



SIMPLIFICATION OF ESI FUNDS IMPLEMENTATION

ALDE GROUP POSITION PAPER

(Following conclusions of the seminars held on 02.12.2015 in Brussels, 05.05.2016 in Cluj-Napoca (Romania), 03.06.2016 in Klaipeda (Lithuania) and 29.06.2016 in Brussels and meetings with stakeholders)

Introduction

Three years after the adoption of the ESI Funds' legislative package reform for the period 2014-2020, the simplification of the rules governing ESI Funds remains a necessity to ensure the policy's success, its efficient contribution to smart, sustainable and inclusive growth, and to bring it closer to the citizens of the EU. Considerable efforts have been made for the current programming period 2014-2020 to simplify, streamline and harmonise rules to increase both the accessibility and the performance of ESI Funds. However, the tensions between administrative complexity on the one hand, and the need for assurance and effectiveness of the Funds on the other hand, remain very challenging. The still existing complicated procedures place a significant burden, especially on the SMEs, in accessing EU funding from the ESI Funds. *ALDE Group stresses the importance of overcoming unnecessary barriers for this particular group of beneficiaries because of the potential they represented for generating growth and jobs in Europe.*

According to the ALDE Position Paper adopted in January 2016 on Maximising Cohesion Policy Results, ALDE Group *calls for simplifying Cohesion Policy rules and procedures, avoiding 'gold-plating' and focusing on results, welcomes the setting up by the Commission of the High level group on simplification, points out that the right balance must constantly be sought between accountability and simplification and underlines that simplification should be directed towards reducing the administrative burden on beneficiaries, more flexibility of the management and control systems, and at the same time not undermining the strengthened procedures of control.*

Within *ALDE Working Group on Maximising the Cohesion Policy Results* a series of events were held on Simplification* of ESI Funds, involving a large number of European, national, regional, local actors and stakeholders, SMEs, umbrella organizations, consultancy organizations, organization of people with disabilities, NGOs, etc. The present position paper summarizes all conclusions and contributions from the participants of the events.

ALDE Group welcomes the work done to now of the *High Level Expert Group on Monitoring Simplification for Beneficiaries of ESI Funds*, resulting in several reports and contribution to the revised Financial Regulation.

ALDE Group welcomes the revised Financial Regulation and accompanying acts recently proposed by the EC, which include a number of simplification and flexibility measures.

ALDE Group supports the simplification of the implementation of ESI Funds, at the same time ensuring financial management, good governance and stability of rules, and calls for:

New means of simplification have to be further explored in order to reduce the administrative burden for authorities and beneficiaries and increase the accessibility of funds, as follows:

1. Good governance and sound financial management

The ESI Funds simplification process should be in full compliance with the Commission's 'Better Regulation' agenda through implementing the core principles of better regulation, subsidiarity, proportionality and multi-level governance. The simplification process should be also an integral part of the Initiative "Budget Focused on Results".

Administrative capacity has to be constantly improved, in this sense, functional and flexible e-government solutions must be exploited. Monitoring and reporting activities should be optimized through increased digitalisation and standardisation of procedures.

Conflicts between national financial rules and EU financial rules must be avoided. Wherever such a conflict arises, EU financial rules should take precedence.

Rules on management and control should be kept across funding periods, as the continuous change of rules every seven years causes uncertainty, backlogs and errors. However, this should not prevent simplification of rules that have proven to be too complex in practice. In case there are changes in the rules, they should not result in a retroactive application for beneficiaries.

The EU should move towards common processes and procedures wherever possible - the Common Strategic Framework, covering the five ESI Funds, was a good first step.

The Commission should publish technical guidance together with the proposals for new legislation, and endeavour for the legislation to be as clear as possible so that little additional guidance is actually required and MS feel less need to goldplate. The Commission should provide also more user-friendly guidance material in all EU languages – easy to understand by all stakeholders.

The exchange of expertise should be facilitated by establishing a knowledge-sharing portal to exchange good practice examples and guides, explaining successful simplification measures put in place in certain regions or Member States.

Rules between ESI Funds and other EU funds should be further harmonised and the possibility of own contribution by the final recipient should be further explored.

The Commission and Member States should move towards common processes and procedures wherever possible. In this context, there is a need for an integrated EU regional funding package delivered via a single interface or 'one-stop shop'.

ALDE *Group* invites the Commission to enter into a permanent dialogue with Parliament, the Committee of the Regions and other stakeholders on all aspects of the simplification process.

In order to maintain or add a rule to the regulations, a solid system of impact assessments should be introduced. The process of preparing regulations should also be tackled differently: we should avoid including more rules and exceptions.

ALDE *Group* urges for opening up support for capacity building to SMEs and their organisations to assist them and facilitate the coordination between them and the programme authorities.

2. Proportionality – control and audits. Public procurement and state aid.

It is of utmost importance to provide better balance between the goals of simplification, assurance and performance. The Commission's auditors together with the European Court of Auditors should analyse and identify procedures, which are unnecessary or can be simplified, finding a balance between the overall assurance and effectiveness of the management and control systems, thus suggesting measures and actions for simplification.

Proportionate and outcome based approach to inspections and audit should be introduced, focusing on improvement and ensuring that the overall outcomes of the policies are achieved. Implementation of the 'single audit principle' and a stronger focus on performance auditing are

needed. The Commission should move its priority from a control of the regularity of expenses to a result oriented type of audit. There is also a need to rely on previous audits done.

ALDE Group calls for varying the intensity of audits on the basis of risk selection and orientation above all to performance-based audits to ascertain the effectiveness of funds spent. Threshold of audits should be clearly defined and clarified to avoid multiple and disproportional controls on the same operation.

Better consistency in audit methodologies at national and European level should be ensured.

Subsidiarity should be better applied: giving more space to act to Member States with predefined rules on what, when and how projects would be audited and they would be binding for all levels.

Clear distinction should be provided between fraud and administrative errors - the fight against corruption should be based on trust and clear accountability. Preventive measures have to be developed for the purpose of reducing irregularities and fraud in projects implementation.

There is a need to have clear EU-wide rules for public procurement under the ESI Funds, which would take precedence over national legislation in this area.

It is important to ensure that the audit is performed in accordance with the standard applicable at the time the operation is approved and not on the date on which the audit is performed.

A legal framework common to ESIF and state aid regulation covering both regulations and comparable to the rules applicable to Horizon 2020 and EFSI would provide a uniform set of common rules and simplify the implementation of ESI Funds and their synergies with ESIF and other Community-funded initiatives.

ALDE Group calls on the Commission to consider what kind of actions could already be taken in the short term to address the State Aid issues concerning better consistency between the rules for direct and shared management programmes for the same sectors, including considering introducing more exceptions to the ESI Fund regulations for SMEs and other relevant stakeholders.

A revision of state aid rules is needed to be more consistent with the aims of regional policy and ESI Funds, including identifying common concepts between the different regulations (ESI Funds, directly managed programmes and State aid) and ensuring a joint approach and adoption of programmes, acting also as a notification completed in the context of state aid.

3. Gold-plating

Overregulation resulting from the process of implementing EU regulations by Member States may be one of the reasons for the errors found. We consider gold plating as an excess of norms, guidelines and procedures accumulated at national, regional and local levels, which interfere with the expected policy goals to be achieved by the respective regulation.

ALDE Group calls for introducing detailed guidelines on simplification in order to make Member States aware of their task of eliminating the gold-plating arising at national, regional and local levels. Member States should also pay attention to cross border challenges. Certain ETC-programmes are often confronted with a multiple set of different national regulations and rules, which hinders a smooth implementation. Gold-plating should be addressed by capacity building and staff stability, coordination and cooperation between all actors involved in ESI Funds management. Staff stability could help the capitalization of knowledge and expertise. All actors involved in ESI Funds management should better cooperate so as to come to a shared view on the interpretation of EU regulations and national/regional norms, guidelines and implementing procedures.

There is a need to move from a system based on distrust to a result-oriented system based on trust. The introduction of the possibility to cross-rely on audit assessments conducted by other entities is a good example of this.

Accessible E-government tools should be used, which can limit administrative burden for beneficiaries, as well as promoting consistency and information sharing between the various actors in the system.

All additional implementation rules or requirements should be subject to regulatory needs assessment and impact assessment including calculation of administrative cost or burden.

4. Facilitating synergies - harmonising systems and coordination of funds. Financial instruments.

Synergy with other policies and instruments, including Horizon 2020, EFSI and other financial instruments, should be enhanced, so as to maximise the impact of investment and to improve the access to European funding for beneficiaries. This should include harmonising the rules concerning cross-funding, clarifying how to combine rules governing ESI Funds and state-aid rules.

ALDE *Group* notes the increased use of financial instruments in the 2014-20 period and the opportunities these instruments could bring to leverage in additional resources. At the same time there is a strong need to facilitate further the use of financial instruments in the context of complementarity with the European Fund for Strategic Investments (EFSI) and other financial programmes and initiatives.

Any decision to set up a financial instrument should be preceded by the analysis of existing instruments at national/regional/local level in order to promote complementarity of support instead of allowing for overlapping between similar financial products.

Capacity building in the area of financial instruments developed throughout the period of 2014-20 should facilitate and improve the use of financial instruments post 2020.

ALDE *Group* calls on the Commission and the Member States to promote simplification of the rules governing financial instruments within ESI Funds with a view to aligning them more closely to beneficiaries' needs and ultimately improving their use.

5. Flexibility - programming and thematic concentration.

Flexibility in the procedures for amending the operational programmes has to be envisaged in order to increase responsiveness to socio-economic developments.

ALDE *Group* appreciates the proposed flexibility measures in the revised Financial Regulation and accompanying acts to address the challenges related to the migrant crisis and considers that further possibilities could be explored for the preparation of post-2020 legislative package.

ALDE *Group* calls on the Commission to consider giving direct financial support to local, regional and/or national authorities for measures facilitating the swift integration of refugees and migrants into society. Moreover, the use of territorial development tools in cohesion policy as ITI (Integrated Territorial Investment) and CLLD (Community-Led Local Development) can play an important role for further involvement of regional and local actors.

The main instrument for delivering the *European urban agenda*, outlined by the adopted *Pact of Amsterdam*, are the *Partnerships* set up for 12 themes - an innovative form of cooperation by which cities, Member States, EU institutions and other stakeholders work in partnership to identify the key issues to be addressed to enhance the urban dimension in a given policy area. As an example: Coordinated by the City of Amsterdam, together with the European Commission's Directorate-General for Migration and Home Affairs, the *Partnership on the Inclusion of Migrants and Refugees* establishes a framework to manage the integration of non-EU migrants and refugees in the areas of housing, public services and employment. In this context, ALDE WG urges considering

and proposing additional measures to simplify re-programming of ESI Funds and facilitate their combining with other Community-funded initiatives to support measures focusing on integration of migrants and refugees.

It is also essential to promote wider coordination between Managing Authorities of different funds at all levels in order to facilitate the setting up of integrated actions and aid schemes, where appropriate.

Conclusion

ALDE *Group* welcomes the proposals in the revised Financial Regulation for reducing administrative burden, improving synergies between EU instruments, streamlining financial instruments and increased flexibility for investments.

It is important for Member States to make full use of the simplification measures included in the new regulations and for the Commission to explore what can be done to further improve the rules and procedures during the current 2014-2020 period and post-2020.

ALDE *Group* recommends further capacity building on the use of financial instruments in 2014-2020 and more harmonisation of the rules between ESI Funds, EFSI and other EU programmes and initiatives for the post 2020 period.

ALDE *Group* suggests that the Commission reflects further on common rules and procedures for all ESI funds and for directly managed programmes for SME support, providing a comprehensive legal framework that allows for SME support in all cases where it is needed for jobs and growth.

** Remarks – Contribution to the events and proposals on simplification*

Speakers of the events were, as follows:

Members of the ALDE Group of the European Parliament:

Iskra Mihaylova - Chair of REGI Committee

Jean Arthuis - Chair of BUDG Committee

Hans van Baalen - Coordinator of AFET Committee

Martina Dlabajova - Vice-Chair of the CONT Committee

Ivan Jakovcic - Coordinator of REGI Committee

Mircea Diaconu - Vice-Chair of the CULT Committee

Petras Austrevicius – Member of AFET Committee

Enrique Calvet Jambon - Member of EMPL Committee

Contribution with suggestions to the paper by *Matthijs van Miltenburg - ALDE Deputy Coordinator of REGI Committee*

European Commission

Valdis Dombrovskis - EC Vice-President for the Euro and Social Dialogue

Corina Crețu - EU Commissioner for Regional Policy

Siiim Kallas - Chair of the High level group on simplification at the EC

Representatives from DG “Regional and Urban Policy” and DG “Employment and Social Policy”

ALDE Committee of the Regions:

Bart Somers - President of ALDE-CoR

Michiel Rijsberman - Regional Minister of Province of Flevoland, Netherlands

Flo Clucas - Member of the Expert Panel on Future of Cohesion Policy

Representatives of the EIB

Representatives of national governments in Romania and Lithuania

Representatives of the businesses – European Construction Industry Federation, Bulgarian Construction Chamber

Representatives of Managing Authorities, Intermediates Bodies and Local Actions Groups in Member States

Consultancy Representatives – Antonio Nieto Rodriguez – Project Management Institute; Alasdair Reid - Director of Technopolis Group, Prof. Klaudijus Maniokas - Vilnius University/Chairman of the Board - European Social, Legal, and Economic Projects (ESTEP)

Participants of the events were, as follows:

Members of the Parliament

Other representatives of the European Parliament, European Commission, Committee of the Regions, European Council; European Economic and Social Committee, European Agency for SMEs and other European institutions and agencies; Representatives of different Member States to the EU;

Umbrella organizations like Council of European Municipalities and Regions, etc.

Branch organizations like European Construction Industry Federation, European Agency of Small and Medium Enterprises; Bulgarian Construction Chamber

NGOs, organizations of disabled people;

SMEs organizations and stakeholders, UEAPME

Regional and local authorities

Managing Authorities and Intermediate bodies managing ESI Funds, Local Action Groups

Regional Development Agencies

Consultancy organizations like Tehnopolis Group, Project Management Institute, etc.

Formal proposal on simplification was received by the UEAPME