

**2nd MEETING of the High Level Expert Group
on Monitoring Simplification for Beneficiaries of ESI Funds**

1 December 2015

Note and Actions Points

1. Opening remarks from Chairperson

The Chairperson opened the meeting, noted apologies from two members, Olga Letáčková and Terri Thomas, and welcomed Håkan Forsberg who had been unable to join the first meeting.

The Chairperson drew the members' attention to the online platform, Simplify ESIF, which was now operational and encouraged them to be as active as they could on the platform. He also noted that members had received two additional documents in advance of the meeting: the conclusions on simplification from the General Affairs Council on 18 November and the European Parliament's resolution of 26 November 2015, "Towards simplification and performance orientation in cohesion policy for 2014-20". He commented positively on the conclusions and resolutions as they agreed with many of the priorities the group had already identified and correlated with the themes agreed in the work programme.

2. Adoption of work programme

The Chairperson introduced the revised work programme prepared by the Secretariat to take on board the comments made by members such as including financial instruments in the meeting on 2 February 2016 and adding cross-cutting audit issues to the meeting in the last quarter of 2016. He noted that Massimo Sabatini had volunteered as rapporteur for access to funding for SMEs and Olga Letáčková for cross-cutting audit issues. He asked for a volunteer for financial instruments as this would be discussed in February and preparations would need to start soon. Pawel Choraży agreed to take on this theme. The Chairperson concluded that the work programme was agreed but that they group would review it as necessary in 2016.

He asked members for comment on the template for the conclusions and recommendations to be prepared for each theme suggested by the Secretariat and, as there were no comments, concluded it was agreed by the group.

3. Presentation and discussion on the results of the study on new provisions on the consideration given to administrative burden in programming documents

Peter Berkowitz, head of the unit responsible for policy development, strategic planning and relations with the Council in DG Regional and Urban Policy, presented the preliminary results of a study launched in 2014 on the uptake of new provisions in the regulations in the 2014-2020 programming phase. The study was being finalised but one chapter already completed provided an analysis of the elements included by Member States and regions in their programming documents in relation to the assessment of administrative burden for beneficiaries and the actions planned for its reduction.

The results were based on an in-depth analysis of programming documents, as well as on a survey and interviews involving authorities in all 28 Member States. The discussion with the members on the findings concluded that the group should use its discussions to drill down further into the main areas where improvement was needed.

4. Presentation by the rapporteur for e-Governance, Terri Thomas

As the rapporteur for e-Governance, Terri Thomas, was unable to attend the meet due to urgent business, she asked the representative from the Welsh European Funding Office, Rachel Stephens, to make the presentation on her behalf as well as explaining the Welsh experience. The rapporteur's presentation highlighted the various potential benefits, but also exposed the challenges of its implementation, using as an example the Wales case.

The rapporteur clearly underlined that effective implementation of e-Governance has the potential to significantly reduce administrative burden both for beneficiaries and local administrations in different ways:

- Electronic submission of information would save time and resources.
- Data would be transferred only once, safely stored in one place and always available for all programme authorities, providing for more reliable reporting and audit trail. It also helped to reduce errors resulting from manual operations (e.g. entering the same data several times).
- Elimination of parallel paper flow would reduce storage space and often costs, reorienting the focus of the work.

Based, on the experience, the rapporteur emphasised also that in addition to a degree of determination and focus there are certain elements that need to be in place for e-Governance to really work:

- Harmonisation of terminology, processes and structure;
- Multi-agency involvement;
- Stakeholder / beneficiary engagement; intelligent IT development –e.g. interoperability between systems, facilitating beneficiary access; and
- Training – authorities and stakeholders / beneficiaries.

5. Evidence gathering session with stakeholders on e-Governance

During the evidence gathering session, the presentation on the Welsh experience on e-management system covering all ESI Funds was complemented by the presentation of the Estonian e-Governance experience and by Flanders' example on e-Governance in Rural Development.

There was unanimous agreement on the potential benefits of e-Governance for all stakeholders and on the imminent need for shifting in this direction. At the same time, different challenges were acknowledged.

The shared experiences mainly reinforced the points made previously by the rapporteur, allowing the HLG members to extract valuable conclusions on the benefits, challenges and potential solutions enabling the success of such an initiative. The lessons learned from practice concentrated around the need for:

- Establishing more stable and simple procedures.

Accurately defining procedures was seen as key to the development of a successful IT system. In turn, the IT system could make it easier to follow procedures.

In this regard, the volatility and the complexity of procedures were identified as hindering factors. Moreover, in order to be able to deliver an IT system in time, its implementation needed to be started significantly beforehand, even though there may not have been full clarity on the implementation rules. This further decreased the efficiency and increased the costs of the IT system's development.

More stability and simplified procedures, together with timely delivery of rules and regulations could help in this direction.

- Harmonisation of terminology, processes and structure between the funds.

For developing an IT system across funds, the main challenge identified was agreeing common definitions, common processes and procedures between the funds.

The mitigating action used was establishing a Joint Project Board to oversee delivery of the funds. However, this proved to be particularly challenging, thus putting in place a single Programme Monitoring Committee with similar responsibilities across the funds was suggested.

- Approaching change in a constructive manner.

Shifting the organisational culture within managing authorities was clearly not an easy task, but it remained a key factor for the success of such initiatives.

In this regard, understanding that reducing the administrative burden has a price and accepting IT as a core part of the business was essential. Also, as suggested in the previous point, developing a business process approach had proven beneficial for the examples discussed.

Furthermore, in order to facilitate the access of the beneficiary and gain their trust and engagement, several ideas worth sharing were identified, such as gradual enforcement of the IT system and developing secure interoperability with other internal and external systems (e.g. national public procurement register).

- Adequate training and support at all levels.

IT skills and needs of users were very different, especially at the beginning of such a project, and it was essential to accurately forecast the need for guidance to the final users, not only on technical matters, but also concerning the information that they were expected to provide. Also, for the success of such a project, it was essential that the goal of the system was communicated appropriately, focusing on the benefits for the users, in terms of efficiency of their activities, rather than on the direct functionality of ensuring that the regulation was followed.

Use of Technical Assistance from ERDF and ESF for training was regarded as useful, while the possibility to use EARDF for this purpose was considered a necessity.

- Involvement of stakeholders.

Working together across the organisation and with the wide range stakeholders and beneficiaries was identified as a challenge, but also as an essential element for the success of the project. Managing and prioritising the different, sometimes conflicting requests and needs of the stakeholders was a complex activity. A way forward suggested was to clearly distinguish between regulatory requirements and "nice to have" features, while balancing it with the costs.

The Members of the High Level Group recognised the potential of e-Governance to reduce administrative burden for all stakeholders and in particular for beneficiaries and noted the challenges in implementing e-Governance as well as the potential ideas suggested. They consider that the approach taken by Estonia, Wales and Flanders could be considered as good practice examples that could be further shared with other Member States and regions.

6. Presentation by the rapporteur for Simplified Costs Options, Louis Vervloet,

Louis Vervloet introduced the subject of Simplified Cost Options and highlighted their most important features:

- SCOs are to be used to reduce the administrative burden but also to put more emphasis on results.
- SCOs are averages: they are not about maximising EU-funding but about simplification.
- Controls are still needed but as part of a partnership built on trust and based on proportionality.

7. Evidence gathering session with stakeholders on Simplified Costs Options

The HLG listened to various experiences in using SCOs, namely in Malta, Denmark, Northern Ireland and Spain (Canary Islands). All of the invited guests were supportive and appreciative of SCOs but nevertheless wished to highlight the following suggestions to overcome the challenges they had faced when using SCOs:

- Keep it simple and recognise where SCOs may not be appropriate
- Encourage a shift in the mind-set of all partners, to be more result oriented and more supportive of SCOs.
- Clearer guidance from the Commission in particular on: the understanding of "similar operation" and "similar beneficiary" when re-using a SCO from another EU policy (eg H2020); detail and reference period for historical/statistical data needed to set up a flat rate or unit cost; audit intensity.
- More legal certainty through Commission's ex ante approval of Member States' methods and calculations under the CPR.
- Dissemination of good practices and tool kits.
- Flat rates differentiated in the CPR by thematic objective.
- Information and training at all levels (including audit authority) to avoid gold plating.
- Shorter process of approval by the Commission (Art 14.1 and JAPs).
- Managing Authorities to put in place systematic interaction with Audit Authorities when developing SCOs, meaning methodology controlled ex ante and implementation controlled ex post.
- Audit should be limited to performance, with a greater differentiation between error and fraud.
- Create EU level SCOs that can be applied automatically using for example PES or ESTAT data.

They also pointed at some of the difficulties linked to SCOs:

- The lack of historical data based on real costs after some years of using only SCOs, which leads to problems of updating or creating new SCOs.
- The difficulty to demonstrate respect to State Aid rules when using flat rates.

Mr Vervloet summed up the contributions and made concrete suggestions for any future modification of the regulations:

- More "off the shelf" SCOs.
- Extending ESF and ETC specific options (Art 14 ESF and Art 19 ETC) to allow the fund specific benefits to be applied more generally (especially the ETC provisions relating to staff costs for part-time workers and the Delegated Act under Article 14.1).
- Allowing third party contribution to be counted outside the 40% flat rate under Article 14.2 ESF.
- Deletion of Article 67.4 on public procurement in relation to SCOs.
- Aligning currently conflicting issue between different EU regulations such as different periods for retention of documents for ESIF and State Aid.
- Defining indirect costs at EU level.
- Making the use of SCOs mandatory for smaller projects to enhance take up.
- ETC part-time contractual arrangement should be available to mainstream programmes.

Other interesting proposals were:

- To set up an audit committee that would include national and Commission's auditors and allow sharing of information and best practice on auditing of SCOs (auditors are part of the solution to many SCOs issues).
- To develop a platform on exchanging experience and good practices (instead of a top down approach).

Finally, Zoltan Kazatsay, Deputy Director General for Employment, Social Affairs and Inclusion made a presentation on the Joint Action Plan (JAP), emphasising the main advantages of this tool: clear intervention logic; application across OPs and even Funds; audit focusing on results, coverage of public procurement contracts; legal certainty through Commission decision; performance management. It was however recognised that a majority of managing authorities were reluctant to set up JAPs because of too high thresholds, lengthy decision process, lack of experience and concerns of the risks.

The following suggestions were made to encourage the take up of this tool:

- Improve communication, including more targeting, especially on ERDF.
- Find a volunteer to be a pioneer.
- Provide more Commission assistance.

Further ideas included setting up social impact bonds as an alternative to JAPs in the context of the refugee crisis and poverty reduction.

8. Close of the meeting

The Chairman concluded that the Secretariat would liaise with the rapporteurs to prepare the conclusions and recommendations reports on the themes discussed that day. He closed the meeting and advised that the group would meet again on 2 February 2016 in Brussels to consider the themes of access to funding for SMEs and financial instruments.