Detailed Recommendation on the Cohesion Priority Area
Develop central Clearing Houses for Cohesion Policy reporting at national/regional level

EU PROJECT ON BASELINE MEASUREMENT AND REDUCTION OF ADMINISTRATIVE COSTS

26th June 2009

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An introduction to Administrative Burden reduction

This Recommendation is the culmination of a process of analysis using the EU Standard Cost Model methodology. This is an EU methodology for measuring administrative costs imposed by legislation – both existing and planned. This methodology is based on the Standard Cost Model (SCM) applied in several Member States. Adapted to EU needs and resources, the EU SCM takes into account the fact that EU legislation often replaces 27 different national legislations and thus decreases operating costs at EU level.

The EU SCM breaks down administrative costs imposed by legal acts into components that can be assessed with reasonable accuracy. Those costs are then further differentiated on the basis of 'business–as–usual' (BAU) costs, i.e. costs that a business would incur irrespective of whether there is an Information Obligation (IO), and those costs which are the direct result of regulation. The latter constitute the administrative burden.

The total administrative cost is calculated as $P \times Q$, where:
- Q is the number of times per year (occurrences) that each Information Obligation has to be complied with multiplied by the number of businesses;
- P is the administrative cost per business of complying with the obligation. P is the sum of internal costs, consultancy costs, equipment costs and overheads.

For this project, data for calculation of the administrative cost was collected in a sample of businesses in a limited number of Member States (generally six). These are the 'Measurement Countries'. This data was supplemented by existing, applicable data from Member States which had previously carried out SCM measurement (the 'Baseline Countries'). The data for the remaining EU Member States (the 'Extrapolation Countries') was estimated through extrapolation.

The ensuing Recommendations have been defined as Type I and/or Type II. Distinguishing between Type I and Type II reduction opportunities is useful because this provides all parties involved with a clear view of the ownership of the reductions.

Type I reductions refer to changes at EU level (legal as well as changes to EU level implementing practices) and are clearly owned and adopted at EU level, though they may subsequently require transposition at national level.

Type II refers to changes at Member State level in the way transposition is approached and in implementing measures. They will deliver Improved/Good Practice in Member State transposition and implementation, and thus simplification of the business process at national level. Type II recommendations are clearly for adoption and implementation by the Member States.

For more information on the Action Programme for Reducing Administrative Burdens in the EU and the EU Standard Cost Model, see http://ec.europa.eu/enterprise/admin-burdens-reduction/home_en.htm.

Summary Table

Legislative act	Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds
Information Obligation	IO 1) "Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report" (Art. 34, para.1 (a); Art. 36; Art. 37); IO 2) "Intermediate Payment Request" (Art. 32, para. 3); IO 3) "Final Payment Request" (Art. 32, para. 4); IO 4) "Financial Control on Final Beneficiaries by the Member States" (Art. 34, para. 2; Art. 38, para. 1 (a-h)); IO 5) "Financial Controls on Final Beneficiaries by the European Commission" (Art. 38, para. 2).
Regulatory origin	EU legislation
Recommendation name	Develop central clearing houses for Cohesion Policy reporting at national/regional level
Recommendation addressed to:	National institutions (and European Commission)
Scale of the recommendation	Structural change
Target group – Businesses targeted by the information obligation(s)	All Final Beneficiaries Segmentation type(s) affected: businesses, non-profit organisations, public and semi-public organisations

Original population (as-is)	IO 1) 102,794 (number of submissions) IO 2) 116,660 (number of payment requests) IO 3) 21,470 (number of payment requests) IO 4) 82,504 (number of controls) IO 5) 6,168 (number of controls)
Affected population (to-be)	See above
Specifically targeted at Small and Medium Sized Enterprises	No
Current administrative cost	IO 1) €586.0 million IO 2) €98.2 million IO 3) €34.9 million IO 4) €132.1 million IO 5) €5.4 million Total: €856.6 million
Current administrative burden	See above.
Current "business as usual" factor (as-is)	0%
Future "business as usual" factor (to-be)	0%
Expected administrative burden reduction in %	IO 1) 18% IO 2) 16% IO 3) 21% IO 4) 80% IO 5) 80%
Expected administrative burden reduction in euro	IO 1) €103.7 million IO 2) €15.8 million IO 3) €7.3 million IO 4) €105.7 million IO 5) €4.3 million Total: €236.9 million
Source of the recommendation	Consortium, based on interviews.

1. Background and underlying problem

1.1 Legal context

In order to strengthen its drive for economic and social cohesion, the European Union has created the financial instruments known as the Structural Funds as the implementing tool of its Cohesion Policy.

The Regulation in scope of the Cohesion Priority Area[1] defines the objectives, the priorities and the organisation of the Structural Funds, the rules applicable to them and the provisions necessary to ensure their effectiveness, as well as the coordination between them and other EU financial instruments for the programming period 2000–2006. This Regulation was repealed for the current programming period, 2007–2013, and replaced by a new Regulation[2] laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund. However, the Information Obligations measured and subject to this recommendation exist both in Council Regulation (EC) No 1083/2006 which covers the new programming period and the predecessor Council Regulation (EC) No 1260/1999.

The Regulation also covers the processes of financial management, monitoring and reporting on implementation, and the relationships between the European Commission and the public authorities in the Member States, and between both the European Commission and the Member States with the Final Beneficiaries of the funds. The public authorities in the Member States include Managing Authorities, Paying Authorities, and Implementing/Intermediary Bodies.

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[1] Council Regulation (EC) No 1260/1999 laying down provisions on the Structural Funds; http://eur-lex.europa.eu/pri/en/oj/dat/1999/l_161/l_16119990626en00010042.pdf.

[2] Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999; http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_210/l_21020060731en00250078.pdf.

The processes give rise to six Information Obligations of which five are affected by this Recommendation:

- IO 1) "Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report" (Art. 34, para.1 (a); Art. 36; Art. 37);
- IO 2) "Intermediate Payment Request" (Art. 32, para. 3);
- IO 3) "Final Payment Request" (Art. 32, para. 4);
- IO 4) "Financial Control on Final Beneficiaries by the Member States" (Art. 34, para. 2; Art. 38, para. 1 (a–h));
- IO 5) "Financial Controls on Final Beneficiaries by the European Commission" (Art. 38, para. 2).

1.2   Problem description

One of the basic principles of EU structural policies is partnership[3], meaning that the Community action not only complements national operations, but also that the programming and expenditure of the Funds is based on a partnership between the Commission, the Member State and its relevant public authorities and bodies.

The partnership principle implies that implementation of Community assistance:

- is the responsibility of the Member State, respecting the legal framework set by the Council Regulation;
- involves relevant partners at different levels in the Member State, including 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.

The implementation of Cohesion Policy varies, therefore, considerably from Member State to Member State. In Germany and Italy, for example, it is implemented at regional level while in many other Member States the programmes are managed centrally. To understand where and how administrative burdens arise, it is necessary to understand the areas of interaction and interface between the bodies holding the different administrative responsibilities. Even though the level of the relationships is determined by national

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[3] See Article 8 of Regulation (EC) No 1260/1999 – 'Complementarity and partnership'.

particularities, it is nevertheless possible to draw up a very standard model of the way in which Cohesion Policy is implemented. This is shown in the Figure below.

Figure 1: Model for Structural Funds Implementation
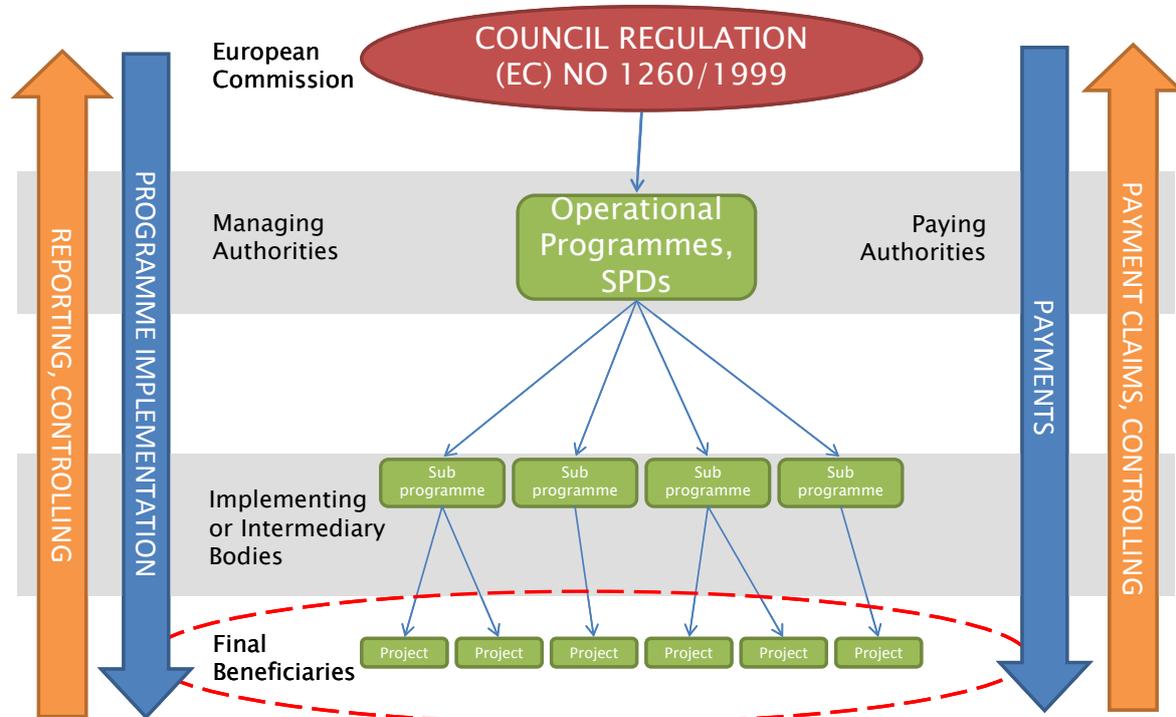
By Capgemini/Deloitte/Ramboll Management.

For each Operational Programme or SPD (Single Programming Document)[4], the Member States designates a Managing Authority which is responsible for the "efficiency and correctness of management and implementation"[5] of the programme. The Managing Authority acts, in terms of programme management, as the interface with the Commission. Beside the Managing Authority, the Member States designates a Paying Authority for each programme to manage the payment of subsidies and ensure that the

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[4] As part of the process, the Commission approves Community support frameworks (CSFs) drawn up by and in consultation with each Member State, and which contain strategic and specific objectives. These documents are divided into priorities, which are implemented by one or more operational programmes (OPs). A single programming document is a single document containing the same information to be found in the CSF and the OP; Regulation (EC) No 1260/1999, Article 9, Definitions.

[5] See Regulation (EC) No 1260/1999, Article 34.

actions have been properly implemented.[6] With regard to the Final Beneficiaries, the Paying Authorities are responsible for them receiving payment of their contribution from the Funds as quickly as possible and in full.[7]

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 ('Intermediary 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, making payments, reporting and controlling. The Final Beneficiaries, "the bodies and public or private firms responsible for commissioning operations"[8] are obliged to report to the Intermediary Bodies on the status of implementation. They may act as project promoters (e.g. a municipality who commissions a project in its area, or a training institution delivering training funded by the European Social Fund (ESF)) or may be direct recipients of funding (e.g. businesses receiving investment aid).

The interaction between the Final Beneficiaries and the Intermediary Bodies is governed by national or regional rules – but these actors also have to be in line with the obligations of the Managing Authorities in relation to the latter's relationship with the Commission. As an example, the amount of interim payments payable by the Commission depends on the actual expenses incurred at programme level, which depend in turn on the individual payment requests and corresponding payment statements from 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 in accordance with specific indicators.

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[6] Due to the principle of separation of functionalities the Managing Authority and the Paying Authority are different administrative bodies or different departments of the same body.

[7] See Regulation (EC) No 1260/1999, article 32.1.

[8] See Regulation (EC) No 1260/1999, article 9.1.

Thus, the six Information Obligations (IOs) set out in the Regulation[9] have only an indirect effect on the Final Beneficiaries who are formally subject to the specific rules in their respective Member States. This explains the background to the differences in terms for implementing Cohesion Policy across the Member States. This Recommendation to develop central Clearing Houses for Cohesion Policy reporting at national/regional level as described in detail in section 2 below, affects five of the six IOs identified in this Regulation.

IO 1) "Submitting information needed by Management Authorities to Draft Annual Implementation/Final Report"

The Managing Authority must provide information on the implementation of the programme and its financial situation to the Commission.[10] This allows the Managing Authority as well as the Commission to verify whether the actual implementation of the programme complies with its goals and is in line with the specific rules.

This information is submitted at an aggregated programme level but is based on information from the individual 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 primarily concerns the use of indicators[11], which again are defined specifically for each programme. Therefore the processes for submitting/collecting information may vary considerably. The Figure below shows the basic process of reporting on the implementation of Structural Funds in the Member States.

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[9] The IOs identified and measured are present both in the Regulation (EC) No 1260/1999 in scope and Regulation (EC) No 1083/2006 covering the new programming period. For detailed information on the main changes introduced by Regulation (EC) No 1083/2006, see http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2007/publications/guide2007_en.pdf.

[10] See Regulation (EC) No 1260/1999, article 37 paras. 2 (b) and 2 (c).

[11] See Regulation (EC) No 1260/1999, article 36.

Figure 2: Business process of "Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report"
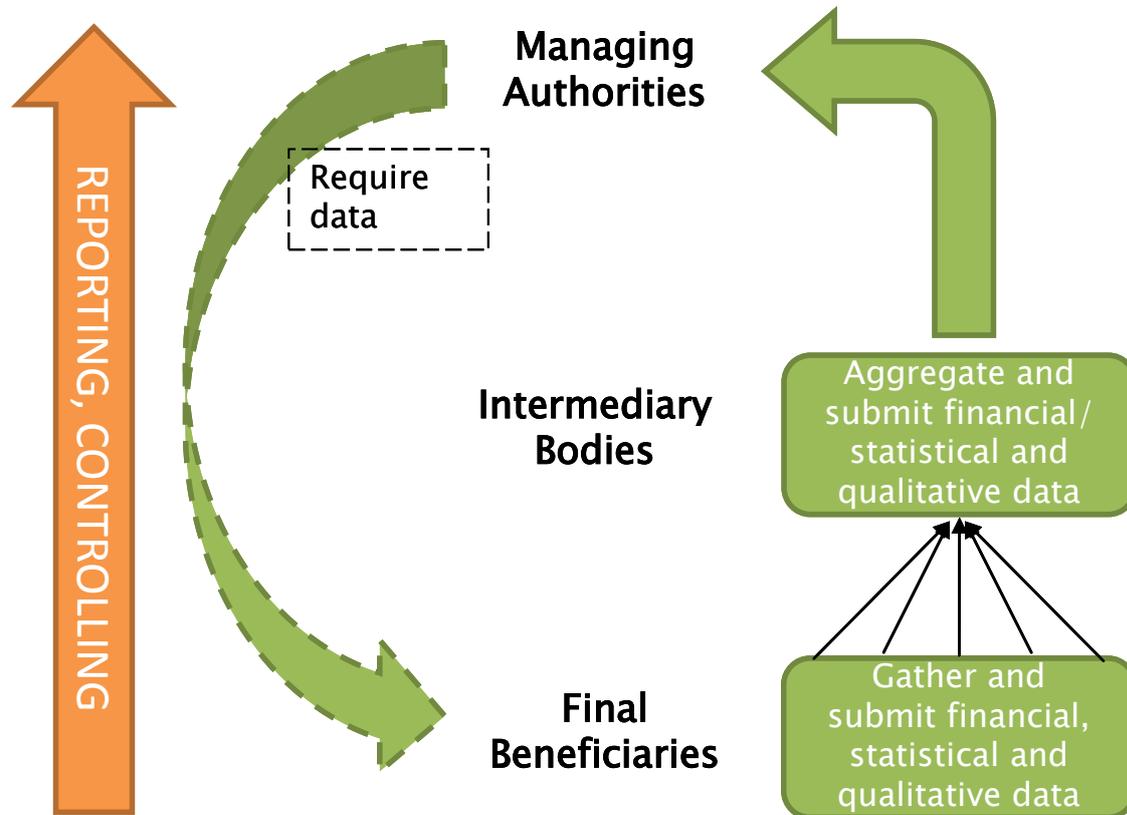
By Capgemini/Deloitte/Ramboll Management.

IOs 2) and 3) "Intermediate and final payment requests" (Arts. 32 paras. 3 and 4)

At the beginning of the implementation phase of each programme, the Paying Authority receives an advance payment. As work progresses, the Paying Authority requests further payments from the European Commission in line with the schedule laid down in the programme. Once the Programme has been fully executed, the Authority requests the final payment of the balance.

Figure 3 illustrates the formal process of the funds request by the Final Beneficiaries.

Figure 3: Business process for "Payment Requests"
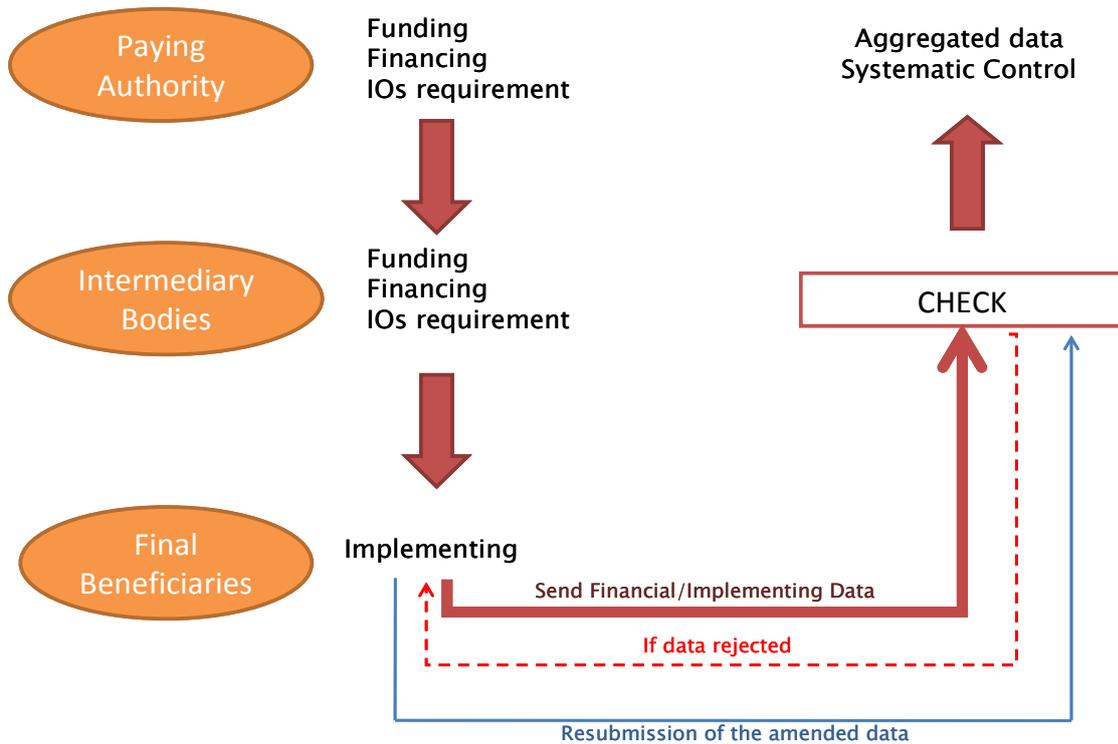
By Capgemini/Deloitte/Ramboll Management.

Once a project is launched, Final Beneficiaries make a claim on the grant approving body. Final Beneficiaries can request intermediate payments from the Paying Authority (through the Managing Authorities) on a monthly, quarterly or annual basis. Every payment request has to be supported by evidentiary material. Copies of all invoices for expenditures as well as of proofs of payment proofs have to be supplied to the authority together with the explanation of the eligibility of the expense and other relevant information. To document the physical progress, official acceptance letters from the relevant Monitoring Committees[12] per project also have to be submitted.

The Paying Authority checks the evidentiary material and calculations, and submits certified payment applications to the Commission on the basis of actual expenditure

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[12] Monitoring Committees are bodies appointed by the Member State supervising assistance, checking on how it is being managed by the managing authority, ensuring compliance with its own guidelines and implementing rules and reviewing evaluations (cf Recital 48 of the Regulation in scope).

incurred by the Final Beneficiaries. Depending on the contract between the Managing Authority and the Final Beneficiary, intermediate payments may be granted for eligible expenses.
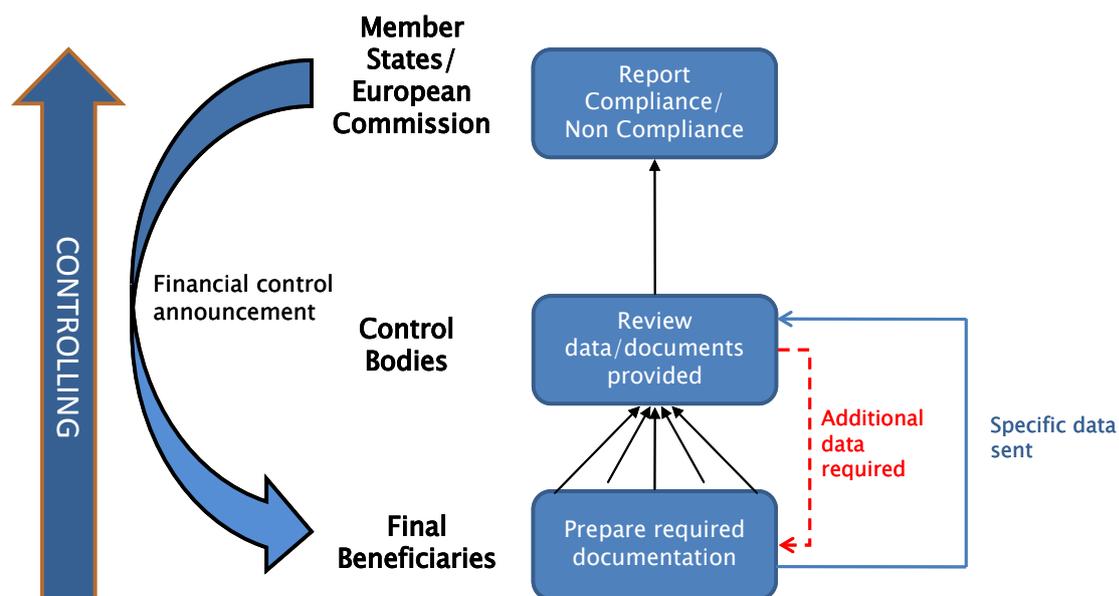
IOs 4) and 5) "Financial Control on Final Beneficiaries by the Member States" and "by the European Commission" (Arts. 34.3, 38.1 and 38.2)

The purpose of these IOs is to ensure effective control of the EU Funds, to prevent irregularities and to ensure that the programme's goals are respected. The IOs describe 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 control by the Member States takes place at least once a year. The European Commission does not run systematic controls on each Programme, but carries out checks on a selective basis in addition to the controls run by the Member States.

The Figure below illustrates the formal process of inspection of the funds by the Member States/Commission.

Figure 4: Business process for "Financial Control on Final Beneficiaries"

By Capgemini/Deloitte/Ramboll Management.

To fulfil the Information Obligations, the Final Beneficiaries must first prepare the documentation required for the Financial Control of the project. During the control, the Final Beneficiaries provide the data requested and all the support necessary to the control body. At Member State level, Final Beneficiaries are subject to controls carried out by various bodies – the Managing Authority and the Paying Authority, as well as to fiscal controls and audits.

If required, the Final Beneficiary submits additional information to the control body after the control. After each control the control body submits a final report to the Member State or the European Commission, depending on who performed the control. The Final Beneficiary is expected to rectify any problems and make any requisite amendments before the next control.

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, an on-site Financial Control is organised.

The compliance with the five IOs described above is burdensome for Final Beneficiaries in all Member States. The total administrative cost for the EU-27 amounts to €856.6 million, all of which is defined as administrative burden, as Final Beneficiaries would not carry out this work if it were not for the existence of the IOs.

Final Beneficiaries have to go through time-consuming collection, preparation and submission of statistical and financial data as well as prepare qualitative information in relation to the implementation of their projects in order to comply with the IOs.

Generally, the IOs are interlinked as they all deal with the preparation and submission by the Final Beneficiaries of data on the single projects. "Payment requests" require financial

data regarding the project expenses; "Annual and Final Reports" additionally require qualitative information on the implementation status of the projects; the "Financial Controls by the Member States and the Commission" require information of both types.

However, from the perspective of a Final Beneficiary, the processes to comply with the IOs are not necessarily coordinated as the IOs have to be complied with at different stages/different points of time during each project, in accordance with the different national rules. In terms of the data submissions the Final Beneficiaries act at the request of the Managing Authority, the Paying Authority and/or the Intermediary Bodies. Depending on the national rules "Intermediate Payment Requests" have to be submitted on a monthly, quarterly or annual basis. Most of the data requested, especially the financial data, is not prepared only for the authorities. However it has to be delivered at a different point in time than that at which the Final Beneficiaries process and file it within their own systems. When the data is requested by the authorities at a later point of time, collecting and collating it takes more and extra time.

The same goes for qualitative information in relation to the implementation of the single projects: the data is requested for the Annual and Final Implementation Reports to be drawn up by the Managing Authority. The data can be requested annually or at several intervals throughout the year. Requesting the information at intervals throughout the year may disturb beneficiaries' business processes, as the intervals are not necessarily coordinated with the finalisation of project steps or phases.

Furthermore, our administrative burden measurement work has revealed that Final Beneficiaries often lack clear guidelines on what information and what level of detail is exactly requested from them in order to comply with the IOs. With regard to the "Financial Controls" and "Annual Implementation and Final Reports" this often leads to situations where the data delivered by the Final Beneficiaries is regarded as not being sufficient by the control bodies and additional data submission is requested–resulting in additional work.

In terms of the controls by the Member States, as described above, four different bodies (Managing Authority, Paying Authority, Fiscal Control Committee and Court of Auditors) are involved in the process focusing on different details. The involvement of different bodies and levels might lead to the situation that Final Beneficiaries have to deliver the same information to different authorities and hence submit the same information twice or more times.

The measure recommended for addressing the problems illustrated above is to "Develop central Clearing Houses for Cohesion Policy reporting on national/regional level". How this recommendation would address the issues described above and what this eGovernment solution should look like is described in Chapter 2.

1.3 EU/Member State remit to act

The European Commission is the final recipient of statistical, financial and qualitative data on the implementation of the programmes. For the current programming period 2007–2013 the Commission in partnership with the Member States set up an electronic system to facilitate the transfer of reporting data necessary for financial transactions by the Member States' authorities to the Commission.[13] Financial information can be transferred using the Commission's own computer system known as the Structural Funds Common database (SFC2007). The system is operated by DG REGIO with other Directorates-General

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[13] Section 7 of Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund regulates the electronic exchange of data between the Commission and the Member States. According to article 39 second sentence "shall the exchange of data (…) be carried out using a computer system established by the Commission which permits the secure exchange of data between the Commission and each Member State". The third sentence of this article adds that the Member States shall be involved in the further development of the computer system. What information exactly shall be provided via this system is regulated in article 40 of the same Regulation.

involved in managing Structural Funds having access in order to extract financial information relating to their respective areas of responsibility.[14]

The Member State's Paying Authorities act, on the one hand, "between" the Commission and the Final Beneficiaries and must respect the reporting requirements and material rules imposed by the Commission regarding the funding. They also act, on the other hand, as the interface to the Final Beneficiaries, which requires them to gather compatible data from these. Member States' Managing and Intermediary Authorities use internal databases in order to deal with the project information delivered by the Final Beneficiaries. These systems naturally differ from Member State to Member State. Where decentralised funds management is in place (such as in Germany and Italy), different systems exist from region to region and often also between the different Intermediary Authorities within the Member States or regions.

For the current programming period many IT systems have been established by the Managing Authorities in the Member States to share information at national or regional level on the implementation of the new programming period. The vast majority of these systems are interfaced with SFC2007 via web-services. However, prima facie, there is no direct electronic data submission chain from the Final Beneficiaries through the Member State authorities to the Commission.

Hence, the recommendation focuses on connecting the national/regional databases, based on the principles and features respecting the information and reporting requirements imposed by the Regulation. The Recommendation aims in particular at setting up interactive portals for the data submission by the Final Beneficiaries. The Recommendation is thus addressed to national and regional authorities (known as a Type II recommendation).

However, the Regulations managing the current programming period do not contain legal requirements making compulsory a) the implementation of systems dedicated to

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[14] Besides for Cohesion Policy (ERDF, ESF and CF) the SFC2007 is also used for the Agriculture Development Fund (FEADER) and Fisheries (EFF).

professionals of regional policy at national and/or regional level ("Clearing House") and b) the implementation of a portal for the financial reporting of all types of Final Beneficiaries compulsory at Member States/Regional level. If such legal requirements could be implemented in the EU legislation for the next programming period 2014–2020 should be assessed very carefully and in the light of the partnership principle by the European Commission (Type I).

2. Reduction objective pursued and nature of the Recommendation

As illustrated in the previous Chapter, there is value in coordinating and facilitating the processes Final Beneficiaries have to run to ensure that the five IOs are complied with, while at the same time reducing the administrative burden.

Overall, information on what data and at what level of detail it is requested needs to be anticipated and clearly defined at project level in the beginning of each project.. The level of detail of the information required, especially with regard to qualitative information may considerably differ   according to the type of projects (e.g. training measures vs. Infrastructure projects), by which funds they are financed and to the specific (national) budgeterial rules they have to correspond to. However the extent and content of the information required by the Regulation on Structural Funds and their Implementation Rules is the common minimum standard and needs to be respected in any case.

The IO processes need to be more aligned with the business processes of the Final Beneficiaries regarding the execution and management of their projects an integral part of the project management of the single projects.

Data on expenses incurred (on which payment requests are based) could be submitted to the Intermediary Authorities when they actually occur and when they are registered by the Financial Beneficiaries in their own systems. This would prevent Financial Beneficiaries from dealing with the same information several times. The submission of qualitative information regarding the implementation status of projects could be more closely coordinated with the actual project implementation and its phases, and be submitted at the point of time when a certain project phase is finalised. Furthermore, there should be a system in place to ensure that all information only has to be delivered once by the Final Beneficiaries.

To achieve the simplification described above, a reorganisation of the data collection by the Managing Authorities/Intermediary Bodies and Control Bodies by using electronic

means seems to be a reasonable solution. Final Beneficiaries should be allowed and enabled to provide all data requested for compliance with the IOs electronically. The data should be stored in a database to which all authorities and bodies involved in the funding and control process have access, allowing them constantly to check and monitor project and programme implementation. Such a solution would prevent the Final Beneficiaries from double deliveries of the same data to different authorities and streamline the business and funding processes and hence reduce the administrative burden.

The recommended eGovernment solution is a "Central Clearing House for Cohesion Policy reporting" that should be implemented at national or where applicable – according to the management responsibilities for the programms – at regional level. The details of the recommended solution are described in the following sections.

It should be noted that the implementation of this Recommendation does not necessarily require a change in the provisions of the Regulation, as both, the new Regulation for the current programming period as well as the one for the previous period encourage the use of electronic means and the implementation of the administrative procedures generally is under responsibility of the Member States. The introduction of a central Clearing House at national or regional level would not affect the objectives of the IOs related to the management and financial control of Cohesion and Structural Funds projects. Given that a primary objective of the rules is to control the spending in order to avoid fraud, this crucial objective might even be better achieved than currently, as the electronic solution with a continuous data flow facilitates monitoring by the Managing and Intermediary Authorities. The Recommendation is also consistent with the broader policy objectives of the Regulation in scope, including effectiveness and transparency, and sound financial management.

However, the introduction of legal requirements making the implementation of Clearing Houses and portals for the Final Beneficiaries compulsory at Member State/Regional level would require a change in the provisions of the Regulation. As stated before, a detailed assessment of the feasibility of the introduction of such legal requirements has to be carried out at EU level in the light of the partnership principle as a condition.

2.2 Detailed description of Recommendation

As noted above, the Recommendation is for national institutions to develop Central Clearing Houses for Cohesion Policy reporting. The Recommendation aims at easing the business processes for Final Beneficiaries in complying with the IOs in scope.

This section first describes in detail how the Recommendation would be implemented, before discussing how this changes the processes – by first describing the current situation ('as-is') and then the future situation ('to-be'). The following Chapter will then discuss the SCM parameters which it changes and the impact on the Administrative Burden of implementing the Recommendation.

2.2.1 An eGovernment solution

The idea of implementing "Clearing Houses" as a means of simplifying the businesses processes for the Final Beneficiaries has its roots in the fact that a large number of different databases are already in place in the Member States at national and/or regional level in order to manage the programmes. Overall, the situation is that mostly all different authorities and bodies involved in the management, monitoring and control of the programmes have their own electronic system. Hence, the data submitted by the Final Beneficiaries is not stored centrally but distributed to the different databases. Against this background the development and implementation of one common central database seems to be an obvious solution. However, a much less labour- and cost-intensive process is the development of a "Clearing House" (also called "information broker") at central national or regional level. The structure of the recommended national/regional clearing houses is illustrated in the Figure below.

Figure 5: Structure of the proposed Clearing House
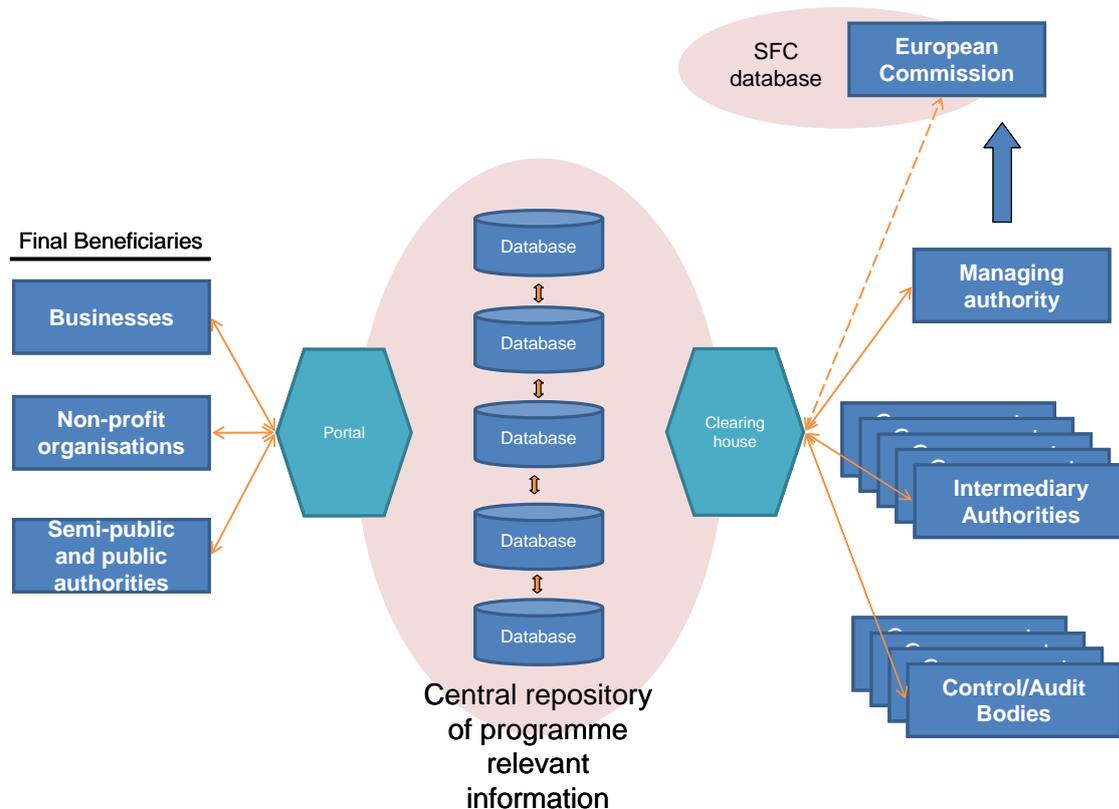
By Capgemini/Deloitte/Ramboll Management.

In the context of the IDABC (**I**nteroperable **D**elivery of European eGovernment Services to public **Administrations**, **Businesses** and **Citizens**) [15] implementation of the semantic interoperability strategy, a Clearing House is defined as a pan-European online information and collaboration platform [16] The Clearing House serves as a central information and exchange platform for (XML – Extensible Markup Language-related) data in the context of European and national institutions. The role of the Clearing House is to facilitate the process through which assets are identified, documented, checked and distributed to the specific authority or users.

This concept should be adapted for collecting, processing and transferring information of the final beneficiaries at programme level in the Member States or regions. The Clearing

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[15] http://ec.europa.eu/idabc.

[16] EUR XML Clearing House feasibility. http://ec.europa.eu/idabc/en/document/4272/5584.

House may have several access points and is linked to several information servers as well as national (and regional) databases allowing all 'stakeholders' like the Managing and Intermediary Authorities as well as the Control/Audit Bodies to use it. The national (or regional or local) databases need to be adjusted towards the link to the Clearing House. The advantage of the use of a Clearing House in comparison to a central database is the fact that data is not stored in the Clearing House and there are therefore fewer the legal restrictions.

Furthermore, an interface between the Clearing Houses and the SFC (or its successor) could be established to avoid media breaks and facilitate a smooth information flow. For a Clearing House to work well it is necessary that stakeholders agree on governance rules and that the roles of all responsible actors – technical and organisational – be defined and that at the data level interoperability be possible. This implies a further cooperation between the European Commission and the Member States.

It is recommended to use an XML[17] based reporting language. As the SFC2007, as well as the IT systems established in several Member States for the current programming period are XML-based, using XML seems to be the most efficient and less costly than other reporting standards. The use of XBRL[18] an XML-based standard, in grants reporting processes could be considered, since it offers some interesting functionalities which have been applied to grants and financial reporting. Detailed technical information on these standards is provided in Annex 3.

The portal for the Final Beneficiaries

As illustrated in the Figure above the recommended solution includes a portal for the Final Beneficiaries allowing them to provide all the project-related data requested by the different authorities and/or bodies. As an interface to the Final Beneficiaries the portal should comprise the following features:

- It should be accessible via Internet through every standard browser for all the Final Beneficiaries, so that no extra software, aside from standard Microsoft Office tools, and no extra knowledge, is necessary to operate it;

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[17] Extensive Markup Language.

[18] Extensible Business Reporting Language.

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- Final Beneficiaries can login to the system by entering a secure user-name (identification);

- The portal should provide two different paths, one for less complex projects and another for more complex ones, as the amount and level of detail of information required is often very different;

- It should provide the possibility for the Final Beneficiaries to submit all information requested for complying with the five IOs. Hence, different functionalities/forms should be provided for the different types of data to be delivered – financial, statistical and qualitative data that could be submitted by using XML or XBRL as described above;

- The data delivery should be possible in one process as well as in a continuous process over time, meaning that specific information can be submitted in real time, when it occurs. This allows the Final Beneficiaries to align the data delivery with their own business processes;

- Regarding the delivery of financial data related to the payment requests, the interactive form should provide boxes to enter information on the date and amount of expenditure, date of payment proof and explanation of eligibility of the expenses. Furthermore, it could be made possible to upload a scanned version of the original invoices and proof of payment [19], thereby allowing continuous monitoring of the expenses by the Intermediary Authorities. [20] Additionally, the electronic forms should contain a sum-function regarding the registered expenses and "notify" the Intermediary Authority when further payments are justified. In this way the payment requests will systematically be drawn up by the system. All the

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[19] In this context it needs to be noted that the legal validity of an act depends from the national legislation and electronically submitted scanned versions of invoices might not be valid in some Member States.

[20] This part of the recommended portal solution should be carefully assessed as it could impose or be seen as additional administrative burden for Final Beneficiaries as at current stage not all data is systematically electronically recorded. However, from a project-management point of view the systematic and continuous (electronic) storage of invoices increases efficiency and prevents from time-consuming data collection at a later point of time.

Final Beneficiary then has to do is to validate the request. No extra documentation is needed;

- In terms of the qualitative information on the status of the project implementation, the project-specific form should provide pre-filled information indicating which specific data has to be provided, and to what level of detail;

- Additionally, the portal could provide information such as frequently asked questions and good practice examples and an online help desk, as well as a secure communication platform.

Summing up, the different functionalities[21] the portal should provide are illustrated in the following Figure.

Figure 6: Functionalities of the Portal
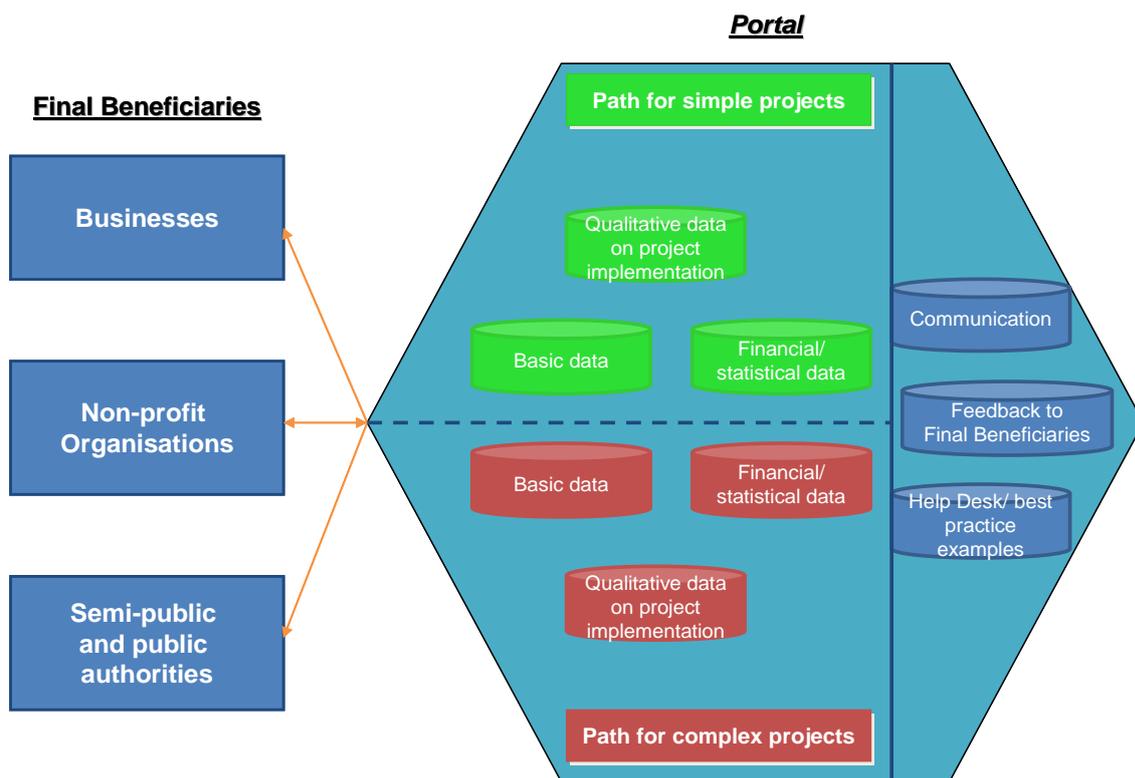
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[21] To create an environment which makes the system 'easy and accessible', and to address technical and organisational interoperability conditions a common assessment at EU 27 level might be necessary.

Some Member States resp. Regions already have online portals in place or are about to implement. For example, in Northern Ireland, a central internet-based system already exists for the online submission of applications, expenditure, monitoring data and supporting documents in electronic form by final beneficiaries. In Denmark an electronic portal for Final Beneficiaries is under construction and is expected to be available until the end of 2009.[22] For these Member States/Regions the recommendation is obsolete to a large extent. However, with view to the alignment of the systems in the sense of a media-break-free reporting from the Final Beneficiaries trough the Intermediary and Managing Authorities to the European Commission as final recipient of the provided information there might be a need to adjust the existing systems.

Generally, the introduction of central Clearing Houses at national/regional level providing a portal for Final Beneficiaries as described above will reduce the time needed to comply with the five IOs for all Final Beneficiaries - businesses, non-profit organisations and semi-public/public authorities. Setting up the described portal will have positive influence on the burden for non-profit organisations in particular as they often do not have appropriate structures for managing the fulfilment of the IOs.

2.2.2 The business processes: current situation ('as-is')

The kinds of business processes the Final Beneficiaries have to run in order to comply with the five IOs, broken down to the level of SCM standard activities, are nearly the same for all IOs and segments. The processes involve almost all standard activities as illustrated in the following Figure.

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[22] Until then some reporting tools are available at the website of the competent authority 'Erhvervs og Byggestyrelsen' (http://www.ebst.dk/regionaludvikling/0/3, clicking on the button ''Efter ansøgning' in the right top corner leads to the following page 'Redskaber til administration og afrapportering for projekter/ Værktøjer til afrapportering').

Figure 7: Activities required for compliance with the Information Obligations in scope
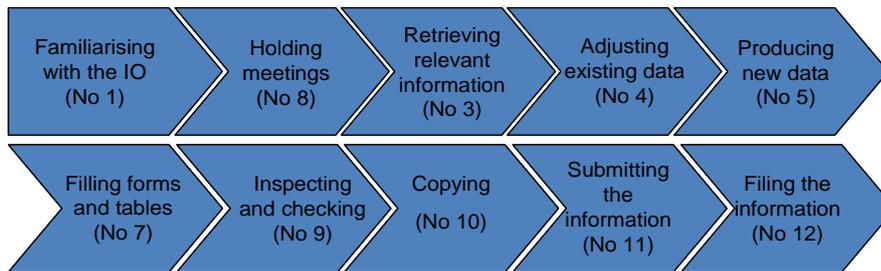
By Capgemini/Deloitte/Ramboll Management.

First, the Final Beneficiary has to become familiar with the IO and find out what exact output, financial and/or qualitative information has to be submitted (No 1). This first requires checks on the respective administrative instructions and guidelines. To gather the data different departments and people are typically involved in written and phone communication, and several meetings have to be held (No 8). Once all relevant data is collected (No 3), it needs to be adjusted to the required form (No 4). In addition, data as well as documentation needs to be produced in the requested format (Nos. 5 and 7). Before the information is sent to the relevant authority, it is checked and copied (Nos. 9 and 10). The information is submitted on paper and copies are archived by the Final Beneficiary (Nos.11 and 12).

However, there are particularities in relation to each IO which are described below.

IO 1) "Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report"

The process for "Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report" is underpinned by national rules with which the Final Beneficiaries have to comply throughout the lifetime of a funded project. The arrangements for both monitoring and Financial Control (Art. 38) can be aligned but separate processes for collecting financial information and monitoring data also exist. The information may be collected at several intervals throughout the year or in one annual report from the Final Beneficiary, depending on the specific rules in the Member States.

The amount of information Final Beneficiaries have to submit depends on the complexity of the project. In many cases, the information submitted is not regarded as being

sufficient by the authorities and additional data requests lead to further collection and preparation of data by the Final Beneficiaries.

IOs 2) and 3) "Intermediary and Final Payment Requests"

To comply with these IOs Final Beneficiaries have to collect information on their project expenses and provide supporting documentation. All invoices issued by Final Beneficiaries must be submitted in original form to the Paying Authority.

IOs 4) and 5) "Financial Control by the Member States and by the European Commission"

The level of detail required differs from country to country. Some Member States (such as Belgium and Greece) carry out detailed control processes, whereby each single expense is checked in detail, requiring detailed description and proof of information by the Final Beneficiaries. Other Member States (such as Lithuania) check data at a higher aggregated level.

The Final Beneficiaries may also have to provide data and documentation in response to special requests from the Control/Audit Bodies. Most of the information provided will already have been delivered in order to comply with the IO *"Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report"* and hence should already be available to the administration. However, as the addressees of the information requested for these IOs differ, double delivery of the same information occurs.

2.2.3   The business processes: future situation ('to-be')

How the Recommendation exactly leads to burden reduction is explained below. It is based on a comparison of the current situation and future situation regarding the implementation of the Clearing House including a portal for Final Beneficiaries in the Member States.

The Recommendation does not require a change of the wording of the IOs and will not lead to a change of the activities required to comply with the IO. However, it affects the actions lying behind the standard activities and the time required to comply with, this is illustrated in red colour in the following Figure:

Figure 8: Activities affected by the Recommendation
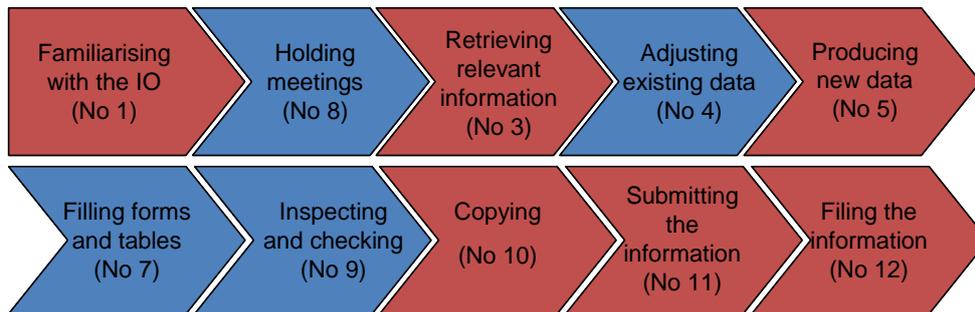
By Capgemini/Deloitte/Ramboll Management.

The following section describes the changes per affected IO.

IO 1) "Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report for the Final Beneficiaries"

The Final Beneficiaries provide the financial and qualitative data regarding the state of implementation of their projects via the online portal. Clear guidance on what information exactly needs to be entered is provided by the input forms and a help function will reduce time for familiarising with the relevant IO activity (No 1). The process of preparing the information is easier as the data can be entered directly into the online forms while continuous assistance is provided by the portal. As the Final Beneficiaries do not need to draw up paper forms and tables anymore, the time for filling forms and tables (No 7) is reduced.

Final Beneficiaries can continuously upload financial and qualitative data to the portal and thus provide the information when it occurs according to their project plan. Deadlines should be defined individually according to the conclusion of project phases or the achievement of a project milestone. This has a positive influence on the time Final Beneficiaries spend on retrieving information (No 3). The time needed to submit the requested data to the Intermediary Authority (Bo 11) is reduced to a minimum as the online submission is not much more than one "click". The Final Beneficiaries do not have to copy (No 10) and file the information submitted (No 12). It will be directly entered into the online form and stored in a database, from where it can be extracted for multiple purposes.

The portal/solution facilitates compliance with the IO as it is aligned with the project management flow.

IOs 2 and 3) "Intermediate and Final Payment Requests"

The financial reporting (income and expenses) is also supported by the portal. Clear guidance on what information exactly needs to be entered will be provided via the help functions and clearly structured forms. This will support the familiarisation with the IO (No 1). The financial data and the statement on expenses will be entered directly into the online form reducing the time for filling forms and tables (No 7) as the Final Beneficiaries are guided on what to enter and do not need to draw up formats and tables.

The data delivery on expenditures can be organised as an ongoing process aligned with the business process at the Final Beneficiary: once expenses are incurred, evidence (receipts, invoices) can be provided immediately. As for the submission of information regarding the annual/final report, deadlines would have to be defined individually in line with the completion of project phases or the achievement of a project milestone. This reduces the time spent on collecting (old) information (No 3). For all expenses the relevant information is entered via the portal at once. The information is only treated once. The original invoices are scanned and uploaded to the online interface. This eliminates the time for copying (No 10) (which, however, is replaced by the time needed to scan the invoices). The originals are the only documents that need to be stored by the Final Beneficiaries as all other information is held in the central repository (and can be extracted) leading to a reduction of the time needed to file the information (No 12).

Delays in payments arising from the submission of inaccurate or incomplete documents can be avoided by the Intermediary Authorities due to the constant and instantaneous checking of the data submitted. Multiple requests for data delivery by different authorities are also avoided, since all authorities involved in the funding process have access to the stored data through the Clearing House.

IOs 4 and 5) Financial Control by the Member States and the European Commission on Final Beneficiaries

Provided that the online portal facilitates and ensures a comprehensive and exhaustive reporting structure and the Final Beneficiaries submit the relevant (financial) information on an ongoing basis via the portal, no or only very few additional information requests will be sent by the Control Bodies to the Final Beneficiaries. The Control Bodies can download all relevant information from the respective databases subject to the first level control via the Clearing House.

3. Impact

The "Development of central Clearing Houses for Cohesion Policy reporting at national/regional level" will facilitate the process of collecting and submitting financial, statistical and qualitative data for the Final Beneficiaries and hence reduce the administrative costs resulting from the compliance with the five IOs in all countries.

The following section sets out the general assumptions about the extent to which the internal costs of the activities affected as described above will be reduced in terms of time needed to comply with the IO. The illustration of the IO-specific assumptions is followed by a description of the total impact per IO.

The total impact per IO is calculated on the basis of the data from the six measurement countries (Belgium, Greece, Hungary, Ireland, Lithuania and Sweden) and, where available, on the re-used data from the national measurements of the two Baseline Countries— Netherlands and United Kingdom. More detailed information regarding the calculation of the reduction impact per Measurement Country and BLC is provided in Annex 1.

The following Table shows the impact assumptions regarding IO 1) "Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report" (Art. 34 para.1 (a); Art. 36; Art. 37). The calculation of impact on the different standard activities is based on general, experience-based assumptions for eGovernment type solutions. The general assumptions are explained in Annex 2 and adapted to the specific nature of this Recommendation.

Table 1: Impact assumptions: IO "Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report"

Standard activities - SCM model	Reduction impact	Explanation
1. Familiarisation with the Information Obligation	20%	• As the portal will provide clear guidance on what information has to be delivered , at what level of detail, by providing guidelines and input forms, the time needed for familiarisation with the IOs is expected to decrease by 20%; • The reduction impact is not assumed to be higher as the Final Beneficiaries will still have to read and understand what is expected of them. As this is the most time-consuming part, a reduction by one fifth seems to be reasonable.
3. Retrieving relevant information from existing data	15% 5%	• As the portal will provide the possibility of continuous submission of information at the point of time when it occurs, the time for collecting (old) information will be reduced. • As the data will be stored in a database accessible via the Clearing House to all authorities involved in the monitoring and control process of project funding, information will only have to be submitted once by the Final Beneficiaries, thus reducing the time spent on collecting the same information on different requests at different points in time. • However, the much larger part of the data collection is not affected by the eGovernment solution. Hence, the reduction impact is expected to amount to 15% for non-profit organisations and semi-public/public authorities. • Our measurement work showed that businesses usually spend less time than public authorities and non-profit organisations on collecting information. Hence, the reduction impact for businesses is expected to be lower than for the other Final Beneficiary segments and is therefore assumed to amount only to 5%.
7. Filling in forms and tables, including record keeping	50%	• As the portal will allow for direct transfer of information and data, the time that was previously needed to draw up documents and tables is expected to decrease by 50% as filling in forms and tables that have been provided is much less time-consuming than drawing up documents.
10. Copying (reproducing reports, producing labels or leaflets)	100%	• The calculation of the reduction impact is based on the assumption that the portal can and will be used as the only channel for submission of data, and that there will be no "double delivery" (i.e. both online and as paper-based version).
11. Submitting the information (sending it to the relevant authority, etc.)	90%	• The time needed to submit the information is expected virtually to disappear completely as the submission via the online portal will not take more than a "click".
12. Filing the information	100%	• As the information will be stored in the central repository there is generally no need for filing anymore.

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Regarding the equipment costs stemming from purchase of stamps etc. needed for the submission of paper-based information it is expected that these will drop by 100%, based on the assumption that the portal can and will be used as the only channel for submission of data, and that there will be no "double delivery" (i.e. both online and as paper-based version).

Taking into account the assumptions illustrated above, the total reduction impact of the Recommendation on IO 1) amounts to 18% of the total administrative burden[23] or €103.5 million in EU-27.

The following Table illustrates the assumptions in terms of reduction impact in relation to IOs 2 and 3) "Intermediate and Final Payment Requests" (Art. 32 paras. 3 and 4).

Table 2: Impact assumptions: IOs "Intermediate and Final Payment Requests"

Standard activities - SCM model	Reduction impact (%)	Explanation
1. Familiarisation with the Information Obligation	20%	• As the portal will provide clear guidance on what information has to be delivered at what level of detail, by providing guidelines and input forms, the time needed for familiarisation with the IOs is expected to decrease by 20%. • The reduction impact is not assumed to be higher as the Final Beneficiaries will still have to read and understand what is expected from them. As this is the most time-consuming part reduction by one fifth seems to be reasonable.

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[23] As there are no business-as-usual costs, administrative cost (AC) and burden (AB) are the same.

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Standard activities - SCM model	Reduction impact (%)	Explanation
3. Retrieving relevant information from existing data	15% 5%	• As the portal will provide the possibility of continuous submission of information at the point of time when it occurs, the time for collecting (old) information will be reduced. • As the data will be stored in the central repository accessible via the Clearing House for all authorities in the monitoring and control process of project funding, all information only has to be submitted once by the Final Beneficiaries, thus reducing the time spent on collecting the same information on different requests at different point in time. • However, the much larger part of data collection is not affected by the eGovernment solution. Hence, the reduction impact is expected to amount to 15% for non-profit organisations and semi-public/public authorities. • Our measurement work showed that businesses usually spend less time than public authorities and non-profit organisations on collecting information. Hence, the reduction impact for businesses is expected to be lower than for the other Final Beneficiary segments and is therefore assumed to amount only to 5%.
7. Filling in forms and tables, including record keeping	50%	• As the portal will allow direct transfer of information and data, the time that was previously needed to draw up documents and tables is expected to decrease by 50% as filling in forms and tables that have been provided is much less time-consuming than drawing up documents.
10. Copying (reproducing reports, producing labels or leaflets)	0%	• As the original invoices and proofs of payment proofs are delivered together with the payment requests, but instead of being copied now have to be scanned to upload them to the portal, there is no reduction impact for this activity.
11. Submitting the information (sending it to the relevant authority, etc.)	90%	• The time needed to submit the information is expected virtually to disappear as the submission via the online portal will not take more than a "click".
12. Filing the information	70%	• As the original invoices and proofs of payment still need to be archived, the reduction impact is assumed to be 70%, not 100%.

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In terms of the equipment costs stemming from purchase of stamps etc. needed for the submission of paper-based information, it is expected that these will drop by 100% based on the assumption that the portal can and will be used as the only channel for submission of data, and that there will be no "double delivery" (i.e. both online and as paper-based versions).

Taking into account the assumptions illustrated above, the total reduction impact of the Recommendation on IO 2) *"Intermediate Payment Request"* amounts to 16% of the administrative cost/administrative burden or €15.8 million. The impact on IO 3) *"Final Payment Request"* amount to 21%, or €7.2 million across the EU.

In terms of the reduction impact on IOs 4) and 5) "*Financial Control on Final Beneficiaries by the Member States and by the European Commission*" (Art. 34 para. 2; Art. 38 para. 1 (a–h)), it is expected that the Final Beneficiaries will not or only to a very limited extent have to collect and submit additional data to the Control Bodies in future. This is described in section 2 above and assumes that the online portal facilitates and ensures a comprehensive and exhaustive reporting structure. Assuming full compliance on the part of the Final Beneficiaries, i.e. that they submit the relevant (financial) information on an ongoing basis via the portal at agreed deadlines[24], the Control Bodies can download all the information needed to carry out the control from the central repository via the Clearing House. However, the Final Beneficiaries will probably still need a residual amount of time to deal with possible and probable call backs from the Control Bodies regarding the stored data.

It is difficult to anticipate exactly what this process will look like and to what extent call backs from the Control Bodies have to be expected, especially as it also depends on the speed and quality of the Final Beneficiaries' adaptation to the new process of reporting on the financial state of their projects on a current basis. However, assuming, as stated above, full compliance by the Final Beneficiaries, then the reduction impact is expected to be very high. For the calculations a total impact per Member State of 80% has been applied.

Taking this assumption into account, the total reduction impact of the Recommendation on IO 4) *"Financial Control on Final Beneficiaries by the Member States"*: is €105.7 million. In relation to IO 5) *"Financial Control on Final Beneficiaries by the European Commission"*: the impact amounts to €4.3 million.

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[24] The deadlines could be defined individually according to conclusion of project phases or the achievement of project milestones.

4. Implementability

Investment costs

The investment costs of introducing of central Clearing Houses at national or regional level in all Member States will nearly exclusively be on the part of the public sector. The investment costs are expected to be high for national/regional authorities, not just for the system itself but also if it is necessary to ensure that all users (particularly Final Beneficiaries, but perhaps also some Managing and Paying Authorities as well as Control Bodies) have effective Internet access.

The implementation costs of eGovernment solutions vary depending on the technical complexity of the portal, the amount of data that needs to be sent through the portal, the number of users, the required security level, the degree to which the portal is accessible day and night, and other performance related issues. The higher the required level of performance and security, the higher the investment costs.

In the context of this recommendation, the level of investment cost will depend considerably on the degree to which the existing IT-solutions are compatible with the future system.

The public bodies involved in the management of the programme are basically those who will take advantage of the Clearing House solution. It is expected that the direct access to information will reduce the time needed for acquiring and processing information. As all bodies rely on one information base, the need for cross-checking will be less. All in all, the public sector can expect a considerable return on the investment once the implementation phase has ended. Nevertheless, costs for adapting and updating the system should also be taken into account.

Low investment costs are expected for the Final Beneficiaries as the portals will be Internet-based and therefore, a computer with Internet access is all they need to have[25]. However, to be able to upload invoices and payment approvals the Final Beneficiaries will need a scanner, which might need to be purchased.[26]

In addition to the development costs and technical investments, the implementation of the Clearing House solution will require training of staff at all public bodies involved in the management and the financial flow of the programme. This training will be less complex for the Final Beneficiaries, who will "just" have to submit their data, than for the staff of the Managing and Paying Authorities, and of the Intermediary Bodies, who will have to process and aggregate the data.[27]

4.1 Complexity

The technological complexity of the implementation of a solution – as in the case of the costs – again depends on the one hand on the complexity of the programmes and projects the solution has to deal with, and on the other on existing practice and solutions, and the extent to which they can be integrated into the Clearing House, and in how far other requirements (e.g. set by national budget law) need to be considered.

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[25] It is assumed that nearly all Final Beneficiaries have this in place, and that basic IT-skills are also present.

[26] The costs of scanners vary considerably according to the functionalities and quality. It is assumed that a medium priced standard scanner would be sufficient; resulting in expected cost of €700-900 for those Final Beneficiaries who would need to purchase one. However, the majority of Final Beneficiaries already have scanner technology. As a specific estimate of the number of Final Beneficiaries in the EU-27 is not available, we have not attempted to estimate the total investment cost for new scanners.

[27] It is possible that further public sector costs arise from the need of additional resources at the national authorities to carry out the assessment of the validity of the data constantly submitted by the Final Beneficiaries as described in section 2 on page 24/25 and 30/31. This should be taken into account in an eventual impact assessment of the recommended system.

The greatest challenge in implementing such a Clearing House solution lies in its process complexity. There are two determining factors in addition to the complexity of projects. They are:

a) The process of implementing Structural Funds programmes takes place in complex structures and involves many bodies. The implementation of the Information Obligations co-exists alongside national or – depending on the constitutional setting – regional rules. As the fields, targets and measures of the intervention may range from, for example, investment aids and infrastructure investments through management structures for local development to training measures for the long-term-unemployed, numerous different types of Intermediary Bodies are involved. Moreover, they also have different "administrative cultures". In consequence, different procedures have been developed and specific rules have been set up: the higher the number of implementing bodies, the higher the number of interfaces. This reduces the efficiency of the Managing and Paying Authorities when aggregating the data. It may cause additional questions or information requirements at the level of the Final Beneficiary (thus leading to an additional administrative burden). Implementing a new joint IT solution for collecting and processing data will require a common understanding by all persons and bodies/structures involved. This again can only be gained via investment in training or capacity building (see above).

b) In the past this complexity was partly caused by regulations which allowed for differences in interpretation. The rules relating to the control and management systems, in particular, were specified only in the course of the last programming period. Two new Commission Regulations[28] required the Member States and the

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[28] Commission Regulation (EC) No 438/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:063:0021:0043:EN:PDF; Commission Regulation (EC) No 2355/2002 of 27 December 2002 amending Commission Regulation (EC) No 438/2001 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds;

Managing Authorities respectively to redesign their control systems, notably by introducing the system of first- and second-level control.[29] Fulfilling these new EU requirements within the complex implementation structures of the Structural Funds was a big challenge as such and was not always aligned with the working structures and systems already in place. Ambiguities in rules and in allocation of responsibility can cause double and triple checks at the level of Final Beneficiaries. Clarity in this sense (based on the experience gained with the 2001 and 2002 Regulations) is a pre-requisite for designing the technical solution. As the European Commission sets the minimum standard to which all Member States have to comply, the European Commission should consider issuing standard implementation guidelines to facilitate the creation of the electronic interface for reporting. These guidelines should naturally benefit from insight into best practices developed within Member States.

The alignment of the solution with national budget rules and practice is another challenge which is closely related to the risk factors described above. This applies first and foremost to the acceptance of a system of financial control which is based on electronically transmitted information, i.e. the acceptance of scanned versions of invoices and proofs of payment. In addition, a constant flow of information on the expenses of a project might not be in line with the reporting intervals and/or controls set out by national or regional budget rules.

Above and beyond this, typical legal barriers in introducing eGovernment solutions might arise. These typically include general data protection issues and more specific questions, like the feasibility of online identification.

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http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:351:0042:0043:EN:PDF.

[29] These Regulations and hence also the way in which IOs affected by the present Recommendation were affected in practice, especially in terms of the financial control by the Member States and the Commission were not in scope of the measurement. Therefore the analysis could not reflect the different level of controls in depth. A differentiated analysis would have required the definition of clear standard business processes for each type of control.

4.2   Political will/opportunities & barriers

The Commission has already established strategic priorities for common IT systems in partnership with the Member States. As described above, for the current programming period a central IT solution for collecting and processing the information at EU level (SFC2007) has been set up covering not only the Information Obligations mentioned in this document but all Information Obligations comprising the entire programming cycle. In respect of the subsidiary principle the SFC2007 provides a link to existing national and/or regional systems through a web-service interface based on XML-standard. In this context, many IT systems have been established by the Member States to share information at national or regional level on the implementation of the new programming period. And the vast majority of these systems are interfaced with SFC2007 via web-services. Furthermore, several Member States already established or are about to implement electronic portals for the reporting of Final Beneficiaries.

Based on this, a general commitment of the Commission and of the Member States to implement and enhance the use of eGovernment solutions in the field of Cohesion Policy can be asserted. The challenge is at the present state, where Member States are about to develop and install new solutions, to identify and disseminate good practices. In this respect, the Commission could play a central role in order to facilitate "learning processes" amongst the Managing Authorities from the different Member States.

4.3   Time frame

The Recommendation to "develop a central Clearing House for Cohesion Policy reporting" is regarded as a structural change over a longer period of time. The implementation of central eGovernment solutions generally does take some time. Once decisions of principle decisions are taken, the time required reaching agreement on the data exchange and technical solution can vary greatly. The main time-consuming aspect is often the standardisation and interoperability of data and systems.

The actual technical implementation of a working portal solution on national or regional level in all Member States should be achievable within three years, based on the average project time for similar ICT projects. In this context, implementation in all Member States

could be achieved by 2012. However, it seems to be more reasonable to link implementing this recommendation to the next Structural Funds programming period, starting in 2014. This might have an influence on the requirements for the clearing houses and portals. However, the preparatory work certainly needs to be done well in advance so that practical implementation could occur by 2014 at the latest. In this context it should be noted that the timeframe to implement the current system SFC 2007 has taken five years from the conception to completion in particular to be able to integrate all legal requirements for each Member State.

5. Image

The term "image" refers to the irritation that businesses (in this case Final Beneficiaries) attribute to an IO. Questions on irritations were asked in all interviews and workshops with Final Beneficiaries. Overall by comparison, the Cohesion IOs are not regarded as being particularly irritating (irritation factor for all IOs between 2 and 2.5).

Considering the five relevant IOs, the *"Intermediate Payment request"* and *"Final Payment request"* are felt to be the most irritating. Many Final Beneficiaries consider that the payments should be automatically anticipated by the authorities without requiring a specific request. This is one of the areas addressed by the present Recommendation as the Clearing House allows the Intermediary Bodies to obtain an insight into the financial status of the individual projects on an ongoing basis.

The other three IOs – *"Submitting Information needed by Management Authorities to Draft Annual Implementation/Final Report", Financial Control on Final Beneficiaries by the Member States"* and "*Financial Control on Final Beneficiaries by the European Commission"* have a medium irritation reading. In general, the Final Beneficiaries understand the need to fulfil the Information Obligations, but consider the huge amount of paperwork as being irritating. The level of detail required and the time-consuming storing and copying of documents are regarded as being especially irritating.

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". The 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.

The irritation caused by the huge amount of paperwork, collecting, copying, submitting and storing is addressed by the recommendation. As illustrated above the Clearing House will prevent the Final Beneficiaries to a high extent from these activities.

6. Annex 1 – Assumptions for impact calculations

<u>Detailed calculation assumptions</u>

The Tables below illustrate the impact per Measurement Country and, where applicable, per Baseline Country, and outline the reasons for a high/low impact.

The following Table shows the impact for the IO 1) "Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report". The impact percentage differs between the countries because the distribution of costs across standard activities differ. Cf. Table 1 in the main text for assumptions on the impact percentage per standard activity.

Table 3: Detailed impact calculation: IO 1) "Submitting Information needed by Management Authorities to draft Annual Implementation/Final Report"

Country	Segment	Impact P (€)	Impact (%)	Comment
Belgium	Non-profit organisations	602,000	18%	
	Public and semi-public authorities	1,456,000	29%	
	Businesses	1,302,000	14%	
	Total	3,360,000	19%	
Greece	Non-profit organisations	7,000	21%	
	Public and semi-public authorities	581,000	25%	
	Businesses	427,000	20%	Reduction impact includes 100% reduction of equipment cost for postal submission of documents.
	Total	1,015,000	23%	
Hungary	Non-profit organisations	177,000	46%	The reduction impact is comparably high as the time needed for copying is very high due to the fact that of all documents 3-5 copies have to be made. The reduction impact includes 100% reduction of equipment cost for postal submission of documents.
	Public and semi-public authorities	588,000	54%	Reduction impact includes 100% reduction of equipment cost for postal submission of documents.

Country	Segment	Impact P (€)	Impact (%)	Comment
	Businesses	61,000	6%	
	Total	826,000	34%	
Ireland	Non-profit organisations	31,000	9%	
	Public and semi-public authorities	381,000	16%	
	Businesses	310,000	6%	
	Total	722,000	9%	
Lithuania	Non-profit organisations	27,000	31%	
	Public and semi-public authorities	39,000	31%	
	Businesses	119,000	30%	
	Total	185,000	30%	
the Netherlands	Non-segmented	5,815,000	2%	
	Total	5,815,000	2%	
Sweden	Non-profit organisations	45,000	27%	
	Public and semi-public authorities			This segment outsources the compliance with the IO. As no information is available on how the process is run by the externs no reduction impact has been calculated for this segment.
	Businesses	239,000	21%	
	Total	284,000	8%	

By Capgemini/Deloitte/Ramboll Management.

The following Table illustrates the impact for IO 2) "Intermediate Payment Request". The impact percentage differs between the countries because the distribution of costs across standard activities differ. Cf. Table 2 in the main text for assumptions on the impact percentage per standard activity.

Table 4: Detailed impact calculation: IO 2) "Intermediate Payment Request"

Country	Segment	Impact P (€)	Impact (%)	Comment
Belgium	Non-segmented	1,177,000	17%	

Country	Segment	Impact P (€)	Impact (%)	Comment
Greece	Non-segmented	993,000	12%	
Hungary	Non-segmented	42,000	39%	Reduction percentage is higher as equipment costs for postal submission of documents are included.
Ireland	Non-segmented	100,000	27%	
Lithuania	Non-segmented	67,000	1%	
the Netherlands	Non-segmented	16,000	15%	
Sweden	Non-segmented	12,000	10%	

By Capgemini/Deloitte/Ramboll Management.

The next Table illustrates the impact for IO 3) "Final Payment Request". The impact percentage differs between the countries because the distribution of costs across standard activities differ. Cf. Table 2 in the main text for assumptions on the impact percentage per standard activity.

Table 5: Detailed impact calculation: IO 3) "Final Payment Request"

Country	Segment	Impact P (€)	Impact (%)	Comment
Belgium	Non-segmented	288,00	17%	
Greece	Non-segmented	177,000	11%	
Hungary	Non-segmented	31,000	46%	Reduction percentage is higher as equipment costs for postal submission of documents are included.
Ireland	Non-segmented	69,000	31%	
Lithuania	Non-segmented	21,000	1%	
the Netherlands	Non-segmented	2,044,000	38%	Reduction percentage is higher as equipment costs for postal submission of documents are included.
Sweden	Non-segmented	2,000	10%	
UK	Non-segmented	93,000	19%	

By Capgemini/Deloitte/Ramboll Management.

The Table below shows the impact for IO 4) "Financial Control on Final Beneficiaries by the Member States"

Table 6: Detailed impact calculation: IO 4) "Financial Control on Final Beneficiaries by the Member States"

Country	Segment	Impact P (€)	Impact (%)	Comment
Belgium	Non-profit organisations	88,000	80%	
	Public and semi-public authorities	1,277,000	80%	
	Businesses	432,000	80%	
	Total	1,797,000	80%	
Greece	Non-profit organisations	61,000	80%	
	Public and semi-public authorities	4,449,000	80%	
	Businesses	7,060,000	80%	
	Total	11,570,000	80%	
Hungary	Non-profit organisations	64,000	80%	
	Public and semi-public authorities	167,000	80%	
	Businesses	176,000	80%	
	Total	407,000	80%	
Ireland	Non-profit organisations	303,000	80%	
	Public and semi-public authorities	1,377,000	80%	
	Businesses	879,000	80%	
	Total	2,559,000	80%	
Lithuania	Non-profit organisations	9,000	80%	
	Public and semi-public authorities	31,000	80%	
	Businesses	64,000	80%	
	Total	104,000	80%	
Sweden	Non-profit organisations	37,000	80%	
	Public and semi-public authorities	293,000	80%	
	Businesses	224,000	80%	
	Total	554,000		

By Capgemini/Deloitte/Ramboll Management.

The final Table illustrates the impact for IO 5) "Financial Controls on Final Beneficiaries by the European Commission".

Table 7: Detailed impact calculation: IO 4) IO 5) "Financial Controls on Final Beneficiaries by the European Commission"

Country	Segment	Impact P (€)	Impact (%)	Comment
Belgium	Non-profit organisations	2,000	80%	
	Public and semi-public authorities	39,000	80%	
	Businesses	11,000	80%	
	Total	52,000	80%	
Greece	Non-profit organisations	--	80%	
	Public and semi-public authorities	39,000	80%	
	Businesses	1,000	80%	
	Total	40,000	80%	
Hungary	Non-profit organisations	4,000	80%	
	Public and semi-public authorities	9,000	80%	
	Businesses	715,000	80%	
	Total	728,000	80%	
Ireland	Non-profit organisations	27,000	80%	
	Public and semi-public authorities	67,000	80%	
	Businesses	84,000	80%	
	Total	178,000	80%	
Lithuania	Non-profit organisations	200	80%	
	Public and semi-public authorities	3,000	80%	
	Businesses	1,000	80%	
	Total	4,200	80%	
Sweden	Non-profit organisations	4,000	80%	
	Public and semi-public authorities	18,000	80%	
	Businesses	22,000	80%	
	Total	44,000	80%	

By Capgemini/Deloitte/Ramboll Management.

7. Annex 2 – General assumptions used in calculating impact of eGovernment Recommendations

This Annex sets out the general, experience-based assumptions used in calculating the impact of recommendations concerned with eGovernment-type solutions.

The Standard Cost Model (SCM) is an accounting methodology used to build up a proxy for the costs of administrative burdens imposed by regulation (Information Obligations) based on the time that it takes 'a normally efficient business'. This is then applied across the population of the business sector to which it applies. The basis of the measurement is the table of 14 'standard activities'. The times spent on these activities are, for example, affected by changes in legislation or the implementation of an eGovernment application.

An eGovernment application can affect several standard activities of the SCM model. The activities typically affected by eGovernment are those activities regarding gathering, submitting, changing, copying, sending and filing the information needed to comply with the Information Obligations.

The table below provides guidelines for estimating the expected reduction in administrative costs as a result of implementing an eGovernment solution based on expert opinions, including the experience of the consortium in designing and implementing eGovernment solutions.

The percentages in the Table below are presented in ranges and cannot automatically be applied to each solution: it depends on the specific design of an eGovernment application and the execution of the IO. This is the main reason for presenting wide ranges with minimum values of 0%. The minimum value of 0% is in place when a business is highly IT-equipped. The maximum value is in place when a business does not have any IT or IT-systems at all. Activities which will be affected by eGovernment are in boldface type.

Table 8: SCM activities and estimated reduction through eGovernment

Standard activities – SCM model	Affected through eGovernment	Reduction through eGovernment	Comments
1. Familiarising with the information obligation	Yes	0% – 25%	Through a personal domain (in a portal) businesses gain only insight only into relevant legal information.
2. Training members and employees about the information obligations	No	0%	
3. Retrieving relevant information from existing data	Yes	0% – 50%	For businesses, the information requested is partly electronically available and could automatically be extracted from administration software and put into forms.
4. Adjusting existing data	Yes	0% – 70%	Businesses could adjust existing information electronically.
5. Producing new data	Yes	0% – 50%	For producing new data, businesses could use prefilled forms and other information which is electronically available. This information could be directly connected to the content of requested forms.
6. Designing information material	No	0%	
7. Filling in forms and tables, including record keeping	Yes	30% – 70%	Businesses could use prefilled forms with standard information regarding the organisation. Reuse of electronical records saves time.
8. Holding meetings (internal as external with an auditor, lawyer and the like)	No	0%	

Standard activities – SCM model	Affected through eGovernment	Reduction through eGovernment	Comments
9. Inspecting and checking (including assistance to inspection by public authorities)	No	0%	
10. Copying (reproducing reports, producing labels or leaflets)	Yes	0% – 100%	Businesses could have documents electronically available and could attach this information directly to the relevant forms.
11. Submitting the information (sending it to the relevant authority, etc.)	Yes	0% – 90%	Businesses could submit information electronically. They do not need to send the information to government authorities either by fax or post. Time is saved when a document has to be sent to more than one authority on the same occasion.
12. Filing the information	Yes	0% – 90%	Businesses could file their information electronically. They do not any more need to print and copy information and put this manually in a file or archive. This also saves archive space.
13. Buying (IT) equipment and supplies (e.g. labelling machine)	No	0%	
14. Other	Maybe	Depends on other IOs	

By Capgemini/Deloitte/Ramboll Management.

8. Annex 3 – Semantic interoperability – Harmonise the reporting process by using XBRL

In a working paper on "IDABC Content interoperability strategy", interoperability is defined as the ability for components of an open, distributed information system to exchange data and services.[30] It implies the ability for users to exchange meaningful information between one another and with programmes, and for programmes to usefully process information coming from other programmes as well as from direct interaction with users.

The working paper differentiates between several aspects of interoperability, including:

- Organisational interoperability: obtained when actors agree on the why and the when of exchange of information, and on some rules to make it happen safely, with minimal overhead, as a regular process;
- Technical interoperability: obtained when actors agree on the structure and format of messages that they exchange, and on the media and channels that they will use for these exchanges;
- Semantic interoperability: obtained when actors are able to share meaning, which is to understand each other.

In other words, global interoperability requires 1) that actors should expect to provide and receive information and services to and from other actors at some moments and for identified objectives; 2) that the information should be provided in a form and through channels that make it easily accessible and processable; and 3) that the actors should be able to understand the information they exchange, that is to share the meaning of the information elements with the least possible ambiguity and errors.

Semantic interoperability cannot be achieved separately from the other interoperability dimensions: sharing knowledge implies having an organisational environment that makes it easy and desirable, hence addressing the two dimensions of technical and organisational interoperability as well as the semantic one.

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[30] *IDABC Content Interoperability Strategy,* Working paper, September 2005, Alain Michard & Antoine Rizk, page13; http://ec.europa.eu/idabc/servlets/Doc?id=24405.

The topic of semantic interoperability has been researched in the broader area of grants management. A recent White Paper by BearingPoint[31] describes some of the challenges related to grants management reporting, including:

- Information gathering: grants management information remains locked in disparate information systems; the absence of a standardised information management infrastructure results in time-consuming data gathering processes;

- Redundancy: disparate systems store similar data for different reasons. Controls, business rules and interfaces are not reusable across different systems, requiring software engineering expertise to maintain point-to-point integration;

- Inconsistency and reconciliation: absence of a common grants management vocabulary increases the risk on inconsistent interpretation and efforts for reconciliation.

Using XBRL, the eGovernment portal solution will allow information to flow seamlessly between all parties and software applications involved in the Cohesion Policy area:

- "XBRL taxonomy" provides one common language and syntax to which all parties can easily map their own data structures. In the IDABC publication mentioned above, this is referred to as a "Semantic Interoperability Asset";

- "XBRL validation rules" provide reusable, standardised business validation rules for Cohesion Policy reports: these can be published centrally, e.g. by the European Commission, and used by all parties to validate reports in their own systems or via the eGovernment portal. This will significantly improve the data quality of grants reporting;

- XBRL proposes a non-intrusive approach to semantic interoperability: it does not require significant system changes or costly investments by the parties. It simply provides a standardised exchange mechanism, which can be easily adopted by all parties;

- XBRL is an open XML-based standard.

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[31] BearingPoint White Paper, Grants Management: Creating a real time management life cycle, Manish Kumar & Brian Hannkin, 2008; http://www.bearingpoint.com.

XBRL has been applied in the area of grants management before. For example, the State of Nevada conducted a grants management project with XBRL (supported by Deloitte USA). The existing grants reporting process was labour-intensive and time-consuming:

- Manual maintenance of 60+ grants;
- Proliferation of spreadsheets and Word documents to gather and maintain information;
- Monthly grant summary and detail reports manually compiled in Excel – 1-2 hours report preparation per grant.

Figure 6 explains how the grants management goals were mapped for XBRL benefits.

Figure 9: Driving factors for the XBRL case study
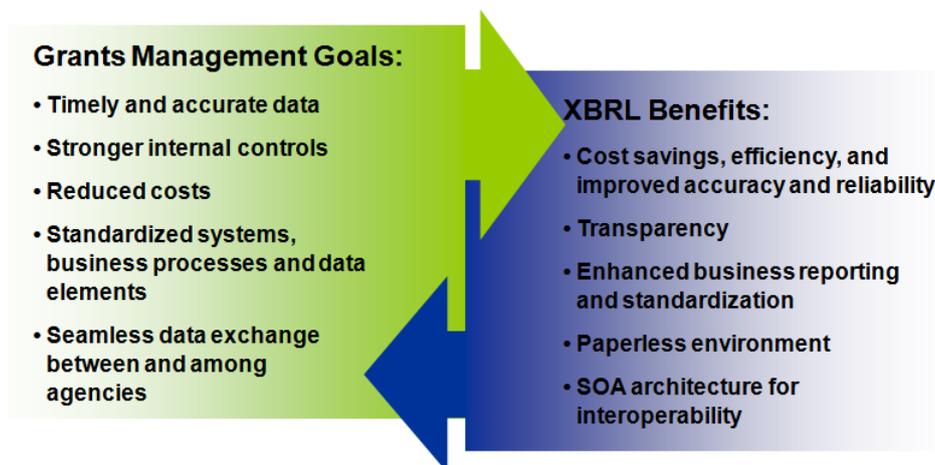
By Hansen (Deloitte), H. Wes Bills (Nevada department of Agriculture)[32].

The project demonstrated that the introduction of XBRL significantly streamlined the grants reporting process. The time needed for report processes was reduced from weeks to hours, with improved data quality. It was possible to achieve this with limited changes to existing processes. The reporting model proved to be easily extendible to other grants and to other agencies.

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[32] Presentation "Enabling grants reporting with XBRL: a case study", Washington conference: "Business reporting for better decisions", October 2008.

Why choose XBRL? – Advantages compared to other technologies?

Today, EDIFACT [33] -based and XML-based standards are the most commonly used interoperability technologies in the EU. EDIFACT messaging provides a very efficient syntax, but is less widely supported by software vendors. Although EDIFACT could be envisaged for the Cohesion Policy eGovernment solution, XML is generally gaining ground and is more widely supported by the software community.

XBRL is an XML-based standard, with increasing adoption in the area of financial reporting and some initial references in statistics. Given the relevance of finance and statistics for Cohesion Policy, XBRL offers higher chances for Final Beneficiaries to integrate grant IOs in the daily business process: if a party uses an invoicing and accounting software that supports XBRL, the effort needed to create the Cohesion Policy reports will decrease. Improved integration of the IOs in the daily business process contributes to a reduced administrative burden and lower irritation.

If the XBRL standard is being adopted in Cohesion Policy, it could be extended to other grants management reporting processes at other government levels: the European Commission, the Member States, regional and local authorities.

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[33] Electronic Data Interchange For Administration, Commerce, and Transport.