

REFIT Platform Opinion

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REFIT Platform Opinion on the submission the German Chambers of Commerce and Industry (DIHK) on "Reducing Bureaucracy for ERDF/ESF Funding".

The REFIT Platform has considered the issue raised by the DIHK concerning the need to simplify the procedures linked to the funding under European Regional Development and European Social Funds.

For the current programming period, given the ongoing implementation of the operational programmes, far-reaching legislative changes should be avoided in the interest of legal certainty. However, small changes to clarify rules and simplify implementation should be envisaged as soon as possible. Extending the application of the proportionality principle by reference to the nature and scale of the project would reduce the need for controls.

The majority of the REFIT Platform members recommend that their Opinion is transmitted to the High Level Group on Simplification of the ESI Funds.

Detailed Opinion

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1 Submission XVI.1a by the German Chambers of Commerce and Industry (DIHK)

Subsidies with ERDF/ESF funds should be made less bureaucratic. For this, the following measures are required:

Approval processes:

A single check with final notification and a binding effect for all suppliers of capital/participants. The bureaucracy required could be reduced by 80 per cent in each case of funding as a result.

In terms of cutting red tape, there is some progress concerning approval processes on projects with a smaller scope. Further action is needed when it comes to application processes for projects that are to be financed partially by several funds. Companies (and other beneficiaries) should not be punished with complicated processes for wanting to take advantage of synergies by applying for financial support from several sources. Concerning this matter, further simplifications are needed.

Summary report:

There is a need to focus on a centrally compiled annual implementation report for the operational programmes per member state.

The summary is a good instrument to optimize the bureaucratic burden sustainably. However, the development of the summary should not burden companies further. In any case, the economic and social partners should be invited to participate in the process of writing the summary, also in order to ensure that the bureaucratic burden that companies face is taken into account besides the interests of the administration.

Publication:

The criterion of proportionality of the publication of information should be considered when answering the question which information has to be made available additional to the tracing whether the funding is used properly.

Gold plating:

Avoiding "gold-plating" through further synthesis and interim reports.

Application procedure:

Shortening of the application procedure, as these are significantly more complex compared to programmes without EU co-financing.

2 Policy context

Regional Policy (also known as Cohesion Policy) is the EU's main investment policy. It targets all regions and cities in the European Union in order to support job creation, business competitiveness, economic growth, sustainable development, and improve citizens' quality of life.

In order to reach these goals and address the diverse development needs in all EU regions, € 351.8 billion – almost a third of the total EU budget – has been set aside for this policy for 2014-2020.

Regional Policy is delivered through three main funds: the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) and the European Social Fund (ESF).

The ERDF was created in 1975 to help redressing the main regional imbalances in the Union through participation in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions (Art. 176 of TFEU).

The ESF was created in 1957 to render the employment of workers easier and to increase their geographical and occupational mobility within the Union, and to facilitate their adaptation to industrial changes and to changes in production systems, in particular through vocational training and retraining (Art. 162 of TFEU).

The Cohesion Fund was set up in 1994 to provide a financial contribution to projects in the fields of environment and trans-European networks in the area of transport infrastructure. It is intended for countries whose per capita GNI (gross national income) is below 90% of the Community average.

Apart from the three Funds under cohesion policy, other Funds have the potential to contribute to structural and investment goals. These are:

- the European Agricultural Fund for Rural Development (EAFRD), which is a Fund under the Common Agriculture Policy;
- the European Maritime and Fisheries Fund (EMFF) established in 2006.

For the 2014-2020 funding period, the Funds supporting cohesion policy have been brought together with the EAFRD and the EMFF under a common strategic and legal framework in order to maximise their effectiveness and optimise synergies. They are named "European Structural and Investment Funds" (ESI Funds) and cover more than 41% of planned EU spending for the 2014-2020 Multiannual Financial Framework (€ 454 billion).

Current situation

The HLG ESI focuses on burden reduction measures and aims to assess the uptake of and commitment to simplification opportunities by Member States (See Section 1.1)

The first meeting was held in October 2015 and another seven are planned until February 2018.

3 Opinion of the REFIT Platform

3.1 Considerations of the REFIT Platform Stakeholder group

The submission XVI.1.a by the German Chambers of Commerce and Industry (DIHK) argues that “subsidies with ERDF/ESF funds should be made less bureaucratic.” The essence of reducing bureaucracy is to find an answer to the question which information is necessary to determine the effectivity and efficiency of the funds. The stakeholder group feels that the Commission requests a large amount of information of the managing authorities, which in turn results in a high administrative burden for the beneficiaries.

Specifically, the submission proposes measures on:

- Approval processes
- Summary report
- Publication
- Gold-Plating

- Application procedure

On approval processes:

For the current programming period, given the ongoing implementation of the operational programmes, far-reaching legislative changes should be avoided in the interest of legal certainty. However, small changes to clarify rules and simplify implementation should be envisaged as soon as possible.

On approval processes

A thorough approval process by the managing authority does help to prevent problems in later stages of the project and the procedure. However, the approval process is indeed perceived by beneficiaries as being long and complex, mainly due to the requirements of Regulation 1303/2013. The regulation requires managing authorities to check a large number of complex matters (such as the State aid rules, the project area, and whether an applicant is in financial difficulty, art. 1.4 GBER) for which they have to ask applicants for even more information than they already have to hand in.

This suggestion corresponds with a previous suggestion submitted by the Dutch House of the Netherlands Provinces to the REFIT Platform (V.3a). The similarity of submission XVI.1a and V.3a illustrates the increasing interconnection of policy areas and European legislation.

Case study: Energy Store

Annex 1 presents a concrete example at the local and regional level on this issue. It contains a case study that is based on actual experiences of local and regional authorities in the Netherlands regarding a large number of complex procedures and legislation in the context of EU funding.

The stakeholder group recognizes that acquiring funding from multiple funds (multi-funding) is a complex process.

Annex 1(right click to open file).



On summary report:

The underlying problem is not one single regulation or procedure that needs to be changed, removed or deleted, but the complexity of the different regulations, implementing and delegated acts as well as the relation between programming/implementing and auditing authorities and their different logics.

The result is a lack of trust and insecurity at the regional/national level, which consequentially leads to an ever-growing desire for written guidance (delegated acts, implementing acts, guidance notes) in order to minimize the insecurity and financial risk. However, the overwhelming amount of this guidance provided does not lead to more security or less financial risk.

With a view to simplifying reporting, the European Commission should review all reporting requirements to identify what is needed to measure the progress and success of the funds. Future REFIT activities should look at how to simplify the reporting system. The “light

reports” for all years except 2017 and 2019 are a step in the right direction but are not entirely sufficient. In cases of duplication (or near duplication) the requirement should be modified so data would be collected and supplied only once. Eventually, all requirements that can be discarded without detriment to the level of monitoring necessary to ensure the effective control of funding from public sources should be discarded.

Harmonising the deadlines for annual implementation reports for all ESI-Funds would be a simple and immediate way to simplify reporting requirements.

The stakeholder group feels that the European Commission constrains the Managing Authorities when writing a report by prescribing a limited amount of words and asking to respond in a table. As a consequence reports tend to become illegible and chaotic.

Further proposals to simplify reporting requirements were submitted to the REFIT Platform by the European Committee of the Regions.

On publication

In terms of publicity requirements on beneficiaries, the need to publicise Cohesion policy should be met in a flexible and user-friendly way. The new and strict requirements for PR and the use and publication of the EU logo are laid down in very detailed and entangled rules. These rules seem to be designed for a problem that may only exist in some Member States. In the previous funding period, without these new rules, contribution of EU funding was already sufficiently mentioned by beneficiaries. Often the PR went further than prescribed because the value of EU funding was recognized. Due to the new rules, both beneficiaries and managing authorities now spend a lot of time determining and reviewing, for example, the size of logos. This leads to the impression the EU is more concerned about the size of its logo instead of the content of the projects it funds.

For example the requirement which asks for an A3 printed poster without any option to use alternative modern multi-media platforms is met with significant resistance from beneficiaries. The requirements for logos on websites are also an issue for some organisations who use their website for commercial purposes and have very clear branding in place. EU funding might be a small part of all public funding for projects and should be treated proportionately. The rules on websites etc do not reflect technological realities such as increased use of smart phones and small displays to access information. Moreover, it seems that the documents and information the authorities have to send to the EC do not necessarily reflect the information needs of the public, but only that of the Commission.

Annex 2 presents more concrete examples on this issue (right click to open file).



On gold plating

A lack of trust between different administrative levels is a root cause of complexity. The term "gold-plating" is as a symptom of this lack of trust, whereby Member States and Regions tried to ensure legal certainty for beneficiaries by applying additional rules.

In this respect, a fundamental review is needed of the understanding of the EU budgetary authorities (Council and European Parliament) and of the Court of Auditors on the priorities

of the EU budget in view of achieving results in a system of shared management. Responsibilities must be more clearly defined and the applicability of only one set of legislation (national or European) must be ensured.

On application procedure

Simplification of the implementation of Cohesion policy would automatically result in shorter application procedures. A list of proposals on how to simplify Cohesion policy in the current programming period can be found following this link: <http://cor.europa.eu/en/takepart/Pages/simplification-documents.aspx>

Other comments submitted by the Stakeholder group:

The European Economic and Social Committee supports the suggestion.

In several of its opinions the Committee expressed that subsidies, i.e. implementation of the funds, should be made less bureaucratic.

In its current work on "Maximising the contribution of the European Structural and Investment Funds (ESIF)¹", the EESC states that in order to maximise the impact of the ESIFs, it is necessary, both at EU and Member State level, to improve simplification for beneficiaries, and for closer and better targeting of their needs. In this regard, the EESC calls for closer involvement and cooperation of social partners and stakeholders in the work of the High Level Group monitoring simplification for ESIF beneficiaries and calls on the Commission to be very transparent and to communicate more effectively regarding the composition and the work of the High Level Group (point 2.2 of ECO/396 DT).

Some of the suggested measures (see approval processes, summary report, and publication above) are not specifically treated, but gold-plating and the simplification of the application procedure as well as the simplification in general is widely elaborated in the EESC's work.

The EESC supported the creation of the Common Strategic Framework (CSF) which seeks to enhance the coordination and complementarity between the EU's main funding instruments. An effective CSF would also remove the unnecessary and inefficient separation that currently exists between the key funds. The higher intensity of coordination requested by the CSF must however lead to a reduction in the administrative burden on the managing and implementing authorities as well as the beneficiaries – as stated in 2012 in the EESC's opinion on Common Strategic Framework². Furthermore the EESC suggested that a thorough analysis of the new administrative procedures must be carried out by the Commission prior to actual implementation (points 1.3 and 1.7).

The EESC said that additional criteria for approval used by Member States should first be subjected to scrutiny to avoid additional bureaucracy (and national "gold-plating") (point 4.1.4). In line with this, in its opinion on European Regional Development Fund³, the EESC insisted that gold plating at all levels must be rejected.

1 EESC Opinion on Maximising the contribution of ESI Funds <http://www.eesc.europa.eu/?i=portal.en.eco-opinions.37970>

2 EESC Opinion on Common Strategic Framework on Cohesion: 2014-2020 <http://www.eesc.europa.eu/?i=portal.en.eco-opinions.23894>

3 EESC Opinion European Regional Development Fund <http://www.eesc.europa.eu/?i=portal.en.eco-opinions.22405>

In its opinion on Structural Funds – General Provisions adopted in 2012⁴, the Committee recognised the efforts undertaken by the Commission to simplify procedures but considered these insufficient (point 1.5). In the same opinion, the EESC considers that the Code of Conduct should determine clear rules for applications, insist on timely processing and include a complaints procedure, thus enabling an effective and non-bureaucratic implementation and use of Cohesion Policy programmes.

3.2 Considerations of the REFIT Platform Government group

Comments:

On the bureaucracy for ERDF/ESF funding, important work is currently under way by the High Level Group on Simplification. We should wait for the outcome of the discussions of this group in order to avoid any duplication of work.

- **Approval processes – single check for the Structural Funds (ERDF and ESF)**
Comment: Analysing the need for the increased number of audits seems reasonable and the Government group supports it as a long term goal for the next funding period. In the current period, reducing the number of audits and checks might be difficult, as it would require changing the newly introduced system which would make things even more complicated and burdensome.
- **Summary report – one report centrally compiled per Member State**
Comment: Compiling a central report would not lead to a reduction of bureaucracy, but rather increase the coordination efforts. It would not unburden beneficiaries, but burden administrations.

Moreover, in some Member States it might not be possible to compile one single implementation report for all programmes due to constitutional constraints. Finally, provisions are already in force to submit to the Commission a progress report on implementation on Member State level in 2017 and 2019, respectively, which we consider to be sufficient.

The partnership principle is for instance already fully implemented in some Member States. Economic and social partners are involved in the preparation of annual implementation reports as members of the monitoring committees. Those reports are submitted annually and made available to the public.

- **Publication**
Comment: Documentation and reporting requirements are in many cases heavy burdens. They should not go beyond the real needs of the respective checks.
- **Gold plating - Avoiding "gold-plating" through further synthesis and interim reports**
Comment: Reporting requirements do not necessarily constitute “gold plating” – even if they may be burdensome. There may be good reasons for certain synthesis and interim reports but those reports should be reduced to the necessary minimum. This should be checked on a case by case basis.

4 EESC Opinion on Structural Funds - General Provisions <http://www.eesc.europa.eu/?i=portal.en.eco-opinions.22400>

- **Application procedure – Shortening**

Comment: Shortening of application procedures is fine but there is no “one size fits all” approach. Procedures in programmes without EU co-financing (i.e. only financed on national/regional level) can hardly be transferred 1:1 to programs with EU co-financing.

Recommendations:

Concrete work on the bureaucracy for ERDF/ESF funding seems to be premature, as we should wait for the report of the High Level Group on Simplification on this issue while bearing also in mind that any concrete proposals will need to be issued in time for the Commission to consider them before the legislative proposals are due.

- **Approval processes - single check**

With regard to the approval process of projects that are to be financed partially by several funds, we do not see any need for additional legislation at EU level.

- We call on the Commission to search for possibilities to build upon audits from other bodies, while taking into account the protection of financial interests

- **Summary report – one report centrally compiled per Member State**

The Government group does not support the suggestion of compiled Member State reports but supports to continue with annual reporting by programme and reporting by Member State in 2017 and 2019.

- **Publication**

The Government group agrees that in principle documentation and reporting requirements should be as light as possible. They should not go beyond the real needs of the relevant check and the needs of transparency of the EU budget spending.

- **Reporting requirements - synthesis and interim reports**

The Government group calls on the Commission to refrain from establishing further reporting requirements.

- **Application procedure – Shortening**

The Government group does not oppose the suggestion to seek easier application procedures in EU level programmes. However, this should in no way affect the application rules for national programmes which should continue to apply.