European Commission

Simplifying
Cohesion Policy for 2014-2020

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Cohesion Policy

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The European Commission presented its proposals for cohesion policy 2014-2020 in October 2011. The proposals are currently the subject of negotiation with the Council of the European Union and the European Parliament with the aim of agreement well in time to facilitate a smooth launch of the new programmes. The Commission adopted on 8 February a Communication dedicated to simplification listing the main elements of simplification per policy area and intends to monitor progress in the delivery of the final acts. The Commission would like to draw stakeholders' attention to the key aspects of simplification included in the regulatory proposals. Some of these build upon earlier changes introduced in the 2007-2013 period, while others are newly proposed for the next period. As the delivery of the policy relies on numerous authorities, organisations, enterprises, etc. all over the European Union, awareness of the new possibilities is necessary to make sure all can benefit from reduced bureaucracy.

A thorough and technical description of all simplification proposals included in the regulations has been given to the EU Member State authorities and will be discussed in detail during the negotiations. In view of preparations for the next period, this brochure explains to the beneficiaries and managing authorities the main practical improvements proposed in terms of simplification.

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What is simplification?

Simplification has been one of the most popular demands for the new cohesion policy. The Commission is keen to meet this expectation. It has, however, become clear that due to the variety of experiences and differences in national administrative set-up, what in some Member States may be considered simplification, can be viewed as complicating things in another. This poses a challenge to try to find enough common ground and combine it with flexibility to simplify the management of cohesion policy.

The Commission sees the value of simplification in several aspects. It is needed to ensure the **smooth delivery** of the policy and continued interest of beneficiaries. It can have a positive **impact on the results** of the policy by ensuring an efficient distribution of administrative efforts required at national, regional and EU levels, cutting the time and costs of reaching the objectives and allowing to focus on results. By putting in place simpler rules, which are more easily understood by the actors involved, thus reinforcing **legal certainty**, simplification can also help to **reduce errors** and **increase the assurance** given by the national delivery systems.

As outlined below, simplification presents itself in many forms, some of them explicit and direct, while others are optional or may need transposition in the national rules. The Commission proposes to achieve simplification through different methods, such as harmonisation of rules for several funds, increased flexibility, increased proportionality, clarification of rules to improve legal certainty, and digitalisation of documents and processes.

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How can simplification be achieved?

The full impact of simplification will not be achieved by relying only on the Commission's proposals. The Member States and all involved authorities have a key role to play in ensuring simplification is achieved for the beneficiaries. Member States are encouraged to take full advantage of all the options and flexibility offered in the new framework and make the best choice for their particular circumstances. The Commission offers its support for Member States and regions in their efforts to adopt good practices and avoid adding further national or regional legislation where it is not needed. The full effects of simplification may also depend on the administrative set-up at national and regional levels, and therefore be greater in some Member States than in others.

A reduction of administrative burden for beneficiaries is the main aim behind the Commission's proposals. Some elements of simplification reduce administrative effort at all levels and some are targeted at national and regional administrations. In some cases investment by the public administration in new information systems, procedures and training is necessary to ensure simplification for beneficiaries.

Experience has also shown that mistakes are sometimes made because rules from previous programming periods are changed, but managing authorities or beneficiaries continue applying the old rules in the new programming period. For this reason many stakeholders have cautioned against a radical overhaul of the rules. This should be taken into account and all possible measures taken in order to ensure a smooth transition from one period to the next. The Commission's proposals take account of this by proposing only changes that can deliver simplification in practice.

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What are the Commission's proposals?

1 • Harmonisation of rules with other Common Strategic Framework (CSF) Funds [1]

The regulation lays down common rules for cohesion policy, the rural development policy and the maritime and fisheries policy in terms of strategic planning, eligibility and durability. In addition, the number of strategic documents will be reduced by having only one EU and one national strategic document for the five CSF Funds.

Example • Harmonisation of rules on eligibility and durability

In 2007-2013 there are instances where different eligibility rules are applied to the CSF Funds for similar types of projects. This means that beneficiaries who apply for and receive financing from different sources need to familiarise themselves with multiple sets of rules, which takes time and effort. In circumstances where many parallel rules exist, it is also easier to make mistakes with financial consequences for the beneficiaries. The proposal for 2014-2020 sets common eligibility rules for the CSF Funds to reduce this complexity. These rules at EU level should be complemented by national rules, which adhere to the same principle.

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European Regional Development Fund (ERDF), Cohesion Fund (CF), European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD), and European Maritime and Fisheries Fund (EMFF).

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2 • More flexibility in the set-up of programmes and systems

To allow for flexibility in the set-up of national and regional arrangements, implementation of CSF Funds should take place at the appropriate territorial level in accordance with the administrative framework of the Member State. A number of new options are introduced to cater for more flexibility: Member States and regions can plan ERDF, ESF and the CF jointly or in separate operational programmes, adjust the financial allocation by up to 2 % between categories of regions, combine financing for one project from several EU funded instruments, finance horizontal technical assistance activities from one Fund and merge the functions of the managing and certifying authorities. They are also free to set up joint monitoring committees and annual review meetings for programmes financed from the CSF Funds. Eligibility of equipment from ESF will also facilitate integrated planning at the project level.

Example • Flexible programming of the Funds

The 2007-2013 rules provide for separate programmes for ESF and ERDF, which can in some regions complicate coherent planning of investments even if for others it is easier. In 2014-2020, Member States will have the choice to prepare and implement either mono-fund or multi-fund programmes combining the ERDF, the ESF and the CF according to their national practices. The establishment of joint monitoring committees and joint monitoring and reporting systems can lead to cost savings for national authorities. Joint planning will facilitate an integrated approach to the delivery of cohesion policy. Integrated programming is also facilitated by the possibility to use various tools such as Integrated Territorial Investments, Community Led Local Development or, the possibility for a project to be supported by several Funds.

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3 • Increased proportionality

All arrangements for the implementation and use of the CSF Funds in relation to the reporting, evaluation, management and control should be proportionate in financial and administrative terms to the level of support allocated. The Commission and the Member State may agree not to hold an annual review meeting. Since programmes take time to launch, the first implementation report and clearance of accounts documents will have to be sent only in 2016.

Applying risk-based methods of sampling for controls by the managing authority will allow for a more efficient use of resources. The Commission audit work will also be focussed on the more risk-prone areas. In the case of well performing audit authorities, the Commission will limit its audits where national delivery systems work well. The proposal also limits the intensity of project audits; for example, projects below EUR 100 000 can only be audited once prior to closure and others once a year.

Example • Operations below EUR 100 000 can only be audited once

In 2007-2013, a project of any size can undergo audits by the audit authority, the Commission auditors or the Court of Auditors at any point in its duration (and for up to 10 years after its end). Repeated audits can place a significant administrative burden on beneficiaries.

The changes for 2014-2020 bring a reduction in audits by the audit authority and the Commission. Operations for which the total eligible expenditure does not exceed EUR 100 000 shall normally not be subject to more than one audit by the audit authority and the Commission combined for its duration (unless there is evidence of a specific risk). This will eliminate the possibility of beneficiaries of smaller projects facing multiple audits and diverting them from the project's main activities.

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4 • Legal certainty through clearer rules

Clear and straightforward rules can be a great source of simplification. Based on lessons learnt, several of the 2007-2013 rules have been readjusted with the goal of clarity. More varied types of financial instruments can be made available in the next period, while more standardised rules will be provided to reduce the necessity of making national rules. The conditions under which it is possible to finance projects outside the programme area are clarified. An optional flat rate approach has been added to the rules on revenue generation.

Example • Revenue-generating projects

The 2007-2013 system concerning revenue-generating projects exempts ESF and smaller ERDF and CF (less than EUR 1 million) projects. For the rest, however, the system is rather complex, starting from the requirement of providing a calculation and a forecast of possible revenues, followed by reporting by the beneficiary for five years after the end of the project, accompanied by controls from the managing authority.

The 2014-2020 proposal sets out a more proportionate approach to the treatment of revenue-generating projects and simplifies their management. It provides for flat rates to determine the costs that can be supported by the Funds linked to the type of project. Member States can decide whether they wish to apply the flat rate or, alternatively, they can still opt for the earlier method of funding gap analysis where they consider that the flat rate is not appropriate.

The exemption remains in place for all ESF projects and those ERDF, CF, EAFRD and EMFF ones under EUR 1 million to limit burdens associated with these obligations.

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5 • More efficient delivery and lighter reporting

In several cases simplification will also bring about a direct reduction in administrative costs. Focussing on core common indicators will facilitate aggregation of data and reporting on achievements at EU level. Lighter and more automated annual reporting will decrease the burden of producing the annual report, and the control of additionality will be based on data submitted for the economic surveillance of the Stability and Growth Pact. The intention of the Commission is to ensure proportionate reporting by the managing authorities, limiting it to essential elements.

Example • Lighter and automated annual reporting

In 2014-2020 the regular annual reports are significantly lighter than in 2007-2013, providing the Commission with only the essential data on progress made. The first annual report would be submitted only in 2016. The report would consist in large part of automatically available data from the information system and less on elaborate text. Only twice during the programming period (and for the final implementation report), would the managing authorities be requested to submit more comprehensive reports.

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6 • Reducing the administrative burden for beneficiaries

Beneficiaries' administrative burden will be reduced by wider possibilities for the use of simplified costs while maintaining the simplified costs options already introduced in 2007-2013. The introduction of rolling closure will shorten the period for document retention from the current maximum of over 10 years to around five. An integrated approach to community-led local development will also allow the use of lighter procedures.

Example • Wider possibilities for simplified costs

Introduced in 2007-2013, simplified cost reimbursement options provide possibilities to reduce the burden associated with financial management, control and audit, both for the beneficiaries and the national and regional authorities. It also allows for an increase in the performance orientation of cohesion policy, as the payment of lump sums and unit costs in particular may be conditional on the delivery of agreed outputs or results.

In 2014-2020, the Commission proposes to maintain and extend the present arrangements in applying the simplified costs methods in order to decrease the administrative burden :

- The simplified costs can be applied to the five CSF Funds;
- Current methods to establish simplified costs are maintained;
- Some of the flat rates, unit costs and lump sums are established at EU level;
- The maximum grant for lump sums will be increased to EUR 100 000;
- The use of flat rates will be allowed for a variety of costs; and
- Simplified costs options from existing EU and national funding instruments for similar types of projects can be used.

The Member States can choose the option best adapted to a specific programme or a specific part of the programme among the sets of different methods, taking into account the costs and benefits of each option.

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7 • A move towards results-based management: the Joint Action Plan

A Joint Action Plan (JAP) is a part of one or several priority axes or operational programmes implemented by a results-based approach, in order to achieve specific objectives agreed jointly between the Member State and the Commission. The JAP is a tool to move the focus of management more to outputs and results. The areas where it can be applied are not defined, but it can cover technical assistance as well as sustainable integration of young people into employment. The criterion to use a JAP will mean the possibility to define reliable output and result targets.

The financial management of the JAP is exclusively based on outputs and results, reimbursed via standard scales of unit costs or lump sums applicable to all types of projects. The audits by the Commission and the audit authorities of a JAP will therefore exclusively aim at verifying that the conditions for reimbursement have been fulfilled, e.g. the achievement of agreed outputs and results. When a JAP is used, the Member State may apply its usual financial rules to reimburse the projects. These rules shall not be subject to audit by the audit authority or the Commission. In order to provide legal certainty, the JAP is approved by the Commission.

Example • A Joint Action Plan on inclusion of young people in employment

The target result of this JAP is the sustainable integration of 10 000 young unemployed into enterprises.

The JAP will last for three years and support several types of coordinated actions that will generate outputs and results. The JAP will cover the following types of actions:

- Selection of 15 000 young unemployed people and definition of progression pathways towards their employment. The JAP would be reimbursed at a rate of EUR 200/person.
- Basic skills training for 10 000 people, reimbursed to the JAP: EUR 2 000/person.
- Vocational training for 13 500 people, reimbursed to the JAP: EUR 2 500/person + EUR 500/person receiving a qualification.
- A project to support a network between employers, training institutes and employment, services, reimbursed to the JAP as a lump sum of EUR 200 000/year if the network is active.
- Mentoring in employment, reimbursed on the basis of the number of young unemployed persons that are in employment for more than six months, reimbursed to the JAP: EUR 550/person with an objective of 10 000 people.

The maximum budget for the JAP would be EUR 54.6 million, paid according to the outputs and results reached. Financial management is exclusively based on the outputs and results justified through the different lump sums and standard scales of unit costs and the number of persons participating in the different actions. These financial elements are approved by the Commission.

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8 • e-Cohesion

e-Cohesion constitutes an area of great potential for the reduction of administrative burden. It allows beneficiaries to submit to programme authorities and to store all information electronically, and to make use of existing data in the public registries. This reduces problems in data retention, mistakes in data insertion, and the burden of submitting the documents more than once.

Example • Submitting and keeping of documents

In the course of implementing the assistance, the beneficiaries often have to present numerous documents. Many of these documents are available in other public bodies' registries, but the current arrangements do not systematically allow for an exchange of data between public authorities.

The 2014-2020 proposal from the Commission foresees a maximum utilisation of existing databases, as well as the development of interfaces and other tools to allow the beneficiaries to submit data only once and to keep all documents in electronic form.

If applied, these changes would reduce mistakes in data insertion and reduce the administrative burden for beneficiaries in terms of obtaining and resubmitting existing documents. It will also decrease risks of document loss and in the long run will reduce archiving costs.

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9 • Simplification of European Territorial Co-operation

A separate regulation that allows for more tailor-made provisions and provides authorities implementing European Territorial Cooperation (ETC) with a clear overview of applicable rules has been proposed. The main developments include the possibility to cover 15 % of staff costs with a flat rate payment, more harmonised eligibility rules, and the fusion of the functions of the managing authority and certifying authority.

Example • Staff costs

The Commission's proposal for the ETC regulation states that staff costs of an operation may be calculated as a flat rate of up to 15 % of the direct costs.

The ETC programmes are complex in the sense that they usually involve staff from more than one country. The new proposal can be useful to simplify the implementation of the ETC programmes and projects (especially regarding the human resources for project management) and should decrease the administrative burden. In practice this would mean that indirect costs will no longer have to be justified on the basis of individual invoices and time sheets.

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10 • Simplification of the European Social Fund

Specific possibilities for simplification are proposed for the European Social Fund due to its nature (numerous small grants, core expenditure consisting of staff costs, relatively standard types of projects). The main development includes additional possibilities for simplified costs.

Example • Staff costs and lighter procedure for small grants

Most of the expenditure supported within an ESF project relate to staff costs, which are at the heart of the ESF. As a consequence the Commission proposed the possibility for the ESF to calculate the total eligible costs of the project on the basis of direct staff costs, by adding 40 % to the amount of these costs. This rate is established by the regulation, and therefore does not have to be justified for use by the national authorities.

Some lighter procedures for small grants are also introduced to facilitate the use of simplified cost options established on a transparent basis: For grants below EUR 100 000 a draft budget can be derived from the specific simplified cost options related to the project. This budget will be archived by the managing authority as a supporting document to justify the simplified cost option. However, payments to the project will be based only on simplified cost options, not on the budget itself.

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Simplification is a joint responsibility

Although the Commission can simplify certain procedures, only the Member States can streamline those procedures imposed on beneficiaries. This has led to complaints from some quarters that the Structural Funds are not worth the effort. In some cases the proposals for EU regulations introduce possibilities, rather than obligations, for simplification that need to be applied and implemented at national and regional levels for the benefits of simplification to reach the beneficiaries. In some Member States and regions changes can take a long time. Assessments carried out have shown that in certain areas there is a risk of putting in place additional national requirements on top of EU requirements. This limits the effect of simplifications on the burden placed on beneficiaries proposed at EU level. It will therefore be up to both Member States and authorities in charge of the programmes to take measures to avoid the introduction of unnecessary additional requirements and checks. This can be achieved, for example, through performing regular self-assessment to ensure that additional procedures or practices have not been introduced.

The streamlining of cohesion policy is the joint responsibility of all cohesion policy stakeholders. The work undertaken to date and the proposals in the legislative package are only the first step. The Commission will work with the Member States and the European Parliament to put a clear and stable legislative framework in place. Member States, managing, certifying and audit authorities will need to take steps to ensure that the national and regional frameworks do not add unnecessary details. During the 2014-2020 period all cohesion policy stakeholders will have to guard against the introduction of additional unnecessary checks or procedures.

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How will we know we have succeeded?

The Commission has assessed its proposals and the results suggest potential for considerable reduction of administrative burden for beneficiaries, which is mostly associated with a strong shift from paper-based management towards e-Governance. Simpler and more harmonised eligibility rules, as well as shorter deadlines for the retention of documents, can also have a notable effect on the overall burden of beneficiaries.

The legislative changes at EU level need to be complemented by efforts at national and regional levels to curtail complexity for beneficiaries. It is therefore proposed that each Member State commits to clear targets in this respect. With a combined effort at EU, national and regional levels it will be possible to reduce by 25 % the overall burden of beneficiaries at EU level compared to the 2007-2013 period. The Commission's proposal foresees actions to be outlined in the programmes to achieve a reduction in the administrative burden for beneficiaries.

Several methodological approaches exist for measuring the reduction of administrative burden. Forward-looking assessments are mostly based on historical data and expert opinion, and serve to establish the probable direction of the impact and its likely magnitude. Nevertheless, this leaves considerable margin for estimation. An assessment of actual impact on the ground after the implementation of changes is therefore needed to inform the preparations for the next programming period.

The assessment carried out by the Commission shows that there is significant potential for simplification and reduction of administrative costs at national and regional levels. However the proposal also foresees new elements and establishes new obligations for Member States in order to enhance the performance orientation of cohesion policy and to increase assurance. Therefore, in the case of national and regional administrations, the proposals are likely to lead to a shift of administrative efforts to attain better results and a greater impact of the policy on the ground. The Commission's focus is on flexibility to set up programmes and management structures to allow management in the specific national or regional contexts, as well as on more proportionate arrangements, which balance the costs and benefits associated with different tasks.

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What can I do?

The potential of these simplification proposals to ease the administrative burden on beneficiaries has been estimated to be substantial. The catch, however, is that all parties involved need to contribute in order to reach the full potential of simplification.

Stakeholders, through the partnership, can play their part in ensuring adequate attention is paid to simplification in the design and implementation of operational programmes.

Managing authorities, certifying authorities or audit authorities can participate in ensuring that the national legislation and rules in place take full advantage of the simplification elements and take action to prevent overcomplicating the rules at the national/regional level.

National authorities can undertake a thorough analysis and take action at the national level to unleash the potential of simplification in light of the new and improved possibilities presented in the Commission's proposals for the cohesion policy regulations for 2014-2020. In addition to introducing the new methods to the system, activities such as promoting good practices, learning from other Member States, and training staff will have a positive impact on simplification.

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The Commission's tips on how to keep it simple

1 **Focus** – A clear strategy and focus on well defined areas will ensure that support schemes can be developed in due time. A clearer focus may also mean that fewer support schemes are designed and fewer authorities are involved, which may enable costs to be cut.

2 **Exploit synergies** – Integrated programmes and projects, a common legal framework at national or regional level, joint monitoring committees, common management and control systems: all these possibilities facilitate a tailor-made approach in terms of systems.

3 **Go digital** – The implementation of cohesion policy entails handling vast amounts of information needed for management but also for reporting. While Member States have made progress towards electronic information exchange within administrations, communication with beneficiaries is still mainly paper based. Apart from imposing a burden on beneficiaries, this also entails the transcription of vast amounts of data by the administration and thus additional costs that could be avoided. For this reason the Commission proposals set out an obligation for Member States to provide for possibilities for electronic data exchange with beneficiaries by the end of 2014. Further efficiency gains can be achieved by going beyond regulatory requirements, i.e. through the development of common e-Services for the beneficiaries of CSF Funds (and national funds) and the efficient use of public registers (business registers, tax databases, etc).

4 **Use financial instruments** – Once set up, financial instruments allow for greater leverage, effectiveness and efficiency in the use of Funds, especially with the appropriate involvement of the private sector. Complexity can be further reduced by using financial instruments set up at EU level, or using standard conditions set out by the Commission.

5 **Apply simplified costs** – In some areas, reimbursement based on real costs remains the best and the simplest approach available. However, in many other cases, simplified costs provide a more efficient alternative. The flat rates and unit costs established at EU level may facilitate the cost-effective use of these options, as the development methodologies at national level are not required. The possibility to use simplified costs applied to EU policies and national support schemes, and to use draft budgets (in the case of ESF), also limits the initial investment of effort required from Member States.

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6 **Try Joint Action Plans** – Joint Action Plans represent a leap towards results-based management, built on an extension of simplified costs principles to all types of operations. Opting to implement at least pilot operations in the form of Joint Action Plans may therefore be helpful in the long term.

7 **Assess the risks involved and adapt** – The Commission proposal envisages a system where administrative effort is linked to the risks involved. This applies in particular to management controls and audit, which shall both be adjusted to risks. While in the case of audit, adjustments shall be based on common rules at EU level and agreements with the Commission, the frequency and coverage of management controls shall be determined by each managing authority.