

FINAL REPORT

Measurement data and analysis

as specified in the specific contracts 5&6 on Modules 3&4

under the Framework Contract n° ENTR/06/61

Report on the Cohesion Policy Priority Area

EU PROJECT ON BASELINE MEASUREMENT AND
REDUCTION OF ADMINISTRATIVE COSTS

5th March 2009

Table of Contents

LIST OF FIGURES	4
LIST OF TABLES	5
EXECUTIVE SUMMARY	7
1. INTRODUCTION	12
2. COHESION POLICY PRIORITY AREA FRAMEWORK	15
2.1 FOCUS OF THE PRIORITY AREA	15
2.2 MEASUREMENT APPROACH	16
2.2.1 General Methodological Concepts	16
2.2.2 Measurement Approach chosen for Cohesion Policy	20
2.3 HIGH-LEVEL FINDINGS OF THE EU AND NATIONAL MAPPING IN COHESION POLICY PRIORITY AREA	23
2.3.1 Main Results of the EU Mapping	23
2.3.2 Main results of the national mapping	23
2.4 HIGH-LEVEL FINDINGS OF THE MEASUREMENT IN THE COHESION POLICY PRIORITY AREA	26
2.4.1 Administrative Costs and Administrative Burdens per EU legislation	27
2.4.2 Administrative Costs stemming from EU IOs of International Origin	27
2.4.3 Administrative Costs and Administrative Burdens per Member State	28
2.4.3.1 Different methodological approaches	28
2.4.3.2 Measurement Countries	33
2.4.3.3 Baseline Countries	36
2.4.3.4 Extrapolation countries	38
2.4.4 Overview of IOs	41
3. LEGAL ACTS AND THE IOs	43
3.1 COUNCIL REGULATION (EC) No 1260/1999	44
3.1.1 Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report, Council Regulation (EC) No 1260/1999	47
3.1.1.1 Characteristics of the IO	47
3.1.1.2 Process for complying with IO	47
3.1.1.3 Costs and explanatory variables	48
3.1.1.3.1 Costs and explanatory variables – Businesses	52
3.1.1.3.1.1 Costs and Explanatory Variables - Public & semi-public authorities	53

3.1.1.3.2	Costs and Explanatory Variables - Non-profit organisations.....	54
3.1.1.4	First Simplification Suggestions.....	54
3.1.2	Financial Control on Final Beneficiaries by the Member States and by the European Commission, Council Regulation (EC) No 1260/1999.....	55
3.1.2.1	Characteristics of the IO.....	55
3.1.2.2	Process for complying with IO.....	56
3.1.2.3	Costs and explanatory variables.....	57
3.1.2.3.1	Costs and explanatory variables – Businesses.....	62
3.1.2.3.2	Costs and Explanatory Variables – Public & Semi-public authorities.....	64
3.1.2.3.3	Costs and Explanatory Variables – Non-profit Organisations.....	65
3.1.2.4	First simplification suggestions.....	66
3.1.3	Intermediate and Final Payment Requests, Council Regulation (EC) No 1260/1999.....	67
3.1.3.1	Characteristics of the IO.....	67
3.1.3.2	Process for complying with IO.....	68
3.1.3.3	Costs and Explanatory Variables.....	69
3.1.4	Information and Publicity, Council Regulation (EC) No 1260/1999.....	71
3.1.4.1	Characteristics of the IO.....	71
3.1.4.2	Costs and Explanatory Variables.....	72
4.	CONCLUSION AND OUTLOOK.....	73
5.	ANNEX.....	76
5.1	METHODOLOGICAL CHALLENGES IN THE COHESION POLICY PRIORITY AREA.....	76
5.2	COLLECTION AND EXTRAPOLATION OF POPULATION DATA.....	77

List of Figures

Figure 1: Project structure and timelines	13
Figure 2: Number of National IOs and National Obligations going beyond EU Requirements per Member State	26
Figure 3: Total Administrative Costs of the Cohesion Policy Priority Area per Member State	29
Figure 4: Model for Structural Funds Implementation	45
Figure 5: Business Process for Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report	48
Figure 6: Business Process for Financial Control on Final Beneficiaries	56
Figure 7: Business Process for Payment request	68

List of Tables

Table 1: Total Administrative Cost of EU Requirements and National obligations going beyond EU Requirements of Regulation (EC) No 1260/1999.....	9
Table 2: Prioritised EU Requirements within the Cohesion Policy Priority Area.....	20
Table 3: Overview of the retrieved and extrapolated data in the Baseline Countries.....	22
Table 4: Overview of National IOs and national obligations going beyond EU Requirements	24
Table 5: Administrative Cost and Administrative Burden divided by EU Requirements and Possibilities not stated in the EU Acts.....	27
Table 6: Total Administrative Cost and Burden per Member State	30
Table 7: Average annual allocations from 2003-2006 (€m)	32
Table 8: Administrative Cost for the 6 Measurement Countries.....	34
Table 9: Administrative Cost for the Baseline Countries	37
Table 10: BLC Data change in the IO Final Payment Request	38
Table 11: Administrative Cost for the Extrapolation Countries.....	39
Table 12: Total Administrative Cost of EU Requirements and Possibilities not stated in the EU Legal Act	43
Table 13: Costs and Explanatory Variables: Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report – All segments....	49
Table 14: Costs and Explanatory Variables: Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report – Businesses	52
Table 15: Costs and Explanatory Variables: Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report – Public & semi-public authorities	53
Table 16: Costs and Explanatory Variables on Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report – Non-profit organisations	54
Table 17: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the Member States	57
Table 18: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the European Commission.....	59

Table 19: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the Member States – Businesses	62
Table 20: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the European Commission – Businesses	63
Table 21: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the Member States – Public & Semi-public Authorities	64
Table 22: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the European Commission – Public & Semi-public Authorities	64
Table 23: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the European Commission – Non-profit Organisations	65
Table 24: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the European Commission – Non-profit Organisations	66
Table 25: Costs and Explanatory Variables: Intermediate Payment Request	69
Table 26: Costs and Explanatory Variables: Final Payment Request.....	70
Table 27: Costs and Explanatory Variables: Information and Publicity.....	72

Executive Summary

The European Commission has embarked on an ambitious 'Better Regulation' exercise aimed at a reduction of the Administrative Burden for European business by 25% by 2012. A key part of its Action Programme consists of measuring the Administrative Cost for business of meeting obligations to provide information under selected items of the EU legislation and the relevant national implementing legislation. A Consortium consisting of Capgemini, Deloitte and Ramboll Management was engaged by the European Commission to carry out the measurement.

The Standard Cost Model (SCM) that was used for this measurement is a method for determining the Administrative Costs for business imposed by regulation. The SCM method is a way of breaking down regulation into a range of manageable components that can be measured. The SCM neither addresses nor questions the policy objectives of each piece of regulation. As such, the measurement and analysis focus only on the administrative activities that must be undertaken in order to comply with regulation, not on the benefits that accrue from the legislation.

This document is the Final Report on the measurement of the Cohesion Policy Priority Area (PA). Its results are based on measurements conducted in 6 Member States namely Belgium, Greece, Hungary, Ireland, Lithuania and Sweden, together with existing data from Member States – the Netherlands and the United Kingdom – that have previously conducted baseline measurements. This report presents:

- the results of the measurement
- cost data for all 27 Member States as input for the prioritisation and analysis of future simplification work
- analysis of the measurement data

- First suggestions collected during interviews and workshops on how to reduce the Administrative Burden for business arising from the Information Obligations identified¹.

The legislation in scope for this Priority Area is Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds.

The Regulation No 1260/1999 defines the Structural Funds' missions, priorities and organisation. Our analysis focuses on the Administrative Costs for all Final Beneficiaries of Structural Funds i.e. civil society, the public and private sectors. This is an exception in the overall EU project, as the other Priority Areas focus exclusively on the Administrative Costs for businesses.

Main findings in the Cohesion Policy Priority Area

- On the basis of the Regulation, a total of 6 EU Information Obligations (IO) were identified.
- The transposition of the 6 IOs resulted in 169 national IOs across the 27 Member States.
- The total Administrative Cost of these 168 national IOs transposing EU Requirements and 1 Possibility Not Stated is estimated at a total of €929.13 million EU-wide.
- Of the €929.13 million of Administrative Costs, 100% has been classified as Administrative Burden.
- Of the €929.13 million of Administrative Costs, 99.30% (€922.63 million) stem from EU Requirements, whereas 0.70% (€6.49 million) is due to national obligations going beyond EU Requirements.
- One IO alone — "Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report" — accounts for €586.00 million in Administrative Costs, representing 64% of the total Administrative Burden identified.

¹ During the interviews and workshops with business and experts, several initial simplification ideas were collected. A structured and detailed analysis of possible reduction measures is being conducted as part of Module 5. Thus, this report only contains a summary of the suggestions gathered during the measurement phase and does not represent a final list of simplification suggestions.

The Table below shows the total Administrative Cost of the EU IOs and National Obligations going beyond EU Requirements.

Table 1: Total Administrative Cost of EU Requirements and National obligations going beyond EU Requirements of Regulation (EC) No 1260/1999

		National obligation going beyond EU Requirements		Total	Total Admin. Burden	
		EU Requirement	Possibility not stated in the EU Legal Act		Admin. burden (€ x 1,000)	Share of Admin. cost (%)
EU IO	EU Legislation	Admin. cost (€ x 1,000)	Admin. cost (€ x 1,000)	Admin. cost (€ x 1,000)	Admin. burden (€ x 1,000)	Share of Admin. cost (%)
1. Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	585,991.70	0	585,991.70	585,991.70	100
2. Financial Control on Final Beneficiaries by the Member States	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	132,136.30	6,491.50	138,627.70	138,627.70	100
3. Intermediate Payment Request	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	98,199.00	0	98,199.00	98,199.00	100
4. Information and Publicity	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	65,993.30	0	65,993.30	65,993.30	100
5. Final Payment Request	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	34,892.10	0	34,892.10	34,892.10	100
6. Financial Controls on Final Beneficiaries by the European Commission	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	5,421.70	0	5,421.70	5,421.70	100
TOTAL		922,634.10	6,491.50	929,125.50	929,125.50	100.00

This Table is based on data compiled by the Consortium.

Within Council Regulation (EC) No 1260/1999, the prioritised Information Obligations “Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report” and “Financial Control on Final Beneficiaries by the Member States” are the most burdensome. They respectively represent 64% and 14% of the total cost generated by the 6 IOs in scope. The costs generated by those 2 IOs are mainly driven by the high internal time spent by the Final Beneficiaries to fulfil those 2 IOs. The Information Obligations “Financial Control on Final Beneficiaries by the European Commission” follow the same logic and have similar internal time spent on them. But due to a much lower occurrence rate, the total cost generated by this IO is 25 times lower than that generated by the “Financial Control on Final Beneficiaries by the Member States”.

The level of Structural Funds contributions varies from one Member State to another, depending on the Member State’s eligibility, and the economic and geographical situation of the various regions,

77% of the Administrative Costs generated in Cohesion Policy are concentrated in Germany, France, Italy and Spain.

As the Regulation leaves the Member States free to decide how to control the projects linked to the Structural Funds; the time spent to fulfil the IOs in scope varies considerably following the Member State. Out of the Measurement Countries, we could identify 3 categories:

- Member States with heavy control system
- Member States with medium control system
- Member States with low control system.

The main cost differences across the countries can be explained by the following factors:

- Number of Final Beneficiaries in the Member State
- Number of occurrences
- Wage rate
- Amount of Structural Funds distributed in each Member State
- Number of programme managed by the Final Beneficiaries
- Level of details of the controls realized by the Managing Authorities

- Knowledge of the process by the Final Beneficiaries.

The first simplification suggestions gathered during the interview process which would not jeopardise fulfilment of the objectives of the legislation are:

- Review existing data on Financial Controls. The work of auditors who are independent of the organisation being audited should be reviewed prior to commencing an audit
- Reduce the frequency of Financial Controls and merge them with the business audit
- Managing Authorities should provide guidelines on the level of detail expected particularly for complex projects
- Reduce the number of years for which documents must be retained
- Differentiate infrastructure projects from other projects in terms of the Financial Control process (level of detail, frequency, etc.), as these projects require more complex control systems.

The baseline measurement data and the analysis of the business processes implemented by beneficiaries to comply with the IOs and the different ways of handling the IOs across Member States all contribute to this report as a strong basis for the work that lies ahead of identifying, further analysing and prioritising suggestions for reducing the Administrative Burden of the IOs in scope of this measurement.

1. Introduction

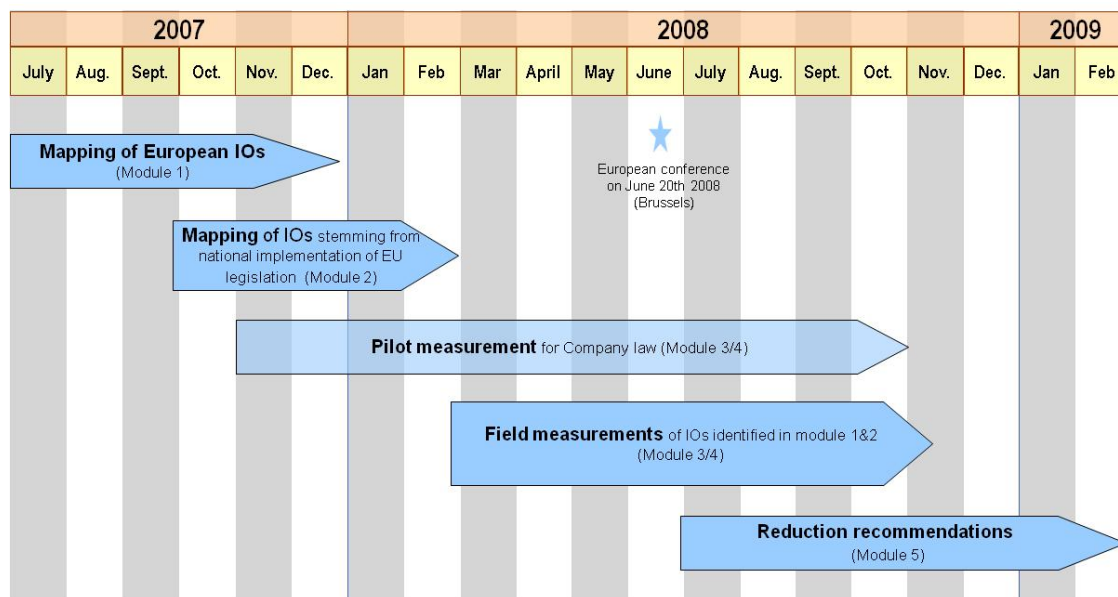
The “EU Project on baseline measurement and reduction of Administrative Costs” covers Information Obligations (IO) stemming from 42 Community legislative acts² and from the related national transposition acts, grouped into 13 Priority Areas (PAs):

- Agriculture and Agricultural Subsidies
- Annual Accounts/Company Law
- Cohesion Policy
- Environment
- Financial Services
- Fisheries
- Food Safety
- Pharmaceutical Legislation
- Public Procurement
- Statistics
- Tax Law (VAT)
- Transport
- Working Environment/Employment Relations.

The Project uses the EU Standard Cost Model (SCM) methodology and is structured in 5 modules, as shown in the Figure below.

² See http://ec.europa.eu/enterprise/admin-burdens-reduction/docs/42_LegislativeActs.pdf.

Figure 1: Project structure and timelines



By Capgemini/Deloitte/Ramboll Management.

As the Figure above shows, the first step was to map the Information Obligations (IO) (Modules 1 & 2). The focus was both on the IOs stemming directly from EU legislation and on those stemming from the national implementation of EU legislation. Moreover, the “over-implementation” (or “gold-plating”) of an EU legal Act at national level, in terms of additional IOs or procedural requirements, amended frequency, or population (i.e. coverage) – the so-called national obligations going beyond EU Requirements – was also documented, as it could lead to an increase in administrative costs linked to the provisions of the EU legislation.

The next phase was to determine the administrative costs resulting from the EU IOs and national obligations going beyond EU Requirements (Modules 3 & 4 respectively) through interviews and workshops, along with estimates made by experts. Data was collected in a sample of businesses in 6 Member States (the ‘Measurement Countries’) and supplemented by existing data from Member States having already undertaken SCM measurements (the ‘Baseline Countries’). Based upon this dataset, the administrative cost for the remaining EU Member States (the ‘Extrapolation Countries’) was estimated through extrapolation. National obligations going beyond EU Requirements were measured in all countries where they occur as they are specific to each Member State (MS).

The future work within this project focuses on the development of reduction proposals to reach the European Commission's goal of a 25% reduction in Administrative Burdens by 2012 (Module 5).

This report covers the results of the work undertaken for Modules 3 and 4 for Cohesion Policy Priority Area. More specifically, it contains:

- In Section 2: an overview of the Cohesion Policy Priority Area framework. This section presents the focus of the Priority Area, the chosen measurement approach, as well as the high-level findings of the mapping and measurement phases;
- In Section 3: an analysis of the legal acts and the IOs in scope;
- In Section 4: an outlook towards the next phase;
- Annexes, including a listing of methodological challenges faced in this Priority Area.

It does not include a detailed description of the Action Programme for Reducing Administrative Burdens in the EU or of the underlying methodology followed by the Consortium. The Main Report on the Measurement data and analysis as specified in the specific contracts 5&6 on Modules 3&4 under the Framework Contract n° ENTR/06/61 presents both of these together with the overall results of 13 mainstream Priority Areas.

2. Cohesion Policy Priority Area Framework

This section sets the scene for the detailed presentation of the results of the data collection in the sections which follow. This section contains:

- An introduction to the Regulation in scope;
- A summary of the general methodological concept and the measurement approach chosen in the Priority Area and;
- An overview of the high-level findings of the mapping phase and the measurement results.

2.1 Focus of the Priority Area

The legislation in scope for this Priority Area is Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds.

As the new Structural Funds programming period 2007-2013 had only recently started at the time of writing, the European Commission (Directorate-General for Enterprise and Industry - DG ENTR and the Directorate-General for Regional Policy - DG REGIO) asked the Consortium to analyse and measure the Administrative Burden of Council Regulation (EC) No 1260/1999 laying down general provisions for the programming period 2000-2006. However, the Information Obligations measured exist both in Council Regulation (EC) No 1083/2006 which covers the new programming period and the previous Council Regulation (EC) No 1260/1999.

Target Group affected by the legislation

The "Final Beneficiaries" are the target group affected by these pieces of legislation. The "Final Beneficiaries" are "the bodies and public or private firms" responsible for commissioning operations. For Cohesion Policy, we have also measured the Administrative Burden on (semi)-state bodies and civil society beneficiaries. This is an exception in comparison with the other areas agreed upon with the European Commission (DG ENTR)³.

³ European Commission Communication, 24 January 2007, Action Programme for Reducing Administrative Burdens in the European Union – COM (2007)23 final.

2.2 Measurement Approach

The methodology used during this project is based on the revised EU SCM Manual submitted as part of the final Module 1 report in mid-February 2008. In the following a short introduction to the main characteristics of the general measurement approach as well as the approach chosen within the Cohesion Policy Priority Area is given. For more information on the methodology, please see the Main Report and/or the adapted EU SCM Manual.

2.2.1 General Methodological Concepts

The EU Standard Cost Model (EU SCM) breaks down Administrative Costs imposed by legal acts into components which can be assessed with reasonable accuracy⁴. Thanks to this analytical approach, it is possible to:

- a) Locate the most costly obligations and the greatest reduction opportunities;
- b) Formulate reduction proposals, and;
- c) Determine at which level reduction measures should be adopted.

The EU SCM methodology neither addresses nor questions the policy objectives of each piece of legislation. As such, the measurement focuses only on the administrative activities that must be undertaken in order to comply with legislation and not on whether the legislation itself is reasonable or not.

Thus, Administrative Costs are defined as the costs incurred by the final beneficiaries in meeting legal information obligations. An Information Obligation (IO) is a legal obligation placed on businesses to provide information on their activity or production, either to public authorities or to private parties⁵. Every IO has attributes that describe the:

- Content of the data required or “data requirement” (what must be provided);
- Target group (who must provide it), and
- Frequency (when it must be provided).

⁴ The SCM does not aim at producing statistically valid results, but rather estimates (i.e. figures based on relatively small samples or expert judgment). Considering the level of detail and the number of parameters involved, conducting statistic measurements would not be cost-efficient.

⁵ These private parties are usually consumers and/or other businesses.

IOs stemming from EU legislation are labelled EU IOs, while IOs stemming from national implementation are called national IOs.

Some EU legislative acts also mention the possibility for Member States to ask for additional information (i.e. "...Member States may ... require the inclusion of other statements in the annual accounts in addition to the documents referred to in the first sub-paragraph ..."). Such Possibilities Stated in the EU Legal Act are not to be understood as EU Requirements insofar as Member States are not obliged to ask for that information. Nevertheless such Possibilities Stated in the EU Legal Act were documented by the Consortium as they often pave the way for additional legislative requirements introduced at national level.

Together, the Possibilities Stated in the EU Legal Act and the Possibilities Not Stated in the EU Legal Act are called "National obligations going beyond EU Requirements".

When analysing the Administrative Costs, a distinction should be made between information that would be collected and processed by businesses even in the absence of the legislation, and information that is solely collected because of a legal obligation. The former are called "business-as-usual" (BAU) costs, the latter Administrative Burdens. Added together, the Administrative Burdens and business-as-usual costs constitute the Administrative Costs. Having quantitative figures on the business-as-usual costs is of crucial importance for the Commission in the light of its reduction target, which is expressed in terms of Administrative Burdens (not Administrative Costs).

The objective of Modules 1 and 2 was to carry out a preparatory analysis of the EU and national legislation to form the foundation for the field measurements of Administrative Costs in the 27 European Member States. Within Module 1 and 2, the IOs stemming directly from EU legislation in scope as well as any National Obligations going beyond the EU Requirements in scope of this project were identified and registered⁶.

⁶ For more information on Module 1 and 2, please see first edition of the adapted EU SCM manual and the Final Report for Module 1 and 2.

In Module 3 and 4, different approaches were used to collect and calculate the information needed to determine the Administrative Costs at the EU level as well as at the national level. The remainder of this section presents a brief overview of these approaches and the underlying rationales.

Experience from all previous SCM measurements shows that the top 20% most burdensome IOs in any given area will represent 80% of the costs. Following this principle, an initial assessment of population and cost parameters was conducted and an estimation produced of the expected Administrative Costs for each EU IO.

The IOs selected for interviews and workshops were clustered in groups that could logically be covered by interviews at about the same time, most often because they involved the same target group and administrative tasks that the same employee type usually performs. The result was a list of several groups of IOs known as campaigns.

EU IOs were only measured in a sample of 6 Member States. The data collected in the 6 Measurement Countries supplemented with data from existing measurements on the EU IOs from the Baseline Countries were extrapolated to similar IOs in the other countries and aggregated to the EU level. However, for the national obligations going beyond EU Requirements, data was collected in each country where they were identified. Obviously, extrapolation cannot apply to these as they are peculiar to the specific country.

The extrapolation exercise consisted of predicting cost and can basically be understood as generating the best estimates of the administrative activities conducted by businesses in a country where data has not been collected, based on data from other countries where data was collected. The SCM does not aim at producing statistically valid results, but rather estimates (i.e. figures based on relatively small samples or expert judgment). Considering the level of detail and the number of parameters involved, conducting statistical measurements would not have been cost-efficient.

The selection of Member States for measuring the prioritised IOs was based on the following criteria:

- Population of the countries;

- Spread of geographic location;
- Duration of EU Membership;
- If/when legislation is applicable;
- Implementation of Possibilities Stated in the EU Legal Acts.

The purpose of using the selection criteria was to guarantee that the results represented different population/country sizes within the EU. Furthermore, it ensured that the data collection covered different geographical regions (including the historical development of the EU). Lastly, the selection criteria were designed to ensure that the Member States chosen for data collection had transposed the legislation⁷. Combined, the selection criteria ensured a sound foundation for the extrapolation.

One of the Requirements of the EU project on baseline measurement and reduction of Administrative Costs was to follow a 'full Member State coverage measurement approach'. Thus Member States which were relatively less important in terms of size were also part of the measurement. As a result, the sample selected is not always representative for each PA. Further studies would be needed to achieve fully representative results.

When data collection was carried out, the results were summarised for each business interviewed. These empirical results were then standardised with the objective of providing a single estimate of what would be required for a normally efficient business to complete each administrative activity in order to comply with a given national IO.

By combining the data collected from the workshops, face-to-face interviews and telephone interviews, a qualitative assessment was made of the resources a business devotes to each cost parameter related to fulfilling an IO. More specifically, an assessment was conducted on internal time spent and employee type per activity, consultancy costs, and costs of equipment. The goal of the standardisation is not to average the cost data obtained through the workshops and interviews, but to get a plausible result for a normally efficient business for each IO. The normally efficient business is defined as a

⁷ This was not relevant for this Priority Area, as the legislation in scope was a Regulation.

business within the target group that performs the administrative activities required by the IO neither better nor worse than may reasonably be expected.

2.2.2 Measurement Approach chosen for Cohesion Policy

For Cohesion Policy, 6 IOs were mapped in Council Regulation (EC) No 1260/1999. Of those 6 IOs, 3 were prioritised as they were expected to account for the major part of the Administrative Burdens. The prioritised and non-prioritised IOs are shown in the following Table.

Table 2: Prioritised EU Requirements within the Cohesion Policy Priority Area

EU Legislation name	Status	EU Requirement
Council Regulation (EC) No 1260/1999 of 21 June 1999	Prioritised	Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report
Council Regulation (EC) No 1260/1999 of 21 June 1999	Prioritised	Financial Control on Final Beneficiaries by the Member States
Council Regulation (EC) No 1260/1999 of 21 June 1999	Prioritised	Financial Controls on Final Beneficiaries by the European Commission
Council Regulation (EC) No 1260/1999 of 21 June 1999	Non-prioritised	Intermediate Payment Request
Council Regulation (EC) No 1260/1999 of 21 June 1999	Non-prioritised	Final Payment Request
Council Regulation (EC) No 1260/1999 of 21 June 1999	Non-prioritised	Information and Publicity

This Table is based on data compiled by the Consortium.

To prioritise the EU IOs, an assessment of the following aspects was conducted:

- Number of activities per year required by each IO;
- Assessment of the internal time spent (complexity) based on 3 different categories (simple, medium and complex);
- Employee type/qualification level (tariffs): The administrative activity judged qualitatively on the basis of what qualification level was necessary to carry it out;
- External time spent (consultancy costs) and acquisitions (equipment costs): If specific tasks are outsourced to external providers (e.g. reports demanded from experts, lawyers etc.) the costs were also taken into account, then graded according to 3 different categories (low, average, high).

The prioritisation of each IO was based on the expected number of occurrences and the complexity of the IO. All IOs with high priority and some of the IOs with medium priority were addressed specifically in the interviews and workshops with businesses. For the other IOs, the Administrative Costs were assessed by holding interviews with experts. The purpose of the prioritisation was to select those IOs which had the highest estimated cost. The position on the priority list, i.e. if the IOs belonged to the top 20% or the remaining 80% of estimated costs, determined the manner in which data was collected. The 20% most burdensome IOs within each PA were designated as Prioritised IOs and earmarked for in-depth measurement. The remaining 80% for each PA were marked as Non-prioritised IOs and were therefore subject to less rigorous measurement. The Prioritised IOs were analysed and measured through workshops and interviews, whereas IOs with lower estimated costs were costed through telephone interviews and expert assessments, or similar less intensive methods. In this way, the resources were predominantly concentrated on collecting data on the most costly IO. The demarcation between Prioritised IOs and Non-prioritised IOs was made at PA level only and not at overall project level, as to have done the latter would have led to some of the less burdensome PAs having only Non-prioritised IOs.

Segmentation

The Regulation in scope affects all Final Beneficiaries that benefit from Structural Fund subsidies. To measure these prioritised IOs, we created a specific segmentation:

- Final Beneficiaries – Businesses;
- Final Beneficiaries – Public and semi-public authorities;
- Final Beneficiaries – Non-profit organisations.

In general, public and semi-public authorities are used to the Financial Control processes. Businesses generally have strong tools in place to fulfil the requirements of the IOs, while non-profit organisations often have less experience and fewer tools in place to fulfil the IOs. In the light of these differences, 3 segments were defined.

Countries measured and Data Collection Methods

Following the prioritisation and the segmentation, relevant interview subjects and experts were selected and recruited for the data collection phase. For the Cohesion Policy Priority

Area, 5 data points were collected through workshops and interviews in each Measurement Country.

The Member States chosen for the measurement of Cohesion Policy are: Belgium, Greece, Hungary, Ireland, Lithuania and Sweden. Spain was part of the initial country selection, but this proposal was not taken into account. Analysis in Spain was required for many of the other Priority Areas and was therefore not used for the Cohesion Policy IOs.

Data collection was done through workshops held in Belgium, Greece and Hungary. In the other Measurement Countries, it was not possible to organise workshops in the timeframe available. The data points were therefore collected via interviews.

In addition to the measurement in those 6 Member States, data from countries with existing measurements were used. Those Member States are the Netherlands and the United Kingdom. No data linked to the Cohesion Policy IOs had been collected in Austria, Denmark and Germany. Therefore, the data for those 3 Baseline Countries was extrapolated.

The Baseline Countries did not systematically measure all the Information Obligations in scope. The Table below shows which IO was measured per Baseline Country for the Cohesion Policy Priority Area.

Table 3: Overview of the retrieved and extrapolated data in the Baseline Countries

EU Requirement Name	Austria	Denmark	Germany	the Netherlands	UK
Final Payment Request	Extrapolated	Extrapolated	Extrapolated	Retrieved	Retrieved
Financial Control on Final Beneficiaries by the Member States	Extrapolated	Extrapolated	Extrapolated	Extrapolated	Extrapolated
Financial Control on Final Beneficiaries by the European Commission	Extrapolated	Extrapolated	Extrapolated	Extrapolated	Extrapolated
Information and Publicity	Extrapolated	Extrapolated	Extrapolated	Extrapolated	Extrapolated
Intermediate Payment Request	Extrapolated	Extrapolated	Extrapolated	Retrieved	Extrapolated
Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report	Extrapolated	Extrapolated	Extrapolated	Retrieved	Extrapolated

This Table is based on data compiled by the Consortium.

2.3 High-level findings of the EU and national mapping in Cohesion Policy Priority Area

The following section summarises the main findings of the EU and national mapping in the Cohesion Policy Priority Area. The full results of this were presented in the final reports on Modules 1 and 2 of the EU project on baseline measurement and reduction of Administrative Costs⁸.

2.3.1 Main Results of the EU Mapping

For Cohesion Policy, 6 IOs were mapped in Council Regulation (EC) No 1260/1999 laying down general provisions on the Structural Funds. Those IOs also exist in Council Regulation (EC) No 1083/2006.

The 6 IOs that were identified in Council Regulation No (EC) 1260/1999 are:

- "Intermediate Payment Request" in Art. 32.3;
- "Final Payment Request" in Art. 32.4;
- "Financial Control on Final Beneficiaries by the Member States" in Art. 34.2 and 38.1.a-h;
- "Financial Control on Final Beneficiaries by the European Commission" in Art. 38.2;
- "Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report" in Art. 34.1.a, 36 and 37;
- "Information and Publicity" in Art. 46.

No Possibilities stated in the EU Legal Acts were identified in Council Regulation (EC) No 1260/1999.

2.3.2 Main results of the national mapping

The Table below shows the total number of IOs, including the number of EU Requirements and Possibilities not stated in the EU Legal Acts per country. As no Possibilities stated in the EU Legal Acts were identified at EU level, consequently no Possibilities were identified at national level.

⁸ For the details of the mapping, please refer to the reports on Modules 1 and 2.

Table 4: Overview of National IOs and national obligations going beyond EU Requirements

	EU Requirement				National Obligations going beyond EU Requirement		Total No. of national IO
	No. of EU Requirement Identified	No. of EU Requirement not transposed	No. of EU Requirement transposed in MS	No. of National transposing EU Requirement	Possibilities stated in the EU Legal Act	Possibilities not stated in the EU Legal Act	
Austria	6		6	6			6
Belgium	6		6	6			6
Bulgaria	6		6	6			6
Cyprus	6		6	6			6
Czech Republic	6		6	6			6
Denmark	6		6	6			6
Estonia	6		6	6			6
Finland	6		6	6			6
France	6		6	6			6
Germany	6		6	6			6
Greece	6		6	6		1	7
Hungary	6		6	11			11
Ireland	6		6	6			6
Italy	6		6	6			6
Latvia	6		6	6			6
Lithuania	6		6	6			6
Luxemburg	6		6	6			6
Malta	6		6	6			6
the Netherlands	6		6	7			7
Poland	6		6	6			6
Portugal	6		6	6			6
Romania	6		6	6			6
Slovakia	6		6	6			6
Slovenia	6		6	6			6
Spain	6		6	6			6
Sweden	6		6	6			6
United Kingdom	6		6	6			6
TOTAL		0	162	168	0	1	169

This Table is based on data compiled by the Consortium.

The implementation of the EU Requirements at national level corresponds exactly to the requirements of the Regulation in all Member States except Hungary and the Netherlands.

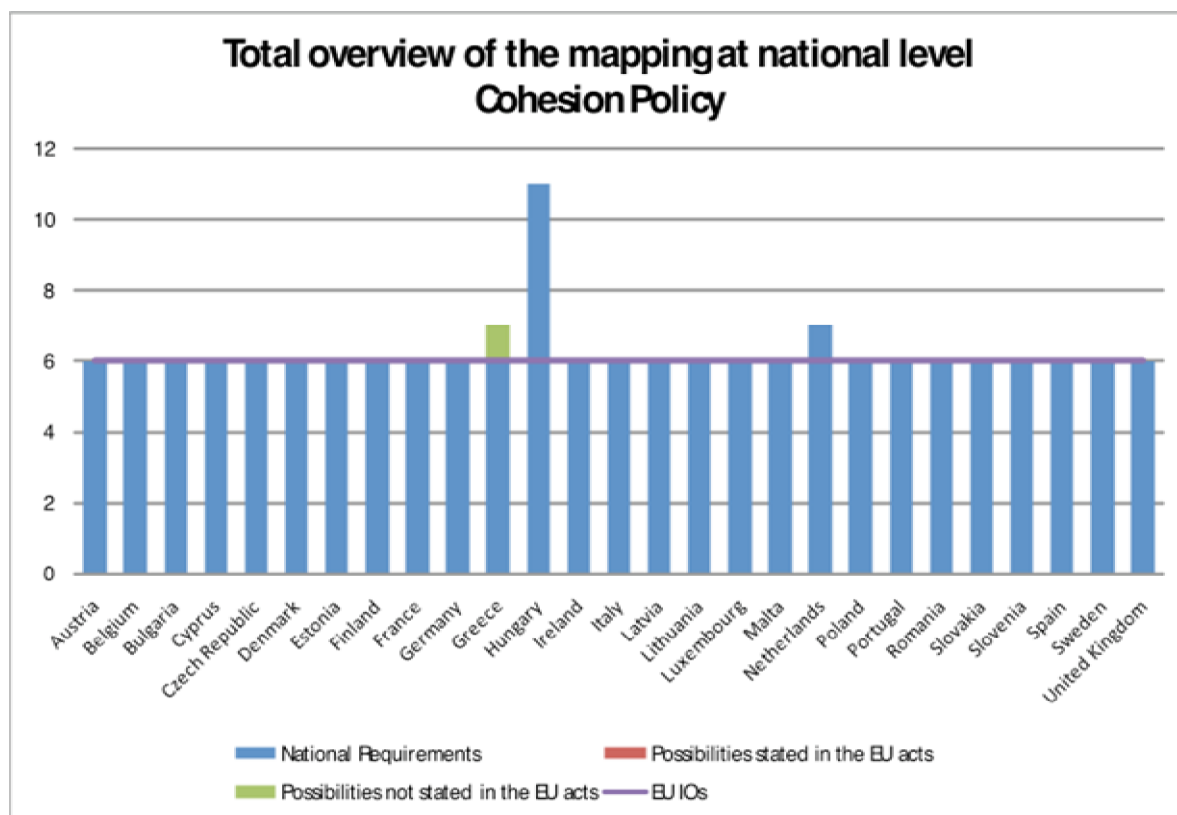
In Hungary 11 national IOs are linked to the IOs in scope for the Cohesion Policy Area. Eleven IOs were identified, as the 6 EU IOs are also referenced in several pieces of national legislation.

The Netherlands 7 national IOs are linked to the 6 IOs in scope for the Cohesion Policy Priority Area. This is due to the IO "Intermediate Payment Request" that has been mapped out of 2 pieces of separate national legislation.

In Greece the Consortium identified one Possibility not stated in the EU Legal Act linked to content. It relates to Article 38 of Regulation (EC) No 1260/1999 and corresponds to the final financial control of the Final Beneficiaries by the Greek authorities. After finalisation of the financial control, the Greek authorities require additional on-site checks, which are not provided for in the Regulation.

The Figure hereafter provides an overview of the total number of national Information Obligations and Possibilities Not stated in EU Legal Act including the Baseline Countries.

Figure 2: Number of National IOs and National Obligations going beyond EU Requirements per Member State



By Capgemini/Deloitte/Ramboll Management.

2.4 High-level findings of the measurement in the Cohesion Policy Priority Area

The following section presents the total Administrative Costs and Administrative Burden in the Cohesion Policy Priority Area. This is followed by a differentiated analysis by Member State as well as an overview of the IOs. This will form the basis for the detailed analysis in the next Chapter.

The total Administrative Costs for the Cohesion Policy PA are
€929.13 Million.
0% of these costs are considered as business-as-usual.
Therefore, the administrative burden amounts to €929.13 Million for the Cohesion Policy PA.

The measurement covers only a selection of all EU legislation relevant to the PA. Therefore, additional administrative cost and burden could exist that has not been covered by this measurement. '

2.4.1 Administrative Costs and Administrative Burdens per EU legislation

As shown in the Table below, the Administrative Costs of the Cohesion Policy Priority Area stem from Regulation (EC) No 1260/1999, the only piece of legislation in scope. Only one Possibility not stated in the EU Legal Act was identified in Greece, which resulted in an additional €6.5 million in Administrative Costs.

Table 5: Administrative Cost and Administrative Burden divided by EU Requirements and Possibilities not stated in the EU Acts

	EU Requirement	National obligation going beyond EU Requirement		Total Admin. Cost	Total Admin. Burden	
		Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. burden (€ x 1,000)	Share of Admin. cost (%)
	Admin. cost (€ x 1,000)	Admin. cost (€ x 1,000)	Admin. cost (€ x 1,000)	Admin. cost (€ x 1,000)		
Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	922,634.00	0	6,491.50	929,125.50	929,125.50	100
Total	922634	0	6491.5	929125.5	929125.5	100

This Table is based on data compiled by the Consortium.

None of tasks linked to the Information Obligation can be considered as “Business-as-usual”. Therefore, the total Administrative Cost equals the total Administrative Burden.

2.4.2 Administrative Costs stemming from EU IOs of International Origin

A number of the IOs identified in the EU legislation stem ultimately from international regulation, which has been transposed in EU legislation by the Directives and Regulations in scope of the project. Each EU IO was analysed in relation to any relevant international regulation. In cases where legally binding international regulation had a similar or analogous content to the EU IO, the EU IO was categorised as an EU IO of International Origin.

For the Cohesion Policy Priority Area, there are no IOs stemming from an international origin.

2.4.3 Administrative Costs and Administrative Burdens per Member State

The project offers the opportunity to identify differences in transposing and administering IOs at national level and thus to obtain an insight into factors determining the level of Administrative Costs. This is important in identifying good practice and in learning how the costs for businesses can be reduced.

2.4.3.1 Different methodological approaches

When comparing costs at national level it is essential to recall that the data were collected in 3 different ways within this project:

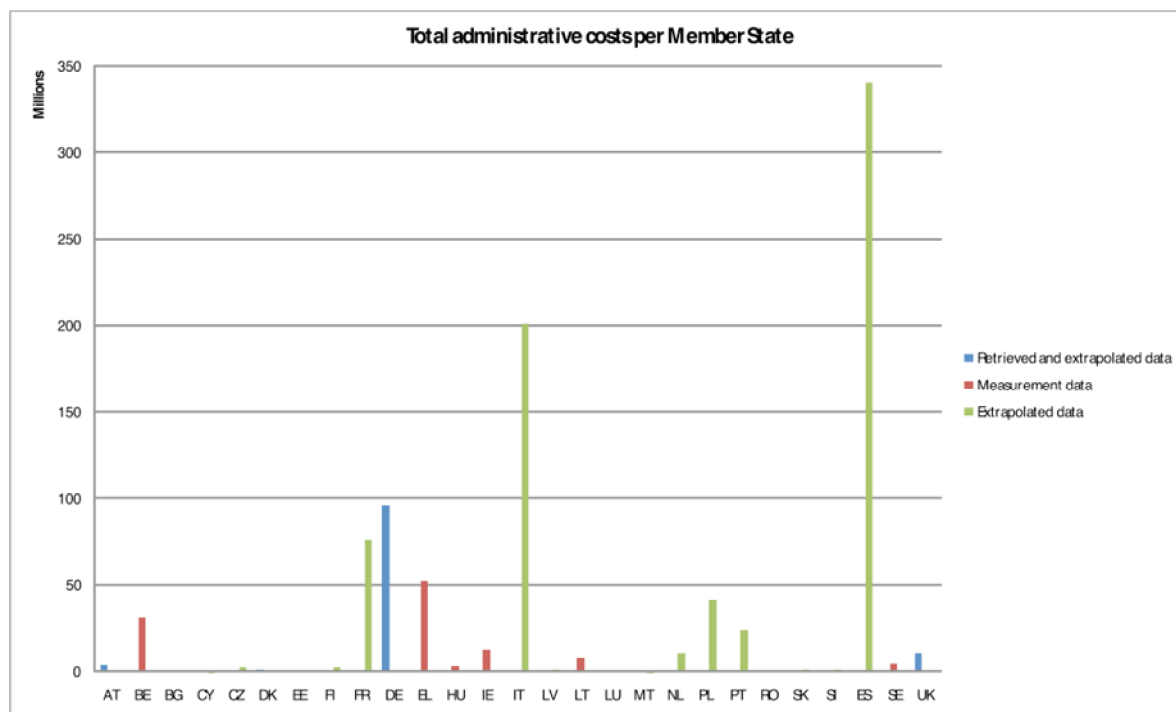
- Measurement in 6 Measurement Countries;
- Reuse of existing data in the so-called Baseline Countries;
- Extrapolation to other Member States of the cost data collected (Extrapolation Countries).

The combination of these 3 different approaches within the project creates special challenges when comparing data, i.e. Baseline Countries which have conducted measurements in the past, have chosen different methodological approaches, which reduces the comparability of their results. This has to be borne in mind when reading the following data comparisons.

The extrapolated costs are naturally less precise and less detailed than the measured costs. Analyses of specific legislative requirements should therefore only be based on data from countries that have been measured. However, the indicative total impact of EC legislation can be assessed using the extrapolated costs.

The Figure below shows a comparison for Member States. The comparison is based on data from the 6 Measurement Countries, the data from the Baseline Countries and the extrapolated data for the other countries. The 3 sub-sections below present individual analyses of the data from each of the data collection approaches.

Figure 3: Total Administrative Cost of the Cohesion Policy Priority Area per Member State



By Capgemini/Deloitte/Ramboll Management.

The countries with the highest indicative Administrative Costs are:

- Spain
- Italy
- Germany
- France.

Depending on the Member State's eligibility under the Objectives and the economic and geographical situation of the various regions, the level of Structural Funds contributions varies from one Member State to another. We see a correlation between the level of Administrative Cost and the level of funds received by the Final Beneficiaries. In total, 77% of the Administrative Costs generated in Cohesion Policy are concentrated in Germany, France, Italy and Spain. This can be explained by the high number of programmes and Final Beneficiaries in these Member States. Those Member States represented on average 49% of the funds distributed to all Member States in the 2003-2006 period⁹.

⁹ http://ec.europa.eu/regional_policy/sources/docgener/informat/info_en.htm > Factsheets

Poland also receives a large part of the funds distributed (10%). But its Administrative Costs are lower in absolute terms as the average hourly tariff is much lower than in France or Italy, and represent 4% of the Administrative costs generated in the PA.

Together, Belgium, Greece, Ireland and Portugal account for 13% of the overall costs and have relatively high Administrative Costs. In the 2000-2006 programming period, the rate was increased to 80% of eligible costs for regions located in Greece, Ireland and Portugal and to 85% for the most remote regions, such as the smaller islands in the Aegean Sea in Greece.

The time spent and the Administrative Costs depend on the complexity of the relevant administration. Belgium has complex administrative processes for controlling the Final Beneficiaries. This is why Belgium shows Administrative Costs similar to those of Greece, accounting for 6.1% of the overall cost, while the number of Final Beneficiaries and programmes covered is lower.

Together, the other Member States represent 12.1% of the burden generated by the Cohesion Policy Priority Area.

Bulgaria and Romania were excluded from the Cohesion Policy study and measurement, as the Regulation in scope is Council Regulation EC (No) 1260/1999 which predates their accession to the EU in 2007.

The Table below provides an overview of the total indicative Administrative Costs and the total Administrative Burden per country.

Table 6: Total Administrative Cost and Burden per Member State

Country	EU Requirement		National obligation going beyond EU Requirement				Total Admin. Cost	Total Admin. Burden	
			Possibility stated in the EU Legal Act		Possibility not stated in the EU Legal Act				
	No. of IO	Admin. Cost (€ x 1,000)	No. of IO	Admin. Cost (€ x 1,000)	No. of IO	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Burden (€ x 1,000)	Share of Admin. Cost (%)

Country	EU Requirement		National obligation going beyond EU Requirement				Total Admin. Cost	Total Admin. Burden	
			Possibility stated in the EU Legal Act		Possibility not stated in the EU Legal Act				
	No. of IO	Admin. Cost (€ x 1,000)	No. of IO	Admin. Cost (€ x 1,000)	No. of IO	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Burden (€ x 1,000)	Share of Admin. Cost (%)
AT Retrieved and extrapolated data	6	4,074.40	0	0	0	0	4,074.40	4,074.40	100
BE Measurement data	6	30,873.20	0	0	0	0	30,873.20	30,873.20	100
BG Extrapolated data	6	0.00	0	0	0	0	0.00	0.00	0
CY Extrapolated data	6	145.60	0	0	0	0	145.60	145.60	100
CZ Extrapolated data	6	2,646.00	0	0	0	0	2,646.00	2,646.00	100
DE Retrieved and extrapolated data	6	96,703.60	0	0	0	0	96,703.60	96,703.60	100
DK Retrieved and extrapolated data	6	1,461.00	0	0	0	0	1,461.00	1,461.00	100
EE Extrapolated data	6	720.90	0	0	0	0	720.90	720.90	100
EL Measurement data	6	45,670.60	0	0	1	6,491.50	52,162.00	52,162.00	100
ES Extrapolated data	6	341,009.20	0	0	0	0	341,009.20	341,009.20	100
FI Extrapolated data	6	2,754.90	0	0	0	0	2,754.90	2,754.90	100
FR Extrapolated data	6	76,613.60	0	0	0	0	76,613.60	76,613.60	100
HU Measurement data	6	3,271.50	0	0	0	0	3,271.50	3,271.50	100
IE Measurement data	6	12,369.30	0	0	0	0	12,369.30	12,369.30	100
IT Extrapolated data	6	201,261.70	0	0	0	0	201,261.70	201,261.70	100
LT Measurement data	6	7,810.80	0	0	0	0	7,810.80	7,810.80	100
LU Extrapolated data	6	598.30	0	0	0	0	598.30	598.30	100
LV Extrapolated data	6	1,403.90	0	0	0	0	1,403.90	1,403.90	100
MT Extrapolated data	6	74.20	0	0	0	0	74.20	74.20	100
NL Extrapolated data	6	10,443.90	0	0	0	0	10,443.90	10,443.90	100

Country	EU Requirement		National obligation going beyond EU Requirement				Total Admin. Cost	Total Admin. Burden	
			Possibility stated in the EU Legal Act		Possibility not stated in the EU Legal Act				
	No. of IO	Admin. Cost (€ x 1,000)	No. of IO	Admin. Cost (€ x 1,000)	No. of IO	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Burden (€ x 1,000)	Share of Admin. Cost (%)
PL Extrapolated data	6	41,256.80	0	0	0	0	41,256.80	41,256.80	100
PT Extrapolated data	6	23,966.50	0	0	0	0	23,966.50	23,966.50	100
RO Extrapolated data	6	0	0	0	0	0	0	0	0
SE Measurement data	6	4,468.30	0	0	0	0	4,468.30	4,468.30	100
SI Extrapolated data	6	1,124.20	0	0	0	0	1,124.20	1,124.20	100
SK Extrapolated data	6	1,453.40	0	0	0	0	1,453.40	1,453.40	100
UK Retrieved and extrapolated data	6	10,458.30	0	0	0	0	10,458.30	10,458.30	100
Grand Total	162	922,634.00	0	0	1	6,491.50	929,125.50	929,125.50	100

This Table is based on data compiled by the Consortium.

The Table below provides an overview of the average allocations per year in million euro per Member State for the period 2003-2006.

Table 7: Average annual allocations from 2003-2006 (€m)

Country	Allocations from 2000-2006 (2003-2006) in Mil. EUR in average per year	%
Austria	276	0.7%
Belgium	308	0.8%
Bulgaria		0.0%
Cyprus	36	0.1%
Czech Republic	801	2.2%
Denmark	98	0.3%
Estonia	205	0.6%
Finland	288	0.8%
France	2,306	6.2%
Germany	4,119	11.1%
Greece	3,529	9.5%
Hungary	946	2.5%

Country	Allocations from 2000-2006 (2003-2006) in Mil. EUR in average per year	%
Ireland	588	1.6%
Italy	4,114	11.1%
Latvia	344	0.9%
Lithuania	460	1.2%
Luxembourg	14	0.0%
Malta	27	0.1%
the Netherlands	505	1.4%
Poland	3,734	10.0%
Portugal	3,214	8.6%
Romania		0.0%
Slovakia	515	1.4%
Slovenia	141	0.4%
Spain	7,810	21.0%
Sweden	313	0.8%
United Kingdom	2,517	6.8%
TOTAL	37,209	100%

Source: http://ec.europa.eu/regional_policy/sources/docgener/informat/info_en.htm - Factsheets

The sections below explain the high-level measurement results for the 3 groups of countries:

- Measurement countries;
- Baseline Countries;
- Extrapolation countries.

2.4.3.2 Measurement Countries

The measurement of the IOs took place in 6 preselected Member States. As stated in Section 2.2., the Member States chosen for measuring the prioritised IOs in the Cohesion Policy Priority Area were:

- Belgium;
- Greece;
- Hungary;
- Ireland;
- Lithuania;
- Sweden.

The Table below details the Administrative Cost for the 6 Measurement Countries.

Table 8: Administrative Cost for the 6 Measurement Countries¹⁰

Country	EU Requirement	National obligation going beyond EU Requirement		Total Admin. Cost	Total Admin. Burden	
		Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. Burden (€ x 1,000)	Share of Admin. cost (%)
	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Burden (€ x 1,000)	Share of Admin. cost (%)
Belgium	30,873.20	0	0	30,873.20	30,873.20	100
Greece	45,670.60	0	6,491.50	52,162.00	52,162.00	100
Hungary	3,271.50	0	0	3,271.50	3,271.50	100
Ireland	12,369.30	0	0	12,369.30	12,369.30	100
Lithuania	7,810.80	0	0	7,810.80	7,810.80	100
Sweden	4,468.30	0	0	4,468.30	4,468.30	100
Total	104,463.60	0	6,491.50	110,955.10	110,955.10	100

This Table is based on data compiled by the Consortium.

As mentioned above, the main Administrative Costs for the Cohesion Policy Priority Area are driven by the IOs “Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report” and “Financial Control on Final Beneficiaries by the Member States”. 86 percent of the costs are concentrated in 3 of the 6 countries, i.e. Belgium, Greece and Ireland.

In the Cohesion Policy IOs, the Administrative Cost includes the time spent by the Final Beneficiaries to retrieve the data, prepare the documentation, complete forms and hold meetings with the Structural Funds Controllers. As Regulation 1260/1999 leaves the Member States free to decide how to verify the projects linked to the Structural Funds, the time spent for the on-the-spot checks by the Controllers and consequently by the Final

¹⁰ National obligations going beyond EU requirements were measured in all Member States

Beneficiaries varies considerably depending on the Member State. The monitoring and controlling linked to the Structural Funds vary in each Member State.

It was possible to distinguish 3 categories in the Measurement Countries:

- Member States with a “Heavy” control process;
- Member States with a “Medium” control process;
- Member States with a “Low” control process.

We can consider Belgium and Greece as being in the “Heavy” category. In those Member States, the data are controlled and monitored at a level of detail impacting the average time spent which is up to 4 times higher than in the other Measurement Countries.

Ireland and Hungary can be classified in the “Medium” category. The national authorities control the data to a reasonable level. The time spent to comply with the IO in those countries is in the acceptable range.

Lithuania and Sweden can be categorised in the “Low” category. Sweden has well-organised processes and the Final Beneficiaries are familiar with the processes linked to the IOs. Knowledge of the processes is an important factor which influences Administrative Costs. New Member States such as Hungary and Lithuania spend more time on preparation than the older Member States, which has an impact on the overall costs.

Greece already has in place an Integrated Information System where Managing Authorities can upload all information and relevant data coming from the Final Beneficiaries. Such a system prevents from the same information being requested several times, but is still heavy for the Final Beneficiaries. This system helps simplify the work of the Managing Authorities but still has a minor impact on the Final Beneficiaries as the controlled data are not announced in advance and always require a lot of time, as far as the Final Beneficiaries are concerned. The comparison of the average cost per occurrence is not relevant in this Priority Area as the average hourly tariff and the employee type vary considerably across the Measurement Countries.

Another factor that influences the total Administrative Cost is the level of allocation distributed in the country. Of the 6 Measurement Countries, the country with the highest

allocation is Greece with €3.5 billion and Hungary with €1 billion. For the reasons explained earlier, this has an impact on the total Administrative Cost. High allocation in terms of funds does not necessarily mean that it generates high Administrative Cost. Belgium is a good example with a high Administrative Cost for lower allocation. If we compare Hungary and Belgium, we can see that the amount of allocation distributed is 3 times higher in Hungary than in Belgium, but the Administrative Cost generated is much lower.

The level of cost is also influenced by the numbers of programmes and projects. Some Member States receive allocations for a few major projects while others can receive the same allocation to manage numerous smaller projects. The level of Administrative Cost correlates more with the number of projects than with the amount of allocation itself.

Possibilities not stated in the EU acts

The total Administrative Cost generated from the existence of Possibilities not stated in the EU acts is €6.5 million. This additional cost is generated in Greece, where the authorities require additional site checks not foreseen in the Information Obligations on the “Final Financial Control of the Final Beneficiaries by the Member States”.

2.4.3.3 Baseline Countries

A central aspiration of the project was to learn from measurements, which had already been undertaken in Member States. These measurements were an important input as they constitute the current “state of play” in those countries which have already carried out work in the SCM field¹¹. Existing measurements were reused whenever possible and efficient. This was mainly the case when complete baseline measurements were available for a Priority Area and where the methodology used in the Baseline Countries was comparable enough to the EU SCM not to distort the extrapolation approach.

¹¹ Wherever possible, data from the national baseline measurements was reused. However, where no comparable data was available the administrative costs were extrapolated. More specific information on the reuse of data from national baseline measurements is provided in the Annex ‘Challenges and constraints of reusing existing data from previous baseline measurements’.

The following Table gives an overview of the Administrative Costs in the Baseline Countries.

Table 9: Administrative Cost for the Baseline Countries¹²

Country	EU Requirement	National obligation going beyond EU Requirements		Total Admin. Cost	Total Admin. Burden	
		Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. burden (€ x 1,000)	Share of Admin. cost (%)
	Admin. cost (€ x 1,000)	Admin. cost (€ x 1,000)	Admin. cost (€ x 1,000)	Admin. cost (€ x 1,000)	Admin. burden (€ x 1,000)	Share of Admin. cost (%)
the Netherlands	10,443.90	0	0	10,443.90	10,443.90	100
United Kingdom	10,458.30	0	0	10,458.30	10,458.30	100
Total	20,902.20	0.00	0.00	20,902.20	20,902.20	100

This Table is based on data compiled by the Consortium.

Not all IOs were covered by the existing measurements in all Baseline Countries. The Baseline Countries where existing data were used are the Netherlands and the United Kingdom. No data could be collected for any IO in Austria, Denmark and Germany. Moreover, the Netherlands could not provide data on the “Financial Control on Final Beneficiaries by the Member States” and “Financial Control on Final Beneficiaries by the European Commission”.

Differences between BLC data and reuse of BLC data

When discovering differences in BLC data, it is important to make sure whether the IO in the Baseline Countries reflects the EU IO.

For the Cohesion Policy Priority Area, it has been decided to use the BLC data, unless the totals were so out of range that this would distort the totals for the whole area or if there were no grounds for comparison. The Consortium amended the IOs described below.

¹² Not all data could have been retrieved from the existing measurements in the Baseline Countries. Therefore the missing data fields were compiled through extrapolation.

This concerns the 'Final Payment Request' in the Netherlands where the retrieved data showed overestimated results, which led to higher costs for the Netherlands than expected. The following manual adjustments were implemented in agreement with DG ENTR. The retrieved results in the Netherlands were showing high average cost per occurrence compared to other Member States such as Germany and Belgium.

Table 10: BLC Data change in the IO Final Payment Request

	Retrieved result	Manual Adjustment
the Netherlands	5,336,155	2,113,776

This Table is based on data compiled by the Consortium.

The Consortium also found divergence in the data from the United Kingdom in "Financial Control on Final Beneficiaries by the Member States" and in "Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report". It was therefore decided not to use the existing data for those IOs. Those data have been extrapolated, in order to be able to calculate Administrative Costs for each IO in each Member State. No data were available for the IOs on "Financial Controls on Final Beneficiaries by the European Commission", 'Information and Publicity', and 'Intermediate Payment Request', therefore those IOs have been extrapolated. The data on 'Final Payment Request' were reused.

2.4.3.4 Extrapolation countries

As indicated above, the measurement was conducted in a sample of Member States. The results from the Measurement Countries and the Baseline Countries were used to estimate the costs in countries where no measurement was undertaken¹³. This extrapolation process provided the indicative total costs for European businesses of complying with EC legislation. The Table below shows the administrative costs for the Extrapolation Countries.

¹³ The Consortium did however collect population data for all IO for all 27 Member States.

Table 11: Administrative Cost for the Extrapolation Countries¹⁴

Country	EU Requirement	National obligation going beyond EU Requirements		Total Admin. Cost	Total Administrative Burden	
		Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. burden (€ x 1,000)	Share of Admin. cost (%)
	Admin. cost (€ x 1,000)	Admin. cost (€ x 1,000)	Admin. cost (€ x 1,000)	Admin. cost (€ x 1,000)	Admin. burden (€ x 1,000)	Share of Admin. cost (%)
Austria	4,074.40	0	0	4,074.40	4,074.40	100
Bulgaria	0	0	0	0	0	0
Cyprus	145.6	0	0	145.6	145.6	100
Czech Republic	2,646.00	0	0	2,646.00	2,646.00	100
Denmark	1,461.00	0	0	1,461.00	1,461.00	100
Estonia	720.9	0	0	720.9	720.9	100
Finland	2,754.90	0	0	2,754.90	2,754.90	100
France	76,613.60	0	0	76,613.60	76,613.60	100
Germany	96,703.60	0	0	96,703.60	96,703.60	100
Italy	201,261.70	0	0	201,261.70	201,261.70	100
Latvia	1,403.90	0	0	1,403.90	1,403.90	100
Luxembourg	598.3	0	0	598.3	598.3	100
Malta	74.2	0	0	74.2	74.2	100
Poland	41,256.80	0	0	41,256.80	41,256.80	100
Portugal	23,966.50	0	0	23,966.50	23,966.50	100
Romania	0	0	0	0	0	0
Slovakia	1,453.40	0	0	1,453.40	1,453.40	100
Slovenia	1,124.20	0	0	1,124.20	1,124.20	100
Spain	341,009.20	0	0	341,009.20	341,009.20	100
Total	797,268.20	0.00	0.00	797,268.20	797,268.20	100

This Table is based on data compiled by the Consortium.

The exercise of predicting cost through statistical modelling results in cost data with a different level of accuracy compared to the data collected through interviews. The extrapolated costs are for these reasons less precise and less detailed than the measured

¹⁴ National obligations going beyond EU Requirements (Delta AC) have been measured in all Member States.

costs. Analyses of specific requirements should therefore only be based on data from countries that have been measured, whereas the total impact of EC legislation and of changes in legislation can be assessed using the extrapolated costs.

The key factors influencing the Extrapolation Countries are:

- Number of Final Beneficiaries in the Member State;
- Number of occurrences, i.e. how often an IO occurs;
- Wage rate;
- Amount of Structural Funds distributed in each Member State;
- Number of programme managed by the Final Beneficiaries;
- Level of details of the controls realised by the Managing Authorities;
- Knowledge of the process by the Final Beneficiaries.

Italy and Spain both show high Administrative Cost with €201 million and €340 million respectively. Those high costs are mainly driven by the fact that those Member States are major recipients of Structural Funds. 21% of the funds are distributed in Spain and 11% are distributed in Italy.

The extrapolated results in Spain show an average time spent which is higher than the average. This reflects a complex control system put in place in the country. Italy shows a less complex system, but has a high wage rate compared to the other Extrapolation Countries.

France is another major recipient of Structural Funds which, coupled with the high hourly tariff, results in significant Administrative Costs.

The other Extrapolation Countries have a smaller population number and represent only 10% of the extrapolated results.

Whenever the extrapolation model gave rise to results that were not consistent with what might have been anticipated based on economic analysis, this was further discussed with DG Enterprise, with whom a basis for manual extrapolation was agreed.

2.4.4 Overview of IOs

The overall objective of the Action Programme is to achieve a reduction in Administrative Burdens of 25% by 2012. Previous SCM projects at national level have proved that reduction efforts will be seen as especially successful if the public authorities manage to lower the perceived burdens for businesses. Thus, 2 dimensions should be taken into account when analysing how burdensome an IO is:

- 1) Level of Administrative Burden;
- 2) Level of irritation for businesses.

The extent to which business experience IO's as "irritating" was assessed based on the businesses' responses to the following 6 statements:

- The information/data that the authorities require from me is linked to the information/data that are available from my own business process;
- I understand why the authorities want this information/data from me;
- I understand why the authorities ask me for this information/data with this frequency;
- The authorities make sure that I have to deliver this information/data only once and not to different authorities;
- The amount of information/data that the authorities ask for is in line with the objectives of the IO;
- The request for information/data is so clear that every entrepreneur/employee is able to comply with the request.

The responses given to the 6 statements were subsequently transposed to a numerical value. The data collected on the irritation level is, however, not conclusive. Thus any statements on irritation are indicative and no conclusions should be drawn on this basis at PA or IO level. The Main Report on the measurement data and analysis as specified in the specific contracts 5&6 on Modules 3&4 under the Framework Contract n° ENTR/06/61 contains a high level overview of the irritation levels of all PAs. It includes a thorough analysis on the total dataset.

In general, the "Cohesion Policy" IOs are experienced as burdensome and in most cases as "irritating".

The IOs "Intermediate Payment request" and "Final Payment request" are felt to be the most irritating IOs linked to the Cohesion Policy Priority Area. Many Final Beneficiaries consider that such a request should be automatically anticipated by the authorities and that no further request should be required.

Overall, the "Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report" IO, the "Financial Control on Final Beneficiaries by the Member States" IO and the "Financial Control on Final Beneficiaries by the European Commission" IO give a medium irritation reading. In general the Final Beneficiaries understand why the Managing Authorities want them to fulfil the Information Obligations, but consider the level of detail required to be irritating, as well as the storage and copying of the data required by the Financial Controls, and the fact that the Final Beneficiaries carry out a lot of preparatory work. The level of irritation tends to differ depending on the complexity of the programme. Public and semi-public authorities consider those IOs "very irritating", as they manage more complex programmes, while the businesses that manage simpler programmes see these as "less irritating". Most irritation is related to the level of detail of the data to be verified during a Control by the Member States and the European Commission.

3. Legal Acts and the IOs

This Chapter covers the analysis of the Administrative Costs for the 6 IOs in scope for Cohesion Policy. The Table below shows the total Administrative Cost for the EU IOs and the cost of the corresponding national IOs and Possibilities not stated in the EU Acts.

Table 12: Total Administrative Cost of EU Requirements and Possibilities not stated in the EU Legal Act

EU IO	EU Legislation	Article no.	EU Requirement	National obligation going beyond EU Requirement Possibility not stated in the EU Legal Act	Total	Total Admin. Burden	
			Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Burden (€ x 1,000)	Share of Admin. cost (%)
1. Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	Art. 34 par.1 (a); Art. 36; Art. 37	585,991.70	0	585,991.70	585,991.70	100
2. Financial Control on Final Beneficiaries by the Member States	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	Art. 34 par. 2; Art. 38 par. 1 (a-h)	132,136.30	6,491.50	138,627.70	138,627.70	100
3. Intermediate Payment Request	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	Art. 32 par. 3	98,199.00	0	98,199.00	98,199.00	100
4. Information and Publicity	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	Art. 46	65,993.30	0	65,993.30	65,993.30	100
5. Final Payment Request	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	Art. 32 par. 4	34,892.10	0	34,892.10	34,892.10	100
6. Financial Controls on Final Beneficiaries by the European Commission	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds	Art. 38 par. 2	5,421.70	0	5,421.70	5,421.70	100
TOTAL			922,634.10	6491.5	929,125.50	929,125.50	100

This Table is based on data compiled by the Consortium.

The most burdensome IOs are analysed on the basis of the detailed data collected in the 6 Measurement Countries only. In the section below, each of these IOs is described in detail in relation to the following topics:

- Explanation of the legal aspects of the IO;
- Overview of the cost parameters;
- Reasons why the IO is burdensome/irritating;
- Segmentation (if applicable);
- Business as usual costs;
- Potential reduction measures.

3.1 Council Regulation (EC) No 1260/1999

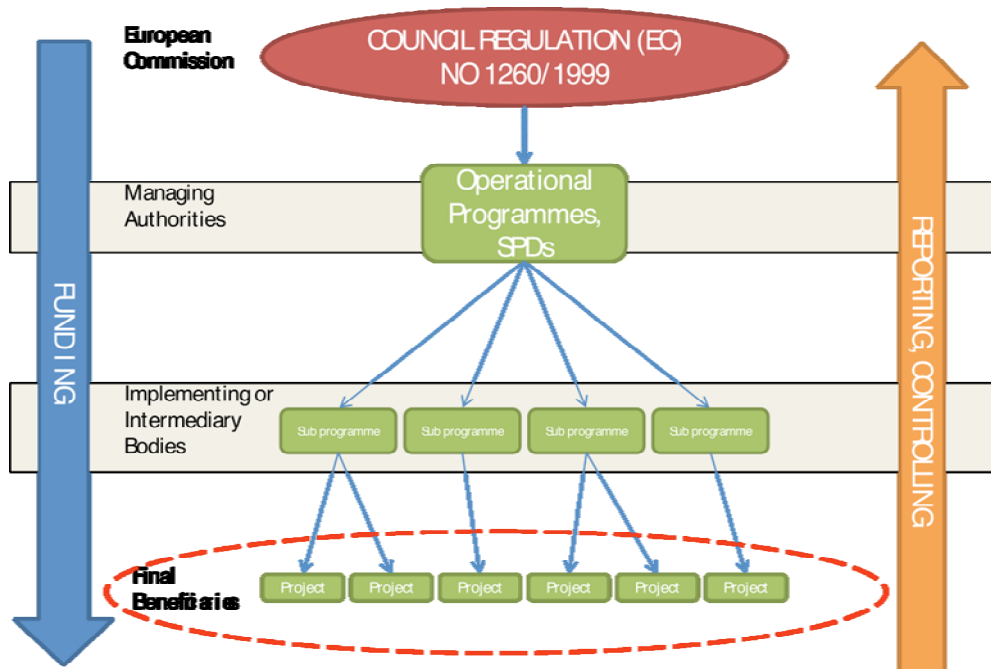
Regulation No 1260/1999 defines the objectives, the top priorities and the organisation of the Structural Funds. It also describes the rules applicable and the provisions necessary to ensure the effectiveness of the Funds, as well as the coordination between them and other EU financial instruments.

One of the basic principles of EU structural policies is partnership (see Article 8 No. 1260/1999); meaning that the Community action is not only complementing national operations but also that preparation and implementation of the Structural Funds is based on a partnership between the Commission and the Member State and its relevant public authorities and bodies. The partnership principle implies that implementation of the Community assistance:

- Is the responsibility of the Member State, respecting the legal framework set out by the Council Regulation;
- Involves relevant partners from different levels of the Member State, its economic and social partners and other relevant bodies. The structure of the partnership is determined by the institutional and legal framework in the Member State.

Therefore the implementation of Cohesion Policy varies considerably from one Member State to another. The level of central or decentralised management of the Funds' interventions depends on the Member State's national constitution. In Germany and Italy, for example, implementation takes place at regional level while the programmes of smaller Member States tend to be centrally managed. Despite these very different backgrounds, it is possible to draw up a standard model of Cohesion Policy implementation, reflecting Regulation (EC) No 1260/1999.

Figure 4: Model for Structural Funds Implementation



By Capgemini/Deloitte/Ramboll Management.

For each Operational Programme or SPD (Single Programming Document), the Member States have designated a Managing Authority which is responsible for the “efficiency and correctness of management and implementation” (Art. 34) of the programme. The Managing Authority acts, in terms of programme management, as the interface with the European Commission.

The management and implementation of parts of the Operational Programme or SPD (e.g. sub-programmes for specific actions, policy fields) may be delegated to other bodies, the so-called Intermediary or Implementing Bodies. They are usually public bodies or semi-public authorities. They are the interface in programme implementation with the Final Beneficiary and are generally responsible for selecting projects, appraising applications, payments, reporting and controlling. The Final Beneficiaries report to them on the status of implementation. The Final Beneficiaries are according to Article 9 the bodies and public or private firms responsible for commissioning operations”. In the case of aid schemes pursuant to Article 87 of the Treaty and in the case of aid granted by bodies designated by

the Member States, the Final Beneficiaries are the bodies which grant the aid. They are the last in the chain of implementation of Structural Funds operations. They may act as project promoters (e.g. a municipality which commissions a local infrastructure project or a training institution which delivers ESF-funded trainings) or may be direct recipients of funding (e.g. businesses receiving investment aid).

Regulation (EC) Nr. 1260/1999 also covers the processes of financial management and control for monitoring and reporting on the implementation between the European Commission and the Member States' Managing Authorities. The processes between the Final Beneficiaries and the implementing bodies are governed by national or regional rules but they have to respond to the obligations of the Managing Authorities in relation to the Commission. As an example, the Commission's interim payments depend on the actual expenses stated at programme level. These depend on the individual payment requests and corresponding payment statements of the Final Beneficiaries. The reporting and monitoring system works in a similar way. The annual implementation reports build upon the data gathered by the Final Beneficiaries, who must report according to specific indicators.

To this extent, the Information Obligations set out by Regulation (EC) No. 1260 have only an indirect effect on the Final Beneficiaries who are in fact exposed to the specific rules in their respective countries. This explains the differences in implementing Cohesion Policy across the Member States.

Other factors affecting the cost of implementation of Structural Funds' actions are related to the complexity of the projects. The time spent by the Final Beneficiaries on the IOs in scope depends on the type and the size of the project. Monitoring small projects can be done relatively quickly and easily, while the control of more complex projects might be more time-consuming and require additional staff. In order to provide comparable data on the IOs measured, our country teams asked the interviewees to provide us with the total time spent on a yearly basis to fulfil the IOs in scope. We then divided the time spent by the number of projects and the number of people involved. This approach gave the average time and cost spent to comply with one IO. Thus, the data provided in the next Chapter represents the average time spent by the Final Beneficiaries on an average project.

3.1.1 Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report, Council Regulation (EC) No 1260/1999

3.1.1.1 Characteristics of the IO

The IO on “Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report” is related to Art. 37 pars. 2b) and 2c). It stipulates that the Managing Authority must provide information on the implementation of the measures and priorities of the programme and its financial implementation to the Commission. It allows the Managing Authority as well as the Commission to control whether the actual implementation of the programme complies with its goals and is in line with the specific rules.

This information is given on an aggregated programme level but is based on individual information from the Final Beneficiaries on the implementation of their projects. As outlined above, the process of submitting information by the Final Beneficiaries is organised according to the specific rules and administrative procedures in the Member States and regions. The basic minimum information required by the Commission concerns primarily the use of indicators (Art. 36), which again are defined specifically for each programme. Therefore the processes for submitting/collecting information may vary considerably.

3.1.1.2 Process for complying with IO

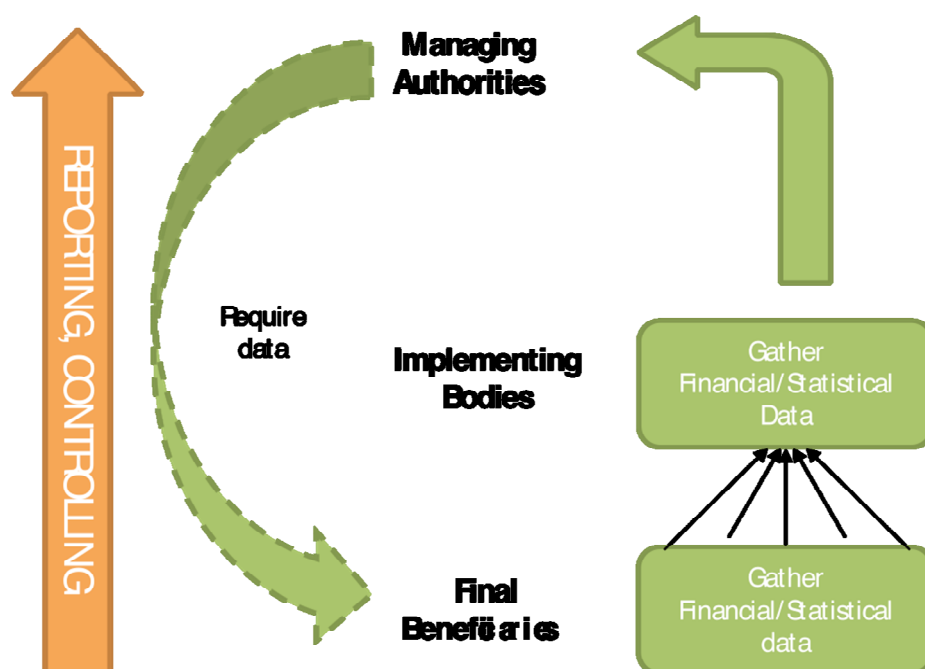
The process for “Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report” underpins national rules from the implementation bodies, which the Final Beneficiaries have to respond to throughout the life of a project. The arrangements for both monitoring and Financial Control (Art. 38) may be aligned but separate processes for collecting financial information and monitoring data may also exist. The information may be collected in several intervals throughout the year or in one annual report from the Final Beneficiary.

The method of submitting information depends on the complexity of the structure of the projects (complex infrastructure project vs. employment subsidies). The varying levels of experience of the persons involved in the process have an impact on the time spent by a

Final Beneficiary on the IO and the data may need to be gathered from several institutions or departments which will be more burdensome.

The Figure below shows the basic process of reporting on the implementation of Structural Funds in the Member States.

Figure 5: Business Process for Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report



By Capgemini/Deloitte/Ramboll Management.

3.1.1.3 Costs and explanatory variables

Here, we describe and analyse the total cost generated by the IO on “Submitting Information needed to Draft Annual Implementation/Final Report”, first examining the overall data for all segments, then analysing separately the data for the 3 segments measured (Businesses, Public & Semi-public Authorities, and Non-Profit Organisations).

Table 13: Costs and Explanatory Variables: Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report – All segments¹⁵

		Measurement Countries					
		BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	non profit organisations	55,818.00	8,014.00	26,059.00	2,400.00	7,053.00	2,400.00
	public & semi-public authorities	46,562.00	34,717.00	9,152.00	7,200.00	5,404.00	75.00
	small/medium/large business	25,613.00	12,479.00	2,682.00	7,678.00	5,407.00	2,700.00
Average hourly tariff (€)	non profit organisations	34.71	21.01	8.17	47.30	4.91	40.00
	public & semi-public authorities	33.34	21.10	8.77	50.00	4.61	40.00
	small/medium/large business	35.07	22.49	6.79	36.35	4.83	40.00
Equipment costs per occurrence (€)	non profit organisations	0	0	200.00	0	0	0
	public & semi-public authorities	0	0	400.00	0	0	0
	small/medium/large business	0	342.00	200.00	0	0	0
Consulting costs per occurrence (€)	non profit organisations	0	0	0	0	0	0
	public & semi-public authorities	0	0	0	0	0	10,593.33
	small/medium/large business	0	18	0	0	0	0
Dominant employee type	non profit organisations	professionals	professionals	professionals	professionals	technicians, associate professionals	professionals
	public & semi-public authorities	professionals	professionals	technicians, associate professionals	legislators, senior officials, managers	technicians, associate professionals	professionals
	small/medium/large business	professionals	legislators, senior officials, managers	technicians, associate professionals	technicians, associate professionals	technicians, associate professionals	professionals
No. of occurrences	non profit organisations	102.00	12.00	102.00	194.00	152.00	104.00
	public & semi-public authorities	204.00	190.00	625.00	389.00	304.00	207.00
	small/medium/large business	620.00	416.00	1,903.00	1,183.00	925.00	631.00
Total administrative cost per occurrence	non profit organisations	32,288.50	2,806.10	3,747.63	1,892.00	577.07	1,600.00

¹⁵ The term “occurrence” refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

		Measurement Countries					
		BE	EL	HU	IE	LT	SE
(€)	public & semi-public authorities	25,870.57	12,206.30	1,738.10	6,000.00	415.27	10,643.33
	small/medium/large business	14,970.92	5,036.55	503.30	4,651.16	435.53	1,800.00
Total Admin. burden per occurrence (€)	non profit organisations	32,288.50	2,806.10	3,747.63	1,892.00	577.07	1,600.00
	public & semi-public authorities	25,870.57	12,206.30	1,738.10	6,000.00	415.27	10,643.33
	small/medium/large business	14,970.92	5,036.55	503.30	4,651.16	435.53	1,800.00
Total costs	non profit organisations	3,293,427.00	33,673.20	382,258.60	367,048.00	87,714.13	166,400.00
	public & semi-public authorities	5,277,595.60	2,319,197.00	1,086,312.50	2,334,000.00	126,241.07	2,203,169.84
	small/medium/large business	9,281,968.33	2,095,204.80	957,779.90	5,502,322.28	402,868.33	1,135,800.00
Total cost for all segments combined		17,852,990.93	4,448,075.00	2,426,351.00	8,203,370.28	616,823.53	3,505,369.84

This Table is based on data compiled by the Consortium.

The Member States apply different procedures and standards to monitor and control data in connection with Structural Funds. The level of detail required by the Intermediary or Implementing Bodies to the Final Beneficiaries differs from country to country. Some Member States such as Belgium or Greece put in place detailed control processes, where every single expense is checked in detail, creating additional work for the Final Beneficiaries in order to comply with the Information Obligations. Other Member States such as Lithuania initiate data controls at a higher level.

The data gathered during the workshops and interviews with the Final Beneficiaries indicated that on average, the Final Beneficiaries spend between 5 and 50 working days to comply with this IO.

Private companies do not usually see this IO as burdensome as most are well prepared. Businesses are generally better equipped to deal with Financial Controls and submitting information. They usually have the necessary processes and resources available to fulfil the IO efficiently. Public authorities also tend to have incorporated the necessary structure and processes into their organisation to comply with the Information Obligations. On the opposite, the non-profit organisations rarely have an internal structure appropriate for

managing this Information Obligation which resulted in more internal time spent compared to the other segments.

The average hourly tariff influences the total Administrative Cost generated by the Submitting Information needed to Draft Annual Implementation/Final Report. If Hungary's minutes were multiplied by the Swedish average hourly tariff, the total cost generated by the IO would have been 5 times higher.

Almost no Equipment Costs were reported during the interviews. Only Lithuania and Hungary reported Equipment Costs related to the cost of stamps used during the Financial Controls. Hungary reported an Equipment Cost between €200 and €400 due to the fact that the Final Beneficiaries need to submit the requisite information physically to the competent authorities. This cost can be up to 25% of the total cost generated and therefore has a significant impact on the total Administrative Cost generated by the IO in Hungary.

Sweden shows the lowest internal time of the 6 Measurement Countries in the Public & Semi-public authorities segment. The main part of the Administrative Costs generated by the public & semi-public authorities is linked to external costs. Swedish public bodies pay on average €10,000 to external service providers in order to fulfil the IO. Compared to the other Measurement Countries, the internal time spent in Sweden to fulfil the IO is extremely low due to the fact that they outsource the work.

Collecting data means Final Beneficiaries have to do particular work that they would not normally do, and therefore cannot be considered as business-as-usual. Following our measurement data, businesses spend usually less time than the public authorities and the non-profit organisations to collect information already submitted during the project. This indicates how project management influences the burden of this IO.

The level of complexity of the projects also has an impact on the amount of time Final Beneficiaries spend on the IO. The submission of data linked to a smaller project is much less burdensome than for a more complex project. This affects the segments to varying degrees. Public and semi-public authorities usually manage more complex projects, while

businesses and non-profit organisations tend to receive funds for smaller projects easier to manage and control.

3.1.1.3.1 Costs and explanatory variables – Businesses

Table 14: Costs and Explanatory Variables: Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report – Businesses¹⁶

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	25,613.00	12,479.00	2,682.00	7,678.00	5,407.00	2,700.00
Average hourly tariff (€)	35.07	22.49	6.79	36.35	4.83	40.00
Equipment Cost per occurrence (€)	0	342.00	200.00	0	0	0
Consulting Cost per occurrence (€)	0	18	0	0	0	0
Dominant employee type	professionals	legislators, senior officials, managers	technicians, associate professionals	technicians, associate professionals	technicians, associate professionals	professionals
No. of occurrences	620.00	416.00	1,903.00	1,183.00	925.00	631.00
Total Admin. Cost per occurrence (€)	14,970.92	5,036.55	503.30	4,651.16	435.53	1,800.00
Total Admin. Burden per occurrence (€)	14,970.92	5,036.55	503.30	4,651.16	435.53	1,800.00
Total Cost	9,281,968.33	2,095,204.80	957,779.90	5,502,322.28	402,868.33	1,135,800.00

This Table is based on data compiled by the Consortium.

The “Businesses” Segment represents about 52% of the total Administrative Cost generated by the Information Obligations in the 6 Measurement Countries. This is driven by the high number of businesses that need to comply with the IO (68% of the population measured are businesses). On the other hand, the average time spent by the businesses is lower than in the other segments. Businesses tend to manage programmes of low complexity that do not require significant control or follow-up. They also need to submit information for the annual report less frequently than in the other segments.

¹⁶ The term “occurrence” refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

3.1.1.3.1.1 Costs and Explanatory Variables - Public & semi-public authorities¹⁷

Table 15: Costs and Explanatory Variables: Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report – Public & semi-public authorities

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	46,562.00	34,717.00	9,152.00	7,200.00	5,404.00	75.00
Average hourly tariff (€)	33.34	21.10	8.77	50.00	4.61	40.00
Equipment Cost per occurrence (€)	0	0	400.00	0	0	0
Consulting Cost per occurrence (€)	0	0	0	0	0	10,593.33
Dominant employee type	professionals	professionals	technicians, associate professionals	legislators, senior officials, managers	technicians, associate professionals	professionals
No. of occurrences	204.00	190.00	625.00	389.00	304.00	207.00
Total Admin. Cost per occurrence (€)	25,870.57	12,206.30	1,738.10	6,000.00	415.27	10,643.33
Total Admin. Burden per occurrence (€)	25,870.57	12,206.30	1,738.10	6,000.00	415.27	10,643.33
Total Cost	5,277,595.60	2,319,197.00	1,086,312.50	2,334,000.00	126,241.07	2,203,169.84

This Table is based on data compiled by the Consortium.

Public and semi-public authorities only represent 23% of the population measured, but generated more than 35% of the total Administrative Cost generated due to the complexity of the projects managed in this segment. The level of complexity has a direct impact on many of the indicators that need to be addressed when complying with the IO.

¹⁷ The term “occurrence” refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

3.1.1.3.2 Costs and Explanatory Variables - Non-profit organisations

Table 16: Costs and Explanatory Variables on Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report – Non-profit organisations¹⁸

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	55,818.00	8,014.00	26,059.00	2,400.00	7,053.00	2,400.00
Average hourly tariff (€)	34.71	21.01	8.17	47.30	4.91	40.00
Equipment Cost per occurrence (€)	0	0	200.00	0	0	0
Consulting Cost per occurrence (€)	0	0	0	0	0	0
Dominant employee type	professionals	professionals	professionals	professionals	technicians, associate professionals	professionals
No. of occurrences	102.00	12.00	102.00	194.00	152.00	104.00
Total Admin. Cost per occurrence (€)	32,288.50	2,806.10	3,747.63	1,892.00	577.07	1,600.00
Total Admin. Burden per occurrence (€)	32,288.50	2,806.10	3,747.63	1,892.00	577.07	1,600.00
Total Cost	3,293,427.00	33,673.20	382,258.60	367,048.00	87,714.13	166,400.00

This Table is based on data compiled by the Consortium.

With 12% of the total cost generated by this IO, the non-profit organisation segment represents the smallest part of the cost. This is driven by the relatively low share of the population that need to submit the IO formed by non-profit organisations.

3.1.1.4 First Simplification Suggestions

During the interviews and workshops several initial simplification ideas were collected. A structured and detailed collection and analysis of possible reduction measures will be conducted during Module 5. Thus, this Section only contains a summary of the suggestions gathered. The ideas include:

¹⁸ The term “occurrence” refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

- Managing Authorities should provide guidelines on the level of detail expected particularly for complex projects. This would substantially reduce time spent on retrieving information pre- and post-audit;
- Reduce the number of years during which documents must be retained. Retention of files could be for example reduced to 3 years per project instead of 3 years per programme. This could save businesses storage costs for 10 years or more. These costs can be substantial and have not been quantified in this exercise, implying that the Administrative Cost may be understated;
- Develop a database to contain all the information submitted by the Final Beneficiaries. Provide access to this to all the ministries and relevant authorities involved in the process. This would prevent Final Beneficiaries having to submit the same information several times;
- Differentiate infrastructure projects from other projects in terms of the Financial Control process (level of detail, frequency, etc.), as these projects require more complex control systems.

3.1.2 Financial Control on Final Beneficiaries by the Member States and by the European Commission, Council Regulation (EC) No 1260/1999

3.1.2.1 Characteristics of the IO

The Information Obligations on “Financial Control on Final Beneficiaries by the Member States” and “by the European Commission” relates to Articles 34.3, 38.1 and 38.2 of the Council Regulation 1260/1999.

The purpose of the “Financial Control on Final Beneficiaries by the Member States” is to ensure good control of EU funds, prevent fraud and ensure that the programme’s goal is respected. The IO describes how the main outcomes of the programmes should be reviewed by the competent authorities and how the Member States or the European Commission should be informed of any poor management that occurs in projects covered by the Structural Funds.

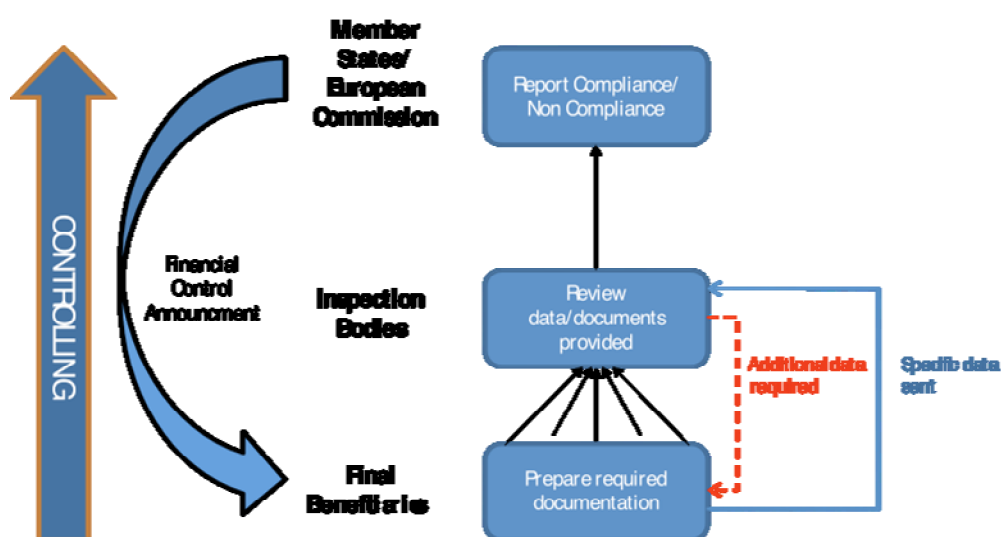
The Financial Controls by the Member States are part of an ongoing process, happening at least once a year and sometimes more for each programme covered by the Information Obligations.

Unlike the Member States, the European Commission does not run systematic controls on each project, but carries out checks on a selective basis.

3.1.2.2 Process for complying with IO

The Figure below illustrates the formal process of inspection of the funds by the Member States:

Figure 6: Business Process for Financial Control on Final Beneficiaries



By Capgemini/Deloitte/Ramboll Management.

To fulfil the Information Obligations, the Final Beneficiaries first need to prepare the documentation required for the Financial Control of the project. During the control, the Final Beneficiaries provide the requested data and all necessary support to the controllers. After the inspection, should additional information be required, the Final Beneficiaries submit it to the controllers. A final report is submitted to the relevant authorities (Member States and/or European Commission) after the Financial Control. The Final Beneficiary is expected to rectify any problems and make any requisite amendments before the next control.

There are 3 inspection bodies at Member State level (Managing Authority, Fiscal Control Committee and Court of Auditors). In some Member States, the Payment Authorities also perform Financial Controls on the Final Beneficiaries.

There is an interaction between the IOs “Financial Control on Final Beneficiaries”, “Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report” and “Payment request”. When a Final Beneficiary makes a payment request, the Controlling Authorities will first check the report submitted for the “Annual report”. If the report shows contradictions with the payment request, a Financial Control on-site is then organised.

3.1.2.3 Costs and explanatory variables

The Business Processes for the “Financial Control on Final Beneficiaries” by the Member States and by the European Commission are similar so the 2 Information Obligations are considered together here. The main difference is that the frequency of the audits carried out by the European Commission is much lower than in the Member States. In all Member States, there is a systematic control of EU subsidies to Final Beneficiaries, while the European Commission only checks a sample of projects.

Here, we analyse and describe the total cost generated by the IOs on “Financial Controls by the Member States” and “Financial Controls by the European Commission”. We first analyse the overall data for all segments and then separately for the 3 segments measured (businesses, public and semi-public authorities, and non-profit organisations).

Table 17: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the Member States¹⁹

		Measurement Countries					
		BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	non profit organisations	2,691	2,006	2,784	3,660	1,495	960
	public & semi-public authorities	18,428	11,213	3,704	12,480	2,510	3,840
	small/medium/large business	2,057	8,043	1,371	2,040	1,320	960
Average hourly tariff (€)	non profit organisations	34.74	19.85	7.5	46.07	4.32	40

¹⁹ The term “occurrence” refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

		Measurement Countries					
		BE	EL	HU	IE	LT	SE
	public & semi-public authorities	35.42	22.19	7.81	30.77	4.45	40
	small/medium/large business	36.63	22.98	7.3	39.46	5	40
Equipment costs per occurrence (€)	non profit organisations	0	0	0	0	0	0
	public & semi-public authorities	0	0	0	0	0	0
	small/medium/large business	0	0	0	0	15	0
Consulting costs per occurrence (€)	non profit organisations	0	0	0	0	0	0
	public & semi-public authorities	0	0	0	0	0	0
	small/medium/large business	0	0	0	0	0	0
Dominant employee type	non profit organisations	professionals	professionals	professionals	professionals	technicians, associate professionals	professionals
	public & semi-public authorities	professionals	professionals	professionals	clerks	technicians, associate professionals	professionals
	small/medium/large business	professionals	legislators, senior officials, managers	professionals	legislators, senior officials, managers	technicians, associate professionals	professionals
No. of occurrences	non profit organisations	71	115	217	135	105	72
	public & semi-public authorities	141	1,341	433	269	211	143
	small/medium/large business	430	2,865	1,319	819	641	437
Total Admin. cost per occurrence (€)	non profit organisations	1,558.02	663.65	348.1	2,810.00	107.67	640
	public & semi-public authorities	10,877.93	4,146.90	481.95	6,400.00	186.37	2,560.00
	small/medium/large business	1,255.92	3,080.15	166.92	1,341.67	125	640
Total Admin. burden per occurrence (€)	non profit organisations	1,558.02	663.65	348.1	2,810.00	107.67	640
	public & semi-public authorities	10,877.93	4,146.90	481.95	6,400.00	186.37	2,560.00
	small/medium/large business	1,255.92	3,080.15	166.92	1,341.67	125	640
Total costs	non profit organisations	110,619.18	76,319.75	75,537.70	379,350.00	11,305.00	46,080.00
	public & semi-public authorities	1,533,788.60	5,560,992.90	208,684.35	1,721,600.00	39,323.37	366,080.00

		Measurement Countries					
		BE	EL	HU	IE	LT	SE
	small/medium/large business	540,044.17	8,824,629.75	220,163.08	1,098,825.00	80,125.00	279,680.00
Total cost for all segments combined		2,184,451.95	14,461,942.40	504,385.13	3,199,775.00	130,753.37	691,840.00

This Table is based on data compiled by the Consortium.

Table 18: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the European Commission 20

		Measurement Countries					
		BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	non profit organisations	660	248	1,740	3,420	245	960
	public & semi-public authorities	5,890	8,597	1,665	5,580	2,300	2,400
	small/medium/large business	552	402	1,090	2,040	360	960
Average hourly tariff (€)	non profit organisations	34.67	20.03	7.93	46.07	5.63	40
	public & semi-public authorities	35.46	21.14	9.43	34.51	4.19	40
	small/medium/large business	36.78	22.96	8	38.48	5	40
Equipment costs per occurrence (€)	non profit organisations	0	0	0	0	0	0
	public & semi-public authorities	0	0	0	0	0	0
	small/medium/large business	0	0	0	0	0	0
Consulting costs per occurrence (€)	non profit organisations	0	0	0	0	0	0
	public & semi-public authorities	0	0	0	0	0	0
	small/medium/large business	0	0	0	0	0	0
Dominant employee type	non profit organisations	professionals	professionals	professionals	professionals	professionals	professionals

²⁰ The term “occurrence” refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

		Measurement Countries					
		BE	EL	HU	IE	LT	SE
	public & semi-public authorities	professionals	professionals	professionals	clerks	technicians, associate professionals	professionals
	small/medium/large business	professionals	legislators, senior officials, managers	professionals	legislators, senior officials, managers	technicians, associate professionals	professionals
No. of occurrences	non-profit organisations	7	1	21	13	10	7
	public & semi-public authorities	14	16	42	26	20	14
	small/medium/large business	42	12	129	80	62	43
Total Admin. cost per occurrence (€)	non profit organisations	381.33	82.8	230	2,626.00	23	640
	public & semi-public authorities	3,480.57	3,028.55	261.75	3,209.00	160.67	1,600.00
	small/medium/large business	338.40	153.85	145.33	1,308.33	30	640
Total Admin. burden per occurrence (€)	non profit organisations	381.33	82.8	230	2,626.00	23	640
	public & semi-public authorities	3,480.57	3,028.55	261.75	3,209.00	160.67	1,600.00
	small/medium/large business	338.40	153.85	145.33	1,308.33	30	640
Total costs	non profit organisations	2,669.33	82.80	4,830.00	34,138.00	230.00	4,480.00
	public & semi-public authorities	48,727.93	48,456.80	10,993.50	83,434.00	3,213.33	22,400.00
	small/medium/large business	14,212.80	1,846.20	18,748.00	104,666.67	1,860.00	27,520.00
Total cost for all segments combined		65,610.07	50,385.80	34,571.50	222,238.67	5,303.33	54,400.00

This Table is based on data compiled by the Consortium.

The Financial Control varies considerably from country to country. Member States such as Belgium, Greece and Ireland exercise very detailed Financial Control of Structural Fund projects, creating a considerable burden for the Final Beneficiaries.

Internal time spent on the Financial Control by the Member State is higher than for European Commission controls. The additional indicators checked by the national

authorities compared to the indicators used by the Commission result in more time spent and more cost generated.

European Commission's Financial Controls are much less frequent than Member State's controls. Very few businesses are controlled by the European Commission. Moreover, not all projects are checked on-site in the case of businesses as businesses manage smaller projects than the public or semi-public authorities, from which only a sample is being checked with on-site controls.

The highest costs generated by these IOs are in Greece, where the high number of Final Beneficiaries combined with the complexity of the controls and the Possibilities not stated in the EU Legal Act on the additional site checks required generate relatively higher burden. There is a clear correlation between the total burden and the level of detail required.

In Hungary and Lithuania, the level of detail required is considerably lower than in Belgium, Greece and Ireland. Depending on the segment, the average time spent in Hungary and Lithuania can be up to 4 times lower than in Member States such as Belgium. This, combined with the low average tariff, explains the low level of Administrative Cost generated by the Financial Controls in these 2 Member States.

The preparation of the data to be verified is another factor that influences the burden. The auditors do not always announce what the specific scope of the Financial Control will be. Belgian and Greek Final Beneficiaries tend to proactively prepare a comprehensive set of data for the Financial Control. On the other hand, Lithuanian authorities tend to announce in advance which data will be requested. Consequently, Final Beneficiaries that take time to prepare all possible data face a higher burden than those who just prepare what is required, thus avoiding an unnecessary burden.

The need to rework after an inspection also contributes to the total burden generated by the IO.

Almost no equipment costs were reported by the Member States, except for Lithuanian businesses which reported equipment costs related to the cost of stamps used during the Financial Controls.

In the case of “Financial Control on Final Beneficiaries”, the cost cannot be considered as “business-as-usual”. Therefore, the total Administrative Costs are equivalent to the total Administrative Burden generated by these 2 Information Obligations.

Another factor that impacts the Administrative Cost of these IOs is the level of complexity of the project for which the beneficiaries received funding. The Financial Control of a smaller project is much less of a burden than more complex projects. The semi-public and public authorities usually manage complex projects, while businesses and non-profit organisations receive funds for smaller projects for which the Financial Control is easier. This explains why this Information Obligations is perceived as very burdensome by public authorities and less so by businesses and non-profit organisations. On average, the person in charge of this IO in a business spends 2 working days complying, while a non-profit organisation spends 3 days and public authorities up to 15 days. The same remarks are applicable to the EU IO on “Financial Control on Final Beneficiaries by the European Commission”.

3.1.2.3.1 Costs and explanatory variables – Businesses

Table 19: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the Member States – Businesses 21

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	2,057.00	8,043.00	1,371.00	2,040.00	1,320.00	960.00
Average hourly tariff (€)	36.63	22.98	7.30	39.46	5.00	40.00
Equipment Cost per occurrence (€)	0	0	0	0	15.00	0

²¹ The term “occurrence” refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Consulting Cost per occurrence (€)	0	0	0	0	0	0
Dominant employee type	professionals	legislators, senior officials, managers	professionals	legislators, senior officials, managers	technicians, associate professionals	professionals
No. of occurrences	430.00	2,865.00	1,319.00	819.00	641.00	437.00
Total Admin. Cost per occurrence (€)	1,255.92	3,080.15	166.92	1,341.67	125.00	640.00
Total Admin. Burden per occurrence (€)	1,255.92	3,080.15	166.92	1,341.67	125.00	640.00
Total Cost	540,044.17	8,824,629.75	220,163.08	1,098,825.00	80,125.00	279,680.00

This Table is based on data compiled by the Consortium.

Table 20: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the European Commission – Businesses 22

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	552.00	402.00	1,090.00	2,040.00	360.00	960.00
Average hourly tariff (€)	36.78	22.96	8.00	38.48	5.00	40.00
Equipment Cost per occurrence (€)	0	0	0	0	0	0
Consulting Cost per occurrence (€)	0	0	0	0	0	0
Dominant employee type	professionals	legislators, senior officials, managers	professionals	legislators, senior officials, managers	technicians, associate professionals	professionals
No. of occurrences	42.00	12.00	129.00	80.00	62.00	43.00
Total Admin. Cost per occurrence (€)	338.40	153.85	145.33	1,308.33	30.00	640.00
Total Admin. Burden per occurrence (€)	338.40	153.85	145.33	1,308.33	30.00	640.00
Total Cost	14,212.80	1,846.20	18,748.00	104,666.67	1,860.00	27,520.00

This Table is based on data compiled by the Consortium.

²² The term “occurrence” refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

3.1.2.3.2 Costs and Explanatory Variables – Public & Semi-public authorities

Table 21: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the Member States - Public & Semi-public Authorities 23

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	18,428.00	11,213.00	3,704.00	12,480.00	2,510.00	3,840.00
Average hourly tariff (€)	35.42	22.19	7.81	30.77	4.45	40.00
Equipment Cost per occurrence (€)	0	0	0	0	0	0
Consulting Cost per occurrence (€)	0	0	0	0	0	0
Dominant employee type	professionals	professionals	professionals	clerks	technicians, associate professionals	professionals
No. of occurrences	141.00	1,341.00	433.00	269.00	211.00	143.00
Total Admin. Cost per occurrence (€)	10,877.93	4,146.90	481.95	6,400.00	186.37	2,560.00
Total Admin. Burden per occurrence (€)	10,877.93	4,146.90	481.95	6,400.00	186.37	2,560.00
Total Cost	1,533,788.60	5,560,992.90	208,684.35	1,721,600.00	39,323.37	366,080.00

This Table is based on data compiled by the Consortium.

Table 22: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the European Commission - Public & Semi-public Authorities²⁴

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	5,890.00	8,597.00	1,665.00	5,580.00	2,300.00	2,400.00
Average hourly tariff (€)	35.46	21.14	9.43	34.51	4.19	40.00

²³ The term "occurrence" refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

²⁴ The term "occurrence" refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Equipment Cost per occurrence (€)	0	0	0	0	0	0
Consulting Cost per occurrence (€)	0	0	0	0	0	0
Dominant employee type	professionals	professionals	professionals	clerks	technicians, associate professionals	professionals
No. of occurrences	14.00	16.00	42.00	26.00	20.00	14.00
Total Admin. Cost per occurrence (€)	3,480.57	3,028.55	261.75	3,209.00	160.67	1,600.00
Total Admin. Burden per occurrence (€)	3,480.57	3,028.55	261.75	3,209.00	160.67	1,600.00
Total Cost	48,727.93	48,456.80	10,993.50	83,434.00	3,213.33	22,400.00

This Table is based on data compiled by the Consortium

3.1.2.3.3 Costs and Explanatory Variables – Non-profit Organisations

Table 23: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the European Commission - Non-profit Organisations 25

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	2,691.00	2,006.00	2,784.00	3,660.00	1,495.00	960.00
Average hourly tariff (€)	34.74	19.85	7.50	46.07	4.32	40.00
Equipment Cost per occurrence (€)	0	0	0	0	0	0
Consulting Cost per occurrence (€)	0	0	0	0	0	0
Dominant employee type	professionals	professionals	professionals	professionals	technicians, associate professionals	professionals
No. of occurrences	71.00	115.00	217.00	135.00	105.00	72.00
Total Admin. Cost per occurrence (€)	1,558.02	663.65	348.10	2,810.00	107.67	640.00
Total Admin. Burden per occurrence (€)	1,558.02	663.65	348.10	2,810.00	107.67	640.00

²⁵ The term “occurrence” refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Total Cost	110,619.18	76,319.75	75,537.70	379,350.00	11,305.00	46,080.00

This Table is based on data compiled by the Consortium.

Table 24: Costs and Explanatory Variables: Financial Control on Final Beneficiaries by the European Commission - Non-profit Organisations²⁶

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	660.00	248.00	1,740.00	3,420.00	245.00	960.00
Average hourly tariff (€)	34.67	20.03	7.93	46.07	5.63	40.00
Equipment Cost per occurrence (€)	0	0	0	0	0	0
Consulting Cost per occurrence (€)	0	0	0	0	0	0
Dominant employee type	professionals	professionals	professionals	professionals	professionals	professionals
No. of occurrences	7.00	1.00	21.00	13.00	10.00	7.00
Total Admin. Cost per occurrence (€)	381.33	82.80	230.00	2,626.00	23.00	640.00
Total Admin. Burden per occurrence (€)	381.33	82.80	230.00	2,626.00	23.00	640.00
Total Cost	2,669.33	82.80	4,830.00	34,138.00	230.00	4,480.00

This Table is based on data compiled by the Consortium.

3.1.2.4 First simplification suggestions

During the interviews and workshops with business and experts several initial simplification ideas were collected. A structured and detailed collection and analysis of possible reduction measures will be conducted during Module 5. Thus, this Section only contains a summary of the suggestions gathered and does not represent a final list of simplification suggestions.

²⁶ The term "occurrence" refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

- Review existing data on Financial Controls. The work of auditors who are independent of the organisation being audited should be reviewed prior to commencing an audit. This would include the Member State reviewing the EC control files as well as the EC reviewing Member State control files. It would also include both bodies reviewing any independent auditors' files relating to the programme being audited;
- Reduce the frequency of Financial Controls and merge them with the business audit.
- Reduce the number of years for keeping records. Retention of files could be reduced to 3 years per project instead of 3 years per programme. This could save businesses money in terms of storage costs for 10 years or more. These costs can be substantial, but have not been quantified in this exercise;
- Develop a database to contain all the information submitted by the Final Beneficiaries. Provide access to this to all the ministries and relevant authorities involved in the process. This would prevent Final Beneficiaries having to submit the same information several times;
- Differentiate large infrastructure projects from other projects in terms of the Financial Control process (level of detail, frequency, etc.);
- Provide guidelines on the level of detail of information which is subject to the control, particularly for complex projects. This would substantially reduce time spent on retrieving information pre- and post-audit.

3.1.3 Intermediate and Final Payment Requests, Council Regulation (EC) No 1260/1999

3.1.3.1 Characteristics of the IO

The Information Obligations on "Intermediate Payment request" and "Final Payment request" relate to the Articles 32 par. 3 and 4 of Council Regulation 1260/1999.

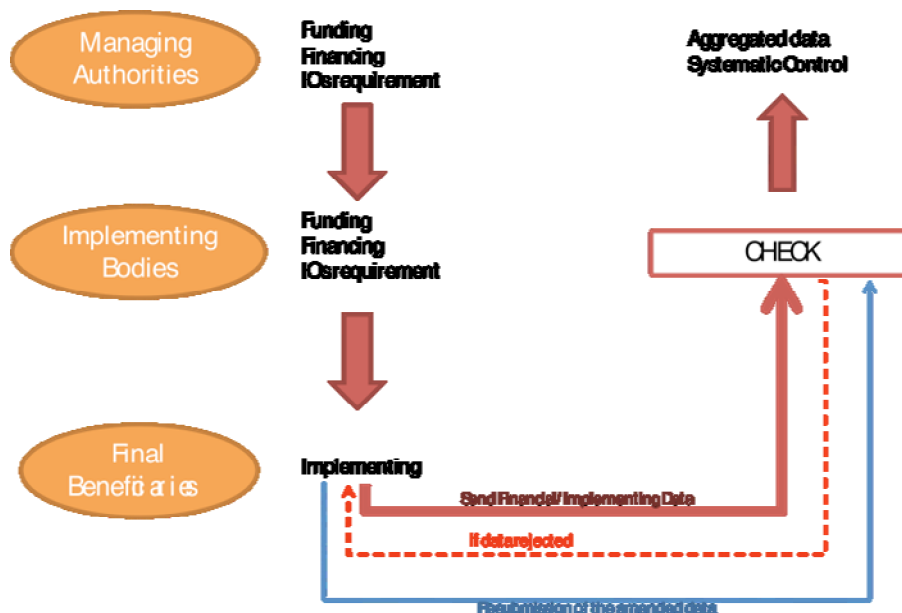
For each programme implemented, the European Commission pays the corresponding share of funds to the Member State. In order to receive these payments and to reimburse the Final Beneficiaries, each Member State designates a Paying Authority for each programme to manage the payment of subsidies and ensures that the actions have been properly implemented

At the beginning of the implementation phase of a programme, the Paying Authority obtains an advance payment. As work progresses, it requests reimbursements from the European Commission. Once the Programme has been fully executed, it requests the final payment of the balance.

3.1.3.2 Process for complying with IO

The Figure below illustrates the formal process of the funds request by the Final Beneficiaries:

Figure 7: Business Process for Payment Request



By Capgemini/Deloitte/Ramboll Management.

Once a project is launched, Final Beneficiaries make a claim on the grant approving body. Final Beneficiaries can request intermediate payments from the payment authority (through the Managing Authorities) on a monthly, quarterly or annual basis. Every payment request has to be supported by evidentiary material. All invoices of expenditure and payment proofs have to be sent together with the explanation of the eligibility of the expense and other relevant information to the managing authority. To document physical progress, official acceptance letters from the assigned committees per project have to be submitted.

The payment authority checks the evidentiary material and calculations, and submits certified payment applications to the Commission on the basis of actual expenditure incurred by the Final Beneficiaries. The frequency can vary depending on the activity area for which the subsidies were granted. Depending on the contract between the managing authority and the Final Beneficiary, intermediate payments are granted for eligible expenses and are deducted from the regular payments.

3.1.3.3 Costs and Explanatory Variables

As the business processes are similar for the “Intermediate Payment Request” and the “Final Payment Request”, those 2 Information Obligations are considered together here. The 2 Information Obligations were not prioritised, and therefore the measurement data have not been segmented.

Table 25: Costs and Explanatory Variables: Intermediate Payment Request 27

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	10,033.00	1,610.00	3,840.00	245.00	6,000.00	305.00
Average hourly tariff (€)	47.84	22.01	6.21	38.78	5.88	24.97
Equipment Cost per occurrence (€)	0	0	80.00	0	0	0
Consulting Cost per occurrence (€)	0	0	0	0	0	0
Dominant employee type	legislators, senior officials, managers	professionals	technicians, associate professionals	legislators, senior officials, managers	professionals	craft and related trades workers
No. of occurrences	882.00	14,405.00	226.00	2,328.00	7,814.00	897.00
Total Admin. Cost per occurrence (€)	7,999.05	590.50	477.67	158.33	587.67	126.92
Total Admin. Burden per occurrence (€)	7,999.05	590.50	477.67	158.33	587.67	126.92
Total Cost	7,055,162.10	8,506,152.50	107,952.67	368,600.00	4,592,027.33	113,844.25

²⁷ The term “occurrence” refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

This Table is based on data compiled by the Consortium.

Table 26: Costs and Explanatory Variables: Final Payment Request 28

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	10,198.00	2,120.00	2,050.00	290.00	6,000.00	305.00
Average hourly tariff (€)	47.89	24.67	6.33	39.22	6.00	23.28
Equipment Cost per occurrence (€)	0	0	80.00	0	0	0
Consulting Cost per occurrence (€)	0	0	0	0	0	0
Dominant employee type	legislators, senior officials, managers	legislators, senior officials, managers	technicians, associate professionals	legislators, senior officials, managers	professionals	clerks
No. of occurrences	163.00	1,910.00	226.00	1,164.00	3,800.00	166.00
Total Admin. Cost per occurrence (€)	8,139.30	871.50	296.17	189.58	600.00	118.33
Total Admin. Burden per occurrence (€)	8,139.30	871.50	296.17	189.58	600.00	118.33
Total Cost	1,326,705.90	1,664,565.00	66,933.67	220,675.00	2,280,000.00	19,643.33

This Table is based on data compiled by the Consortium.

In Greece and Hungary, the internal time spent on the final payment request is usually higher than on the intermediate payment request due to the fact that the final payment requests require more information and therefore are more time-consuming. Additional information to support the correct closure and functionality of the delivered project has to be provided so the amount of information needed for final payment requests is higher than for intermediate requests. The total Administrative Cost of the final payment is lower than the one for the intermediate payment request due to the fact that the final payment request occurs only once, while intermediate payment requests can be made up to 6 times a year.

²⁸ The term "occurrence" refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

The general experience of the Final Beneficiaries is that it takes a lot of time to retrieve and adjust the necessary documentation required by the payment request. On average, 50% of the time spent complying with this IO is spent on retrieving and adjusting existing data.

In the case of "Intermediate Payment Request" and "Final Payment Request", the cost cannot be considered as "business-as-usual". Therefore, the total Administrative Cost is equivalent to the total Administrative Burden generated by these 2 Information Obligations.

The IOs "Intermediate Payment Request" and "Final Payment Request" are the most irritating IOs linked to the Cohesion Policy Priority Area.

3.1.4 Information and Publicity, Council Regulation (EC) No 1260/1999

3.1.4.1 Characteristics of the IO

This Information Obligations has been set up to help projects financed by the Structural Funds to meet EU publicity Requirements.

The purpose of this Information Obligations is to inform the general public and beneficiaries of the availability of EU Structural Funds and to highlight and promote the role played by the EU in supporting specific programmes.

Information and Publicity activities are the responsibility of the Managing Authorities. Through this IO, the Managing Authorities guarantee transparency towards the Final Beneficiaries of the EU's participation in a project and disseminate the information to the public.

3.1.4.2 Costs and Explanatory Variables

Table 27: Costs and Explanatory Variables: Information and Publicity 29

Measurement Countries						
	BE	EL	HU	IE	LT	SE
Internal time per occurrence (minutes)	2,301.00	1,620.00	180.00	150.00	960.00	120.00
Average hourly tariff (€)	47.94	24.67	6.67	25.00	6.00	31.50
Equipment Cost per occurrence (€)	0	0	0	0	0	0
Consulting Cost per occurrence (€)	0	0	0	0	0	0
Dominant employee type	legislators, senior officials, managers	legislators, senior officials, managers	technicians, associate professionals	clerks	professionals	clerks
No. of occurrences	1,299.00	24,834.00	6,563.00	2,475.00	1,936.00	1,320.00
Total Admin. Cost per occurrence (€)	1,838.58	666.00	20.00	62.50	96.00	63.00
Total Admin. Burden per occurrence (€)	1,838.58	666.00	20.00	62.50	96.00	63.00
Total Cost	2,388,319.75	16,539,444.00	131,260.00	154,687.50	185,856.00	83,160.00

This Table is based on data compiled by the Consortium.

This Information Obligations represents 7% of the total Administrative Cost measured in the Cohesion Policy Priority Area. This IO has been identified as a Non-Prioritised IO, and the methodology used to collect data differs from the Prioritised IOs.

No external costs or consultancy costs were reported by the Final Beneficiaries interviewed for this specific Information Obligations.

In the case of these 2 IOs, the cost cannot be considered as “business-as-usual”. Therefore, the total Administrative Costs are equivalent to the total Administrative Burden generated by this Information Obligation.

²⁹ The term “occurrence” refers to how often businesses deal with the IO i.e. number of businesses, number of inspections or number of documents.

4. Conclusion and Outlook

In total, the Administrative Cost resulting from the legislation in scope of Cohesion Policy Priority Area accounts for €929.13 million. Of the total for the PA, 100% has been classified as Administrative Burden, while €6.49 million is due to national implementation of National Obligations going beyond EU Requirements.

Depending on the Member State's eligibility under the Objectives and the economic and geographical situation of the various regions, the level of Structural Funds contributions varies from one Member State to another.

77% of the Administrative Costs generated in Cohesion Policy are concentrated in Germany, France, Italy and Spain.

Cost differences in the Extrapolation Countries can be explained by the following factors:

- Number of Final Beneficiaries in the Member State;
- Number of occurrences;
- Wage rate;
- Amount of Structural Funds distributed in each Member State;
- Number of programme managed by the Final Beneficiaries;
- Level of details of the controls realised by the Managing Authorities;
- Knowledge of the process by the Final Beneficiaries.

As the Regulation leaves the Member States free to decide how to control the projects linked to the Structural Funds, the time spent to fulfil the IO in scope varies considerably following the Member State. It was possible to distinguish 3 categories:

- Member States with a "Heavy" control system;
- Member States with a "Medium" control system;
- Member States with a "Low" control system.

A 25% reduction of the Administrative Burden for Cohesion Policy PA would amount to €232.3 million.

The focus of this study is the Administrative Cost imposed on businesses due to IO within Cohesion Policy Priority Area. Hence the study does not look at the benefits of legislation or the direct financial or substantive costs. As objectives and benefits have a significant impact on any potential decision as to whether to amend, replace, or reconsider certain regulatory frameworks or IO as suggested in this report, these should be clearly analysed and considered before any such decision is made.

Changes of the kind put forward here are part of a highly dynamic environment and cannot be considered separately from this context. How a suggested change will impact the business and its stakeholders are important elements to include in further studies of the simplification suggestions. A structured approach to analysing simplification suggestions is being conducted in Module 5.

The first part of Module 5 was started in parallel to the measurement work presented in this report and focuses on conducting national events in all Member States as well as a large SCM event at EU level, the 'Cutting Red Tape for Europe' Conference³⁰. The events were conducted to:

- Disseminate the early results of this project;
- Involve and activate national and EU stakeholders further, and;
- Collect input into the analysis of the simplification suggestions.

To maintain and further develop the positive results of these activities, an e-magazine on significant SCM news is produced quarterly and DG Enterprise's Administrative Burdens Reduction website has been restructured and editorial input provided.

Work to be undertaken in the second part of Module 5 uses the results of the first part of Module 5 as well as results from Modules 3 and 4 to deliver reduction recommendations for the priority areas in this project based on a specially developed reduction methodology. This methodology will be used to identify and distinguish changes to EU Legislation (IO stemming from EU legislation), changes to implementing/transposing measures adopted by the Member States (better practice, including possible elimination of

³⁰ Held in Brussels on June 20th 2008; see <http://www.cuttingredtape.eu>.

additional requirements). Furthermore, a monetary evaluation of the reduction recommendations will be conducted along with an analysis on their implementability. In addition to the input stemming from this project, additional input from best-practice countries, EU level experts within and across priority areas and existing reduction recommendations and strategies will be used. The results of this work are expected in the early months of 2009.

5. Annex

5.1 Methodological Challenges in the Cohesion Policy Priority Area

The following Sections outline the main methodological challenges encountered in the measurement and discuss the measures taken to counter the challenges.

Thus, the Sections below address:

- Recruitment of companies;
- Data collection;
- Standardisation.

Overall, the identification and recruitment of companies went well, but with country-specific challenges.

In some Member States, the authorities provided the country teams with contact lists of Final Beneficiaries. This was very helpful. Nevertheless, the actual recruitment of Final Beneficiaries for the interviews proved somewhat challenging in some of the Member States. The main difficulty encountered was the identification of the Final Beneficiaries who had been controlled by the European Commission. This issue was raised with DG Regio who provided the Consortium with contact persons having such information available.

Data collection was carried out through workshops in Belgium, Greece and Hungary. In the other Measurement Countries, it was impossible to organise workshops in the given timeframe. The data points were therefore collected through face-to-face interviews. The interviewees were provided with information packs in order to make the interview as efficient as possible and to ensure that the data on the processes was as detailed as possible.

The standardisation of the data collected was carried out according to the methodology and did not pose insurmountable challenges to the country teams. The general trend in the interviews was that this Regulation was seen as very burdensome for the public and semi-public authorities and burdensome for the businesses and non-profit organisations.

5.2 Collection and extrapolation of population data

A detailed description of the process of population data collection and extrapolation can be found in the Main Report on the measurement data and analysis as specified in the specific contracts 5&6 on Modules 3&4 under the Framework Contract n° ENTR/06/ covering all Priority Areas³¹. This Annex covers only the specific Priority Area and describes the efforts that were carried out to obtain population data and the quality assurance.

For the Cohesion Policy Priority Area, the Consortium collected in total ~30% of the data points for all Information Obligations. For the 6 Information Obligations in this Priority Area (of which 3 are segmented, on average ~4 data points were collected per Member State³² (excluded from that are the so-called Baseline Countries). In turn, ~70% of the data points were extrapolated. Additional and supplemental information on specific issues like financial controls was gathered through desk research, from reports on the website of DG Regio and interviews with the respective authorities.

Within the Priority Area, some problems occurred during the data collection as the first questionnaire turned out to be too complex for the Member States to answer. The risk was that only partial and/or wrong data would be gathered. Therefore, a second attempt was made to obtain data on a more general level, taking into account the number of programmes. Collected data points that deviated from the average values were identified and confirmed or amended after discussion with the Country Teams.

For the Cohesion Policy Priority Area, an environment variable was set up to extrapolate the missing data points. This environment variable was based on the allocations from 2000-2006 (2003-2006 for new Member States) in million euro on average per year³³ as this indicates to which extent the Member States offer programmes on Cohesion Policy. Only limited statistical information is available on the number of programmes and

³¹ The extrapolation model as well as the process of population data collection and extrapolation is further described in the Annex of the Main Report.

³² The sources for individual data points can be found in the database.

³³ http://ec.europa.eu/regional_policy/sources/docgener/informat/info_en.htm > Factsheets

participants. This environment variable was tested against Gross National Product, nominal economic growth and the number of businesses in different areas.

The quality assurance for this Priority Area was integrated in the process of data collection and extrapolation. After extrapolation, the plausibility of the figures was again checked by expert assessment and by comparing the extrapolation results to the output of the desk research and to the results of the Baseline Countries.