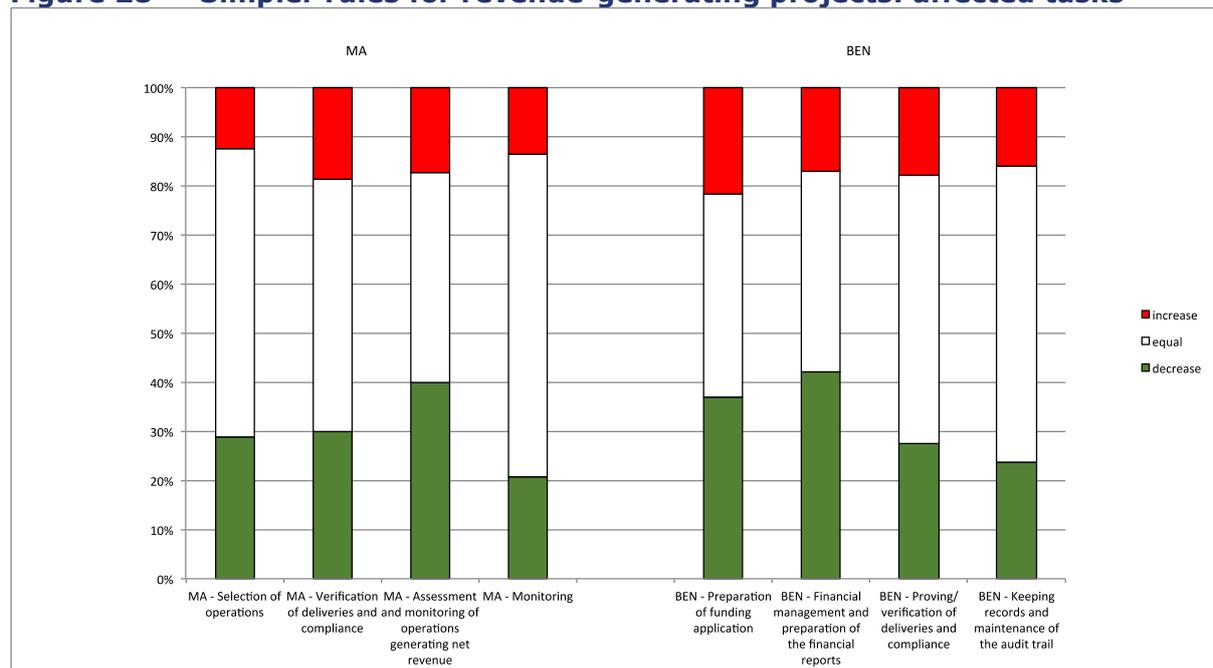
Source: own calculations based on survey results

**Figure 27 E-cohesion/E-governance with beneficiaries: affected tasks**



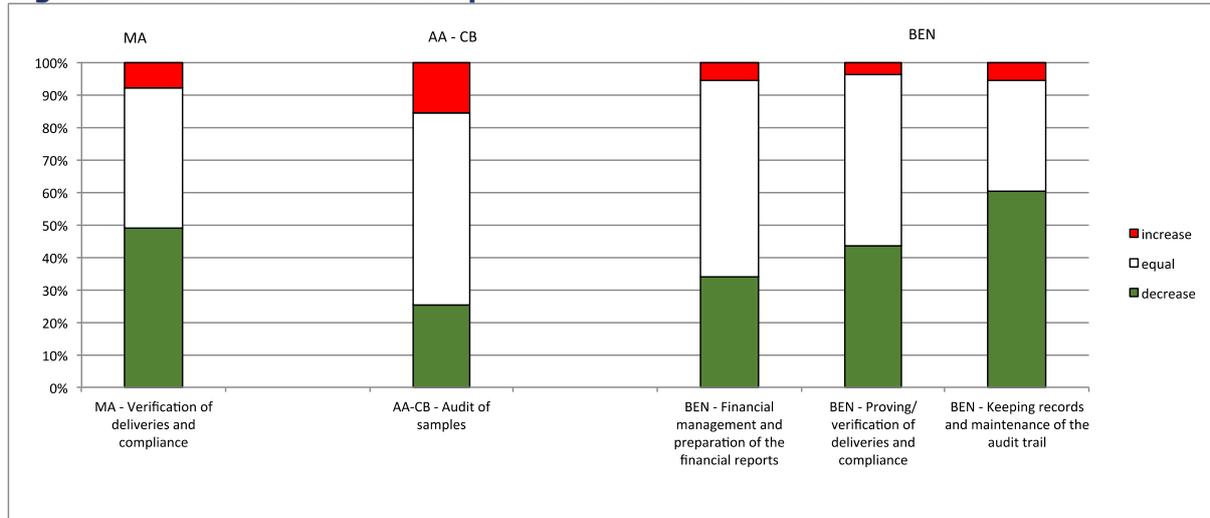
Source: own calculations based on survey results

**Figure 28 Simpler rules for revenue-generating projects: affected tasks**



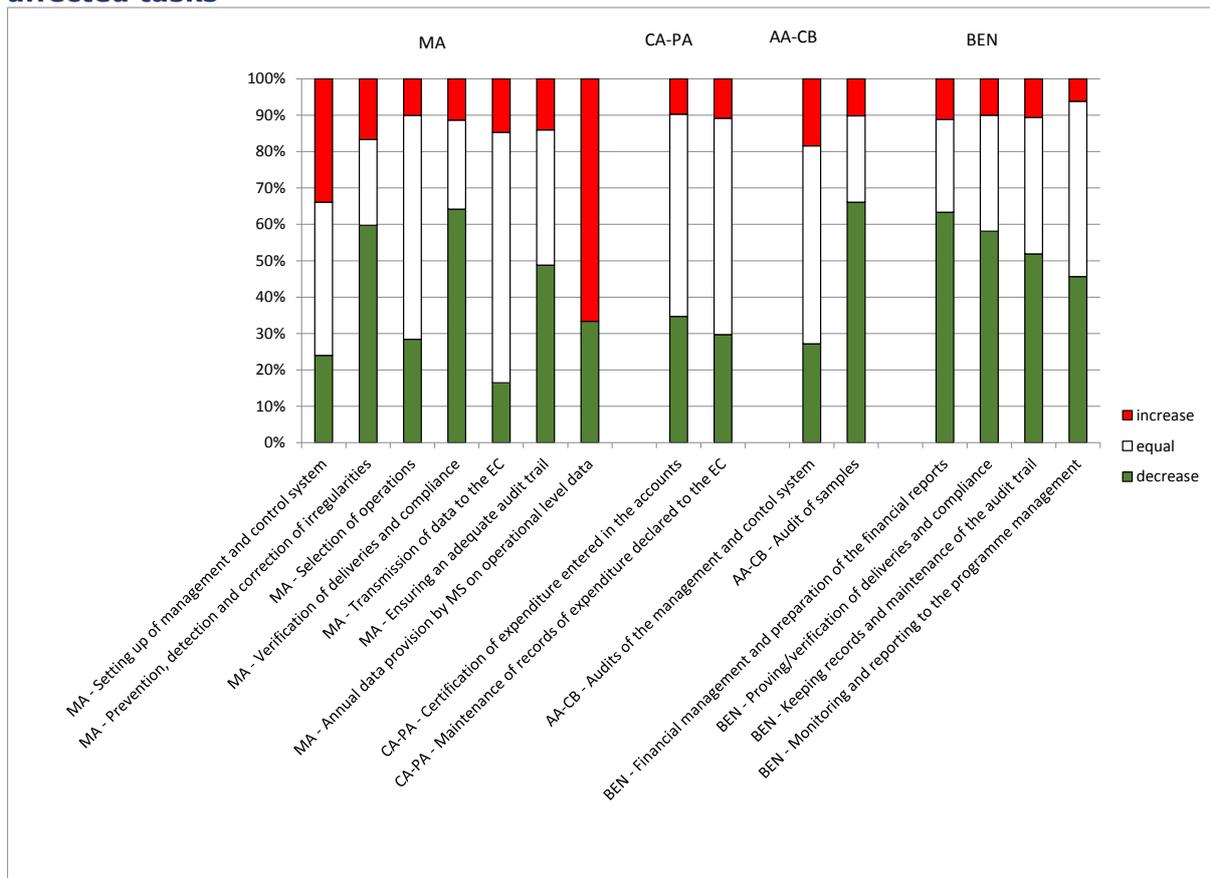
Source: own calculations based on survey results

**Figure 29 Shorter retention period for documents: affected tasks**



Source: own calculations based on survey results

**Figure 30 Grants and repayable assistance as simplified cost options (SCO): affected tasks**



Source: Own calculations based on survey results

## ANNEX 3 – Case studies on SCO in EAFRD

# Case study on the use of SCO EAFRD

### A.3 The decision to adopt SCO

#### A.3.1 What led to the application of SCO?

Analysis of SCO under EAFRD must take into account peculiar characteristics of the fund. Under EAFRD, a significant part of the budget is covered by operations for which eligible expenditure is not calculated on real costs but is predefined compensation. Under these operations tracing each euro of co-financed expenditure to an individual supporting document is no longer required. Eligible expenditure is based on lump sums, flat rates or unit costs detailed in the regulation (in line with Art 67(5)(e) CPR).

The table below lists EAFRD measures for which eligible expenditure must be calculated on the basis of predefined simplified costs.

**Table 108 EAFRD measures where eligible expenditure is calculated on predefined simplified costs**

Measure	Type of simplified costs
6. Support for young farmers	Lump sums
9. Setting up producer groups and organisations	Flat rate
10. Agri-environment climate	SSUC
11. Organic farming	SSUC
12. Natura 2000 and Water Framework Directive payments	SSUC
13. Payments to areas facing natural or other specific constraints	SSUC
14. Animal welfare	SSUC
15. Forest-environmental and climate services and forest conservation	SSUC
18. Financing of complementary national direct payments for Croatia	SSUC

Bearing this in mind, the EAFRD in the 2014-2020 regulatory framework introduced a major change, with SCO that can cover eligible expenditure other than those covered by the fund specific simplified costs (pre-defined in the EAFRD regulation). This can be done by:

1. using off-the shelf SCO in Article 68 of the CPR (see Article 67(5)(d) CPR);
2. using scales of unit costs, lump sums and flat rates applicable in Union policies for a similar type of operation and beneficiary (see Article 67(5)(b) CPR);
3. using scales of unit costs, lump sums and flat rates applied under schemes for grants funded entirely by the Member State for a similar operation and beneficiary (see Article 67(5)(c) CPR);
4. elaborating scales of unit costs, lump sums and flat rates on the basis of fair, equitable and verifiable calculation methods (see Article 67(c) CPR);

To ensure that calculation methods are adequate and accurate, RDP Managing Authorities should identify an independent body to perform the calculations or to confirm their adequacy. A statement confirming adequacy should be included in the programme document.

Information from this study highlights the widespread use of SCO under EAFRD (76% of EAFRD respondents declare making use of SCO). The main motivations are the reduction of administrative burden and the reduced risk of errors and mistakes (respectively 24 and 21% of EAFRD respondents). This is confirmed by interviews carried out with EAFRD authorities: in general terms, SCO are considered effective in:

- alleviating administrative burden for beneficiaries and authorities, in particular by:
  - granting the subsidy quicker,
  - increasing the number of calls per year,
  - facilitating small beneficiaries access to support;
- reducing the number of controls for each expenditure item;
- reducing errors and irregularities. More precisely, stakeholders underlined SCO reduced complexity which reduced the time and effort dedicated to managing corrections;
- allowing to focus more on outputs and results instead of inputs and contribute to a more appropriate use of the funds.

### **A.3.2 How was the decision taken? Which actors were involved?**

EAFRD authorities more experienced with programme specific SCO (not established in the fund-specific rules) have a similar approach. Stakeholders (beneficiaries in particular) were involved from the very initial stage to increase their awareness of the simplification measure.

EAFRD Managing Authorities often perceived beneficiaries as sceptical when SCO were presented for the first time. Although willing to support simplification in principle, beneficiaries sometimes perceived that SCO would benefit only the Managing Authority while all negative effects and risks were on their side. Thus, from an interviewee perspective, it is extremely important to set up proper communication with beneficiaries, clearly pointing out the principles, provisions and procedures related implementing the simplification measures and highlighting the advantages for all involved.

In general, the involvement of public authorities and other actors plays a key role in defining the SCO system, in particular helping to:

- ensure the measures were clearly defined and that provisions related to their implementation were consistent with the assumptions and conditions of the calculation methodology and the use of SCO;
- more easily and effectively identify the type of measures suitable for SCO. This was particularly important EAFRD authorities first engaged in designing SCO in the 2014-2020 period (other than the predefined ones).

#### **EAFRD practice**

The National Rural Development Programme for Netherlands: the decision to use SCO was made with the same participants that drafted the RDP. Provinces and policy officers of the Ministry of Economic Affairs were involved and the paying agency provided some input. The choice has been made to implement SCO where *'it was clear what the quick*

wins were’.

### A.3.3 How long was the preliminary phase?

For interviewees’ experience the time required to shift from the initial idea of using SCO (others than the predefined ones) to implementation varied, depending on:

- **Type of SCO used:** flat rates (particularly off-the-shelf) are considered as less time consuming. Designing lump sums required a few months, while the definition of SSUC required more time and effort (for a concrete example and references, see box below). On the other hand, SSUC are considered to reduce administrative costs and burden more as they can potentially:
  - cover more types of cost than flat rates,
  - can be applied to larger operations than Lump Sums.

In this sense the greater time required to design SSUC is perceived as an investment that will be repaid in terms of less time required for controlling a wider range of operations and costs.

- **Availability of data and calculation methodology complexity:** the time needed to elaborate the SCO system depends on whether enough representative and consistent data are available or if they need to be collected through dedicated surveys. In addition to the quantity and quality of data, the time required to develop the calculation methodology may vary in relation to the type of costs and characteristics of the measures covered by the SCO.
- **Level of specific knowledge and experience about the use of SCO:** the introduction of SCO requires an investment in competence. Interviewees expect that the preliminary phase will be shorter, on average, by capitalising on experience.

#### EAFRD practice

The Rural Development Programme of the Canary Islands: the overall process of defining the SCO took: twelve months for SSUC under Sub-measure 4.1 and four months for SSUC, lump Sums and flat rate financing under sub-measure 19.4.

#### Key messages

- Information collected by this study highlights the widespread use of SCO under EAFRD.
- Involving external stakeholders in the definition of the SCO system is positive, but the process should be based on clear leadership from the programme authorities (clear and well-defined division of roles, responsibilities and competence between the actors involved). In particular, it is extremely important to set up proper communication with beneficiaries, clearly pointing out the principles, provisions and procedures for implementing the simplification measures and highlighting the advantages for all involved.
- the time required to shift from the initial idea of using SCO (others than predefined ones) to implementation depends on: type of SCO; availability of data and level of complexity of the calculation methodology; level of specific knowledge and experience of SCO

## A.4 The main steps in the process

### A.4.1 Measures and type of investments covered by the SCO

The ESIF authorities agree that defining the type of investments to be covered by the SCO (not established in the fund-specific rules) is key to the entire process. EMFF authorities, in particular, stressed the importance of ensuring consistency between actions (features and conditions for implementation) and the definition of cost objects.

The more suitable type of investments for using SCO under EAFRD for the interviewees are in line with the general indications provided under Annex 3 of the EC Guidance on simplified cost options. Although most attention is given to the investments in the following table.

**Table 109 List of the most suitable measures for the use of SCO for interviewees**

Measure/ sub-measure	Type of SCO used	
Measure 1: knowledge transfer and information actions	SSUC Flat Rate	Off-the-shelf SCO provided under Article 68 b) CPR to cover indirect costs and SSUC to cover staff costs.
Sub-measure 4.1: Support for investments in agricultural holdings	SSUC	Programme specific SSUC to cover investments.
Sub-measure 4.1: support for investments in infrastructure related to development, modernisation or adaptation of agriculture and forestry		
Sub-measure 4.1: support for non-productive investments linked to the achievement of agri-environment-climate objectives		
Measure 16: Cooperation	SSUC Lump sums Flat Rate	Off-the-shelf SCO provided under Article 68(b) CPR to cover indirect costs, SSUC to cover staff costs and Lump Sums to cover animation costs.
Sub-measure 19.4: Support for running costs and animation (Leader)	SSUC Lump sums Flat Rate	Off-the-shelf SCO provided under Article 68(b) CPR to cover indirect costs, SSUC to cover staff costs and Lump Sums to cover animation costs.

### A.4.2 Type of SCO used

The survey and interviews highlight extensive use of lump sums and flat rates, with all EAFRD interviewees taking up SCO as a stand-alone or in combination with other types of SCO. The key factor for the diffusion of flat rates and lump sums is the ability to use off-the-shelf rates from the CPR (see Article 68 CPR) and from the EAFRD Regulation. Interviewees also underlined that more off-the-shelf solutions would help increase the use of SCO under measures not covered by EAFRD pre-defined simplified costs (Article 67(5)(e) CPR). In particular, as underlined by the RDP Canary Island Managing Authority, the ability to use additional off-the-shelf flat rates for covering indirect and

direct staff costs (e.g. as in Article 14.2 ESF) would certainly facilitate SCO in particular under 'soft investment'<sup>118</sup> measures (e.g. measure 1).

For off-the shelf SCO provided by the CPR, interviewees use these solutions in particular for covering staff and indirect costs under measures 1, 16 and 19.

For programme specific SCO, the study highlights the strong interest of EAFRD authorities to use in particular SSUC and lump sums to cover operations and investments other than those covered by off-the-shelf SCO provided in the Regulation. EAFRD Managing Authority underlined their interest in SSUC to cover physical investments (measure 4), while programme specific lump sums are more suitable for LAG animation costs foreseen under sub-measure 19.4.

Stakeholders also underlined the difficulty of using programme specific SCO, in particular lump sums and SSUC. While off-the-shelf SCO is perceived as a more administrative solution, programme specific SCO, in particular lump sums and SSUC imply more involvement of external stakeholders (beneficiaries in particular), more detailed definition of all processes, outputs and results related to the SCO and more complex calculation methodologies. In some cases, the difficulty in defining specific type of costs prevented a Managing Authority applying SCO (e.g. costs for which a potential high price fluctuation is expected, such as fuel). Among the most interesting experience for programme specific SSUC, the Canary Islands RDP used SSUC to cover investments in agricultural machinery under sub-measure 4.1.

#### EAFRD practice

Canary Islands RDP used SSUC to cover investments in agricultural machinery under sub-measure 4.1. According to the Managing Authority, the new administrative procedure (see below) reduces the time spent for the dossiers by 60%.

Procedure 2007-2013	Procedure 2014-2020
Submission of a financial report containing: <ul style="list-style-type: none"> <li>• Details of each investment and expenditure including: creditor, invoice number, brief description of the object, amount, date of issue, date and method of payment, identification of the accounting entry and taxes incurred.</li> <li>• Invoices.</li> </ul>	Submission of a financial report containing: <ul style="list-style-type: none"> <li>• Proof of the number of physical units considered as standard scale.</li> <li>• Amount of subsidy calculated based on the report of activities and standard scales of unit costs.</li> <li>• Proof of other income or subsidies that financed the subsidised activity indicating the amount and origin.</li> </ul>

#### Key messages

- Off-the-shelf solutions provided under CPR and Annex II of the EAFRD regulation are key to the diffusion of SCO under EAFRD.
- Further off-the-shelf solutions, in particular covering staff and indirect costs, would increase the use of SCO.
- The use of programme specific SSUC implies higher ex ante investment (than for flat rates) but can also enhance overall administrative capacity.

<sup>118</sup> Non-infrastructure investments

## A.5 Calculation Methodologies

### A.5.1 How were data collected and processed?

Other ESI Funds used historical data from internal databases as the main reference for the development of the calculation methodologies. These EAFRD Authorities used a more balanced mix of data coming from several data sources. In addition to data and information from implementation of the operation financed in the 2007-2013 period, the Managing Authorities also made significant use of:

- market surveys: asking suppliers to provide quotations of goods and services required for implementing the specific measures;
- data from other Official Databases and Registers referring to costs to be included in the calculation;
- collective agreements and contribution bases under the General Social Security Scheme, for the calculation of staff costs.

According to EAFRD authorities using different sources helps when:

- internal historical data are not available in sufficient quantity to support the calculation;
- the object and condition of the measure financed in the 2007-2013 period are not consistent with those in the current programming period (and the differences impact the type or level of costs);
- the costs are submitted to potential fluctuations: although data are available and operations are comparable, the costs data should be verified and eventually updated, in consideration of the potential fluctuations of the prices of the main goods and services required for the implementation of the measure.

When developing the methodology, these authorities followed the same logical process:

1. Define exactly the object to be covered by SCO, by selecting and specifying the type of investment measure.
2. Identify and classify the type of costs (and cost items) related to implementing the measure.
3. Develop the calculation using mathematical and statistical functions.
4. Represent the calculation results either with values, unit costs/lump sums, or rates related to single items (e.g. unit cost per m<sup>2</sup>) of a range of items (e.g. different unit costs for different ranges of measures).

This last option (an example is provided by the Canary Islands) is particularly necessary and useful when a single average value (unit cost) does not give the best possible approximation of the real cost incurred by the beneficiary (i.e. the average is not representative).

### A.5.2 How was the methodology verified?

From a legal point of view, methodologies have been subject to the provisions of Article 62(2) of the EAFRD Regulation<sup>119</sup> under which a body that is functionally independent from the authorities responsible for programme implementation and which possesses the

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<sup>119</sup> Regulation 1305/2013

appropriate expertise has performed the calculation or confirmed the adequacy and accuracy of the calculations.

From a technical point of view, interviewees consider key practical factors when developing sound methodology:

- refer to historical data coming from operations that have been already certified (or at least verified by the Managing Authority).
- use different data sources and methodological approaches (e.g. analyses of historical data, benchmark analyses, market surveys) to compare the data and/or the result of the calculation.

#### **EAFRD practice**

For calculating SSUC on agricultural machinery (sub-measure 4.1) Canary Island RDP used a mix of data including:

- Internal database: invoices from 2007-2013 for calls under measure 121;
- Statistical data coming from the Official Register of Agricultural Machinery and from the Official Database of Construction Prices;
- Benchmark analysis: quotations from suppliers of goods and services;
- Market analysis: self-prepared quotations or those commissioned from specialist external agents.

Based on these data, SSUC were designed with the following approach:

- when the cost does not depend on the magnitude of the investment the unit cost is calculated by applying an arithmetic mean (e.g. for asphaltting track a single unit cost value of € 3.20 per m<sup>2</sup>);
- When the cost depends on the amount of the investment the unit cost is calculated with an analysis of ranges of application (e.g. for the cost of tractors, different unit costs were determined for different ranges of application. Here unit costs were linked to different ranges of HP).

#### **Key messages**

- compared to other ESI Funds, where historical data from internal databases were the main reference for the development of calculation methodologies, EAFRD Authorities used a more balanced mix of data from several data sources.
- the combined use of different sources is useful when: internal historical data are not available in sufficient quantity to support the calculation; the object and condition of the measure financed in the 2007-2013 period are not consistent with those in the current programming period; the costs are subject to fluctuations.

## A.6 Implementation of the System

### A.6.1 What changes were required and how were they handled?

According to EAFRD authorities the introduction of SCO has brought (and will bring) changes through:

- dialogue with beneficiaries: stronger relationships and enhancing communication with beneficiaries and stakeholders is required at all stages of the SCO life-cycle (from presenting the system and its advantages, to monitoring actions, to controlling outputs and conditions);
- stronger coordination between all Authorities involved;
- revision of the rules and provisions related to monitoring and control of operations.

An interesting reflection points out the link between the introduction of SCO and the decision to invest more in the digital management of operations. Automatic processes and controls are considered an extremely important complement to SCO in reducing administrative cost and burden as well as the level of errors.

### A.6.2 What were the main problems and what solutions were found?

According to the interviewees, the main problems related to:

***Initial difficulties in selecting the most suitable measures to be covered by SCO.***

Making a proper assessment on the suitability of a measure to be covered by SCO requires verifying:

- (i) whether the content of the measure and the related cost can be expressed in standard terms and conditions (valid for all beneficiaries);
- (ii) the availability of data and or the possibility to collect them with a reasonable amount of time and effort.

These activities have to be implemented upfront, and the checks may show the measure is not suitable/ the design of SCO for this specific measure or type of cost is not feasible.

For interviewees, experience is a key factor to overcoming these kinds of issues. The preliminary assessments required more time and effort, also due to uncertainty about how to develop the methodologies and to collect and process data. The knowledge and skills during implementation has helped improve both efficiency and effectiveness (i.e. a lot fewer negative results) in selecting suitable operations.

Another potential success factor is sharing experience and solutions with authorities at EU Level. All interviewees declared a very strong interest in achieving a better understanding of what has been done in other Member States. This could certainly contribute to a better (easier and more secure) and wider (also by sharing new ideas) uptake of SCO in EAFRD.

***Difficulties in developing methodologies, particularly for SSUC*** (covering more types of costs). In this sense, EAFRD Authorities reported two main problems and their solutions:

- For innovative measures (i.e. not foreseen in 2007-2013 RDP or implemented under different conditions) where historical data from internal databases are not available, developing the calculation methodology is difficult. To overcome the

lack of historical-internal data it is necessary to refer to other data sources or methods (see section 3.1);

- Determining a representative unique value or rate is difficult since costs are highly variable (a single average value is not representative). In this case, it is very important to analyse the reasons why costs are variable, identify the factors determining their variability and quantify the impact. This helps determine the interdependency relation between factors and costs and set up a system with different unit costs (a simple example is provided by the RDP programme of Canary Islands).

**Legal uncertainty:** compared to other ESI Funds, EAFRD Authorities interviewed stressed the issue of legal uncertainty less. The Fund specific regulation and particularly Article 62(2) of EAFRD Regulation lower the risk, particularly in terms of establishing the calculation methodology (similarly positive to Article 14(1) of ESF Regulation). Nevertheless, a lack of certainty and perception of risks still persist for:

- Exactly how SCO should be documented, monitored and audited;
- Harmonisation between SCO provisions and other EU Regulation (especially Public Procurement and State Aid)
- How potential issues of harmonisation between EU and National Regulations could and should be addressed.

Key solutions and recommendations are:

- EC should make public all clarification and interpretation in relation to SCO implementation (e.g. a transnational platform where concrete references, examples and FAQs are available to all Authorities at EU Level).
- Member States should ensure that their National Regulatory Framework is aligned to the rationale and functioning of SCO.

#### **Key messages**

- Share practical experiences and solutions with other authorities at EU Level. This would help better (easier and more secure) and wider (by sharing new ideas) uptake of SCO in EAFRD.
- To overcome legal uncertainty, EAFRD authorities recommend: (i) the EC make public all clarification and interpretation on SCO implementation (e.g. a transnational platform with references, examples and FAQs available to all Authorities at EU Level); (ii) Member States to ensure that their National Regulatory Framework is aligned to the rationale and functioning of SCO.

## ANNEX 4 – Case studies on SCO in EMFF

# Case study on the use of SCO EMFF

## A.7 The decision to adopt SCO

### A.7.1 What led to the application of SCO?

Analysis of SCO under EMFF must take into account peculiar characteristics of the fund. Under EMFF, a significant part of the budget is covered by operations for which eligible expenditure is not calculated on real costs but is predefined compensation. Under these operations tracing each euro of co-financed expenditure to an individual supporting document is no longer required. Eligible expenditure is based on amounts and rates of support detailed in the regulation.

The table below presents the list of EMFF articles for which eligible expenditure is based on methodologies predefined under EMFF Regulation and further detailed in each EMFF operational programme. For interviewees, definition of the methodologies for compensation measures is one of the most challenging parts of the programme document. However, since these methodologies are in the programme document they are validated by the EC, which reduces the risks of the Audit Authority not approving.

**Table 110 EMFF articles covering eligible expenditure calculated using predefined amount/rates**

Article	Type of compensation
Article 33 Temporary cessation of fishing activities	Compensation for the temporary cessation of fishing activities
Article 34 Permanent cessation of fishing activities	Compensation for the permanent cessation of fishing activities
Article 40(1)(h) Protection and restoration of marine biodiversity and ecosystems and compensation regimes in the framework of sustainable fishing activities	Compensation for damage to catches caused by mammals and birds protected by Directives 92/43/EEC and 2009/147/EC
Article 53 Conversion to eco-management and audit schemes and organic aquaculture	Compensation for up to three years while converting an enterprise to organic production, or preparing for participation in EMAS
Article 54 Aquaculture providing environmental services	Compensation for additional costs and/or income foregone as a result of management requirements in the areas concerned, related to the implementation of Directives 92/43/EEC or 2009/147/EC
Article 55 Public health measures	Compensation to mollusc farmers for the temporary suspension of harvesting farmed molluscs for reasons of public health

Article	Type of compensation
Article 56(1)(f) Animal health and welfare measures	Compensation to mollusc farmers for the temporary suspension of their activities due to exceptional mass mortality
Article 57 Aquaculture stock insurance	Contribution to aquaculture stock insurance covering economic losses due to natural disasters, adverse climatic events, sudden water quality or quantity changes, or diseases in aquaculture, failure or destruction of production facilities
Article 67 Storage aid	Compensation to recognised producer organisations and associations of producer organisations which store fishery products listed in Annex II to Regulation (EU) No 1379/2013, provided that those products are stored in accordance with Articles 30 and 31 of that Regulation
Articles 70-73 Compensation for additional costs in outermost regions for fishery and aquaculture products	Compensation of additional costs incurred by operators in the fishing, farming, processing and marketing of certain fishery and aquaculture products from the outermost regions referred to in Article 349 TFEU

Bearing this in mind, the EMFF in the 2014-2020 regulatory framework introduced a major change, with SCO that can cover eligible expenditure other than those detailed above. This can be done by:

1. using off-the shelf SCO in Article 68 of the CPR (see Article 67(5)(d) CPR);
2. using scales of unit costs, lump sums and flat rates applicable in Union policies for a similar type of operation and beneficiary (see Article 67(5)(b) CPR);
3. using scales of unit costs, lump sums and flat rates applied under schemes for grants funded entirely by the Member State for a similar operation and beneficiary (see Article 67(5)(c) CPR);
4. elaborating scales of unit costs, lump sums and flat rates on the basis of fair, equitable and verifiable calculation methods (see Article 67(c) CPR).

According to the survey, EMFF programmes make limited use of SCO (50% of the respondents declare taking up optional SCO) to cover eligible expenditures of operations other than compensation. A key factor is the complexity of implementing SCO. This perception is confirmed by qualitative information from the interviews, a major concern of these EMFF authorities is the time needed to establish methodologies, which can delay the programme launch. Moreover, interviews also show that in very specific cases, the use of SCO was limited due to scepticism from the beneficiaries.

Survey respondents and interviewed authorities declare that the main motivations to implement are:

- reduction of administrative burden;
- reduction of the risk of errors;
- increased focus on the concrete effects of the projects;
- less complexity (and therefore more transparency) of the framework;
- reduction of discussions with beneficiaries and less complaints from all stakeholders.

## A.7.2 How was the decision taken? Which actors were involved?

The opportunity to involve stakeholders and the level of their involvement in the definition and implementation of an SCO system depends on the involvement of the Intermediate Body and beneficiaries. This is both in elaborating methodologies for compensation measures and for SCO to be used under measures other than compensation. More precisely:

- Involving Intermediate Bodies in defining preliminary assumptions (i.e. actions and types of costs) and also in collecting and processing data when developing calculation methodologies.
- Beneficiaries are involved to increase their awareness. This is particularly relevant for EMFF Authorities. Although beneficiaries demand simplification they can also be sceptical when a new simplification measure is implemented for the first time (see 4.2). So it is important to ensure that beneficiaries are informed about the changes and the advantages of SCO.

For interviewees, SCO represent are important for strengthening high-level dialogue with stakeholders and organisations representing beneficiaries, which leads to more effective, efficient and attractive measures.

### EMFF practices

National EMFF programme for Croatia: calculation methodologies for compensation under temporary and permanent cessation measures were developed by the Managing Authority by taking into account experience and methods from the previous programming period and in close consultation with fisheries representatives.

National EMFF programme for Denmark: beneficiaries were involved in the decision making process for the use of SCO (under measures other than compensation) and their feedback contributed to the Managing Authority's proposal.

### Key messages

- The obligation to present methodologies for calculating compensation measures in the programme document implies significant ex ante investment but the method is validated by the EC, which reduces the risk of non-approval by the Audit Authority
- The use of SCO under EMFF is more limited than under other funds; one key factor is the complexity of implementation.
- The involvement of external stakeholders defining the SCO system is positive, but the process should be based on clear leadership by programme authorities (well-defined division of roles, responsibilities and competencies among the various actors).

## A.8 The main steps in the process

### A.8.1 Type of investments covered by the SCO

The ESIF authorities agree that defining the type of investments to be covered by the SCO is key to the entire process. EMFF authorities, in particular, stressed the importance of ensuring consistency between actions (features and conditions for implementation) and the definition of cost objects.

The most suitable investments for SCO under EMFF are currently focussed on covering indirect and staff costs.

**Table 111 Most suitable measures for SCO for covering indirect and staff costs**

Article
Article 26 Innovation
Article 27 Advisory services
Article 28 Partnerships between scientists and fishermen
Article 29 Promotion of human capital, job creation and social dialogue
Article 50 Promotion of human capital and networking
Article 66 Production and marketing plans
Article 68 Marketing measures

Extending the use of SCO to other types of investment and measures (in particular to travel and subsistence costs and investment related measures) is generally considered with interest, however, similar to ERDF and ESF experience in 2007-2013, EMFF authorities opted to implement SCO where development of calculation methodologies is easier. So, priority has been given to measures with the following conditions (or a good balance between them):

- data are immediately available, or can be collected without excessive time and effort;
- the budget is large enough to justify the effort;
- the reduction of administrative cost and burden for both Managing Authorities and beneficiaries is evident (e.g. indirect costs, which are more difficult to justify under a real cost system);
- it is possible to use methodologies developed for compensation already approved within the OP.

#### EMFF practice

National EMFF programme for Ireland: SCO have been used to cover staff costs and indirect costs for measures identified in the approved Production and Marketing plans (Art.66 EMFF Regulation).

National EMFF programme for Denmark: the MA has calculated a unit costs for Data Collection (unit cost defined as costs related to one day of sailing) and plans to use unit prices for spawning gravel (Fresh water restoration) and for Storage of fishery products.

#### A.8.2 Type of SCO used

The survey and interviews highlight the extensive use of flat rates and lump sums, with Managing Authorities taking up SCO saying they are used both as a stand-alone or with another type of SCO.

Reasons for using flat rates are similar to those mentioned by authorities from other funds. In general, flat rates are considered easier to design and implement (compared to SSUC and lump sums). Flat rates are designed to cover only part of the operation cost (i.e. specific type of costs) and their definition implies collecting and processing financial

data to set the rates. SSUC and lump sums require more investment, with exact definition of the processes, results and outcomes of the operation. For Managing Authorities, flat rates are usually perceived by beneficiaries as easier to implement. Finally, off-the-shelf solutions (see Article 68(1)(a) CPR) has also been an important trigger for the diffusion of flat rates.

For lump sums and SSUC, interviews highlight a general interest in SSUC. However, interviewees also agree that this type of SCO is particularly challenging to elaborate and implement.

#### EMFF practice

Under the National EMFF programme for Ireland a combination of SCO is used: SSUC to cover staff salary costs and a flat rate of eligible direct staff cost to cover indirect costs (under Art. 68(1)(b) of Regulation 1303/2013).

#### Key messages

- ☛ currently SCO under EMFF are mainly used for covering staff costs and indirect costs.
- ☛ similar to ERDF and ESF experiences during 2007-2013, EMFF authorities opted to elaborate and implement SCO with measures where developing calculation methodologies is easier.
- ☛ flat rates are generally considered easier to design and implement.
- ☛ SSUC and lump sums are considered with interest but are also perceived as more complex to elaborate and implement.

## A.9 Calculation Methodologies

### A.9.1 How were data collected and processed?

Consistently with the regulatory framework, data on compensation measures were collected during elaboration of the programme. Methodologies were mainly defined on the basis of historical data from 2007-2013 and validated with the direct involvement of the Intermediate Body and beneficiaries.

For methods used to calculate costs under measures others than compensation, the EMFF authorities were similar to other ESIF authorities involved in the study. Calculations based on historical data, particularly data available from Managing Authority internal databases, are perceived as easier to collect, classify and process as well as more reliable and accurate (since they refer to operations that have already been audited).

Moreover, the ability to use data from internal databases is appreciated because less costly ('your own data are easier to handle') and more consistent, since operations for which data are in the internal database are mostly consistent with operations to which SCO will be applied.

Currently the use of market research and benchmark analyses appears limited; however, EMFF authorities agreed that these may be essential for the elaboration of SCO (and SSUC in particular) covering investment related measures.

Using SCO from other Union Policies for similar types of operations and beneficiaries (i.e. Article 67(5)(b) Regulation 1303), could be very interesting and useful in theoretical terms for all these authorities, but may be limited due to the specific operations financed under EMFF.

### EMFF practice

National EMFF programme for Denmark: once technical features of the action/measure have been defined the key steps for developing a proper calculation methodology are:

- define a cost hierarchy;
- gather as much data as possible;
- use different sources for data;
- beware of data compatibility and consistency;
- review outliers.

### A.9.2 How was the methodology verified?

Contrary to compensation measures, where EMFF authority methodologies are directly assessed and approved by the EC, methodologies for SCO are not subject to any formal validation from the EC. In order to secure these methodologies, authorities adopted the following solutions:

- Involvement of independent experts to verify calculation methods;
- Informal contacts with EC (i.e. although there is no formal validation, dialogue and collaboration with EC officials is very useful to collect indications and suggestions on how to develop the system);
- Reference to methodologies already used for the compensation measures approved within the OP (when possible, the level of consistency is verified);
- Reference to off-the-shelf rates already foreseen in the CPR.

In general, interviewees felt the lack of formal validation from the EC is a key problem for using SCO. In this sense, EMFF authorities expressed a clear interest for options similar to Article 14(1) ESF Regulation (i.e. reimbursing expenditure on a standard scale of unit costs and lump sums defined in a Delegated Act adopted by the EC) or for adopting SCO to be similar to compensation measures (i.e. formal validation of the calculation methodology during elaboration of the programme).

### Key messages

- Calculation methods based on historical data, particularly data from Managing Authority internal databases, are generally perceived as easier to collect, classify and process.
- Practical experiences of market research and benchmark analyses is limited but EMFF authorities agreed these were essential for elaborating SCO (and SSUC in particular) covering investment related measures.
- The possibility to receive a formal validation of the calculation methodology from the

EC would represent an important trigger for a wider and better uptake of SCO (particularly in the case of SSUC and lump sums).

## A.10 Implementation of the System

### A.10.1 What changes were required and how were they handled?

Taking into account that EMFF authorities are developing (or planning to develop) their first use of SCO, it is probably too early to carry out a full assessment of changes due to the simplification measure. However, EMFF authorities generally agreed that SCO will involve administrative and procedural changes, as below.

- Calculation methodologies (particularly for SSUC), with additional dedicated activities (such as cost analyses based on historical and administrative data, design and implementation of market surveys to investigate the main costs, statistical analyses to support data processing for developing the calculation methodology) with the involvement of external expertise.
- Revision and update of control systems and procedures, to ensure consistency with principles and provisions related to the introduction of SCO.
- A general revision of the administrative approach, shifting focus from administrative and financial control of expenditure to physical control of operation outputs.

Apart from these aspects, interviewees expect that the most relevant (and positive) changes will be seen after implementation (i.e. once the operations have been finalised and verified).

#### EMFF practice

National EMFF programme for Denmark: external experts supported the elaboration of the SSUC calculation methodology. According to the Managing Authority, the main changes will be seen as a result of efforts to set up the SCO system. They expect that operations covered by SCO will be much simpler to define (i.e. Call for Proposals), implement and control, with obvious advantages for all involved.

### A.10.2 What were the main problems and what solutions were suggested?

For all interviewees SCO represent a true innovation and, like all innovations, implementation implies facing a number of issues. For these EMFF authorities, the main problems and solutions can be clustered as:

**Development of specific knowledge on the provision:** EMFF authorities introducing SCO for the first time in the 2014-2020 period faced a general lack of knowledge on the specific simplification measure.

**Lack of clear and precise interpretation and references:** although very useful, the EC Guidance Notes do not completely define how SCO should be designed and implemented. Specific problems are a lack of:

- legal Interpretations, particularly on
  - the appropriate level of audit control,
  - proper approaches and data to develop the calculation methodology
  - the type of documents and information required to support financing
  - the approach for any financial corrections
  - ensuring consistency with other EU Regulations (i.e. on State Aid and Public Procurement).
- practical examples, especially examples of calculation methods to determine SCO (i.e. examples in the Guidance Notes are considered useful, but too theoretical).

Solutions suggested by EMFF authorities are:

- strengthening collaboration between Managing Authorities, Audit Authorities and the EC on the specific subject;
- sharing practical examples and experience from other Member States;
- more Fund-specific information (particularly taking into account the peculiarity of actions, costs and beneficiaries under EMFF);
- sharing interpretations provided at EU Level and simplifying access to this type of information.

**Specific problems concerning calculation methodologies:** developing the first calculation methodologies has been, in some cases, difficult and time consuming due to:

- a lack of comparable historical data (i.e. specifically when the investments to be covered are not comparable to those under compensation measures).
- fluctuations in price/cost (e.g. fuel price) which can vary significantly in the operation.

Solutions suggested by EMFF authorities are:

- integrate historical data with market surveys, involving different suppliers in different markets;
- link amounts to the costs subject to variability;
- use off-the-shelf flat rates (as in the Regulation);
- provide more off-the-shelf solutions or even SSUC defined at EU Level that can be immediately applied by the Member State.

**Dialogue with beneficiaries:** although most interviewees said that involving beneficiaries in the early stages of defining the SCO system is necessary and useful, EMFF authorities also faced initial scepticism. This related to two factors:

- a general resistance toward innovation;
- a specific concern regarding the economic equilibrium of the operation (i.e. potential under-compensation of the operation, compared to the real cost system).

The suggested solutions were:

- present and explain the rationale and functioning of the simplification measure, clearly specifying advantages for the beneficiaries (above all, the reduction in administrative burden and the impact and effects of errors in applications);
- collect and take into account beneficiary observations and suggestions on the calculation methodology and of the conditions that determine the value of the

grant, while maintaining a clear division of roles (as the final decision on if and how to implement SCO should be taken by the Managing Authority).

### **Key messages**

- The introduction of SCO is implying (or will imply) administrative and procedural.
- In order to overcome key problems faced in the elaboration and implementation of SCO, EMFF authorities recommend the EC to: (i) provide more fund-specific information (particularly taking into account the peculiarity of the type of actions, costs and beneficiaries characterising EMFF); (ii) share interpretations provided at EU Level and make the access to these type of information simpler; (iii) offer to Member States the possibility to better share different practical experiences; (iv) provide more off-the-shelf solutions or even SSUC defined at EU Level that could be immediately applied by the MS.

## ANNEX 5 – Case studies on SCO in ESF

# Case study on the use of SCO ESF

### A.11 The decision to adopt SCO

#### A.11.1 What led to the application of SCO?

The CPR includes options for calculating eligible expenditure of grants and repayable assistance on the basis of flat rate financing, standard scales of unit costs and lump sums (Art. 67 CPR).

For ESF programmes, the ability to use SCO does not represent an innovation: in 2006 the ESF Regulation (Art. 11(3)(b) 1081/2006) introduced the possibility to declare indirect costs on a flat rate basis (up to 20% of direct costs of an operation) and in 2009, following the recommendations of the European of Court Auditors (see 2007 annual report), ESF Regulation 1081/2006 was amended by Regulation 396/2009, introducing the possibility of applying standard scales of unit costs and lump sums. As illustrated in the table below, with respect to Regulation 396/2009 the 2014-2020 regulatory framework defines further provisions on SCO, in particular it:

- extends the use of flat rate to cover more than indirect costs;
- introduces the mandatory use of SCO for 'small operations';
- provides off-the-shelf SCO;
- increases the threshold for flat rates and lump sums;
- allows programmes to
  - define SCO in a delegated act to be adopted by the EC;
  - use a draft budget to establish grants under EUR 100 000 of public support
  - use calculation methods other than the ex ante calculation based on a fair, equitable and verifiable method.

**Table 112 Comparison between the 2007-2013 and 2014-2020 ESF rules on SCO**

	2007-2013	2014-2020
<b>Option</b>	The use of SCO is optional	The use of SCO is mandatory for operations below EUR 50 000 of public support, except in the case of a state aid scheme (Article 14(4) 1304/2013).
<b>Flat rate financing</b>	Flat rate is used to calculate indirect costs only	Flat rate can be used to calculate any category of costs.
<b>Threshold for flat rate with calculation requirements</b>	Flat rate of up to 20% to reimburse indirect costs	<ul style="list-style-type: none"><li>• Flat rate of up to 40% of eligible direct staff costs to calculate all other costs of the project (Article 14(2) 1304/2013);</li><li>• Flat rate of up to 25% to reimburse indirect costs (Article 68(1)(a) CPR)</li></ul>

	2007-2013	2014-2020
<b>Off-the-shelf SCO</b>		<ul style="list-style-type: none"> <li>• Flat rate up to 15% of direct staff costs to reimburse indirect costs without calculation requirements (Article 68(1)(b) CPR);</li> <li>• Hourly staff costs can be calculated on the basis of the latest documented annual gross employment costs divided per 1720 hours (Article 68(2) CPR).</li> </ul>
<b>Threshold for lump sums</b>	Max EUR 50 000	Max EUR 100 000 of public contribution
<b>Calculation methods</b>	Ex ante calculation based on a fair, equitable and verifiable method	<ul style="list-style-type: none"> <li>• Ex ante calculation based on a fair, equitable and verifiable method;</li> <li>• Ability to use SCO in Union policies for a similar type of operation and beneficiary (see Article 67(5)(b) CPR); Ability to use SCO under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary (see Article 67(5)(c) CPR);</li> <li>• Ability to use rates and methods defined in the regulation (see Article 68(1) CPR).</li> </ul>
<b>Delegated act</b>	\	The EC may reimburse expenditure paid by the Member State and regions on the basis of standard scales of unit costs and lump sums defined in a delegated act adopted by the EC (Article 14(1) of 1304/2013).
<b>Draft budget</b>	\	Possibility to use a draft budget to establish grants under EUR 100 000 of public support (Article 14(3) 1304/2013).

According to data collected from the survey, ESF programmes make a wide use of SCO (81% of the respondents declare to take up optional SCO).

ESF survey respondents declare that the main motivation for using SCO is the reduction of administrative costs and burden, the reduction of the controls devoted to each expenditure item as well as the reduction of errors and irregularities. Moreover, as underlined by the ESF authorities interviewed, another important factor was the conviction that the implementation of SCO can bring concrete positive effects in the quality of program processes and actions, in particular by:

- enhancing the value and quality of operations (increased focus on content, process and results);
- increasing the quality of programming (spending is targeted more );
- increasing the attention paid to developing better partnerships at all levels.

With respect to the previous period, interviewees consider that the SCO provisions set out for the 2014-2020 programming period allow programmes to make more use of SCO. Interviewees appreciate the introduction of the mandatory use of SCO for small operations (Article 14(4) 1304/2013) as well as the possibility to use off-the-shelf rates

from the new regulation. Regarding Art 14(4), all ESF authorities interviewed consider the mandatory use of SCO as an opportunity to extend the use of simplification measures, rather than a problematic legal obligation. Thus, Art. 14(4) provisions had a concrete and positive effect on the decision-making process. In practical terms, the perspective of the MAs can be summarised as follows: if the measure is no longer optional but mandatory, no more questioning and discussions at national/local level on the opportunity to implement it. In this sense, mandatory use seems to have played an important role in shifting attitudes towards SCO, in particular by 'obliging' Member States to develop deeper and better knowledge of SCO and their related benefits, and also in overcoming previous preconceptions.

Off-the-shelf rates were considered as very helpful particularly in those cases in which the development of the calculation methodology appears as more difficult due to a limited availability of data (e.g. innovative projects, not foreseen within the 2007-2013 OP, for which no historical data from the MA's internal database are available)

Furthermore, according to all interviewees, the possibility to secure the methodology through the process defined by Art. 14(1) represents an important trigger for the use of SCO, as it allows to tackle effectively the legal uncertainty issue (see 4.2) encouraging a wider uptake of the simplification measure.

### **A.11.2 How was the decision taken? Which actors were involved?**

Concerning the involvement of stakeholders (i.e. the opportunity to involve them and the level of their involvement) data from the study show that ESF authorities tended to involve key stakeholders in the definition and implementation of the SCO system. Provided that ownership of the process (as well as the final decision to take up SCO) stays with the managing authority, the most experienced ESF authorities underlined that the involvement of stakeholders was a key factor for benefitting from SCO ('partnership is the key'). More precisely, according to interviewees, the involvement of all stakeholders upfront brings the following advantages:

- selecting suitable/useful activities to be covered by SCO;
- better and clearer definition of the actions (in 'standard terms');
- deeper reflection on the sustainability of the results/outcomes covered by the SCO;
- more reflection on the most suitable indicators;
- clear and transparent definition and communication of the conditions for implementation and control of operations covered;
- the opportunity to overcome potential preconceptions on the implementation of SCO, promoting what has, in numerous contexts, been called a 'cultural leap'.

For the type of stakeholders involved, ESF managing authorities stressed the importance of ensuring the engagement of beneficiaries<sup>120</sup>, IB and of other authorities (AA and CA). The importance of setting up collaborative schemes between the authorities has been confirmed both by the managing authorities and the audit authorities interviewed. In particular, the involvement of audit authorities from the very first steps of the process of defining the SCO system was described as very useful to address upfront potential issues in terms of 'legal (un)certainty', but also for providing interesting reflections and

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<sup>120</sup> The most frequent type of beneficiaries involved are: NGOs; Schools; Universities; Training Centres; State or National Public entities; Public Employment Services Providers; Municipalities/Local Authorities; Private entities; Providers of social care services – care givers; Professional associations

suggestions on expressing actions in standard terms (e.g. contributing to a clearer definition of processes and results to which SCO are related) and on the consequent conditions and indicators that should be established and checked for operations covered by SCO (particularly in the case of SSUC and lump sums).

### ESF practices

- Flanders – the Flemish approach whenever subsidies are implemented, is that public authorities never realise anything, rather the beneficiaries do. Thus, beneficiaries should be considered as partners. Partnership should be based on trust, and control is the closing step of the circle of trust, not the first step. Furthermore, partnerships should be based on clear and transparent communication between all actors involved. Partners should also be properly trained.
- Czech Republic - both interviewed managing authorities (i.e. ESF OP Employment and ESF OP Research development and education) said that they involved stakeholders upfront in order to define a better and more sustainable SCO system. Both Ministries involved beneficiaries when implementing targeted initiatives. The Ministry for Education set up specific working groups with directors and financial managers of schools (the key beneficiaries). The Ministry for Employment also used outputs from evaluations of the 2007-2013 period (clear recommendations on the reduction of administrative burden, orientation to outputs and results, positive feedback from calls that were pilot testing unit costs for childcare facilities).
- Spain - for both the 2007-2013 and 2014-2020 programming periods, all relevant administrative authorities (AA, CA and IB) were involved in preparatory meetings. For 2014-2020, there were two training seminars with the MA, CA, AA and representatives from DG EMPL (auditors and geographic unit). These seminars not only informed the other bodies but also involved them in defining the methodology for calculating SCO.

### Key messages

- SCO reduces administrative burden and improve the quality of programming processes and actions
- The mandatory use of SCO for small operations (Article 14 (4) as well as the ability to secure the SCO system through the procedure foreseen by Art 14(1) and to dispose of off-the-shelf rates in the new regulation increased the use of SCO in the 2014-2020 period.
- Involving external stakeholders (beneficiaries and AA in particular) in defining the SCO system is key to fully benefitting from SCO.
- Collaboration and dialogue between the MA and AA is very useful to address upfront potential issues in terms of “legal (un)certainty” but also for providing interesting reflections and suggestions on the expression of the actions in standard terms.

## A.12 The main steps in the process

The process for defining SCO in all ESIF authorities interviewed shared a similar approach organised around:

- 1) defining the types of actions covered by the SCO;
- 2) analysis of the type of costs of these actions and formulating the calculation methodology;
- 3) definition of the costs in standard terms and selection SCO.

### A.12.1 Actions covered by the SCO

The interviewees felt SCO under ESF is extremely widely applicable. However, even though all types of actions within their ESF OPs could be covered by SCO, they underline that selecting actions to be covered by SCO should be guided by:

- the availability of representative and consistent data (in particular from the previous programming period);
- a critical mass of budget coverage (the larger the amount, the more SCO are suitable).

The most suitable type of projects indicate a change compared with the previous programming period. While in 2007-2013 SCO were mainly used for education and training, or employment services (few interviewees reported using SCO for social care in 2007-2013) in the new programming period most of the Managing Authorities plan to use SCO for the vast majority of project categories set out in their OPs.

**Table 113 Type of ESF projects covered by SCO**

Most frequently used for:	Less frequently used for:
<ul style="list-style-type: none"> <li>• <b>Education programmes/projects</b> (in all regions covered by the interviews) in particular for compulsory schooling, vocational qualifications and diplomas, as well as higher education;</li> <li>• <b>Training</b> both for unemployed and employed (in all regions covered by the interviews) for vocational training and lifelong learning;</li> <li>• <b>Employment services</b> (in most regions covered by the interviews): initial assessment, skills audit, definition of individual employment plan, career guidance, guidance training, company scouting and active job seeking as well as entrepreneurship support services.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Social inclusion</b></li> <li>• <b>Childcare facilities</b></li> <li>• <b>Technical Assistance</b></li> <li>• <b>Training civil servants/operators</b></li> <li>• <b>Mobility (of researchers, students, workers)</b></li> </ul>

### A.12.2 Costs covered by SCO

The interviews highlight two typical approaches:

- the 'giant leap' approach, where SCO covers all costs of operations. This approach implies the use of SSUC and/or Lump Sums and is typically adopted by the more experienced MAs interviewed. For example, Authorities from Flanders,

Czech Republic, France and Spain, observe that SCO could potentially cover all types of costs and note that this approach is particularly important for exploiting the full potential of SCO, by maximizing the administrative simplification effect and also allowing the adoption of result-based approaches.

- the 'baby step' approach, where only a part of the costs are covered by SCO. This is often adopted by less experienced MAs and (approaching the use of SCO for the first time) in the event that the development of the calculation to cover all type of cost is (or is perceived as) not feasible or too challenging/complicated. In these cases, the most frequent solutions implemented are: SSUC to cover Staff Costs and/or Flat Rates (and particularly off-the-shelf) to cover indirect costs.

All the MA interviewed declare they have planned to extend the use of SCO to cover further (or even all) cost categories within the current programming period. The main exceptions to this trend are those operations that are subject to public procurement procedures (e.g. small investments, equipment). This is due to legal constraints<sup>121</sup> and limits the uptake of SCO for those Funds where support frequently concerns operations involving public procurement obligations.

### **A.12.3 Type of SCO used**

The survey and interviews highlight the extensive use of flat rates and SSUC with approximately 80% of ESF Managing Authorities adopting SCO using them as a stand-alone SCO or together with other types of SCO.

The extended use of flat rates is justified by:

- Experience from the 2007-2013 period: flat rates were introduced earlier than other types of SCO (already set out in Article 11.3(b) of Regulation (EC) No 1081/2006). Their use in the 2007-2013 period was encouraged by: (i) having the calculation methodology approved by the EC<sup>122</sup>; (ii) the need to simplify indirect costs.
- Flat rates are easier to design and implement than SSUC and lump sums. Flat rates are designed to cover only part of the cost of the operation (i.e. specific type of costs) and their definition implies collecting and processing the financial data required to set the rates. On the contrary SSUC and Lump Sums require more investment, with exact definition of the processes, results and outcomes of the operation. Furthermore, for the Managing Authority, beneficiaries usually perceive flat rates as easier to implement.
- Interviewees see off-the-shelf solutions provided for in the 2014-2020 Regulations as an important trigger for the use of flat rates.

#### **ESF practices – Flat rates**

- The Czech Ministry of Labour and Social affairs use flat rates to cover indirect costs. A variable rate is foreseen (up to 25% in the current programming period): inversely proportional to the size of the project and share of outsourced activities.
- French Authorities responsible for the implementation of the National OP for Employment and Inclusion and the National OP for Youth Employment Initiative

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<sup>121</sup> Art. 67(4) CPR

<sup>122</sup> In the new period (2014-2020), prior approval by the Commission is only possible in the context of Article 14(1) ESF or for SCO developed within the framework of a Joint Action Plan.

envisage the use of different types of flat rates. Two different solutions are foreseen to cover indirect costs: a flat rate (20% of direct costs) under art. 68(1)(a) CPR or the off-the-shelf rate (15% of direct staff cost) provided by Art. 68 (1) (b). The use of the off-the-shelf solution foreseen within Art. 14(2) of the ESF Reg. is also envisaged (up to 40% of direct staff cost).

Interviewees underline that SSUC implies more investment (than flat rates) but is interesting in terms of:

- Cost coverage, as stated above, while flat rates cover only part of the costs of operations, SSUC (and lump sums) can cover the entire costs.
- Quality and effectiveness of the operations. Flat rates can help shift the focus from administrative and financial issues to implementation of the operations. However, SSUC encourages Managing Authorities and stakeholders to design better processes by clarifying what the concrete results of the actions should be.

#### **ESF practices - SSUC**

- Under the OP Employment of the Czech republic: SSUC are used to finance childcare facilities and professional training of employees. In the area of childcare facilities units are based on costs for financing one place in a childcare facility (such as: created place in a childcare facility, occupancy of a childcare facility), or based on costs per person such as a qualified caregiver. The rationale of the choices made in designing the system was to find a balance between paying for outputs (units of process) and paying for results.
- In Spain, the Intermediate body in the Public Employment Service reports the use of SSUC to cover all the eligible costs related to the uptaking of labour contracts (x euro per each months of contract), while the MA of the Regional OP for Andalusia made use of SSUC in different types of education actions adopting either a process-based (e.g. unit cost for training hour) or result-based approach (e.g. unit cost for participant successfully completing the course/year).
- Under the French Youth Employment Initiative, SSUC have been implemented with a result-based approach. Unit costs are defined in terms of number of young NEETs who have: entered vocational skills training leading to a certification, started a company, or spent at least 80 working days in a professional environment

Interviews highlight that the use of lump sums appears relatively limited because of:

- difficulties in calculating the amount;
- risks related to the 'on-off effect' that is peculiar to lump sums. As described in the EC Guidance Note on SCO123 'the main difference between lump sums and the standard scales of unit cost system is that the calculation of costs is not proportional to quantities. In the case of standard scales of unit costs, when quantities decrease, the costs decrease proportionally. In the case of lump sums, this 'proportional link' between quantities and payments does not apply. The calculation of the costs is generally based on a 'binary' approach, which implies that 'the document setting out the conditions for support to the beneficiary should

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<sup>123</sup> Guidance Note on SCO - Paragraph 6.4.3.1 and Paragraph 6.4.3.2

be drafted very carefully in order to define the basis on which costs will be calculated and how they will be reduced if the objectives are not reached. This issue of reduction of the costs is crucial in the case of lump sums because of the potential problems that could be created by a binary approach where there are no other choices than paying 0% or 100% of the grant’;

- national laws and regulations, such as the Spanish law disallowing the use of lump sums.

In general, interviewees seem to consider lump sums as a residual solution, covering specific costs (e.g. mobility, preparation), small operations or limited parts of operations.

### **ESF practices – Lump sums**

Flanders has been applying lump sums since 2007-2013. Within ESF transnationality projects the preparatory phase is supported by a lump sum of €15,000, which is paid on production of a satisfactory report on desk research and partner search.

Interesting examples (see box below) are also offered in terms of combined use of different types of SCO within the same operation, under the conditions set out by Art. 67 (3) CPR<sup>124</sup>.

### **ESF practices**

Flanders has foreseen a combined use of all (3) types of SCO within the same projects (transnationality).

As seen in the previous example, the preparatory phase is supported by a lump sum. The implementation is paid on the basis of a single unit cost: staff hours worked. Applicants have to complete a spreadsheet listing the names of the different members of staff who will work on the project. It categorises each of them by their qualification level and their seniority grade, and the input template automatically calculates the pay rate to be applied (these rates are taken by comparison with public sector pay in Flanders). The fraction of a full-time working year of 1,720 hours is then applied. The payroll cost is then totaled and a flat rate of 40% is added to cover all other direct and indirect costs.

### **Key messages**

- the applicability of SCO under ESF is extremely wide and all typical actions within ESF OPs could be covered by SCO;
- MA choose the actions to be covered by SCO-based on (1) the availability of data (in particular from the previous programming period); (2) the total cost of the action (coverage);
- the study highlights an extensive use of flat rates and SSUC;
- flat rates are generally considered to be easier to design and implement;

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<sup>124</sup> In accordance with Art. 67(3) CPR, simplified cost options may be combined only where each option covers different categories of costs or where they are used for different projects forming a part of an operation or for successive phases of an operation

- SSUC and lump sums require more investment but can also (1) cover the entire costs of the operation; (2) encourage Managing Authorities and stakeholders design better processes by clarifying what the concrete results of the actions should be.;
- the use of lump sums appears more limited due to (1) difficulties in calculating the amount; (2) risks related to the 'on-off effect' that is peculiar to lump sums.

## A.13 Calculation Methodologies

### A.13.1 How were data collected and processed?

The interviewees across Member States used similar methods for calculating SCOs. Calculation methods based on historical data, particularly data available from Managing Authority internal databases, are generally preferred. Interviewees consider historical data as being:

- easier to collect, classify and process;
- more reliable and accurate, since they refer to operations that have already been audited;
- capable of ensuring more consistent calculations, since operations for which historical data are available are mostly consistent with operations to be covered by SCO.

A number of Managing Authorities (such as ES, CZ, BE, FR,) also used historical and statistical data from external sources, in most cases institutional (i.e. Ministries, National Statistical Offices, National Thematic Agencies). The IB for Public Employment Services in Spain used historical and statistical data at national level to support both the calculation of SSUCs for Employment Services and the drafting of an Economic Memorandum attached to National Law on Public Employment Service (PES).

Most Managing Authorities followed the EC Guidance Note, taking into account data covering a 3 year period. Interviewees agreed that, except for very specific cases (e.g. the French Youth Employment Initiative OP), data related to shorter period may lead to average values or rates that are not sufficiently representative as the amounts for specific type of actions or costs may vary significantly from one year to another. On the other hand, longer periods may significantly impact the data collection process, especially for consistency (as the features of the actions may have changed in the period covered).

Market research and benchmark analyses were used more rarely and were usually:

- residual: when no historical data were available (i.e. innovative actions or major changes in the features of 'traditional' actions)
- indirect: with data from market research and/or benchmarking not used to determine the calculation method, but rather to validate it (i.e. counterfactual).

None of the authorities declared using calculations based on a draft budget for grants and repayable assistance below EUR 100 000 of public support, introduced by Article 14(3) of the ESF Regulation.

Finally, for 'internal' historical data (from Managing Authority databases), authorities more experienced in the use of SCO (in particular ESF BE) underlined that historical data makes sense only when based on 'real costs' (i.e. actual costs incurred by the

beneficiaries). This represents a major issue for any Managing Authority that switched to full-scale SCO use in a given programme. No new data on real costs will be generated, and therefore, internally generated historical data will no longer be available. According to the authorities, potential solutions must be based on other available approaches and methods:

- Historical data from external sources (such as those mentioned above) that are based on actual costs (e.g. data on labour costs provided by Ministries or National Statistical offices). If the reliability is not an issue, the Managing Authority should check whether the data are available with a sufficient level of detail and are consistent with the objective and the scope of the SCO system.
- Market research and/or benchmark analyses. The level of detail and consistency of the data should not be an issue, it should be just a matter of designing clear and focused surveys. Particular attention should be paid to the selection of sources (in terms of reliability and credibility) and the quality of data (in terms of representativeness and verifiability).

### **Key messages**

- Calculation methods based on historical data, particularly data from Managing Authority internal databases, are generally preferred.
- Using 'internal' historical data (from Managing Authority databases) makes sense only when based on 'real costs' (i.e. actual costs incurred by beneficiaries). This is a major issue for any Managing Authority that switched to full-scale SCO in a programme, where no new data on real costs will be generated.
- The great majority of Managing Authorities followed the EC Guidance Note by taking into account data covering 3 years.
- Market research and benchmark analyses are used more rarely and usually (1) when no historical data are available (i.e. innovative actions or changes in the features of 'traditional' actions); (2) for validating data from other sources than internal databases.

## **A.14 Implementation of the System**

### **A.14.1 What changes were required and how were they handled?**

For interviewees, the introduction of SCO implied significant changes in the way ESF operations are designed and managed. These changes can be clustered into two groups:

- Administrative and procedural changes: SCO requires specific knowledge on the rules and provisions related to the simplification measure, also taking into account the impact of harmonisation between EU and national rules. Specific technical competence is required to develop the calculation methodologies and to define procedures to implement the SCO system. In order to respond to these challenges, almost all authorities explicitly declared that they set up specific training actions in particular for statistical and cost analysis, ICT, legal and administrative rules and procedures.

- Systemic level changes: a key precondition to reach the full potential of simplification measures is the willingness to take a 'cultural leap' and to invest in the design and implementation of new organisational processes. As underlined above the development of SCO implies a clear definition of actions in standard terms (processes, results, conditions, indicators). For the Managing Authorities, this step requires an investment in competencies that goes beyond 'administrative and procedural aspects' by presupposing not only a proper knowledge of the types and levels of the related costs, but also (more importantly) profound knowledge of its contents and potential objectives/results.

As explicitly expressed by experienced Managing Authorities (e.g. ESF BE) the uptake of SCO implies investment in change of management processes, in terms of:

- developing a 'new mind-set', less focused on costs and procedures and more results-oriented;
- strengthening competencies related to programming and operative planning of actions;
- stronger integration and coordination between all areas within the Managing Authorities;
- new communication and collaboration schemes and solutions for the active involvement of all stakeholders (see chapter 1).

#### **A.14.2 What were the main problems and solutions?**

For all interviewees, SCO represents a true innovation, promoting more efficient and effective management of ESF OPs. On the other hand, like all innovations, implementation required an initial investment and resolution of a number of issues. For the ESF authorities, the main problems and solutions can be clustered as follows:

**Legal uncertainty:** the lack of legal certainty is considered as a key issue for implementing SCO. Problems mentioned during the interviews relate to:

- a. Definition and implementation of SCO systems, in particular for:
  - Data quantity (i.e. number of data/operations/years to be considered) and quality (i.e. reliability of source and consistency) to develop calculation methodologies;
  - Adequacy and compliance of the methodological approach to determine the amounts/rates (i.e. does the calculation methodology ensure the best approximation of real costs incurred by beneficiaries?);
  - Definitions of processes, results and conditions on which SCO implementation is based;
  - Information and documents required by the Managing Authority from beneficiaries to provide evidence of processes and results (payment trigger).
- b. State aid and public procurement rules (i.e. how to ensure compliance with horizontal requirements not directly related to SCO);
- c. Audit trail (i.e. how will SCO be audited and what consequences derive from errors in the calculation methodology and implementation).

For interviewees, the key consequence of legal uncertainty is to make implementation of SCO more complex. The time needed to define the system and develop calculation methodologies becomes longer and unnecessary steps and rules are added in an attempt to make the system secure. Legal uncertainty also complicates cooperation between authorities (i.e. Managing Authority and Audit Authority) and between them and beneficiaries making it more difficult to elaborate SCO that can cover more types of actions and costs. On the other hand, none of the interviewees reported cases where conflicting interpretations led to financial corrections.

### **ESF practices**

#### **Key solutions implemented and suggested by ESF Managing Authorities to address legal uncertainty:**

- Involve Auditors and beneficiaries upfront, to prevent the risk of conflicting interpretations (and consequent discussions) after operations have been implemented;
- Strengthen the dialogue and collaboration with the EC;
- Use off-the-shelf flat rates, already defined by the Regulation;
- Take advantage of the opportunity offered by Article 14(1), securing the system through the adoption of specific Delegated Acts

**National/local rules:** although, according to the interviewees, harmonisation between national laws and EU regulations concerning SCO has significantly improved (compared with the first years following the introduction of the simplification measure) different kinds of issues have been reported:

- a. National Financial Schemes, budgetary rules or even administrative traditions and customs still require evidence of actual payments made by beneficiaries, nullifying or at least significantly reducing the benefits of SCO.
- b. Other national/local administrative schemes and procedures (e.g. on Public Procurement), require additional information (to provide evidence of processes, outcomes and results).
- c. National/regional rules on technical standards of actions to be covered by SCO (e.g. duration and targeted curricula for training or features of the employment services) which are not sufficiently detailed or which are subject to frequent amendment.

### **ESF practices**

Although ESF Managing Authorities are not in a position to address these issues directly and autonomously, they have played an active role in promoting ways to overcome national constraints and harmonise national/local rules. In some cases (e.g. CZ and BE for ESF), the Managing Authority supported amendments of national/local laws that did not allow SCO or that imposed obligations that should only be essential for real cost systems.

**Too high workload required to define the SCO system:** as also emerged from the survey, many Managing Authorities consider defining the SCO system to be too

complicated. This is particularly valid for SSUC or lumps sums to cover types of actions that have not been financed by ESF OPs in the past (or have been financed but under different conditions). This implies that no (or very limited) historical data from Managing Authority internal databases are available and requires information from external sources (additional workload).

### **ESF practices**

#### **Key solutions implemented and suggested by ESF Authorities:**

- The definition of an SCO system is a logical process and must be carefully planned in advance. According to the Spanish National OP Audit Authority a clear definition of objectives, together with proper communication with beneficiaries and other Authorities are key to an efficient and effective definition of the system.
- Use administrative data and objective information from other public sources, not just asking for the data but, possibly, promoting active involvement of the public administrations and institutions providing the data (e.g. in assessing consistency and representativeness of the data in relation to the object of the calculation methodology)
- Use/combine other methodological approaches such as market research, surveys, benchmark analyses.

#### ***Possible difficulties in setting up collaboration and communication schemes between:***

- a. the Authorities (i.e. MAs/AAs/CAs): as described in previous paragraphs, strengthening and improving collaboration between all authorities involved in the definition and implementation of SCO systems is key to the successful uptake of SCO. On the other hand, interviewees say that it is not always easy to introduce this approach, particularly in contexts that have been more focused on a rigid division of roles and responsibilities. These paradigms can have a negative impact on uptake, as they tend to increase the level of uncertainty around the new measures, and in the worst (although rare) cases, they can even generate some skepticism on the effective benefits of SCO.
- b. the authorities and the beneficiaries: although in general terms, beneficiaries express a strong demand for simplification, and therefore welcome the uptake of SCO, in very specific cases, they have shown initial resistance to implementing simplification measures proposed by the Managing Authorities. In particular, this issue was seen when results-based SSUC or lump-sums were introduced for the first time.

Examples of approaches and solutions adopted by ESF MAs to address this type of issues are provided in Section 1.2. Furthermore, all interviewed Authorities point out that the objective of setting up collaboration and communication schemes should be approached not only at National/Local Level but also in a transnational perspective. The transnational dialogue should be significantly improved, particularly among practitioners. Member States should promote and support transnational cooperation initiatives on simplification. A good example of the potential added value of such an initiative is offered by the ESF Thematic Network on Simplification set up by DG EMPL, which has so far involved representatives from 24 Member States.

### A.14.3 How was the system revised and validated?

Compared to SCO systems developed for the 2007-2013 programming period, revisions adopted in the current programming period mainly concerned:

- Extension of the scope of the system, covering more types of actions than in the previous programming period (see chapter A.12.1). While the use SCO in 2007-2013 was focused on specific types of actions (considered more suitable to be standardised) in the current programming period many of the Managing Authorities declared that 'real costs' are a residual option.
- Increased adoption of SSUCs to cover all costs of the operation.
- Introduction of off-the-shelf flat rates.
- Revision of the flat rate for indirect cost in relation to the thresholds introduced by the current regulation.
- Revision and update of the value of SSUC and lump sums already calculated, due to changes in the conditions for implementing actions (e.g. due to changes in technical standards at national level) or simply to adjustments to the prices/costs considered in the calculations.

Regarding the validation of the SCO system, the main reference for ESF Authorities is necessarily the opportunity offered by Art. 14(1) of the ESF Regulation.

The interviewees have in particular stressed how this specific option can be seen as advantageous, due to the possibility of agreeing ex ante with the Commission on a calculation methodology for SCO, which allows them to address the issues of legal uncertainty described in the previous section (see 4.1) and also to set up a (stronger and more direct) collaboration scheme with the Commission while managing the process. Some of the MAs interviewed had already (positively) completed or have almost completed the procedure (e.g. CZ, BE, SK, FR, SE). In their perspective, the specific guidance provided by the EC has not only fostered and supported the elaboration of the required supporting documents, but also brought a direct contribution to define better solutions in terms of scope of the SCO systems (i.e. types of actions and costs covered) as well as approaches and processes related to the development of calculation methodologies.

#### ESF practices

- According to the interviewed authorities, the assessment of the most suitable operations to be covered by Art. 14(1) should be based on a 'mix' of the following conditions: (1) stable and standardized projects (i.e. actions that could be more easily expressed in standard terms, and whose standards are not subject to frequent modifications); (2) proper quantity and quality of data to elaborate the calculation methodology; (3) 'critical mass' of finance for the operations to justify workload; (4) need for legal certainty (i.e. actions for which the need to secure the calculation is higher).
- In terms of specific types of projects that the interviewed Authorities have considered or are considering, with reference to those foreseen within the respective OPs, the following indications have been provided: vocational training, including vocational qualifications/diplomas (all interviewed); employment services, e.g.: career guidance, information and training, job placement (all interviewed); entrepreneurship support services (FR, BE, NL); compulsory schooling or training (CZ, SK, ES); social inclusion projects (CZ, SK); childcare

facilities: establishment/transformation/operation of facilities; qualification of caregivers; rent for facilities (CZ).

### **Key messages**

- Addressing the issues related to the implementation of SCO requires also an effort from the Authorities in terms of: strengthening the dialogue and collaboration schemes between them at national and transnational level as well as with the EC;
- The possibility offered by Art. 14(1) is very advantageous not only under a legal perspective (i.e. to secure the SCO system) but also to enhance the use of SCO under a technical point of view (optimizing both the processes and the outcomes of the methodology)
- Compared to 2007-2013, all authorities envisage to extend the scope of their SCO system both in terms of type of actions and type of costs covered. "Real costs" are seen as a residual option.

## ANNEX 6 – Case studies on SCO in ERDF and ETC

# Case study on the use of SCO

## ERDF-CF and ETC

### A.15 The decision to adopt SCO

#### A.15.1 What led to the application of SCO?

The CPR includes options for calculating eligible expenditure of grants and repayable assistance on the basis of flat rate financing, standard scales of unit costs (SSUC) and lump sums (Article 67).

For ERDF-CF and ETC programmes, the ability to use SCO does not represent an innovation, as following the recommendations of the European of Court Auditors (2007 annual report) ERDF regulation 1080/2006 was amended (see Regulation 397/2009) in 2009, introducing a flat rate for indirect costs, SSUC and lump sums. As illustrated in the table below, compared to Regulation 397/2009 the 2014-2020 regulative framework further defines SCO provisions, in particular it:

- extends the possibility of using flat rates to cover costs other than indirect costs;
- provides off-the-shelf SCO;
- increases the threshold for lump sums;
- allows programmes to use calculation methods other than the ex ante calculation based on a fair, equitable and verifiable method.

**Table 114 Comparison between 2007-2013 and 2014-2020 ERDF-CF and ETC rules on SCO**

	2007-2013	2014-2020
<b>Flat rate financing</b>	Flat rate is used to calculate indirect costs only	Flat rate can be used to calculate any category of costs
<b>Threshold for flat rate with calculation requirements</b>	Flat rate of up to 20% to reimburse indirect costs	Flat rate of up to 25% to reimburse indirect costs (Article 68(1)(a) CPR)
<b>Off-the-shelf SCO</b>		<ul style="list-style-type: none"> <li>• Flat rate of up to 15% of direct staff costs to reimburse indirect costs without calculation requirements (Article 68(1)(b) CPR)</li> <li>• For ETC: flat rate of up to 20% of direct costs, other than staff costs of the operation, to calculate direct staff costs (Article 19 ETC)</li> <li>• Hourly staff costs can be based on the latest documented annual gross employment costs divided per 1 720 hours (Article 68(2) CPR)</li> </ul>

	2007-2013	2014-2020
<b>Threshold for lump sums</b>	Maximum EUR 50 000	Maximum EUR 100 000 of public contribution
<b>Calculation methods</b>	Ex ante calculation based on a fair, equitable and verifiable method	<ul style="list-style-type: none"> <li>• Ex ante calculation based on a fair, equitable and verifiable method</li> <li>• Ability to use SCO applicable in Union policies for a similar type of operation and beneficiary (Article 67(5)(b) CPR);</li> <li>• Ability to use SCO applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary (see Article 67(5)(c) CPR)</li> <li>• Ability to use rates and methods in the regulation (see Article 68(1) CPR; Article 19 ETC)</li> </ul>

The survey highlights that mainstream ERDF-CF programmes and ETC programmes make wide use of SCO (respectively 80 and 92% of respondents say they use optional SCO). For ERDF-CF and ETC respondents the main motivations are lower administrative burden and a reduced risk of errors. These findings are confirmed by interviews with ERDF-CF and ETC stakeholders. SCO reduce:

- administrative burden on beneficiaries;
- risk of errors as a consequence;
- number and complexity controls.

In this sense they are key to attracting new beneficiaries.

Compared to Regulation 397/2009 interviewees say SCO provisions in the CPR encourage programmes to make more use of SCO. In particular, stakeholders underlined the importance of clear provisions on SCO from the beginning of the programming cycle (when regulations are approved) as well as the importance of off-the-shelf SCO which avoid any ex ante calculation based on fair, equitable and verifiable methods.

Interviewees also appreciate the ability to extend the use of flat rates to cover any category of costs as well as the off-the-shelf rates. The latter were considered very helpful for projects/operations where the availability of data is limited (e.g. innovative projects, not in the 2007-2013 OP, where there is no historical data in the internal database).

### **A.15.2 How was the decision taken? Which actors were involved?**

There seem to be two distinct approaches to the opportunity to involve stakeholders and the level of their involvement in the definition and implementation of the SCO system. One has strong involvement of all key stakeholders (Audit Authorities and beneficiaries in particular). The other excluded stakeholders (beneficiaries in particular) from the elaboration of SCO.

Although the EC strongly recommends involving all stakeholders in the process (first approach), in several cases, the Managing Authority interviewed did not involve actors outside the Managing Authority. Based on the interviews, this approach was mainly due to time constraints. The authorities underlined that approval of the programmes took

longer than expected, which reduced the time to consult stakeholders before launching a first call for procedure.

In addition to the time constraint, for ETC the involvement of other stakeholders was limited by the peculiar characteristics of ETC beneficiaries. According to interviewees, these represent an extremely wide spectrum of sectors and types of actors which makes communicating with them more difficult than under ESIF mainstream programmes (where beneficiaries are often represented by specific associations, such as farmers' associations under EAFRD).

Success with the active involvement of external stakeholders in all phases of the definition process depended on a clear and well-defined division of roles, responsibilities and competencies among those involved. The involvement of external stakeholders in the definition of the SCO system is considered as very positive, but the process should be based on clear leadership from programme authorities (i.e. consult the beneficiaries, but decisions are taken by the Managing Authority). For interviewees, this aspect is even more important when the simplification measure is introduced for the first time, as beneficiaries may not immediately understand the advantages.

Interviewees also underline that stakeholders should include not only beneficiaries, but others, such as policy and decision makers, whose role can ensure that the definition of standards are consistent with policy, and also take into account complementarity between different areas of competence.

#### **ERDF-CF practice**

Under the Northern Ireland Investment in Growth and Jobs Programme stakeholder demands for simplification played a role in the decision to adopt SCO.

Specific steering groups were organised including the Managing Authority, intermediate bodies and the Certifying Authority, with the Audit Authority and national court of auditors as observers. Beneficiaries were not directly involved in the implementation of the calculation methodology; however, their point of view was taken into account in the definition of the scope of the SCO system (i.e. selection of the types of projects most suitable for SCO).

#### **ETC practice**

For the Central Europe programme, the definition of the SCO system included strong interaction with key stakeholders. In particular:

- two workshops with first level controllers (FLC), which allowed a common set of rules to be applied and which also offered: (i) the programme the possibility to learn from the ground (FLC) specific issues/problems to be considered when defining the SCO; (ii) the FLC an introduction to a new certification approach.
- beneficiaries were involved in specific training sessions and a YouTube channel with a tutorial for applicants was set up (see Interreg Central Europe YouTube channel).

In terms of 'partnership', all interviewees confirm that specific attention should be paid to the relationship between Managing Authorities and Audit Authorities. The importance of setting up collaborative and dialogic schemes between these Authorities has been confirmed both by the Managing Authorities and the Audit Authorities. In particular, the

involvement of Audit Authorities from the very beginning of the process of defining the SCO system was described as very useful to address upfront 'legal (un)certainty'.

### **Key messages**

- SCO offer key advantages in reducing administrative burden, helping to attract new beneficiaries.
- SCO regulatory provisions and guidelines should be ready at the beginning of the programming cycle.
- Off-the-shelf solutions encourage the use of SCO in the 2014-2020 period.
- Involving external stakeholders in the definition of the SCO system is positive, but the process should be based on clear leadership from programme authorities (clear and well-defined division of roles, responsibilities and competencies among the various actors).
- Setting up collaborative and dialogic schemes between Managing Authority and Audit Authority is very useful to address any issues of 'legal (un)certainty' upfront but also for providing interesting reflections and suggestions on actions, in standard terms.

## **A.16 The main steps in the process**

### **A.16.1 Type of actions and costs covered by the SCO**

The ESIF authorities agree that the definition of the type of actions to be covered by the SCO are key during the initial phase of the entire process.

Interviewees generally agree that ERDF and ETC examples provided under the EC Guidance on simplified cost options are the most suitable type of actions for SCO under ERDF-CF and ETC.

For ERDF-CF, interviewees all agree that research, development and innovation (RDI) projects are among the most suitable for applying SCO. In particular, SCO can cover labour costs and indirect costs. This is mainly because costs related to RDI projects are more suitable for SCO (i.e. higher staff costs – lower procured actions) than costs for investment in infrastructure. Moreover, the weight of RDI projects can be so predominant (e.g. for UK Northern Ireland OPs, RDI projects are about 50% of the budget) they make the initial investment for quantifying costs more worthwhile.

For ETC, interviewees consider the uptake of SCO as advantageous (which is in line with the extremely high level of uptake of SCO by ETC programmes reported in the survey) in particular for covering staff, indirect and preparation costs. Besides the costs linked to the implementation of the projects, also those related to Technical Assistance have been covered by SCO as in the case of Interreg Europe (see box below). Moreover, the ETC authorities are interested in using SCO also for covering travel and accommodation costs.

#### **ERDF-CF practice**

Under the Northern Ireland's Investment in Growth and Jobs Programme, RDI projects represent approximately 50% of the OP budget and labour costs approximately 50% of the total cost of this type of operations. Furthermore, labour costs has the highest error rate and require the most workload for checking (together with indirect costs). Thus, the

use of SCO for this particular type of action and costs allows both a significant coverage and also relevant advantages in terms of reduction of administrative costs and burden and impact of errors.

### ETC practice

Under the Interreg Europe Programme, SCO are used to cover the costs linked to the organisation of programme events (conferences, seminars, workshops etc.) to promote the programme, organised by the National Contact Points and for Member states representatives travelling to Monitoring Committee's meeting

The survey and interviews highlight extensive use of flat rates, with approximately 70% of ERDF-CF and ETC Managing Authorities using SCO as a stand-alone type of SCO or together with other types of SCO. Interviewees underlined that the key factor for the diffusion of flat rates is the possibility to use off-the-shelf rates provided for in the CPR, in particular those in Article 68(1)(b) which can cover indirect costs without any calculation requirements.

The extensive use of flat rates is justified by interviewees through:

- experience from the 2007-2013 period, where flat rates were encouraged as the calculation methodology could be approved by the EC<sup>125</sup>;
- flat rates that are easier to design and implement than SSUC and lump sums: flat rates are designed to cover only part of the cost of the operation (i.e. specific costs) and their definition requires collecting and processing financial data to set the rates;
- the positive impact of off-the-shelf solutions: as said above, interviewees see the extended possibilities of off-the-shelf rates provided for in the 2014-2020 Regulations as an important trigger for the diffusion of flat rates.
- using a specific solution (Article 19 ETC) for ETC programmes to simplify certification of staff costs which typically represent a significant share of the project budget. However, programme authorities also underline that the threshold under Article 19 ETC (20% of direct costs other than staff costs) is often insufficient to cover the project staff costs. To ensure solutions are close to beneficiary needs, programmes often allow beneficiaries to decide whether to opt for Article 19 ETC, or to certify staff costs (see the example from the 2 Seas programme in the box below). Data from the application procedures of Central Europe and Adrion programmes confirm perceptions of the limited attractiveness of Article 19 ETC with more than 90% of project beneficiaries opting for real costs. According to interviewees, the threshold under Article 19 ETC is more relevant for ETC 'hard' investment projects (i.e. small infrastructure) while for 'soft' activities (i.e. exchange of practice; definition of common policy platforms) the threshold should be increased<sup>126</sup>.

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<sup>125</sup> In the new period (2014-2020), for ERDF-CF programmes prior approval by the Commission is only possible in the context of SCO developed within the framework of a Joint Action Plan.

<sup>126</sup> This seems confirmed by the experience of Interreg VA Romania-Bulgaria: [http://ec.europa.eu/regional\\_policy/sources/conferences/etc2016/03\\_ioana\\_glavan\\_simplified\\_costs\\_ro-bg\\_prog.ppt](http://ec.europa.eu/regional_policy/sources/conferences/etc2016/03_ioana_glavan_simplified_costs_ro-bg_prog.ppt)

### ERDF-CF practice

Under the Northern Ireland's Investment in Growth and Jobs Programme a flat rate of 15% of direct staff costs is applied to reimburse indirect costs without calculation requirement.

Under the Italian national programme "PON Reti e infrastrutture", already during the 2007-2013, indirect costs generated by infrastructural projects were covered by applying a flat rate financing.

### ETC practice

Under the 2 Seas programme each partner organisation must decide whether to calculate staff costs on the basis of a flat rate (20% of direct costs – Article 19 ETC) or on real costs. Beneficiaries opting for real costs have five different approaches for defining staff costs.

For the diffusion of SSUC and lump sums, interviewees generally express a strong interest by referring to the potential of these solutions in terms of cost coverage (by definition flat rates allow only a part of the costs of the operations to be covered, but with SSUC and lump sums the entire costs of the operation can be covered by the SCO). However, interviewees also underlined that these types of SCO imply higher investments than flat rates due to the need to exactly define the conditions for processes, results and outcomes of the operation.

The study highlights that a significant number of ETC programmes use lump sums to cover preparation costs.

### ERDF-CF practice

Under the Northern Ireland's Investment in Growth and Jobs Programme SSUC are used to cover labour costs within RDI projects

### ETC practice

Many of the ETC programmes interviewed (Adriatic, Central Europe, InterregEurope, North-West, 2Seas) define a specific lump sum to cover project preparation costs.

Interviewees consider the option of using SCO applicable in Union policies for a similar type of operation and beneficiary (Article 67(5)(b) CPR) as particularly interesting. However, they also underlined that further clarification on the conditions is required (i.e. on 'similar type of operation and beneficiary').

### Key messages

- Extensive use of flat rates is justified by experience from 2007-2013 and because this type of SCO is considered easier than SSUC and lump sums.
- Off-the-shelf solutions, in particular for covering staff and indirect costs would be an important trigger for increasing the use of SCO.
- The use of lump sums and SSUC implies higher ex ante investment (than for flat rate)

but can also offer greater advantages in covering the total costs of operations.

- For ETC, the threshold under Article 19 can cover 'hard investment' projects (e.g. small infrastructure) while it is not attractive for soft projects.

## A.17 Calculation Methodologies

### A.17.1 How were data collected and processed?

ERDF and ETC authorities use similar calculation methods based on historical data, particularly data from Managing Authority internal databases. Most interviewees report that the great majority of calculation methodologies for programme specific SCO proposed for the 2014-2020 period are based on data related to the operation financed under 2007-2013 OPs for two main reasons:

- Data from internal databases are immediately available and easier to assess and process, compared to those from external sources or collected through market surveys.
- If there were no major changes in the object of observation (i.e. objects, contents, conditions and beneficiaries of the actions) from the previous programming period, using historical data from the Managing Authority database is the best way to ensure consistency in the methodological approach (i.e. data are consistent with operations to be covered by SCO).

The ERDF-CF and ETC authorities stated that historical data should be the main reference, except when:

- dealing with innovative actions. For actions not foreseen in the previous programming period, or implemented under different conditions (with different types of costs and/or different cost levels), the use of internal data is of course not feasible or suitable.
- costs covered by the 2014-2020 SCO were already covered by SCO under the previous programming period (2007-2013). An example of this the Northern Ireland Investment in Growth and Jobs Programme. Having switched to flat rate to calculate overheads in 2007-2013 (covered by national funds), historical data on the real cost paid by beneficiaries were no longer available.

When historical data are not available or cannot not be used (i.e. they are not consistent or sufficiently representative to support the calculation methodology) alternative solutions mentioned during the interviews could be:

- external data sources (such as administrative or statistical data or other objective information from other Public Authorities or Registers or even set by National Legislation)
- off-the-shelf opportunities in the Regulation. For Northern Ireland, an off-the-shelf flat rate of 15%, provided by Article 68(1)(b) CPR, overcame the lack of historical data.
- SCO applied in other Union Policies for similar operations and beneficiaries. Examples of this are reported for ETC (i.e. Interreg Europe Programme, see the box below).

#### ERDF-CF practice

Both the Italian national programme "PON Reti e infrastrutture" and the Northern

Ireland's Investment in Growth and Jobs Programme SSUC have used series of historical data coming from their internal databases to calculate, respectively, a flat rate to cover indirect costs and a SSUC to cover labour costs.

### ETC practice

Historical data have been mostly used to calculate the Lumps Sums to cover preparation costs and also indirect cost (e.g. in the case of North West Europe Programme).

Interreg Europe Programme authorities made reference to the Jean Monnet programme for the Programme Events costs and Marie Curie programme for the travel costs of the Member State representatives.

## A.17.2 How was the methodology verified?

All interviewees observe that under the current regulatory framework for ERDF-CF and ETC authorities there can be no formal approval from the EC on the methodology used to calculate SCO (apart from flat rate indirect costs defined in the 2007-2013 period). This is generally perceived as involving substantial risks for the Managing Authority and a reason why interviewees request formally securing the SCO system, i.e. by adopting a provision similar to Article 14(1) of ESF Regulation (approval of the SCO system through the adoption of a Delegated Act).

Besides this, ERDF and ETC authorities say that ensuring the methodology is sound and compliant with the principle and requisites in the Regulation and Guidance Notes involves:

- knowledge and expertise: authorities consider the involvement of officials and external experts with proper knowledge of the main objects and tasks particularly relevant for the development of the methodology (in particular for definition of the action contents; analysis of the type of cost related to implementation of the operation; statistical analyses to determine the amounts or rates).
- careful assessment of the data used in the calculation methodology, especially reliability (if coming from an external source) consistency and representativeness.
- being able to justify and document the methodology steps: observations, assumptions and choices on which the calculation was based (e.g. reasons specific data or objects are included or excluded).
- the Audit Authority, upfront, although no ex ante formal approval can be expected, the involvement of auditors is considered key to success, as it can anticipate most of the issues related to the calculation methodology (and the implementation of SCO in general). When the auditors have been involved (and have confirmed their availability to discuss the methodology) the level of risk is significantly lower than when this option has not been taken.

### Key messages

- Calculation methods based on historical data, particularly data from Managing Authority internal databases, are generally preferred.
- Historical data should be the main reference, except (i) when dealing with innovative actions; (ii) when costs covered by the 2014-2020 SCO were already covered by SCO

under the previous programming period (2007-2013).

- When historical data are not available or cannot be used, alternatives are to use external data sources, off-the-shelf opportunities from the Regulation, or SCO applied in other Union Policies for similar types of operation and beneficiaries.
- The lack of formal approval from the EC on the methodology used to calculate SCO is generally seen to involve substantial risks for the Managing Authority, which is why interviewees request formally securing the SCO system.

## **A.18 Implementation of the System**

### **A.18.1 What changes were required and how were they handled?**

None of the interviewees reported the need to implement major changes in their organisational structure. Some changes concerned the revision and update of processes and documents related to the implementation and control of actions covered by SCO. These were considered as particularly important to achieve real simplification. Monitoring and reporting systems, procedures and tools were revised consistently with the principles and functioning of the SCO system.

Another driver for change with the introduction of SCO is the need to set up new and stronger communication schemes with all actors involved in implementation. Similar to authorities of other ESI Funds, ERDF and ETC Managing Authorities stressed the importance of strengthening the guidance and support provided to beneficiaries as well as encouraging them to 'take a cultural leap' or 'change mind-set', and shift the focus from administrative and financial aspects to the contents and results of actions. This has been particularly stressed by ETC authorities, also for particular transnational challenges related to the respective CPs.

### **A.18.2 What were the main problems and what solutions were found?**

ERDF and ETC authorities agree the main problems for the design and implementation of SCO are:

**Lack of legal certainty:** as said above, stakeholders expressed major concerns over the impossibility of receiving formal approval on the calculation methodology and the conditions and procedures for implementing and verifying operations. The primary issue is the lack of certainty on how operations covered by SCO will be audited and the concrete consequences if an error is detected in the calculation during implementation.

Specific concerns were then expressed on harmonisation between SCO provisions and other regulations at EU Level, especially public procurement and State aid.

Although none of the interviewees reported actual consequences for financial corrections directly related to conflicting interpretation of SCO, legal uncertainty was considered negative in terms of:

- Gold Plating: whenever rules and conditions are not completely clear, authorities tend to 'play safe'. This could lead to rules and procedures that are not necessary and limit (or even nullify) the positive effects of the simplification measure.

- Missed opportunities: the great majority of interviewees declare they planned to make wider use of SCO (and that they have started work on hypotheses to cover further actions and types of costs). But, in particular for SSUC and Lump Sums, the lack of legal certainty is discouraging or hindering uptake.

The upfront involvement of Audit Authorities and the EC are considered key to tackling legal uncertainty and allowing a wider and better use of SCO.

### ***Specific issues related to different types of SCO.***

Major concerns for flat rates relate to:

- Fixed or maximum rates established in the regulation which may not represent a realistic approximation of the real costs incurred by beneficiaries. Examples of this are provided, particularly by ETC authorities, concerning the rate provided by Article 19 of ETC Regulation (see chapter 2.2)
- difficulties in classifying different types of costs/cost items, in particular when defining whether a cost is direct or indirect.

Key solutions mentioned during the interviews are:

- more (and more tailored) off-the-shelf flat rates, covering more types of costs and also achieving a more realistic approximation of the real costs paid. Both ERDF-CF and ETC authorities would like additional options, as for other funds (especially Article 14(2) of ESF Regulation)
- more precise references for how costs should be classified.

The main issue for **SSUC and lump sums** mentioned during the interviews is the high workload required to develop the calculation methodology, particularly without clear and precise references for the quantity and quality of data required or examples of how the calculation should be developed. Lump sums are perceived as too risky by beneficiaries due to a binary approach<sup>127</sup> which is used in the calculation of costs. Interviewees consider that the effects of these issues have been amplified by the lack of previous experience in the use of SSUC and lump sums (as they are now being used for the first time) both for authorities and beneficiaries.

Experience with proper communication and information for stakeholders were mentioned as key to reducing the time and effort required to set up the system, encouraging a wider use of SSUC and lump sums. In particular, ETC authorities underlined that key to the extensive use of lump sums (and SCO in general) under ETC is the existing network exchange of practices, both formally (Interact) and informally (e.g. using basecamp to exchange information and practice) established at EU level.

To overcome problems limiting the use of SSUC and lumps sums, interviewees expect the EC to:

- encourage and support the exchange of knowledge and practice on the use of SCO between ERDF-CF and ETC authorities.

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<sup>127</sup> Guidance Note on SCO - Paragraphs 6.4.3.1 and 6.4.3.2: 'the main difference between lump sums and the standard scales of unit cost system is that the calculation of costs is not proportional to quantities. In the case of standard scales of unit costs, when quantities decrease, the costs decrease proportionally. In the case of lump sums, this 'proportional link' between quantities and payments does not apply. The calculation of the costs will be based on a 'binary' approach', which implies that 'the document setting out the conditions for support to the beneficiary should be drafted very carefully in order to define the basis on which costs will be calculated and how they will be reduced if the objectives are not reached. This issue of reduction of the costs is crucial in the case of lump sums because of the potential problems that could be created by a binary approach where there are no other choices than paying 0 % or 100 % of the grant'

- formally establish new networks of practitioners,
- define EU-Level SCO, jointly designed by the EC and ERDF-CF and ETC authorities.

### **Key messages**

- Interviewees expressed major concerns about the lack of formal approval on calculation methodology and on the conditions and procedures for implementing and verifying operations.
- Specific concerns were expressed about harmonisation between SCO provisions and public procurement and State aid rules.
- The upfront involvement of the Audit Authority and the EC are considered as key to tackle legal uncertainty and encourage wider and better use of SCO.
- Key factors to enhance the use of flat rates by ERDF-CF and ETC authorities are:
  - more and more tailored off-the-shelf flat rates.
  - more precise references of how the classification of costs should be implemented.
- To overcome problems limiting the use of SSUC and lumps sums, interviewees expect the EC to:
  - encourage and support the exchange of knowledge and practice on the use of SCO between ERDF-CF and ETC authorities.
  - define EU-Level SCO, jointly designed by the EC and ERDF-CF and ETC authorities.

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