



Summary of REFIT submissions forwarded to the HLG

**Meeting of the HLG on Monitoring Simplification
for beneficiaries**

Krzysztof Kasprzyk

Directorate General Regional and Urban Policy

Submissions in the REFIT process

- Formally transferred and forthcoming to the HLG:
 - Freistaat Sachsen recommendations on possible simplification measures for ESI Funds
 - opinion of Finnish authorities XVI.2.a *"A majority of Platform members recommend that the Commission acts to remove inconsistencies and submits this Opinion to the High level group on Simplification."* Linked to it – opinions ...
 - Forthcoming today: XVI.1.a German Chambers of Commerce and Industry (DIHK) on "Reducing Bureaucracy for ERDF/ESF Funding"
 - Submission XVI.3.a by the House of Dutch Provinces for better regulation

Saxony (1)

- **Audit:** 3 additional, core requirements for system audits; new requirement to audit performance indicators in each payment application, in each project
- **Designation:** Extremely costly procedures for appointing the managing authority and the certifying authority (designation) which goes far beyond the previous compliance audit of management and control systems, as well as regular, annual monitoring. The designation guidelines with 64 pages and the checklist of about 200 questions set new, bureaucratic standards on an unprecedented scale.
- **Anti-fraud:** With 17 pages and four annexes, the anti-fraud measures cause an extraordinary amount of work expenditure, which is intended to be the jewel in the crown, but the added value is not really visible.

Saxony (2)

- **Management declaration:** With the 21-page management declaration guidelines, two bureaucratic monsters, which were previously non-existent, have been created. Only the annual management declaration is a statement of expenditure. It no longer solely refers to expenditure, but to the responsibilities of the authorities
- **Financial instruments:** With regard to financial instruments (in Saxony: microloans), there is a variety of new and additional tasks relating to the preparation, implementation and management of the fund, the benefit of which is not clear at first glance.
- **Lump-sums:** mandatory "consolidation" – unnecessary; draft budgets not a solution; submitting a report for each individual lump sum is unnecessary

Saxony (3)

- **Geographic eligibility (Art. 70 CPR):** The guidelines require extensive analysis of the implementation venue and spending, including their monitoring and also their reporting obligations
- **Annual accounts:** greatly complicated the accounting – need to change well-functioning system, new IT tools, more reporting, net corrections, phased-in payments for FIs, only 90% reimbursed.
- **More common output and result indicators:** particularly for ESF "is an additional expense for the beneficiary, as he has to gather the subscriber data not only at the beginning and end of the action, but also again six months after the completion of the action (...) this will prolong the billing process and could potentially cause an N + 3 risk".
- **Structure of regulations,** guidelines too late

Finnish authorities

- **Moving costs between categories:** The stakeholder group feels that it is unnecessarily restrictive that costs are now put within a specific category. Because this entails a serious risk of an Audit Authority rejecting a cost only because it was accepted within the wrong category
- **Simplified costs:** more "off the shelf", compatibility with GBER, use with public procurement
- **Companies in difficulties** – remove restriction to support (Art. 3.3 ERDF)
- **Second hand equipment** - is eligible, provided that 'no other assistance has been received for it from the ESI Funds' – but that is impossible/prohibitively costly to prove
- **Projects audited only once** – 100 000 -> 250 000 euro
- **Differentiated approach**

DIHK (German Chambers of Commerce and Industry)

- **Too many checks during approval.** 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. Governments: *"However, this should in no way affect the application rules for national programmes which should continue to apply."*
- **Reporting:** less, harmonised deadlines, remove character limits ("reports tend to become illegible and chaotic"), one report per Member State
- **Publicity:** too prescriptive
- **Gold plating:** A lack of trust between different administrative levels is a root cause

House of Dutch Provinces

- **Audit.** Costs outweigh benefits, discourage innovative entrepreneurs. The audit tower should be reduced to normal proportions. In accordance with the modern risk-based auditing approach that as far as possible relies on audits already carried out by others, the spiralling tower of audit upon audit should be reduced to a pyramid. Single audit. Basing audits on auditor's statements rather than on documentary evidence of costs paid (invoices).
- **Reduced legislation:** examples of unworkable rules: 90 days for payments; demand for more audits if error rate too high; To maintain or even add a rule to the regulations, a solid system of assessment of supporting arguments should be introduced. The process of preparing regulations should also be tackled differently: we should avoid including more rules and exceptions. No restrictions through delegated act.

Linked – Interreg BE-NL, CoR

- **Categories of costs:** costs are eligible within which specific categories. This is unnecessarily restrictive, because it entails a serious risk of an Audit Authority rejecting a cost only because it was accepted within the wrong category
- **Gifts:** gifts exceeding EUR 50 per gift are not eligible. This determination is not efficient. For example, the cost for 2 bottles of wine worth 30 euros each as a gift for one person would be eligible, while 1 bottle of wine worth 55 euros would not be eligible.
- Second hand equipment
- Problems defining "promotional activities"
- Possibility to pay to all beneficiaries, not just to lead beneficiary by the CA
- 10% ceiling for land purchase – ex ante or ex post?

Thank you!