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## **STAKEHOLDER SUGGESTIONS**

### **- REGIONAL POLICY -**

#### **DISCLAIMER**

This document contains suggestions from stakeholders (for example citizens, NGOs, companies) or Member State authorities communicated to the Commission and submitted to the REFIT Platform in a particular policy area.

It is provided by the secretariat to the REFIT Platform members to support their deliberations on the relevant submissions by stakeholders and Member States authorities.

The Commission services have complemented relevant quotes from each suggestion with a short factual explanation of the state of play of any recent, relevant ongoing or planned work by the EU institutions.

The document does not contain any official positions of the European Commission unless expressly cited.

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## 1. SUMMARY

This briefing includes three submissions:

- The German Chambers of Commerce and Industry (DIHK) submitted a number of suggestions aimed at reducing bureaucracy for European Regional Development Fund (ERDF)/European Social Fund (ESF) funding, such as for example shortening the application procedure, facilitating the approval processes when applying for financial support from several funds and focusing on a centrally compiled annual implementation report for the operational programmes in a Member State.
- The House of Dutch provinces for better regulation suggest audit to focus on what has been achieved with EU grants rather than checking the legality of submitted invoices in minute detail.
- The Finnish Survey for better regulation suggests assessing the overall economic impact of the administrative and monitoring system of Cohesion policy.

In addition, the German Freistaat Sachsen submitted a number of recommendations regarding different articles and paragraphs on the Common Provisions Regulation (CPR) and the European Social Fund (ESF) Regulation. These recommendations will be assessed as part of the work of the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the ESI Funds (the HLG ESI) and are annexed to this brief for information together with some related explanations by the Commission Services.

### **1.1. The High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries**

The issue of simplification of ESI Funds is part of the Commission's plans on better regulation and better results. At this point in the programming period, there is a need for stability of the rules and time for the new provisions to embed and start to deliver their potential simplification benefits. The Commission has launched a series of studies to understand better the take up and impact of the new provisions.

In addition, in July 2015, the Commission set up a High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the ESI Funds (the HLG ESI), focusing particularly on administrative burden reduction. The group aims to assess the uptake of and commitment to simplification opportunities by Member States, analyses the implementation of simplification initiatives, identify good practice in matters concerning administrative burden reduction and make recommendations to improve the uptake of simplification measures for 2014-2020.

The first meeting was held in October 2015 and another seven are planned until February 2018. The Group is a common initiative of all ESI Funds DGs, namely Employment and Social Affairs (EMPL), Agriculture and Rural Development (AGRI), Maritime Affairs and Fisheries (MARE), and Regional and Urban Policy (REGIO), with the latter in the lead. Meetings will be focused on specific simplification issues, such as simplified costs, electronic data-exchange (e-cohesion), access to funding for SMEs or avoiding gold plating. The Group will be accompanied by a recently launched interactive platform, where stakeholders can share ideas on simplification of the ESI Funds and vote for the best suggestions.

In case of the possibility that burden reduction or simplification issues may come in via the HLG ESI interactive platform and 'Lighten the load – Have your say' input to the REFIT Platform, it has been agreed that any suggestions on EU regional policy coming in from either of these two sources and the progress of work on different issues will be exchanged between the two platforms. Suggestions on ESI Funds regulations coming into the REFIT Platform will be forwarded by the Secretariat-General to DG REGIO to see whether they could feed into one of the HLG meetings or be addressed by other ESI Funds committees and expert groups. The information exchanged will be made available to the members of the REFIT Platform.

## **2. REDUCING BUREAUCRACY FOR ERDF/ESF FUNDING**

### **2.1. Submission 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.

## 2.2. 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. ADMINISTRATIVE AND MONITORING SYSTEM OF THE COHESION POLICY – ECONOMIC IMPACT**

#### **3.1. Submission by the Finnish Survey for better regulation**

For years now, the legislation on cohesion policy is becoming increasingly convoluted as efforts have been made to adjust to the different administrative models of the individual Member States and regions. The Commission has decided to appoint a high-level working group consisting of the representatives of the European structural and investment funds to oversee the streamlining of the administration for the beneficiaries. Finland's position is that aside from the beneficiaries, the overall economic impact of the administrative and monitoring system of the cohesion policy should also be assessed.

As far as the costs specifically identified as ineligible for support in EU legislation are concerned, the ERDF Regulation (EU No 1301/2013) should be revised with regard to interests on the ancillary payments related to leasing and hire purchases, and the conditions for provision of support for companies facing financial difficulties.

#### **3.2. Policy Context**

See section 2.2

### **4. ERDF AND AUDIT COSTS**

#### **4.1. Submission by the House of Dutch Provinces for better regulation**

*Problem description/burden on citizens and business:*

The audit pressure and high execution costs within the programme of the European Regional Development Fund (ERDF) mean that innovative entrepreneurs in the Netherland increasingly deliberately opt to not apply for an ERDF subsidy. The benefits are outweighed by the costs, and the risk of corrections to the promised subsidy is perceived as considerable. The balance between the value and the costs of the auditing regime is out of kilter so the direction of auditing shifts from positive to negative: costs are not legal until their legality has been explicitly demonstrated. The aim should be to determine whether the subsidies have been effectively spent. Rather than focusing in minute detail on checking the legality of submitted invoices, the audit should concern itself with what has been achieved with the European subsidy.

*Simplification measure/suggestion:*

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.

##### Example 1 reduced legislation

*Problem description/burden on citizens and business:*

Whenever the European Court of Auditors finds an error percentage that is too high, the European Commission responds by demanding even more checks and reports. The system attempts to prevent problems that have been observed in a single country by

introducing new rules that apply to all countries. An example is the provision in the new ERDF regulations that a progress report must have been paid for within 90 days. This provision was included because it was identified in one country that the managing authority was too slow in paying on the payments made by Brussels to beneficiaries. The auditing body is required to audit and report on this 90-day time limit. This means that the managing authority must develop a system that measures lead times, taking account of the response time of the beneficiaries. Long lead times must be accounted for with supporting arguments. In the Netherlands, this problem is non-existent. Furthermore, it is not possible to make a payment when the money has not yet been transferred from Brussels. In two successive years, the Commission had only paid requests for payment dating from September to January in February of the subsequent year. In the Netherlands, therefore, some regions make an advance payment of ERDF funds, in order to guarantee the timely prepayment to beneficiaries, and to prevent delaying to the innovation process of the subsidy recipients. The increase in the number of Member States and the pressure of time for arriving at agreements has led to an increased volume of regulations. The Regulation for the structural funds is almost twice as long, and the number of rules in the implementation regulations has trebled as compared with the previous period.

*Simplification measure/suggestion:*

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.

Example 2: reduced administrative burdens

*Problem description/burden on citizens and business:*

Do not bury simplifications by imposing complex conditions. Simplifications that are introduced can be negatively compensated for when Commission services impose too many conditions on their application. A good example is the new proposals for the structural funds. A number of simplifications were proposed and adopted by the Member States, and supported by the Parliament. The Commission services then used the so-called 'delegated' acts to restrict use of the simplification by imposing a whole raft of conditions on application. The objective of policy makers, namely to simplify the procedures, is thereby made unworkable and negated. An example of where this occurred relates to the stipulation that rates and charges that have once been approved within one European project/programme can also be used for other programmes/ funds. The EC subsequently argued that the rates and charges can only be used by the same types of subsidy applicants and for the same types of project. By stipulating in this way that the projects in question must be of the same type, unnecessary discussions are brought about and the process of simplification is sunk before it has even started.

*Simplification measure/suggestion:*

Carry out an impact assessment for regulations, which should also apply to further conditions. The result must at least be an improvement in terms of regulatory burdens and pressure. There should also be a concerted effort to limit the use (no, no, no, unless) of the authorities for regulating further 'gold plating' via 'implementing and delegated acts'.

Example 3: reducing audit pressure and audit burdens

*Problem description/burden on citizens and business:*

SISA (Single Information Single Audit) is employed in the Netherlands among others by central government in accounting for payments to subnational authorities. The method employed is that an investigation must always be undertaken to determine what each next step of the audit ladder needs from previous steps in order to move onwards and thus

minimise additional work. These requirements are charted out for 'all audit levels' and all with a view to burdening the beneficiary as little as possible. This is a method that should also be employed within Europe. It results in a framework of requirements that ideally is adopted and signed by all parties (including the European Commission). The most important requirement is that a joint audit framework is established that is 'predictable' for the beneficiary and provides legal certainty. Everyone knows what will be audited and how (predictability) and what the requirements are, and these agreements are reached simultaneously for all layers of the audit ladder. The principles of proportionality should also be more firmly anchored in the policy of the Commission.

Within a Single Audit system of this kind, all burdens can be further reduced in two ways, namely:

- By permitting more efficient audit systems that do not negatively affect the resultant certainty. In a statistical sample, you select a number of euros to be audited and on that basis pass a judgement. The euros in question appear on one invoice, and normally speaking you would then audit the invoice. The EC does permit statistical sampling as a method, but then requires that you not only audit the euros in question and the accompanying invoice, but the entire project. This then involves far more invoices, while the resultant certainty and reliability of the judgement is not improved.
- By attaching more value to the quality of the system (administrative organisation) of the management authority and the certifying authority. In the current situation, even after achieving the highest score for quality of the systems, 60% certainty must still be achieved in the project audits. This means huge amounts of additional work, whereas it should be possible to rely more on the quality of the system and as a result carry out fewer project audits. Here, too, reliability and certainty of the judgement passed by the auditor remain the same. In the current digital world, hunting out the original bank statements and purchase invoices takes beneficiaries and auditors a great deal of time, and can lead to considerable frustration, without the eventual result being any greater.

*Simplification measure/suggestion:*

If agreement is reached between the various units in the audit tower on the scope and basis of the audit, more SISA-based methods should be permitted in the guidelines. Differentiate between milder and stricter regimes, depending on the level of the subsidy amounts and the risk profile. Create space in EU regulations for basing audits on auditor's statements rather than on documentary evidence of costs paid for and incurred (invoices). In audit regulations, the least burdensome and most efficient method should be made compulsory. The provinces have called for space for experimentation within the ERDF funds, for working towards possible solutions on that basis.

## **4.2. Policy Context**

See Section 2.2

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).

The rules covering all 5 EU structural and investment funds are set out in the Common Provisions Regulation. Further regulations set out specific rules for each fund.

- **Common Provisions Regulation (CPR)**

[Regulation \(EU\) No 1303/2013](#)

- **European Regional Development Fund Regulation**  
[Regulation \(EU\) No 1301/2013](#)
- **European Social Fund Regulation**  
[Regulation \(EU\) No 1304/2013](#)
- **Cohesion Fund Regulation**  
[Council Regulation \(EU\) No 1300/2013](#)
- **Regulation on the European Agricultural Fund for Rural Development**  
[Regulation \(EU\) No 1305/2013](#)

## ANNEX

### Freistaat Sachsen recommendations on possible simplification measures for ESI Funds

N°	Comment/Recommendation from Freistaat Sachsen	Policy Context
1	<p><b>Versatile, new and additional testing approaches which were previously non-existent:</b></p> <p>a) System audits by the auditing authority (Annex 4 of Regulation (EU) No 480/2014)</p> <p>The regulation provides three additional core requirements for system auditing, which increases the number of evaluation criteria in the system test guidelines to 31. Previously, each system audit by the auditing authority had a higher work expenditure from the SAB, resulting in increased reporting obligations for the beneficiaries.</p>	<p>All the key requirements set out in Annex IV of the Commission Delegated Regulation (EU) No 408/2014 are based on the provisions set out in the Council Regulation (EU) No 1303/2013 (hereafter CPR) and in the Financial Regulation (Regulation (EU, EURATOM) No 966/2012). In comparison with 2007-2013, there are indeed four new requirements concerning:</p> <ul style="list-style-type: none"><li>- effective implementation of proportionate anti-fraud measures (cf. Articles 72(h), 122(2), 125(4)(c) CPR);</li><li>- appropriate procedures for drawing up the management declaration and annual summary of final audit reports and of controls carried out (cf. Article 125(4)(e) CPR);</li><li>- appropriate procedures for drawing up and certifying the completeness, accuracy and veracity of the annual accounts (cf. (Articles 72(h), 126 (b),(c) and (h), 137 CPR, Article 59(5)(a) of the Financial Regulation);</li><li>- adequate audits of accounts (cf. (Article 127(7) CPR, Article 29 CDR, Article 59(5)(a) and (b) of the Financial Regulation).</li></ul> <p>All the key requirements correspond to responsibilities of the managing, certifying and audit authorities. There is no modification to the beneficiaries' reporting obligations due to those requirements, not even in the context of system audits.</p>

N°	Comment/Recommendation from <b>Freistaat Sachsen</b>	Policy Context
	<p>b) Audit trail with regard to indicators (Article 25 of Regulation (EU) No 480/2014)</p> <p>The verifications and audits of the beneficiary's data, from which indicators are formed, are new. In the administrative examination guidelines, there is a separate section for auditing the performance indicators. It is recommended to check all of the performance indicators in each payment application, in each project</p>	<p>Indeed, the audit trail shall allow data in relation to output indicators for the operation to be reconciled with targets and reported data and result for the programme, as per Article 25(1)(i) of the quoted Delegated Regulation. Monitoring the performance of the projects financed by ESI Funds is a responsibility of the managing authority, in the first instance. In the context of its system audits, the audit authority should seek assurance that the performance data gathered by the managing authority is complete and reliable. These responsibilities are drawn from the focus on performance reflected in the CPR, thus requiring additional controls on this matter.</p> <p>Risks related to the monitoring of performance concern the possibility of reported indicators being incorrect or inflated to trigger the release of the performance reserve. Consequently, deficiencies in the quality and reliability of the monitoring system relating to indicators are now possible conditions for the suspension of payments. It is the Member State's interest to ensure that performance indicators are reliable for each project.</p>
2	<p><b>Designation (Article 123,124 of the ESI Regulation))</b></p> <p>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</p>	<p>Guidance on Designation has been requested by Member States to give them clarity on their detailed responsibilities with regard to the interpretation of the regulation (designation procedure and the preparation of the report and opinion required under Article 124 CPR and Article 21 ETC Regulation). Member States have recently referred to ESI Funds Designation Guidance Note as good practice in relation to other EU funds.</p> <p>The guidance note has been discussed at length with Member States' representatives in the Expert Group for the ESI Funds in order to take into account as far as possible all Member States comments that fell within the limits of the regulation.</p>

N°	Comment/Recommendation from Freistaat Sachsen	Policy Context
	an unprecedented scale.	<p>The guidance note is indeed accompanied by a checklist, which is recommended to be used as a self-assessment tool by the MA and CA during the preparation of the Management and Control System (MCS) description and by the Independent Audit Body to facilitate and record its work.</p> <p>This checklist can be adapted to take account of any specific features of the Member State's MCS. All the questions set out in the checklist are related to the designation criteria set out in Annex XIII CPR and/or the model description of the MCS (Annex II of the Commission Implementing Regulation (EU) No 1011/2014, which was discussed at length with the Member State's representatives in the Committee for the ESI Funds).</p>
3	<p><b>Anti-fraud measures as a separate measure within the risk assessment (Article 125, Paragraph 4, Point c of the ESI Regulation)</b></p> <p>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. If all of the recommendations of the self-assessment instruments of the guidelines on beneficiary level, there would be a clear violation of the simplification principle in Article 4, Paragraph 10 of the ESI Regulation.</p>	<p>The Commission does not have an empowerment to adopt any legal act in the field of anti-fraud. Therefore, the guidance produced by the Commission in 2014 is non-binding on Member States and can only be seen as providing good practice for the implementation of Article 125 (4c) CPR. During the discussions with Member States in 2013 and 2014 on the guidance, considerable efforts were made to shorten the guidance even further. The end product is guidance document EGESIF_14-0021-00 16/06/2014, which is available also in German on InfoRegio pages on Europa. Moreover, the Commission is available to provide further training on the guidance following a request from a Member State.</p>

N°	Comment/Recommendation from Freistaat Sachsen	Policy Context
4	<p><b>Annual management declaration and annual summary (Article 125 Paragraph 4, Point e of the ESI Regulation)</b></p> <p>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 managing authority, the fund managers, and the SAB.</p>	<p>The Guidance on the management declaration and annual summary (to be published soon) has been requested by Member States themselves to give clarity on the managing authority's detailed responsibilities in relation to the reporting obligations on these two new documents, required by the Financial Regulation and the CPR.</p> <p>The guidance note has been discussed at length with Member States' representatives in the EGESIF in order to take into account as far as possible all Member States comments that fell within the limits of the regulation.</p>
5	<p><b>Financial instruments (Article 37 et seq. of the ESI Regulation)</b></p> <p>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.</p>	<p>The Commission Proposal for Title IV of the CPR was based on a substantial evidence-gathering exercise and also with a view to address past criticisms from Member States, European Court of Auditors and the European Parliament: that the legislative framework for 2007-2013 was not comprehensive enough, that it allowed contributions to financial instruments without clear evidence, thus leading to parking of funds and getting around the automatic de-commitment rules, that it was inconsistent with the rules for other financial instruments under the Financial Regulation and that it was not stable.</p> <p>The final text of Title IV was shaped by the European Parliament and Council in legislative procedure, in particular the Council, which inserted further provisions in order to ensure clear, comprehensive and stable rules on issues important to them from the start.</p> <p>Most of these provisions do not reflect new and additional tasks, however, but</p>

N°	Comment/Recommendation from Freistaat Sachsen	Policy Context
		<p>codify elements that were already included in previous guidance, e.g. COCOF notes.</p> <p>Moreover, some simplifications were also introduced in the CPR, e.g. Article 40(3) on audits to be conducted at the level of financial intermediary, therefore removing one of the most relevant administrative burdens (this was explicitly asked by MS who referred to complaints from SMEs about frequent audits).</p>
6	<p><b>Lump sum consolidation (Article 67, 68 of the ESI Regulation and Article 14 of Regulation (EU) No 1304/2013 (ESF Regulation))</b></p> <p>The options for the lump sum consolidation, in accordance with ESI Regulation are, in principle, to be welcomed. The mandatory lump sum consolidation, introduced for ESF funding in Article 14, Paragraph 4 of the ESF Regulation, for projects with public support less than or equal to 50,000 EUR and the associated lump sum reporting obligations, are in our view unnecessary requirements. With this lump sum consolidation, the flexibility of the content is limited. Innovative approaches are hardly possible in such projects because they cannot be consolidated into a lump sum in advance. Article 14, Paragraph 3 of the ESF</p>	<p>Article 14(4) ESF sets out that where grants and repayable assistance are below EUR 50,000 of public support and when they are not implemented under public procurement or in the framework of a State Aid scheme, a form of simplified cost should be applied. This should be a lump sum, a unit cost or a flat rate. Article 14(4) ESF is therefore not in any way making the use of lump sum mandatory as it is the responsibility of the Managing Authority to decide which form of simplified cost option is the most appropriate to the grant/repayable assistance.</p> <p>It is unclear why Article 14(3)ESF, offering the use of a draft budget as a methodology to define a simplified cost option, is not appropriate for innovative approaches. The draft budget should be assessed in this kind of way as it would have been for a grant based on real costs.</p> <p>It is also unclear what is referred by “submitting a report for each individual lump sum”. The value of the lump sum should be set out according to one of the methodologies offered by the Regulations which require an ex-ante investment and justification. The payment of the lump sum should then be in line with the document setting out the conditions for support. Depending on the system designed by the Member State, the administrative burden could</p>

N°	Comment/Recommendation from <b>Freistaat Sachsen</b>	Policy Context
	Regulation (model lump sum on the basis of the draft budget) is not a viable solution for these cases, because procedures which only allow an audit of the draft budget do not apply to innovative approaches. We believe that submitting a report for each individual lump sum is unnecessary.	actually be extremely limited.
7	<b>Article 70 of the ESI Regulation and Article 13 Paragraph 2 of the ESF Regulation</b> including the associated guidelines for the eligibility of projects, depending on the location could be greatly reduced. The guidelines require extensive analysis of the implementation venue and spending, including their monitoring and also their reporting obligations.	<p>As set out in the draft guidelines, their aim is to explain the provisions on eligibility of operations depending on location which are contained in the CPR and in the Fund-specific rules for the ESI Funds. They do not add to the provisions set out in the regulatory framework. The guidelines also aim to set out the implications of the use of the different options provided for by those provisions.</p> <p>The general rule set out in Article 70(1) CPR (i.e. that operations are located in the programme area) should be applied unless Member States decide to make use of the derogations of the CPR or to apply the Fund-specific rules. It is thus up to Member States to decide which rule to apply.</p> <p>The possibility to opt for the general rule set out in Article 70(1) CPR or to apply the Fund-specific rules has to be seen as a simplification for the ESF. Indeed, Article 70(1) CPR allows that operations taking place in one category of region are entirely funded from that category of region (i.e. where the operation is taking place) and this irrespective of whether the participants in the operation are from that same category of region or from another category of region. If the general rule of Article 70(1) CPR is applied, monitoring and reporting will be done on the same basis (and does not need to take into account the origin of participants).</p>

N°	Comment/Recommendation from Freistaat Sachsen	Policy Context
8	<p><b>Annual presentation of accounts (Article 137 et seq. of the ESI Regulation)</b></p> <p>The process of annual reporting has greatly complicated the accounting of EU funds:</p> <ul style="list-style-type: none"> <li>• the good practices from the funding period 2007-2013 need to be expanded and reorganised,</li> <li>• IT systems must be adapted,</li> <li>• considerably greater management and control effort is required,</li> <li>• complicated regulations; guidelines currently only exist in draft form,</li> <li>• increased reporting obligations (new: annual account presentation, management declaration and summary of audits - see above - and auditor's report),</li> <li>• Shifting the risk of financial losses between the Member States (irregular amounts are excluded from the presentation of accounts).</li> </ul> <p>Payment arrangements have become more complicated:</p>	<p>The Commission acknowledges that any change of an existing process is costly but this change has been requested by the European Parliament and Council and the EU budgetary authority to be able to reduce the error rate of the cohesion policy and reusing the successful experience of Agricultural Funds in that field.</p> <p>For financial instruments, the graduated system was introduced in order to ensure a concrete link between payments to financial instruments and actual disbursements to final recipients (SMEs, project promoters). This was to address problems and criticisms of the situation in 2007-2013, where the rules then in place led in some cases to parking of funds with the holding fund <u>or</u> financial intermediary and significant delays in reaching the final recipients.</p> <p>On the other hand the new payment provisions on FI enable Member States to declare "expected" national co-financing which will be paid in effectively only later (which is a novelty and provides for important flexibility).</p>

N°	Comment/Recommendation from <b>Freistaat Sachsen</b>	Policy Context
	<ul style="list-style-type: none"> <li>• the 90% reimbursement of payment claims is new,</li> <li>• as are annual advance payments which are charged regularly as part of financial reporting,</li> <li>• regarding financial instruments, requests for interim payments can only be made using a graduated system.</li> </ul>	
9	<p>The growth of the common output and results indicators should ensure more accurate monitoring and improved assessment of the results which are achieved through the ESF-funded measures. The basis of increasingly qualitative data collection is the demand of the COM for a stronger focus on the results of the EU Structural Funds in the funding period 2014-2020. The output and result indicators are collected in accordance with Art. 5 Paragraph 1 of the ESF Regulation, in conformity with Annex I of this regulation and in line with Art. 27 Paragraph 4 and Art. 96 Paragraph 2, Points b ii and iv of the ESI Regulation. In particular, the collection of long-term outcome indicators in Annex I, Paragraph 4 of the ESF Regulation is an additional expense for the beneficiary, as he has to gather the subscriber data not only at</p>	<p>The CPR and ESF Regulation foresee the collection of data on a limited number of output and result indicators to enhance the possibilities to monitor and assess what is being achieved through the ESF interventions and their effectiveness in meeting the objectives and targets set.</p> <p>Regarding longer-term result indicators, in order to minimise the costs of data collection, the ESF Regulation provided that these indicators "shall be collected based on a representative sample of participants" instead of imposing the obligation of reporting on all participants. The Commission has provided guidance and training actions of Member States so as to identify ways to minimise sample sizes and costs of data collection while ensuring an admissible level of data reliability. Since data would be collected by Managing Authorities directly or contractors carrying out the survey on their behalf, rather than the beneficiary contacting the participant, the period of 6 months should not impose any delay in the payments to beneficiaries, which would be due rather to the option taken by the national authority to implement the ESF provisions than to the nom itself.</p> <p>As data collection lies with the authorities, it is also eligible for technical assistance (Article 59 CPR).</p>

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	<p>the beginning and end of the action, but also again six months after the completion of the action. In order to ensure the integrity of the data, the beneficiary is obliged in the grant notice, to gather this data. The disbursement is subject to the maturity of the receivable.</p> <p>However, this will prolong the billing process and could potentially cause an N + 3 risk.</p>	
10	<p>The ESI Regulation pursues the idea of a staple principle. De facto, however, a number of topics are frequently addressed. The structure of the Regulation, including the lack of content, leads to confusion and costly training.</p> <p><b>It is necessary to avoid confusion caused by the many rules and regulations, and to ensure their timely entry into force:</b> In the funding period 2007-2013, there was just one implementing regulation. It was adopted in summer 2006. In the funding period 2014-2020, there are several implementing regulations and delegated regulations. The gradual entry into force of the delegated regulations and implementing regulations has hindered the establishment of the management</p>	<p>It should be recalled that the package of regulations only entered into force on 17 December 2013. It was no longer possible for the 2014-20 period to introduce a single implementing regulation given the changes to delegated and implementing acts which required separate acts for these different types of measure. However, the Commission prioritised those measures most crucial for the start of the programming period to ensure they were in place at the appropriate time and the vast majority were adopted in 2014. Similarly the Commission prioritised those subjects which required guidance for the programming phase in 2014 before concentrating on guidance on implementation issues to avoid causing unnecessary delays.</p>

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	<p>and control systems.</p> <p><b>Faster preparation of guidelines:</b></p> <p>Several COM guidelines can only be adopted during the funding period, and the drafting stage lasts a very long time. As a general rule, the guidelines affect the implementation process. These cannot be anticipated, which causes more legal uncertainty.</p>	