



# Measuring the impact of changing regulatory requirements

to administrative cost and administrative burden  
of managing **EU Structural Funds**  
(ERDF and Cohesion Funds)

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## Acronyms

<b>AA</b>	Audit Authority
<b>CA</b>	Certifying Authority
<b>CF</b>	Cohesion Fund
<b>DG REGIO</b>	European Commission Directorate-General for Regional Policy
<b>EAFRD</b>	European Agricultural Fund for Rural Development
<b>EFF</b>	European Fisheries Fund
<b>ERDF</b>	European Regional Development Fund
<b>ETC</b>	European Territorial Cooperation
<b>EU</b>	European Union
<b>MA</b>	Managing Authority
<b>MS</b>	Member State of the European Union
<b>PC</b>	Partnership Contract
<b>NSRF</b>	National Strategic Reference Framework
<b>OP</b>	Operational Programme
<b>RCE</b>	Regional Competitiveness and Employment
<b>SFs</b>	Structural Funds
<b>SWECO (2010)</b>	Study on 'Regional governance in the context of globalisation - reviewing governance mechanisms & administrative costs. Administrative workload and costs for Member State public authorities of the implementation of ERDF and Cohesion Fund', carried out by SWECO in 2009-2010.

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## Executive Summary

This study was undertaken in the framework of preparations for the programming period 2014-2020 to inform the process of impact assessment of the legislative proposals for EU cohesion policy.

Its main objective is to assess the impact that various modifications to the regulatory framework of EU Cohesion Policy in force in 2007-2013 may have on the administrative costs and burden of ERDF and CF in the period post 2014.

The study was launched in November 2010 and was finalised in January 2012.

Results are presented as absolute figures or as percentage changes compared to the baseline established for the period 2007-2013. The baseline for administrative costs of national and regional authorities was established by the study mapping the administrative costs of the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) - hereafter SWECO (2010)<sup>1</sup>. The baseline for the administrative burden of beneficiaries in 2007-2013 was updated within the framework of the current study.

### Scope of the study

The study explores to which extent different modifications in regulatory requirements could change the administrative workload and costs associated with the management of ERDF and CF at the level of Member States, programmes and beneficiaries. It is intended to measure the effect of key adjustments to the legislative framework. Cohesion Policy is a vast policy area, and to enable effective impact assessment, it was necessary to isolate the elements of change with the most notable potential effect on administrative costs and burden in the design of scenarios to be assessed and in the design of the methodology applied.

The development of the scenarios and the ensuing analysis were also informed by the baseline data. It was identified by SWECO (2010) that the most substantial administrative costs at national and regional level in 2007-2013 are linked to project selection and to management verifications (both repetitive tasks, carried out throughout the programming period). Therefore any modification in rules which touch upon these areas can have a substantial effect on total costs of administration. Other functions, which might be carried out once a year, or once in a programming period, are linked to lower administrative costs and thus any change in these functions is also less likely to have a substantial effect on overall costs.

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<sup>1</sup> 'Regional governance in the context of globalisation - reviewing governance mechanisms & administrative costs. Administrative workload and costs for Member State public authorities of the implementation of ERDF and Cohesion Fund', DG Regional Policy (2010).

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The regulatory changes tested within the framework of this study were defined by DG Regional Policy and include the following modifications<sup>2</sup>:

**Programming:**

- Replacement of the National Strategic Reference Framework by a Partnership Contract;
- Greater thematic concentration;
- Simplification of the operational programmes;
- Introduction of ex ante conditionalities.

**Management and control systems as well as financial management arrangements:**

- Establishment of a single body responsible for management and control (Accredited Body) and of the Accrediting Authority; as well as the process of the annual clearance of accounts;
- Ex-ante assessment of the management and control systems: replacement of the compliance assessment with a national accreditation with a proportionate review by the Commission;
- Replacement of the final closure at the end of the period, with a process of rolling closure on annual basis.

**Day to day programme and project management:**

- Simpler rules for the management of projects, including simpler rules for eligibility of expenditure and revenue generating projects;
- A wider application of e-Governance applications within the national and regional administration and between the administration and beneficiaries.
- Introduction of the performance framework, performance review and reserve
- Focus on a set of common (output) indicators.

Since the study was launched at the end of 2010 and the data collection was completed before the Commission proposal for the legislative framework for Cohesion Policy in 2014-2020 was published on October 6<sup>th</sup> 2011, the scenarios tested do not take into account all the modifications put forward by the Commission.

Firstly, even though some elements of harmonisation have been included in this study, the proposal by the Commission went beyond the original scenarios developed for this study by proposing a more extensive set of common rules for Cohesion Policy, the rural development policy and the maritime and fisheries policy. Therefore the harmonisation of eligibility rules with rural development and the maritime and fisheries policy has been included in the scope, but the effects of the alignment of the strategic programming process, of the joint local development approach, of common rules on financial engineering and to a lesser extent, joint rules or alignment in other areas, are not captured by this study. Harmonisation is likely to allow for savings in administrative effort, however, given the differences in institutional arrangements across Member

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<sup>2</sup> Effects of changes related to the durability of investments and the information obligations of major projects were also analysed. However, since these amendments are not part of the legislative proposals, the related impact is not included in the final quantitative assessment. This provides a picture which correlates as closely as possible to the current proposed regulations.

States and that all levels of implementation may be affected, a quantification of this effect is not possible without further study.

Secondly, there are important elements of the Commission proposal which have not been subject to analysis within the framework of this study, including:

- **Changes made to the rules applied to financial instruments.** Without an in depth analysis of changes made in this domain, it is difficult to present an assessment of the effects on administrative costs and burden.
- **Options to set up joint operational programmes financed by the ERDF, the ESF and the CF and joint Monitoring Committees for all CSF Funds,** which may change the set up of management, control and monitoring systems and reduce some overlap in functions and tasks.
- **The proportionality of audit arrangements based on the size of operations and the risks involved,** which can lead to a reduction of administrative costs.
- **Introduction of joint action plans,** the effect of which is difficult to assess without in depth study, but may entail a reduction of administrative costs stemming from the simplification of financial management.

Thirdly, there are a number of elements linked to information obligations in the Commission proposal which are likely to have some effect on administrative costs and burden, but can be considered minor. For instance, based on the Commission proposals annual implementation reports submitted by the Member States would be considerably lighter than in the period 2007-2013, implying reduced costs. On the other hand, some other reporting obligations may entail an increased frequency of tasks, e.g. payment forecasts would need to be submitted twice a year, instead of once a year as in 2007-2013. However, given that that such modifications have an impact on isolated functions associated with minor share of overall costs, and do not imply a substantial change in the rules of implementation, they were not included in the assessment to enable focus on the most relevant aspects.

## Methodology

The methodology was designed taking into account the objectives of this study, the methodologies applied in previous studies to ensure consistency, reliability and comparability of results, as well as the data already available.

Baseline information for administrative burden of beneficiaries was gathered by adopting a standard cost model approach. The definition of administrative burden used at beneficiary level is consistent with that set out in the Commission Guidelines for Impact assessment – costs associated with business-as-usual have been excluded, administrative burdens mapped are linked only to those parts of processes which are carried out solely because of a legal requirement at EU level. The assessment of administrative workload related to each information obligation was undertaken with reference to the types of required actions described in Annex 10 of the Commission Guidelines for Impact Assessment, and the identification of the relevant target groups i.e. segmentation, was based on the types of projects implemented. Considering that the intensity of the impact of the burden can vary according to the scale of ERDF/CF financing, population size was defined in monetary units.

The study involved the following steps.

1. The understanding of potential changes to the regulatory framework of EU Cohesion Policy subject to testing within this study is based on a series of interviews with Commission officials. A preliminary expert opinion on the impact of the possible changes on all implementation tasks was developed with reference to SWECO (2010) study on regional governance in the context of globalisation.
2. In depth case studies were carried out for 22 operational programmes in 10 Member States<sup>3</sup> to test the scenarios. This selection of Member States covers three different types of implementation systems (centralised, regionalised, mixed) and provides a good balance between old and new Member States. Two operational programmes were selected for each Member State, balancing different factors which have been identified as crucial for the administrative costs in the previous study i.e. financial volume, thematic orientation and geographical coverage. In addition the programme type (competition, convergence and cooperation) and some basic information on the administrative costs for the programme management were considered.
3. The case studies were concluded in the form of a series of face to face interviews with stakeholders. This method was used to maximise the response rate, to ensure reliability of the data collected (underpinned by a common understanding of the interview questions and the scenarios tested), as well as to maximise the qualitative feedback. Questionnaires were made available in advance and in the national language to prepare the face to face interviews.
4. Interviews of the administration were carried out at national level, as well as with Managing Authorities, Intermediate Bodies, Certifying and Audit Authorities to map the effect of changes in all areas of policy delivery on administrative costs. A total of 96 individuals were interviewed, generally face-to-face.
5. 128 beneficiaries were interviewed systematically with regard to the effect of potential changes in regulatory requirements on their administrative burden. The beneficiaries selected implemented operations of varying size and nature in different sectors covering the main areas of intervention of the ERDF and the CF.
6. Based on the results of the interviews, overall figures for the impact of the changes on administrative costs and burden associated with different types of programmes and operations have been identified and extrapolated to the entire financial envelope of ERDF and CF in 2007-2013. Weighted average change figures were applied to baseline data to obtain EU-wide figures. Averages were calculated taking into account the current financial and administrative size of the programmes in the case of administrative costs, and based on the different 'priority themes' (which identify sectors of intervention)<sup>4</sup> in the case of administrative burden. This quantitative assessment has been cross-checked and further enhanced using the qualitative interview results.

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<sup>3</sup> Czech Republic, Germany, Estonia, Spain, France, Hungary, Italy, Poland, Romania and Sweden.

<sup>4</sup>Areas of intervention are set out in Annex II of Commission Regulation 1828/2006. They are used for reporting the allocation of ERDF and CF across different priority themes.

It should be noted that the exact formulation of the modified regulatory requirements as well as arrangements for their implementation were not defined in detail when the analysis was carried out. Therefore it is important to acknowledge that the results presented are indicative in nature and should be interpreted in the context outlined in this report.

### **Interpretation of results**

This report presents an estimate of the overall effect of regulatory changes tested on administrative costs of national and regional authorities and on the administrative burden of beneficiaries.

The figures provided in this report are best estimates and thus indicative in nature. This is because the study is not based on the verification of the existing data but rather makes an attempt to forecast future trends, in particular the likely direction and the magnitude of future developments in administrative costs and burdens. The actual effect of the changes, if implemented, will depend on the precise arrangements to be set up.

The results of the study reveal that the effects of the modifications tested are likely to vary by type of programmes, sectors of activity and by Member State. The actual effect of regulatory changes may also vary depending on the detailed implementing arrangements at EU level which were not available at the time of the interviews and on national and regional arrangements set up in each of the Member States to implement Cohesion Policy. Therefore the estimates included in this report represent a best estimate of an "average" at EU level which should not be extended to the level of individual Member States or operational programmes.

Since the scenarios of change were not elaborated in detail, the interviewees have made assumptions on how these would be implemented at EU level and in their particular national or regional context. It should also be noted that in the context of shared management and with various control layers currently in place stakeholders have a tendency to mitigate financial risks by resorting to conservative interpretations of EU regulations or putting in place more restrictive rules than necessarily required. Furthermore, national laws and regulations need to be respected in addition to the EU regulations, which may in some cases entail a stricter approach than the minimum required at EU level.

Risks that could have an effect on the administrative costs and burden, including the risk of gold plating, are incorporated in the figures provided, to the extent that their potential adverse effects were considered by the respondents to be plausible, material, and measurable<sup>5</sup>.

Therefore the aggregate figures presented in this report should be treated as conservative estimates which do not necessarily take into account the full simplification potential of the intended action. The risk of "gold-plating" has also been highlighted in the analysis, where relevant.

In the preparation of the methodology it was acknowledged that any change to the regulatory framework, even those which entail significant simplification, can bring about temporary costs of institutional learning and familiarisation or additional one-off investments in training, software etc. These costs have been mapped and taken into account in the calculation of estimated effects presented in this report. Therefore the

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<sup>5</sup> Risks which are not included in the quantitative estimates are illustrated separately in the paragraphs of Chapter 3 analysing the impact of the proposed changes on administrative costs.

results outlined in the report represent a balance of costs and benefits associated with the proposed regulatory changes.

### **Overview of results: reduction of administrative costs and burdens**

The cumulative effect of all the changes tested is positive – when put together these changes would reduce the administrative costs and in particular the administrative burden associated with the implementation of EU Cohesion Policy.

While the data collected demonstrate that substantial reductions in administrative costs and burdens can be achieved through the accumulation of modest adjustments, some of the individual modifications tested can have a notable effect on the reduction of administrative burden for beneficiaries or costs of national and regional authorities.

### **Effects on administrative costs at the level of Member State and operational programme**

Administrative costs in this study are understood as costs necessary for the fulfillment of regulatory requirements established at EU level by the national and regional authorities in the implementation of ERDF and Cohesion Fund in the Member States. These costs pertain to national coordination, programme preparation, programme management, certification and audit. The overall results suggest that, if all proposed changes were to be implemented, these would lead to a reduction of almost 13 % in administrative workload and a reduction of approximately 7 % in administrative costs in aggregate terms for EU 27.

The difference between the figures presented for administrative workload and costs associated with that workload can be explained by two factors. Firstly, the reduction of workload is expected to be greater in Member States with comparably low salary levels. Secondly, the external costs and overhead costs are not expected to decrease at the same rate as the workload.

The results also indicate that the effect of changes in regulatory requirements varies across different types of operational programmes. Sectoral programmes, convergence programmes and programmes that currently (in 2007-2013) have relatively large administrative costs are expected to benefit more from the changes tested, than in other types of programmes.

The analysis of the isolated effects of the individual changes that were tested shows that the most significant reductions of administrative workload can be attained by introducing the changes highlighted below.

- (a) the establishment of the accredited body (by merger of the managing authority and the certifying authority, as they exist in 2007-2013);
- (b) greater thematic concentration;
- (c) extensive use of e-solutions within administrations;
- (d) extensive use of e-solutions in data exchange with beneficiaries; and
- (e) simplification of eligibility rules.

This list reflects regulatory changes with the greatest simplification potential; however the actual impact of these changes on administrative costs will depend on the choices made by each Member State.

It is important to note that the possibility to set up managing authorities that also fulfill the functions of certifying authorities is presented as an option in Commission proposals of 6 October 2011, therefore some Member States might not opt for such arrangements.

Similarly, many elements of simplification in the eligibility rules (e.g. the use of lump sums, unit costs and flat rates) are optional and reduction will ensue only if the Member State opts to use these alternatives.

The impact of e-solutions in terms of cost reduction will eventually depend on the effectiveness and user-friendliness of these applications and significant savings can be attained only in the absence of a duplicating paper trail.

### **Effects on the administrative burden of beneficiaries**

For the purposes of this study administrative burden is defined as the additional administrative work and costs necessary for the beneficiaries to receive and use ERDF or CF funding. A systematic review of the present administrative burden for the various types of funded actions suggests that total aggregate administrative burden for the EU27 in 2007-2013 corresponds to approximately 2% of the total ERDF and CF contribution. This outcome appears to be consistent with previous measurements in the area of Cohesion policy<sup>6</sup>.

The potential regulatory changes assessed in this study are expected to allow for a reduction in the administrative burden of approximately 20%. The result is notable considering that certain modifications do not affect the entire population of operations and beneficiaries, but only the burden of a specific subset of beneficiaries implementing particular types of projects.

However there are also pre-conditions to the attainment of this outcome.

The main part of the expected reduction, i.e. 11%, relates to the introduction of e-Governance arrangements - a fully electronic "e-Cohesion" system between the administration and the beneficiaries without a parallel paper trail. The degree to which e-Cohesion can reduce the administrative burden depends also on the legal framework in the Member States. To ensure a reduction in administrative burden, it is necessary that Member States ensure the legal validity of electronic documents even though it may require additional administrative effort and adjustments at national or regional level.

The remaining 9% reduction is linked to various elements pertaining to the simplification of eligibility rules, regular closure of operational programmes and shorter retention periods for supporting documents. It should be noted that, for simplified eligibility rules in particular, the expected benefits in the form of lower administrative burden for beneficiaries depend on the degree of adoption at national (or regional) level, as well as on the concrete implementation arrangements identified.

It should also be taken into account that this study does not incorporate all regulatory modifications proposed by the Commission for the period 2014-2020 in October 2011. In particular, the Commission has proposed an explicit obligation for the Member

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<sup>6</sup> Direct comparison cannot be made as earlier measurements have also covered the European Social Fund. See in particular the Final Report of the 'Explorative study in preparation of the possible future development of central Clearing Houses for Cohesion Policy reporting at national/regional level' (2010).

States to assess the administrative burden of beneficiaries and set reduction targets in their Partnership Contracts, entailing a reinforced focus on this issue at all levels and active measures to reduce administrative burden at national and regional level. Therefore the reduction of 20% associated with regulatory changes at EU level assessed in this report is likely to be complemented by national and regional measures that may bring about a further reduction.

The administrative burden of beneficiaries may also be reduced by more proportional control arrangements, or further harmonization of rules as proposed by the Commission, however the effect of these elements were not assessed.

## 1. Foreword

This report is the fifth deliverable in the study “Measuring the impact of changing regulatory requirements to administrative cost and administrative burden of managing EU structural funds”. It presents the possible impact that selected changes in the regulatory framework of EU Cohesion Policy may have on ERDF and CF related administrative costs for national and regional authorities and on the burden for beneficiaries.

The study was launched in early December 2010. The first steps included:

- the development of an understanding of the scenarios of change put forward by DG Regional Policy;
- determining an appropriate methodology for measuring the impact of these scenarios on administrative costs and burden.

The methodological report contained a preliminary assessment of the probable impact of the regulatory changes based on desk review and expert assessment, as well as information on the 22 programmes in 10 countries selected for measurement.

During February and March 2011, interviews with key stakeholders at national and programme levels as well as with selected beneficiaries were conducted to assess the implications of the scenarios of change. Preliminary results were also discussed with the study advisory board.

This report consolidates the outcomes of these interviews and presents a quantitative assessment of the effects as well as relevant qualitative information gained through the interviews.

To facilitate a comprehensive understanding of the likely effects on administrative costs at national and regional level the report presents the results:

- for each proposed modification of requirements, **as put forward by DG Regional Policy**;
- by **task**, as presented in SWECO (2010) for the current programming period (2007-2013);
- by **function** (tasks of the MA, CA, AA etc.);
- for different types of programmes.

It also covers the impact of proposed regulatory modifications on the administrative burden for beneficiaries, including an estimation of the administrative burden in the current programming period (2007-2013).

Chapter 2 provides an overview of the methodology used for the study (paragraph 2.1), together with a description of the main features of the operational programmes analysed during the case studies (2.2). The approach adopted for the analysis and extrapolation of programme, national and beneficiary data, is also included in chapter 2 (in sub-chapters 2.3 and 2.4 respectively).

Chapter 3 presents the findings of the analysis concerning the impact of the proposed scenarios of regulatory changes on administrative costs for national and regional administrations. Summary results are presented for each individual modification, together with more detailed assessment of the changes affecting programming

(paragraph 3.1), the accreditation process (3.2), the closure of programmes (3.3), the implementation of the OPs (3.4), and evaluation and monitoring activities (3.5).

Chapter 4 describes the main features of the projects and beneficiaries analysed (paragraph 4.1). It provides a measurement of the current administrative burden for these operations (4.2), and presents the findings concerning the expected impact of the scenarios analysed on the administrative burden for beneficiaries (4.3).

Lastly, Chapter 5 summarizes the main conclusions of the study.

The report was prepared by t33 and SWEKO, with input from other project partners.

## 2. Methodology

### 2.1 Overall methodology

The objective of the study is to “assess the extent to which potential modifications to the current implementation rules would affect costs of administration of the policy and administrative burden of the beneficiaries of Structural Funds and the Cohesion Fund in the next programming period”<sup>7</sup>.

Assessing the impact of changing regulatory requirements on administrative costs and burden represents a particularly complex issue on its own, and especially regarding EU SFs and CF, where close cooperation among the European Commission, national authorities, intermediate bodies responsible for the implementation, economic and social partners, civil society and final beneficiaries is essential.

The assessment therefore requires a profound understanding of the working routines of the operational programmes. Regulatory changes may affect different levels of administration, but they may also induce shifts of costs between levels, which need to be taken into account for the estimates to be reliable. Costs may also be shifted between the administration and the beneficiaries.

To capture the consequences in terms of administrative costs and burden ensuing from potential modifications to the current implementation rules, the methodological approach was designed, on the one hand, to allow the experts to verify the impact of the changes on the management mechanisms of EU SFs and CF at a very detailed level; and, on the other hand, to ensure that the information gathered can be used to generate reliable estimates at the EU27 level.

This is the reason why the analytical approach included following main stages:

- A **preliminary assessment** of administrative costs and burden: this was obtained by detailing the scenarios proposed by DG REGIO, and carrying out a number of interviews with DG REGIO officials in December 2010 and January 2011. The objective of these interviews was to verify the understanding of the regulatory modifications and the plausibility of the preliminary conclusions reached by the consultant as regards the tasks (national and programme authorities) and the information obligations of the beneficiaries affected by the changes<sup>8</sup>. The preliminary assessment also considered the impact of the proposed modifications on administrative costs and burden and was further substantiated by discussion with the study Advisory Board, which included representatives of programme authorities and SF experts;
- The **design of a data capture system**, which was used to: (a) select the case studies so that the information to be gathered on-the-field could be used to generate overall EU-wide estimates; (b) design a methodology and tool-kit for

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<sup>7</sup> The study analyses costs of administration of the policy and administrative burden of the beneficiaries of European Regional Development Fund and the Cohesion Fund. A parallel DG EMPL study is being carried out, measuring the impact of current and future requirements on administrative cost and burden of managing the European Social Fund.

<sup>8</sup> The tasks and information obligations considered by the study are listed in Annex 1 to this report.

data collection so that national experts could simulate the effects of the proposed regulatory changes directly at the implementation level - national level and OPs.

- **In-the-field data collection**, which was based on in-depth case studies, aimed at verifying the results of the preliminary assessment with reference to the expected impact of the regulatory changes on administrative costs and burden.
- **Analysis of the information gathered** during the case studies lead to EU-wide figures for the impact of the changes on administrative costs and burden. Data associated with different types of programmes and operations were extrapolated to the entire financial envelope of ERDF and CF in 2007-2013. The baseline for the extrapolation was drawn from SWECO (2010) for administrative costs, and estimated as part of this study for administrative burden.
- **Quality control** was ensured through cross-checking of the results obtained by using different statistics for extrapolation, e.g. weighted average and median values. In addition, statistical outliers were identified and double-checked, both as regards the correct understanding of the figures and the qualitative justification from the interviews. In a few cases where the qualitative information available created doubts about the accuracy of the data gathered, figures were further verified together with the national experts (see paragraph 2.3 for further details).

While the preliminary assessment and the design of the data capture system were set out in detail in the previous deliverables of the study, the current report focuses on the elaboration and analysis of the information collected through the case studies.

It should be noted that the study developed separate approaches (incl. separate questionnaires and tools of analysis) to assess the potential impact on administrative costs at the national and programme level on the one hand, and on the administrative burden of the beneficiaries on the other hand. At the beneficiary level, information was also collected on the burden of beneficiaries managing projects co-financed by ERDF / CF in the period 2007-2013. This data was used to establish a baseline for administrative burden and to enable estimation of potential changes in this burden in the period post 2013.

The assessment of the administrative costs related to the ex-ante conditionalities and the performance framework are based on expert assessment as these modifications became evident and were tested only after the interviews with stakeholders had been concluded.

The following paragraph illustrates the features of the selected cases in more detail, while the approach to the analysis and extrapolation of data at the national and OP level, as well as at the ERDF / CF beneficiary level, is explained in paragraphs 2.3 and 2.4 respectively.

## 2.2 Selection of the case studies and data collection method

To test and refine the initial hypothesis, which were based on expert judgement, – 11 case studies were conducted, including a total of 22 OPs. The case studies were carefully selected to reflect the broad diversity of ERDF programmes. As SWECO (2010) underlined that the thematic orientation and financial volume are particularly important regarding administrative costs, these characteristics were also taken into account in the selection.

To ensure that the results are sufficiently representative, the final selection of 22 OPs covered included a broad selection of programmes with different features:

- Objectives  
12 convergence programmes, 8 regional competitiveness programmes, and 2 territorial cooperation programmes;
- Thematic orientation  
8 sector programmes, 12 regional programmes and 2 territorial cooperation programmes;
- Financial volume  
12 large programmes, 10 small programmes (threshold of EUR 1,200 million);
- EU12 and EU15  
10 operational programmes from EU12 and 10 from EU15 (plus 2 territorial cooperation programmes).

The table below provides a detailed picture on the programmes selected and their characteristics.

Table 1 – Main features of the programmes analysed

Programme	Strand	Theme	Financial Volume	EU12/15
CZ - Enterprise and Innovation	CONV	SEC	Large	12
CZ – Transport	CONV	SEC	Large	12
DE - Nordrhein-Westfalen	RCE	REG	Large	15
DE - Sachsen-Anhalt	CONV	REG	Large	15
EE - Development of Economic Environment	CONV	SEC	Large	12
EE - Development of the living environment	CONV	SEC	Large	12
ES – Navarra	RCE	REG	Small	15
ES –Andalucía	CONV	REG	Large	15
FR - Basse-Normandie	RCE	REG	Small	15
FR – Centre	RCE	REG	Small	15
HU – ECOP	CONV	SEC	Large	12
HU - North Great Plain	CONV	REG	Small	12
IT – Marche	RCE	REG	Small	15
IT - Umbria	RCE	REG	Small	15
PL - Infrastructure and Environment	CONV	SEC	Large	12
PL - Woj. Dolnoslaskiego	CONV	REG	Large	12
RO – Environment	CONV	SEC	Large	12
RO – Transport	CONV	SEC	Large	12

Programme	Strand	Theme	Financial Volume	EU12/15
SE - Skåne-Blekinge	RCE	REG	Small	15
SE - Småland and the Islands	RCE	REG	Small	15
ETC - CBC SI-AT	ETC	CBC	Small	-
ETC- CBC AT-SK	ETC	CBC	Small	-

*CONV = Convergence programme*  
*RCE = Regional competitiveness programme*  
*ETC = European territorial cooperation programme*  
*SEC = Sector programmes (e.g. transport or environment)*  
*REG = Regional programme*  
*CBC = Cross-border programme*  
*Large = financial volume above 1,200 million EUR*  
*Small = financial volume below 1,200 million EUR*  
*EU12 = New Member States*  
*EU15 = Old Member States*

In addition the differences in terms of MA staff figures have been considered to ensure that the sample contains programmes with small and large MAs, as well as those with lower and higher shares of administrative costs.

During the case studies, data was collected via a structured template to identify changes in administrative workload and related costs as well as to provide qualitative information to identify the rationale for such changes.

Each case study included face to face interviews at the national, OP and beneficiary level. By involving national authorities, MAs, CAs, AAs and beneficiaries at the same time, the consultant gathered insights into the expected effects at the level of each specific target group. This also made it possible to capture the possible flow of workload and expenses related to the fulfilment of EU requirements between national and regional authorities, and how that flow passes back and forth between the implementation bodies and applicants/beneficiaries.

The interviews were carried out to identify the tasks and information obligations affected by the individual changes and the **rationale** for the change in administrative costs and burden. The interviewees were also asked to indicate the **extent of change** in administrative costs, potential adjustment costs, the shifts of costs between different levels of governance and the possible uncertainty of the national interpretation of EU regulations.

At the beneficiary level, projects were selected representing 'standard' operations in terms of their administrative burden that could ensure, at the OP level, an appropriate balance of:

- different priority themes (i.e. fields of intervention, sectors) covered by the programme (based on the categories established in Annex 2 of Commission Regulation 1828/2006);
- operations, based on their financial dimension;
- different types of expenditure (works, equipment, services, staff costs, etc.);
- various categories of beneficiaries (private businesses, public and semi-public authorities, non-profit organisations);

- experienced and less experienced beneficiaries<sup>9</sup>.

Moreover, where included in the specific OP, interviews covered at least one **major project** (according to art. 39 of Regulation 1083/2006) and/or one **revenue generating** project (art. 55).

As already mentioned above, interviews with beneficiaries were aimed at collecting information concerning the expected/final workload and costs for the preparation and submission of the funding application and for the administration of the funded activities. This information was used as the baseline for assessing the degree of change of the administrative burden for each change of the scenarios envisaged for the post-2013 period.

Baseline information was gathered by adopting a standard cost model approach, including the following elements: the time period covered, the gross tariffs per person-years (and overhead costs), the time needed to accomplish each occurrence related to the individual information obligation, the frequency of these occurrences, and external costs.

When assessing the administrative workload related to each information obligation, the team of experts referred to the activities described in Annex 10 of the Commission Guidelines for Impact Assessment.

The beneficiaries were also asked to provide their feed-back with regard to the expected change of the administrative burden due to the proposed regulatory changes and the rationale for it; as well as their view concerning the potential adjustment costs related to the changes.

Moreover, the interviews provided information concerning IT functionalities currently available to beneficiaries for communicating and sharing information with programme authorities, and the expected degree of change in administrative burden if more advanced IT functionalities were to become available.

The following table lists the IT functionalities analysed during the case studies:

- Support: general information, guidelines and/or a F.A.Q;
- E-learning and tutorials;
- Downloadable forms for project application, payment claims, reports, etc.;
- Electronic authentication (login, password, e-ID);
- Forms can be electronically submitted (no need to resubmit on paper);
- Submission of ALL requested information about the project through the portal (no need to re-submit on paper);
- On-line monitoring of the status of the application/project;
- The possibility to continuously upload information, e.g. uploading data on costs and invoices when they are processed;
- Personalised forms (pre-filled forms which contain beneficiary and project data already existing in the system).

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<sup>9</sup> In case of operations not yet completed, beneficiaries were required to provide information on the basis of their experience in the previous programming period and expectations on how the obligations would evolve.

## **2.3 Analysis and extrapolation of programme and national data**

The case study data was used to refine the information on changing administrative costs and burdens deriving from the preliminary hypothesis. For each task, as defined in SWECO (2010), the information was translated into a change of administrative workload in total person-years as well as administrative costs, based on the baseline data for the individual programmes provided in the previous study by SWECO.

The main findings of SWECO (2010) study show that administrative costs vary according to different types of programmes. This has been reflected in the method used for the selection of the case studies for the present report - described in chapter 2.2 – in order to provide a representative picture covering different types of programmes, different management and implementation systems as well as different countries.

A weighted average figure for the individual changes was then calculated taking the current financial and administrative size of the programmes into account. This weighted average was applied to the European baseline data to obtain EU-wide figures.

Throughout the process the data was double-checked with the median values to ensure that the weighted average presented a fair picture. Furthermore, statistical outliers were identified and double-checked, both as regards the correct understanding of the figures and the qualitative justification. In a few cases the qualitative information available created doubts about the accuracy of the figures e.g. a valid suspicion that they would be based on a misinterpretation of the question or task. Following consultations with the national experts, outliers were adjusted where they derived from misunderstandings, and removed where they were actual statistical outliers. These cases are very limited and concern only three data entries related to thematic concentration, to the shortening of the period for the retention of documents, and to the increased frequency of closure.

From the information at the level of individual tasks, the data was elaborated and aggregated stepwise to attain information for the costs of different levels of implementation and different authorities. At a more detailed level, the individual tasks carried out by a particular authority (e.g. Managing, Certifying or Audit Authority) have been analysed with regard to the present administrative workload and the expected change. Thereafter, the effects have been aggregated according to the functions of different authorities.

The characteristics of the operational programmes were used to analyse whether the type of operational programme, its thematic orientation, financial volume and current administrative workload in person-years had a correlation with the anticipated effects of the proposed changes.

It must be noted that, in the case of national and programme authorities, financial figures do not include (real or forecasted) inflation, price and salary changes, i.e. the baseline is drawn directly from the SWECO (2010) study and projected data has not been adjusted to take into account these variables.

The validity of the data has been further ensured through the large number of interviews (96 administration officials) as well as the involvement of an external advisory board.

## 2.4 Analysis and extrapolation of beneficiary data

As already explained above, projects selected for the analysis represent 'standard' operations in terms of their administrative burden and ensure, at the OP level, an appropriate balance of the different project features which can influence administrative burden (e.g. priority themes, financial dimension, types of expenditure, legal status and experience of the beneficiaries).

In addition, the operations concerned are co-financed by OPs that were carefully selected to cover the broad diversity of ERDF and CF programmes (in particular in terms of thematic orientation and financial volume).

However, it cannot be ensured that the sample of operations selected is representative of the current population of projects in the EU. This would require that complete information on every individual operation financed is available at EU level, which is not the case. The overall distribution of ERDF / CF operations at the EU-level are not known with reference to several of the above mentioned variables influencing the administrative burden.<sup>10</sup>

Taking into account the limited information available on the population of ERDF and CF operations and the fact that: (a) required actions related to the same obligations might imply a different burden depending on the field / sector of intervention of the operation, and (b) administrative burden should be considered in proportion to the financial dimension of an operation to understand the intensity of the impact on beneficiaries; the data collected from the case studies was extrapolated based on the following procedure:

- **weighted average** administrative burden figures<sup>11</sup> of the analysed operations were calculated for each priority theme (based on the nomenclature set out in Annex II of Commission Regulation 1828/2006) in **monetary terms** (i.e. as a share of the ERDF/CF contribution), thus providing an estimate per field of intervention or sector;
- **weighted average** figures were then applied to the European overall distribution of ERDF / CF contribution by priority themes<sup>12</sup> to obtain EU wide figures.

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<sup>10</sup> This also implies that the parameters for which EU data do not exist cannot be used to extrapolate data.

<sup>11</sup> It must be noted that weighted averages allow for a more accurate representation of the economies of scale involved in managing projects i.e. the fact that increase in co-funding leads to a less than proportional increase in administrative burden.

<sup>12</sup> As regards the data used for the breakdown of ERDF / CF contribution by priority theme, it must be mentioned that this is a forecast based on the agreed OPs. The final financial distribution may thus differ somewhat from this, even if it is not expected to diverge substantially from forecasts. It should be noted that the priority themes covered by the operations analysed represent more than 93% of the total forecasted ERDF / CF contribution. Data source used: Final Report to the European Commission, Directorate-General for Regional Policy, Evaluation Unit "The Potential for regional Policy Instruments, 2007-2013, to contribute to the Lisbon and Göteborg objectives for growth, jobs and sustainable development", 22 July 2009.

The characteristics of the operations, especially in terms of priorities covered, were used to identify the priority themes which can be expected to contribute more to the administrative burden at the EU level, as well as to achieve the highest reductions in administrative burden due to the proposed regulatory changes<sup>13</sup>.

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<sup>13</sup> While the approach adopted allows for an analysis of the results at the priority theme level, it does not distinguish between infrastructure and non-infrastructure projects and their administrative burden. However it is known some priority themes (e.g. transport) are primarily linked to the development of infrastructure.

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### 3. Administrative costs analysis

Administrative costs are understood as costs necessary for the fulfilment of regulatory requirements established at EU level by the national and regional authorities in the implementation of ERDF and Cohesion Fund in the Member States. These costs pertain to the national coordination, programme preparation, programme management, certification and audit.

SWECO (2010) presented comprehensive information on the administrative costs and burden in the current programme period (2007-2013). This chapter provides insights on the likely impact of the changes envisaged by the Commission for the period 2014-2020 on the administrative workload and costs for administrations at national and regional level.

#### Overall reduction of administrative workload

- Implementing all the changes suggested is likely to result in a reduction of the administrative workload at programme level of almost **13 %**. This figure is a weighted average taking into account different types of programmes. As will be shown in this report, the benefits of the proposed changes vary across different types of operational programmes. Furthermore, the analysed responses vary with regard to the attitude towards changes. A *fourchette* ranging from the most optimistic responses and the types of programmes benefitting most from the changes to the most conservative responses and types of programmes benefitting least from the changes would range from a reduction of workload between 4 % and 17 %. However, assuming that the balance between various types of programmes will largely be the same as in the present period, a benefit of 13 % is most likely (median value). The size of the *fourchette* is the result of the large heterogeneity of the sample. SWECO (2010) pointed to the fact that different programme types have substantially different administrative costs. Consequently the effects of regulatory changes differ also substantially depending on the programme type, resulting in a large *fourchette*. When discussing the effects of the individual changes, this fact is reflected in the tables providing figures for different types of programmes.
- Cost reduction will be lower at approximately **7 %**. Some differences between types of programmes and attitudes are also observed with regard to this aspect of analysis. The *fourchette* ranges from 5 % to 14 % . The administrative costs are expected to decrease less than the administrative workload as - although a reduction of staff costs can be expected - external costs, e.g. for IT systems or services bought from third parties, cannot be expected to decrease proportionally. Furthermore, major reductions in workload are anticipated in programmes with comparably lower salary levels.
- According to the interviewees, due to learning during the current programming period, leaving the regulations largely unchanged with only minor improvements in selected areas, would most likely result in some reduction of the administrative workload at the programme and national level. A reliable quantitative estimate about the impact of an unchanged regulatory framework however, cannot be provided.<sup>14</sup>

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<sup>14</sup> It was not possible to quantitatively estimate administrative workload reduction from learning in the case of regulations being left largely unchanged. However, feedback from some respondents suggests that in some cases learning from the period 2007-2013 would lead to a considerable reduction in costs in the period 2014-2020.

- A recurring issue during the interviews, which might partly explain why no greater reductions are expected, was that the interviewees proved to be more hesitant in their responses when it came to proposals of more complex modifications (e.g. introduction of national accreditation), as the actual changes in administrative costs will greatly depend on the implementation details when translating the proposed changes into practice.
- Many interviewees also suspect that some of the proposed changes could represent a shift in workload from the Commission towards the Member States e.g. in relation to the changes proposed for the accreditation process. Apart from that, shifts of administrative workload between different layers of administration have not been observed – without prejudice to the possibility of merging the functions of the MA and CA.
- Furthermore, a sense of uncertainty regarding the future development of EU Cohesion Policy surfaced frequently during the interviews which might explain why no greater reductions are expected.

#### **Differences between types of operational programmes**

- Whereas the overall expected reduction is approximately 13% of the administrative workload, the programmes sampled suggest that different types of operational programmes might be affected differently by the changes. Tables in chapters 3.1 to 3.5 present the detailed picture for the various changes. In principle the tables can also be read as a *fourchette* regarding the variation of impacts of a proposed change.
- Sectoral programmes are expected to benefit most from the envisaged changes. In relative terms, their expected workload reduction is approximately three times higher than that for regional programmes.
- Convergence programmes will benefit the most, followed by competitiveness programmes. Territorial cooperation programmes appear to benefit the least.
- Programmes with high administrative costs in 2007-2013, either in absolute terms or in relation to their programme budget, are expected to benefit more from the changes. Programmes with low administrative costs consider that the changes hardly imply any possibility for additional reductions.

#### **Differences between changes**

- The changes which are expected to result in the highest reduction of administrative workload in total terms are (a) the establishment of the Accredited Body (merger of MA and CA); (b) greater thematic concentration; (c) e-cohesion at programme level; (d) e-cohesion interface with beneficiaries; and (e) simpler eligibility rules.
- The changes which are expected to result in an increase of administrative workload include the introduction of the annual management declaration and annual accounts. The respective figures for these new tasks are included in the figures for the establishment of the Accredited Body in the present report. Some respondents have also expressed a concern that the introduction of the annual closure of programmes may lead to an increase in administrative costs and they have called for simplification of the current closure procedures to avoid this.

## Risks of increased administrative workload due to the changes reported by the respondents

- The respondents indicated that significant changes of organisational settings and basic routines introduce uncertainty and the necessity for organisational learning, which implies that potential for reductions in the administrative workload could be not entirely realised. The institutional settings in individual Member States also makes a difference in this respect, as the needs for adjustment could vary.
- Respondents believed that the introduction of additional reporting requirements could involve a risk of gold plating and the introduction of additional levels of controls by bodies signing the e.g. declaration of management assurance.

The following tables provide a summary of the findings. The figures are extrapolated from the sample studies to European level, i.e. to all ERDF and CF programmes and a full programming period. The second column on change indicates the percentage of impact on the workload. The column on change in years presents change in terms of number of person-years during a full programming period. This is followed by a column on the percentage of impact on costs and lastly a column on the change in EUR for all programmes.

Table 2 presents an overview of the different **regulatory changes** discussed later on in this report. It allows a quick comparison of the magnitude of the predicted effects (please refer to the bullet points above). The column on change indicates the impact in relation to a total administrative workload of **170,000 person-years** respectively **12 billion EUR** presented in SWECO (2010). Changes of less than 0.5% of the total administrative workload have been classified as insignificant.

Table 2. Change in administrative costs by changes – extrapolated for all programmes

Regulatory Changes	Workload change in % of total	Change in years	Cost change in % of total	Change in million EUR
<b>Programming</b>				
From NSRF to PC		Insignificant increase		
Simplification of the OP		Insignificant decrease		
Ex-ante conditionalities		Insignificant increase		
<b>Financial management and control systems – Accreditation</b>				
Establishment of a single body responsible for management and control (Accredited Body)	-4.3	-7,000	-4.3	-500
Accreditation		Insignificant decrease		
Running the Accrediting Authority		Insignificant increase		
<b>Financial management and control systems – Closure</b>				
Increased frequency of closure		Insignificant increase		
No financial audits or corrections after 3 years incl. simpler rules for projects for the retention of documents		Insignificant increase		
<b>Programme implementation</b>				
Thematic concentration	-2.3	-3,760	-0.9	-100
Simpler rules for projects - eligibility rules	-2.1	-3,520	-1.0	-110
Simpler rules for projects - revenue generating projects		Insignificant decrease		
E-cohesion systems - programme administration	-2.0	-3,350	-0.7	-85
E-cohesion systems – beneficiaries-programme interface	-2.2	-3,560	-0.8	-95

Regulatory Changes	Workload change in % of total	Change in years	Cost change in % of total	Change in million EUR
<b>Monitoring and evaluation</b>				
Focus on common indicators	-0.8	-1,340	-0.4	-43
Performance framework	Insignificant increase			

*The total administrative workload and costs identified in SWECO (2010) serve as baseline.*

Table 3 provides an overview on the change in workload according to the different **functions of authorities**. It shows clearly that in particular the new accredited body (combined MA and CA) and the Audit Authority are concerned by the changes.

Whereas Audit Authorities are expected to experience a workload increase of 1%, i.e. 160 person-years, the Accredited Bodies are expected to experience a decrease up to 15%. As the functions of this body are associated with the major part of administrative costs, this decrease implies a reduction of almost 21,000 person-years.

However, the box-plots<sup>15</sup> below the table illustrate that there are variations with regard to the expected changes. Some respondents expect a considerably higher change for the workload of the Audit Authorities than the 1% indicated. As for the other functions, the variations extend more equally towards both sides of the median value and the weighted average. The variations will be further illustrated when discussing the individual changes at a more detailed level in the following chapters.

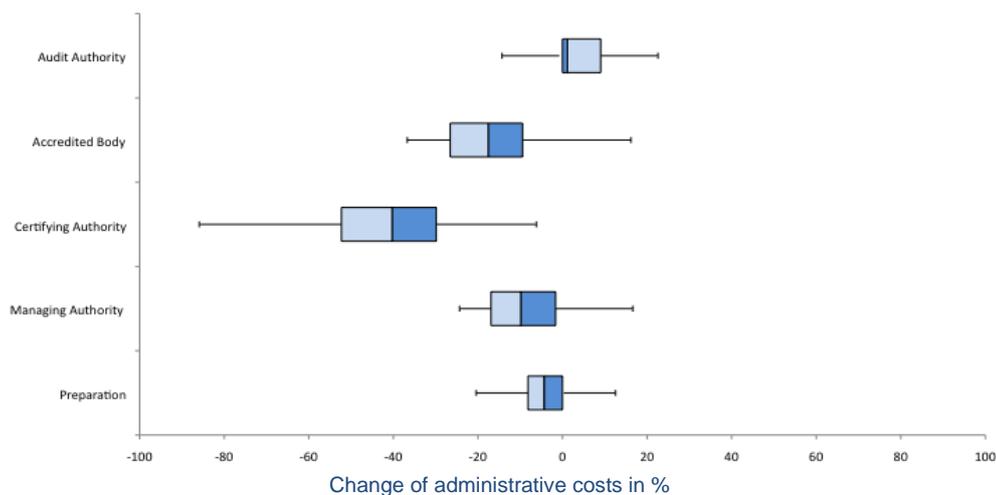
*Table 3. Changes in administrative costs according to functions – extrapolated for all programmes*

Functions	Workload change in % of total function	Change in years	Cost change in % of total function	Change in million EUR
National level	+7	+386	+4	+25
Accrediting Authority	-	+444	-	+59
Programme preparation	-2	-50	-1	-4
Accredited Body (Management & Certifying Authority)	-15	-21,000	-9	-900
Audit Authority	+1	+160	+1	+10

*The baseline figures are the administrative workload figures by function identified in SWECO (2010): National level 5,800 person years, Accrediting Authority: 0 person years, Programme preparation: 3,500 person years, Managing and Certifying Authorities: 146,600 person years, and Audit Authority 14,100 person years.*

<sup>15</sup> Box-plots illustrate the range representing the bulk of the responses as well as the range of the more unusual figures. The central vertical line (inside the blue box) marks the median of the reported values, i.e. the middle value above and below which there are an equal number of reported values. The (blue) box as a whole contains all the results which fall between the 25th and 75th percentiles, i.e. the central 50% of all results.

Figure 1 – Changes in administrative costs according to functions – variation of responses



The calculation of the impact on administrative costs and workload was made by linking the expected changes to tasks previously analysed and discussed in SWECO (2010) for the current period. Table 4 shows how the workload for the affected **tasks** will change if the proposed modifications are implemented.

In terms of absolute changes tasks related to the communication with the Certifying Authority, selection of operations and verification of deliveries stand out as being by far the tasks with the highest workload figures. Therefore changes relating to them are crucial to the overall picture.

The overall estimated figures can only be understood as first indications on the direction and magnitude of change and attention needs to be paid to the differentiation by types of operational programmes presented in the sections on the individual regulatory changes in the next chapters.

Table 4. Changes in administrative costs according to tasks – extrapolated for all programmes

Tasks (by function)	Person years baseline	Workload change in % of total task	Change in years	Costs in mil. EUR baseline	Cost change in % of total task	Change in million EUR
<b>National level</b>						
Task 1: National Strategic Reference Framework (art. 27, 28)	198	+27	+54	17.4	+17	+3
New Task (accrediting authority, ex-ante conditionalities)		-	+609		-	+81
<b>Programme preparation</b>						
Task 3: Preparation of the Operational Programme (art. 32)	1,154	-4	-50	130.8	-3	-3.4
Task 4: Ex ante evaluation (art. 48)	329	1	20	36.5	1	0.2
Task 6: Setting up of management and control system (art. 71)	765	-1	-20	58.9	-1	-0.3
<b>Programme management (currently MA)</b>						
Task 10: Ensuring a system for data recording (art. 60c)	3,511	-1	-20	615.9	0	-3

Tasks (by function)	Person years baseline	Workload change in % of total task	Change in years	Costs in mil. EUR baseline	Cost change in % of total task	Change in million EUR
Task 12: Ensuring adequate accounting systems of the beneficiaries (art. 60d)	5,417	-1	-70	366.7	0	-1
Task 13: Prevention, detection and correction of irregularities (art. 70)	7,939	-16	-1,250	494.3	-5	-23
Task 15: Assessment of revenue generation projects (art. 55)	3,669	-1	-30	193.2	0	-0.5
Task 16: Communication with the certifying authority (art. 60g)	4,392	-100	-4,392	263.5	-100	-263
Task 17: Selection of operations (art. 60a)	17,678	-20	-3,600	981.6	-18	-175
Task 18: Verification of deliveries and compliance (art. 60b)	18,309	-19	-3,400	1,056.6	-18	-190
Task 21: Provision of project information to the Commission (art. 60k)	2,567	-12	-300	118.6	-6	-7
Task 22: Preparation of annual and final implementation reports (art. 67 & 60i)	5,760	-13	-730	375.2	-7	-27
Task 23: Evaluations during the programming period (art. 48 & 60e)	5,347	-4	-220	536.3	-1	-6
Task 24: Monitoring (art. 66)	8,396	-32	-2,700	613.0	-10	-62
Task 25: Audit trail, taking into account audit results (art. 60f)	6,315	-1	-41	492.9	-1	-3
New tasks (e.g. declarations, performance framework)		100	366		100	88
<b>Programme management (currently CA)</b>						
Task 26: Statements of expenditure & payment application to the Commission (art. 61a)	1,810	10	180	81.1	5	4
Task 27: Certification of statements of expenditure & expenditure declared (art. 61b)	2,542	-85	-2,160	130.6	-85	-111
Task 28: Ensuring adequate information (art. 61c)	1,401	-100	-1,401	63.9	-100	-64
Task 29: Audits (art. 61d)	1,183	-100	-1,183	93.2	-100	-93
Task 30: Records maintenance (art. 61e)	1,412	7	100	65.1	5	3
Task 31: Accounting of amounts recoverable or withdrawn following cancellations (art. 61f)	1,061	9	100	41.3	3	1
<b>Audit</b>						
Task 33: Audit of samples (art. 62b)	5,232	-5	-270	384.1	-4	-14
Task 35: Annual control report (art. 62d)	1,144	16	190	70.3	19	14
Task 36: Partial closure (art. 88)	451	11	50	13.4	19	3
Task 37: Closure declaration (art. 62e)	1,253	16	200	76.7	10	8

*The baseline figures are the administrative workload and costs figures by task identified in SWECO (2010).*

## 3.1 Programming

### Modification 1: NSRF replaced by Partnership Contracts

Partnership Contracts (PC) would replace the NSRF. PC would contain information under the following major headings: (a) the contribution to Europe 2020 objectives and targets; (b) thematic objectives and list of OPs; (c) ex/ante conditionalities; (d) the approach to integrated territorial development ; (e) coordination with other funds; (f) indicative financial allocation; (g) and data needed to ensure compliance with the additionality requirement. This relates to articles 13-15 of the proposal for the new Common Provisions Regulation.

The administrative workload involved in drafting the PC is estimated to increase (compared to the drafting of the NSRF in 2007-2013) as:

- 1) The more precise definition of objectives and targets requires a more focused and in depth analysis;
- 2) Negotiation will be more intense (within MS and between MS and the EC). Where regional authorities are involved, especially in federal systems, the definition of strategy will be especially demanding by a political, and, as a natural consequence, administrative point of view.
- 3) If targets and actions to fulfil ex-ante conditionalities are set at this level, there will be a need for specific monitoring arrangements.

This change might imply an increase of about 0.05% of total workload, i.e. 54 person years over all ERDF programmes. This corresponds to an increased workload for the specific task - Task 1: National Strategic Reference Framework (art. 27, 28) – of about +27%. The costs of national coordination would rise by about 1%.

However, the responses indicate an uncertainty of these figures as there is a broad variation of the expected increase of workload, where some expect hardly any increase in workload and others almost three times the weighted average presented above. The answers vary, however, also with regard to the amount of work that was invested in the NSRF in the current period.

According to the respondents, a delay in the start-up of the territorial cooperation programmes (ETC) might occur, if ETC were to be covered by the PC and if the definition of priorities and strategies does not take place before the finalisation of PCs.

### Modification 2: Simplification of the OP

Future OPs may be less extensive, partly because the thematic focus will be limited to certain items and would concentrate on how to achieve the envisaged outcomes, and partly because the OPs would no longer need to include a social-economic analysis. However, information on the investment needed in the programme area would still be included in the OP. This relates to articles 24-26 and 87-89 of the proposal for the new Common Provisions Regulation.

A stronger thematic focus might reduce negotiation costs between MA and the other administrative bodies in charge of sector policies; moreover, it might reduce complexity in the drafting and discussion of OPs.

However, a larger effort is expected to produce high-quality documents (e.g. for the result indicators) and deeper and broader negotiation could take place within the programme authority to identify the focus of the OP. In addition, more specialised knowledge might be necessary in selected areas. About two thirds of the interviewees believed that it is possible to reduce administrative workload when simplifying the OP. However, there are numerous voices saying that even if the PC is to cover a number of aspects, the OP still would have to include a sound analysis and would be subject to a development process with a strong involvement of the partnership. Therefore the actual possibilities for simplification and a reduction of the workload might be limited.

Overall, this change might allow for a reduction of approx. 0.06% of the total workload, i.e. 90 person-years spread over all ERDF programmes. In monetary terms this corresponds to a reduction of approximately four million EUR. The reduction is mainly expected in smaller programmes under the regional competitiveness strand in EU15, and those with only a few administrative staff members.

The difference between EU12 and EU15 is linked to the findings of SWECO (2010) that in the current period the workload for developing the OPs per programme was lower in EU12 than in EU15.

*Table 5. Simplification of the OP: reduction in workload and costs*

<b>Simplification of the OP</b>		
<b>EU</b>		
<b>Change in EUR</b>		-4,000,000
<b>Change in person years</b>		-90
<b>Change in %</b>		-0.06
<b>Sample</b>		
	<b>Programme types</b>	<b>Change in %</b>
<b>Programme</b>	<b>CONV</b>	-0.03
	<b>RCE</b>	-0.08
	<b>ETC</b>	0.00
<b>Thematic</b>	<b>SEC</b>	-0.04
	<b>REG</b>	-0.05
	<b>CBC</b>	0.00
<b>Financial volume</b>	<b>Large</b>	-0.03
	<b>Small</b>	-0.20
<b>Admin staff</b>	<b>Low share</b>	-0.02
	<b>High share</b>	-0.06
	<b>Few</b>	-0.13
	<b>Many</b>	-0.03
<b>EU15/12</b>	<b>12</b>	-0.03
	<b>15</b>	-0.07

*In order to increase comparability, the percentage figures are related to the total administrative workload of the involved programmes, as identified in SWECO (2010). The changes in EU level data are extrapolated based on a weighted average of the sample data considering the actual size of a programme, whereas figures at sample level data are a simple average of programmes in each programme type, which is why the figures can be considerably lower.*

### **Modification 3: Ex-ante conditionalities**

Assessment of the fulfilment of the ex-ante conditionalities will be a new task for Member States under cohesion policy (see article 17 and Annex IV of the proposed new Common Provisions Regulation).

However a distinction needs to be made between:

1. costs of actions needed to fulfil the ex-ante conditionalities, which do not necessarily stem from requirements under cohesion policy;
2. costs associated with the assessment of the fulfilment of ex-ante conditionalities and with the presentation of the results of this assessment, which are derived from regulatory requirements proposed for 2014-2020 under cohesion policy.

In many cases Member States should, in principle, take action to fulfil the ex-ante conditionalities regardless of the legislative requirements under cohesion policy. This is the case for many thematic, but also general ex-ante conditionalities, in particular those which concern the transposition and implementation of EU legislation or the implementation of existing EU policies. Thus in general the fulfilment of ex-ante conditionalities in itself would not entail substantial additional obligations stemming from requirements under cohesion policy. Where ex-ante conditionalities do entail certain additional actions e.g. an adjustment of national or regional plans, strategies or other documents, the workload associated with these tasks would vary across Member States depending on the extent of fulfilment of conditionalities and additional actions needed.

Administrative workload would thus be limited in several cases to the assessment of the fulfilment of ex-ante conditionalities and where necessary, providing an overview of the actions to be taken to ensure the fulfilment of these. Given that not all ex-ante conditionalities would be applicable to all programmes, the costs associated with this assessment could depend on the (thematic) coverage of each programme.

It can be assumed that the workload needed to prepare or modify strategic documents will not exceed that necessary to carry out ex-ante evaluations. On this basis, and taking the costs of ex-ante evaluation as a proxy, it is estimated that the compliance with regulatory requirements related to ex-ante conditionalities will require in total, i.e. for all programmes and Member States, approx. 165 person years. Translating this into monetary terms, the administrative costs for national and regional authorities would amount to approx. 15 million EUR.

As explained above, the real costs will depend on the extent to which Member States already fulfil the proposed ex-ante conditionalities proposed and may be more limited than the estimate presented if many Member States already have the necessary arrangements in place.

## 3.2 Financial management and control systems - Accreditation

In general the introduction of a national accreditation procedure and an accrediting authority in Cohesion Policy has received mixed responses. Respondents have expressed a concern that there could be the risk of increased gold plating if the Commission withdraws and leaves the full responsibility for management and control systems to the national and regional authorities. It was highlighted that in some countries such as Germany and Sweden the implementation of such an approach may even pose legal problems.

On the other hand the merger of the MA and CA functions is expected to result in a considerable reduction of the administrative workload. Nevertheless, the proposed change has also been met with mixed reactions: whereas some authorities clearly consider it a simplification and reduction of overlapping responsibilities, others feel that there is a necessity for a separation of the MA and CA tasks even within the Accredited Body, which might reduce expected savings.

### **Modification 4: Establishment of a single body responsible for management and control (Accredited Body)**

The body responsible for management and control (Accredited Body) would perform the tasks of the MA and most tasks of the current CA. The certification process would be altered by the introduction of the clearance of accounts at the end of each year, entailing submission of annual accounts and of an annual declaration by the accredited body, supported by an audit report and opinion by an independent audit body. This relates to articles 64, 75, 76, 113-117 and 128-130 of the proposal for the Common Provisions Regulation 2014-2020.

This modification is optional and at the present stage the figures indicate the maximum changes expected assuming that the option is widely used.

Overall workload would decrease as (potentially duplicating) checks of beneficiaries by an independent CA would no longer be needed. Furthermore, some efficiency gains might be expected as functions currently independently performed by two different authorities can be taken care of by one single body (e.g. there would be no need for two different bodies to build and maintain similar competencies). With the merger of the functions into one body, one senior manager position may no longer be required.

At the same time, the obligation for the Accredited Body to submit an annual management declaration and annual accounts establishes new tasks. As the data to be provided with the annual accounts is comparable to that included in the current statements of expenditure and annual statements of amounts withdrawn, recovered amounts and pending recoveries, the change in workload is expected to be limited. However, the synthesis report containing data on the first level controls carried out and their follow up, which would accompany the management declaration, could involve additional workload.

Also, it is envisaged that the audit opinion would cover the management declaration prepared by the accredited body, and that the accuracy of annual accounts compiled by the accredited body after the end of the accounting year would also be audited. For these reasons, and considering that the scheduling of audit work and the period covered by audit work would also change, the AA's workload is expected to increase on an annual basis.

The interviewees considered that savings might also be partially offset by:

- transaction costs due to transfer of competences and people;

- in some cases, the potential for saving might be offset by specific national arrangements. Especially in those MS where CA tasks are carried out by a single body at the national level, splitting of CA functions among the different (regional) Accredited Bodies might bring additional costs;
- in order to provide the annual management declaration, the accredited body would probably have to adjust internal audit processes, which might also increase workload.

Regardless, the overall picture suggests a considerable decrease in administrative workload. The final outcome in terms of the reduction in administrative costs will depend on how and to which extent the present tasks of the CA will need to be carried out.

In total, this change might allow for a reduction of approx. 4.3% of the total workload, i.e. 7,000 person-years spread over all ERDF programmes. In relative terms, the highest reduction could be expected for territorial cooperation programmes, followed by the convergence programmes. At the same time, managers of regional programmes expect to benefit more from this change than those of sectoral programmes. This is also in line with the observation that this change will imply a larger reduction of the administrative workload for smaller programmes than for larger ones.

Table 6. Accredited Body: reduction in workload and costs

Accredited Body (merger of MA and CA)		
<b>EU</b>		
<b>Change in EUR</b>		-500,000,000
<b>Change in person years</b>		-7,000
<b>Change in %</b>		-4.3
<b>Sample</b>		
	<b>Programme types</b>	<b>Change in %</b>
<b>Programme</b>	<b>CONV</b>	-3.14
	<b>RCE</b>	-2.89
	<b>ETC</b>	-4.62
<b>Thematic</b>	<b>SEC</b>	-2.85
	<b>REG</b>	-3.41
	<b>CBC</b>	-4.62
<b>Financial volume</b>	<b>Large</b>	-2.96
	<b>Small</b>	-4.60
<b>Admin staff</b>	<b>Low share</b>	-3.82
	<b>High share</b>	-2.61
	<b>Few</b>	-3.75
	<b>Many</b>	-2.99
<b>EU15/12</b>	<b>12</b>	-2.70
	<b>15</b>	-4.12

*In order to increase comparability, the percentage figures are related to the total administrative workload of the involved programmes, as identified in SWECO (2010). The changes in EU level data are extrapolated based on a weighted average of the sample data considering the actual size of a programme, whereas figures at sample level data are a simple average of programmes in each programme type, which is why the figures can be considerably lower.*

ETC respondents stressed the need for a specific solution for territorial cooperation OPs. Currently, most programmes rely on national CAs operating on a country basis. This is because it is difficult for the CA to perform its activities abroad. With the envisaged merging of MA and CA, new arrangements have to be established to prevent delays in setting up the systems.

Respondents in some new MS stressed the fact that the role of CA is currently crucial for ensuring the regularity of the expenditure. Centralization of the system of certification provides homogeneity, technical reliability, at the same time ensuring independence of certification. Merging of the MA and CA functions might have adverse effects on transparency in these countries.

In addition the difficulties related to transition from one programming period to the next were stressed - the new system would have to be run in parallel with that for the current period for a period of two years. As the CA has currently to be independent from MA, this could prevent, according to some of the interviewees, the transfer of competences from current CA to future Accredited Body.

#### **Modification 5: Ex ante assessment of management and control systems**

The proposal for the period 2014-2020 envisages a system where a national or regional Accrediting Authority undertakes an ex-ante review of the financial management & control systems on the basis of an independent audit. The accreditation decision by this Authority is based on criteria established at the EU level, similar to those used for the compliance assessment in 2007-2013. The Commission could, in certain circumstances, undertake an ex-post review of the national (regional) accreditation process. However this review would be organised in a proportionate manner and thus would not be carried out for programmes with a small financial volume (250 MEUR and below), and where the audit authorities and management and control system are considered reliable in 2007-2013. This relates to articles 64 and 117 of the proposal for the new Common Provisions Regulation.

In general the interviewees expect mainly, that this will only result in minor changes of the administrative workload. However, there are some variations. While some programmes see possibilities for a reduction, others see the risk of increased administrative workload. Indeed, in some cases the interviewees expect an increased workload, especially for those management & control systems involving several intermediate bodies.

Generally, the regional programmes in EU15 fear an increased workload, while sector programmes see potential for a workload reduction. Overall, this change might imply a minor decrease of approx. 0.03% of the total workload, i.e. 35 person-years spread over all ERDF programmes.

The issue of proportionality and the exclusion of small programmes have not been taken up by the respondents and is not reflected in the responses. Largely there seems to be uncertainty as to what that option really entails and its future consequences.

Table 7. Accreditation: reduction in workload and costs

Accreditation and proportional Commission review		
<b>EU</b>		
<b>Change in EUR</b>		-500,000
<b>Change in person years</b>		-35
<b>Change in %</b>		-0.03
<b>Sample</b>		
	<b>Programme types</b>	<b>Change in %</b>
<b>Programme</b>	<b>CONV</b>	-0.02
	<b>RCE</b>	0.01
	<b>ETC</b>	0.00
<b>Thematic</b>	<b>SEC</b>	-0.05
	<b>REG</b>	0.03
	<b>CBC</b>	0.00
<b>Financial volume</b>	<b>Large</b>	-0.02
	<b>Small</b>	0.01
<b>Admin staff</b>	<b>Low share</b>	-0.06
	<b>High share</b>	0.01
	<b>Few</b>	-0.11
	<b>Many</b>	0.00
<b>EU15/12</b>	<b>12</b>	-0.03
	<b>15</b>	0.03

*In order to increase comparability, the percentage figures are related to the total administrative workload of the involved programmes, as identified in SWECO (2010). The changes in EU level data are extrapolated based on a weighted average of the sample data considering the actual size of a programme, whereas figures at sample level data are a simple average of programmes in each programme type, which is why the figures can be considerably lower.*

Respondents believe that learning from the current period should help in reducing administrative workload for the tasks. The idea of an assessment together with the Commission at an early stage of the programmes was appreciated as it provides more certainty for the implementation of the OPs.

Respondents also emphasized that actual savings will depend on the degree of change of the management and control system. An overhaul of management and control systems would reduce actual savings.

### **Modification 6: Set up and operation of the Accrediting Authority**

After the initial accreditation, the accrediting authority would oversee the work of the accredited bodies and suspend or withdraw the accreditation if needed. Interim payments are conditional on national accreditation of the body responsible for management and control. The Accrediting Authority may rely completely on the work of the Audit Authority and other sources and does not need to perform direct controls itself. This relates mainly to article 64 in the proposal for the new Common Provisions Regulation.

Running the Accrediting Authority can certainly involve some additional workload but this is expected to be minor, especially if the Accrediting Authority would not perform additional direct controls by itself but rely on the work of the Audit Authorities.

This change might imply an increase of about 0.27% of total workload, i.e. 444 persons years over all ERDF and CF programmes. This corresponds to an increased cost of about EUR 59 million (or +0.51% in percentage terms). These figures involve a high degree of uncertainty, as the implementation details of this proposal are still to be elaborated.

It is expected that the running of the Accrediting Authority involves additional workload especially in federal Member States opting to have one Accrediting Authority - a new body – in each region / programme.

Feedback collected from the interviewees suggests the need for the regulation to clearly state the role of new authority to avoid duplication of controls and overlapping of tasks. The tasks of the Accrediting Authority (general and political oversight) should be clearly distinguished from those of the AA (systematic checks and controls of the reliability of the system), if more significant increase of administrative workload and costs is to be avoided.

Interviewees believe there is a substantial risk that Accrediting Authorities may go beyond the regulatory requirements and their tasks begin to overlap with the tasks of the Audit Authorities. This could create a duplication of costs for controls and a loss of legitimacy and confidence for the Audit Authorities.

Some respondents suggested a risk for the independence of the Accrediting Authorities, in those cases where these would be established at the regional level.

### 3.3 Financial management and control systems - Closure

#### Modification 7: Increased frequency of closure

The Accredited Body would submit a list of finalised projects together with the final eligible amounts declared per operation with the annual accounts. Operations where problems have not been detected, or have been corrected, would be closed with the decision of the clearance of accounts by April following the accounting year. This relates to articles 131-133 in the proposal for the new Common Provisions Regulation.

Since closure would no longer be a self-standing exercise, and as the information for closure would be submitted with regular annual reporting, the related administrative workload might be reduced in principle. The change could also generate an important psychological effect in terms of greater legal certainty. The modification should be read in conjunction with the simpler rules for the retention of documents (see modification no 8).

Largely, the idea of a rolling closure is understood as a solution aimed at reducing the administrative burden for the beneficiaries. However, at programme level, there are various concerns about the actual implementation and detailing of this procedure.

About half of the interviewees take an optimistic view that this would only imply a change in timing of the closure work and the total workload would remain the same when considering partial and final closure together. The other half expects an increase in administrative workload related to closure as compared to the present period.

The interviewees have also frequently expressed concern over the mandatory nature of the annual closure and have felt that it would be more feasible and preferable to apply it as an optional approach.

Overall, this change might imply an increase of approx. 0.16% in total workload, i.e. 240 person-years spread over all ERDF and CF programmes. However, the substantial divergence in the opinions of respondents indicates a considerable degree of uncertainty about the impact of the modifications proposed.

Respondents have emphasised the need to simplify the closure procedure to avoid a simple replication of the current "one-off" closure of 7 year programmes on annual basis, which would indeed lead to higher administrative costs. The legislative proposals for the period 2014-2020 have envisaged an entirely different procedure, which is simpler. However the respondents did not possess all the details on this procedure at the time of the interviews. Thus the responses may also reflect doubts about the potential for simplification and uncertainty of how the new requirements would be rolled out in practice.

Respondents expect an increase of administrative workload in the sector programmes under the convergence objective. While in relative terms the territorial cooperation programmes also show very high figures, these are mainly due to the small size of administrations, where an increase by one person-year results in considerable relative changes. Overall, financially voluminous programmes – mainly convergence and sectorial programmes – argue that this change is likely to increase their workload. The responses of the financially smaller programmes provide a rather mixed picture where some programmes expect a reduction whereas others expect an increase in workload. These mixed responses balance out each other, indicating almost no change in total for financially small programmes.

Albeit the responses do not allow definitive conclusions on the evolution of the workload and administrative costs, the effect on total administrative costs in any case remain limited, considering that the costs associated with closure of programmes are rather modest compared to some other functions.

If for some aspects the overall workload might remain the same as in 2007-2013 but would be spread differently over the years, the rolling closure might also increase the administrative costs due to:

- training and start up costs linked to the establishment of a new system;
- possible requirements of formal acts to be issued by the administrations on a rolling basis e.g. in case a closure declaration would be required;
- due to the fact that expenditure in programmes tends to be in the second half of the programming period, the exercise would be concentrated at the end of the period, as is the case in 2007-2013. This is more evident for ETC, where there are few calls to select projects, and for programmes focusing on infrastructure projects.

In the view of some of the respondents, it is important that the information requirements regarding the “closed projects” are kept at a minimum level, as the need to collect and process additional information might significantly increase administrative costs.

The overlap of two programming periods with different closure procedures is generally viewed by the interviewees as a source of additional costs, potentially requiring extra staff.

In addition, some respondents were concerned that rolling closure would bring some rigidity compared to the way expenditure is currently certified, implying a potentially increased risk of de-commitment.

#### **Modification 8: No audits or corrections after 3 years starting from closure**

The retention of documents requirement and the period for ex-post audits and financial corrections by the Commission and the Court of Auditors would lapse within 3 years of the (rolling) closure of the operation.

As the audit period would lapse within a shorter time, the likelihood that documents are lost and that the audit trail is compromised over time is reduced (this would also lead to a reduction of the error rate). This could in turn reduce the workload related to the detection and correction of irregularities.

The expectations are rather mixed, as the final consequences are largely related to the details of the implementation as well as national laws and regulations. As the table shows, the interviewees provided mixed responses from a clear increase of the administrative workload, e.g. for convergence programmes, to clear decrease e.g. for some of the smaller programmes under the regional competitiveness objective. An increase is mainly expected for larger convergence programmes, and within that area, mainly sector programmes. This is due to the fact that respondents for some convergence programmes fear that increased frequency of closure could reflect in strengthened controls by the Member States, concerned with the possibility of more thorough controls by the EC and potential net corrections.

Overall, this might suggest an increase of approx. 0.27% of the total workload, i.e. 450 person-years over all ERDF programmes.

Workload and cost changes for the modifications, as shown in Table 8, should be read in conjunction with the expected burden reduction for the beneficiaries due to the

shorter retention period (see paragraph 4.5 for further details), as the primary objective of this modification would be simplification for the beneficiaries.

Table 8. Increased frequency of closure: workload and costs changes

		Closure of finalised operations on rolling basis	No financial audits or corrections after 3 years.
<b>EU</b>			
<b>Change in EUR</b>		7,000,000	13,000,000
<b>Change in person years</b>		240	450
<b>Change in %</b>		0.16	0.27
<b>Sample</b>			
	<b>Programme types</b>	<b>Change in %</b>	<b>Change in %</b>
<b>Programme</b>	<b>CONV</b>	0.15	0.30
	<b>RCE</b>	0.02	-0.01
	<b>ETC</b>	0.53	0.33
<b>Thematic</b>	<b>SEC</b>	0.19	0.26
	<b>REG</b>	0.02	0.20
	<b>CBC</b>	0.53	0.33
<b>Financial volume</b>	<b>Large</b>	0.14	0.29
	<b>Small</b>	0.01	-0.32
<b>Admin staff</b>	<b>Low share</b>	0.19	0.64
	<b>High share</b>	0.08	-0.04
	<b>Few</b>	0.22	-0.69
	<b>Many</b>	0.11	0.40
<b>EU15/12</b>	<b>12</b>	0.15	0.32
	<b>15</b>	0.05	0.00

*In order to increase comparability, the percentage figures are related to the total administrative workload of the involved programmes, as identified in SWECO (2010). The changes in EU level data are extrapolated based on a weighted average of the sample data considering the actual size of a programme, whereas figures at sample level data are a simple average of programmes in each programme type, which is why the figures can be considerably lower.*

Overall, the quantitative results are also explained by the investments (e.g. changes in the IT systems) and adaptation (e.g. selection of the audit sample) which respondents expect to be needed to comply with the proposed change. At the same time interviewees see potential for faster and less resource intensive audits by the AA, as possible problems stemming from staff turnover at the beneficiaries would be avoided.

Risks identified by the respondents include a potential increase in the error rate if the time for checks and controls by national authorities was to be shortened.

### 3.4 Programme implementation

#### Modification 9: Greater thematic concentration

Mechanisms would be put in place to ensure a greater thematic focus on selected objectives.

The focus of future OPs on a limited number of objectives would influence the range of thematic knowledge needed within the programme management, and affect the exercise of various management tasks. It may affect the number of institutions involved in programme management and the cost involved in the development and management of grant schemes. This relates to article 9 of the proposal for the new Common Provisions Regulation.

Some gains are possible at the OP management level, with fewer criteria for the selection of operations, fewer procedures for the implementation of grant schemes, and fewer state aid schemes.

Overall, thematic concentration might allow for a reduction of approximately 2.28% of the total workload, i.e. 3,760 person-years spread over all ERDF programmes.

Table 9. Thematic concentration: reduction in workload and costs

Thematic concentration		
<b>EU</b>		
<b>Change in EUR</b>		-100,000,000
<b>Change in person years</b>		-3,760
<b>Change in %</b>		-2,28
<b>Sample</b>		
	<b>Programme types</b>	<b>Change in %</b>
<b>Programme</b>	<b>CONV</b>	-2.40
	<b>RCE</b>	-0.62
	<b>ETC</b>	-0.40
<b>Thematic</b>	<b>SEC</b>	-3.27
	<b>REG</b>	-0.18
	<b>CBC</b>	-0.40
<b>Financial volume</b>	<b>Large</b>	-2.06
	<b>Small</b>	-1.10
<b>Admin staff</b>	<b>Low share</b>	-1.05
	<b>High share</b>	-2.62
	<b>Few</b>	-1.52
	<b>Many</b>	-2.06
<b>EU15/12</b>	<b>12</b>	-2.55
	<b>15</b>	-0.51

*In order to increase comparability, the percentage figures are related to the total administrative workload of the involved programmes, as identified in SWECO (2010). The changes in EU level data are extrapolated based on a weighted average of the sample data considering the actual size of a programme, whereas figures at sample level data are a simple average of programmes in each programme type, which is why the figures can be considerably lower.*

In the view of the respondents, thematic concentration is expected to decrease administrative costs in particular because:

- it simplifies project selection: the MA can adopt same methodologies or criteria for similar types of interventions;
- fewer bodies are involved: it implies a decrease in the time spent in communication and coordination.

As identified by some the interviewees, factors limiting the positive impact of this modification are:

- a great deal of complexity is linked to the specific types of interventions (e.g. financial engineering tools ) rather than field of interventions;
- more focused interventions might also mean more analysis and require high-level (external) technical support.

In the perspective of some of the respondents, concentration might reduce flexibility of the OPs. As a consequence:

- more time might be needed to react to changing external conditions (e.g. economic crisis); in the recent experience programmes easily re-shaped to adapt to the new needs;
- it might make it more difficult for programmes to find a sufficient amount of eligible operations of satisfactory quality, which could in some cases result in an increased risk of de-commitment.

### **Modification 10: Simpler rules for projects**

Overall the idea of simplifying eligibility rules and rules for revenue generating projects was welcomed. However, the expectations and implications varied reaching from stricter rules and criteria to be settled at EU level to leaving it to the Member States. Last but not least, the clarity of the regulations in the field and the timing for the definition of the regulatory framework, are the key points which determine whether simplification efforts result in a reduction of the administrative costs or not.

#### 1) Eligibility rules

This change implies the introduction of flat rates for indirect costs, for which a methodology is not required. Furthermore, it includes the possibility to refer to simplified costs used in other EU instruments. A harmonisation of eligibility rules across structural funds as well as EAFRD and EMFF is envisaged. The change also includes a common set of eligibility rules at the EU level for European Territorial Cooperation. These changes relate to articles 55-61 of the new Common Provisions Regulation and to the Regulation on European Territorial Cooperation.

Simpler rules for eligibility of expenditure would affect a wide range of managing tasks. This could reduce the MA workload for drafting guidelines, workload for first level checks and management of eligible expenditure at project level. Details will depend on the actual rules to be applied.

The reduction in % per task is expected to be small. Nevertheless, as the change would affect several major tasks, it is expected to have a significant result, especially for soft and smaller projects (R&D, innovation, etc.).

The simplification is also expected to generate positive incentives for programme authorities, due to the fact that burdensome verification of small expenditure (e.g. overheads) documentation could be reduced.

This modification might allow for a reduction of approximately 2.14% of the total workload, i.e. 3,520 person-years spread over all ERDF programmes. The distribution over different programmes shows that sector programmes under the convergence objective are expected to benefit most from this change. In addition there are some smaller regional programmes which expect a large benefit from this, which is the reason why small programmes stand out in the following table.

In particular, the possibility of using flat rates without a methodology to underpin them is regarded by MA as a promising innovation even though they stress that the rate should be set high enough to cover a relevant share of overhead costs.

In the perspective of the interviewees, the use of standard costs is seen as more useful for “soft” (R&D and innovation) and small projects, while large infrastructure projects are considered to be out of the scope of such simplification.

The figures provided largely depend on the assumption about the clarity of the regulations.

In particular, some interviewees stressed that the possibility to transfer standard cost methodologies from other European Instruments has to be clearly identified at an early stage since risk of misinterpretation could deter MA from their implementation.

In the view of some respondents, flat rate which is too low can create a “reverse discrimination” for high quality and complex projects, which may have higher overhead costs. At the same time, some concerns were raised that MS could overrule EU requirements and demand stricter requirements for indirect costs.

## 2) Changes in the treatment of revenue generating projects

The exemptions for state aid and financial engineering instruments would be maintained. In some cases, the support granted to revenue generating projects could be determined by applying a fixed rate set in the regulation with a sector based differentiation. This would be an option alongside the funding gap methodology used in 2007-2013. Where these fixed rates are used, requirements for the ex-post monitoring of revenues would not apply. This relates to article 54 of the proposal for the new Common Provisions Regulation.

The discussion about simplification for revenue-generating projects involved a lot of uncertainty as regards possible changes. For the most part, the interviewees feared that it would be difficult to achieve improvements in terms of reduced administrative workload. Potential for a reduction was seen in only four cases, ranging from -5% to -20% with regard to the related tasks. Overall, this change might allow for a reduction of approx. 0.02% of the total workload, i.e. 40 person-years spread over all ERDF programmes.

The main remark of the interviewees is that the potential of projects to generate revenues shall be assessed in any case, to understand sustainability, and this requires a financial analysis.

In the view of the respondents, workload and cost decrease will depend very much on the final formulation of the regulations.

Table 10. Simpler rules for projects: reduction in workload and costs

		Simpler rules for projects - eligibility rules	Simpler rules for projects - revenue generating projects
<b>EU</b>			
<b>Change in EUR</b>		-111,000,000	-1,000,000
<b>Change in person years</b>		-3.520	-40
<b>Change in %</b>		-2.14	-0.02
<b>Sample</b>			
	<b>Programme types</b>	<b>Change in %</b>	<b>Change in %</b>
<b>Programme</b>	<b>CONV</b>	-1.93	-0.03
	<b>RCE</b>	-1.63	0.00
	<b>ETC</b>	-1.07	0.00
<b>Thematic</b>	<b>SEC</b>	-2.51	-0.03
	<b>REG</b>	-0.93	-0.01
	<b>CBC</b>	-1.07	0.00
<b>Financial volume</b>	<b>Large</b>	-1.73	-0.02
	<b>Small</b>	-3.09	-0.01
<b>Admin staff</b>	<b>Low share</b>	-1.65	-0.02
	<b>High share</b>	-1.99	-0.02
	<b>Few</b>	-3.01	-0.06
	<b>Many</b>	-1.65	-0.01
<b>EU15/12</b>	<b>12</b>	-2.04	-0.03
	<b>15</b>	-1.38	0.00

*In order to increase comparability, the percentage figures are related to the total administrative workload of the involved programmes, as identified in SWECO (2010). The changes in EU level data are extrapolated based on a weighted average of the sample data considering the actual size of a programme, whereas figures at sample level data are a simple average of programmes in each programme type, which is why the figures can be considerably lower.*

### Modification 11: Introduction of e-cohesion systems

The Member States would need to ensure that all information exchanges between the administration and the beneficiaries could be done by electronic data exchange. This relates to article 112 of the proposal for the new Common Provisions Regulation.

The e-cohesion proposal was met with very mixed responses. While some interviewees said that they have almost met this objective, others indicated that they have made attempts in that direction, but given up. Frequent references were made to the Clearing House Study<sup>16</sup> and the related debate at the European level.

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<sup>16</sup> 'Explorative study in preparation of the possible future development of central Clearing Houses for Cohesion Policy reporting at national/regional level'. The study was carried out in 2010 on the behalf of the European Commission – Directorate General for Regional Policy in collaboration with Directorate General for Employment, Social Affairs and Equal Opportunities.

Overall, an immediate introduction of e-cohesion arrangements was deemed difficult even by some of the interviewees with systems already in place, as it takes time to adjust the system to the new regulations and programmes. Furthermore, it was sometimes questioned whether it makes sense for every programme or country to develop its own system or whether it would be more sensible to organise concerted public procurement for groups of similar programmes (e.g. cross-border programmes) to reduce development costs.

The following figures address changes during the next programming period, i.e. they are based on assumptions about what would be achieved until the end of the present period. It should be noted that the Clearing Houses Study concentrated on the administrative burden at the level of beneficiaries, while the figures below concern the administrative costs and workload at programme level (i.e. for national and regional authorities).

Most programmes do not expect substantial administrative workload reductions because of e-cohesion systems. Either they already have the systems in place or expect that the time and efforts to get it up and running would balance out the savings. Indeed, as the Clearing Houses Study has illustrated, most Member States have now set up electronic systems to support the administration of ERDF and CF.

A reduction of the workload is expected in only a few cases and the overall figures presented below are heavily influenced by the Romanian responses. They expect considerable reduction in their administrative workload through the introduction of an e-cohesion system. This explains also, why the highest reductions are expected for large sector programmes under the convergence objectives.

The mixed responses and various stages of advancement in the Member States provide a total picture where an improvement of the e-cohesion system at programme level may indicate a reduction of the total administrative workload by 2.04% (i.e. 3,350 person-years), while about 2.16% or 3,560 person-years may be saved as a result of an enhanced electronic exchange of information between beneficiaries and programme bodies.

Table 11. e-cohesion: reduction in workload and costs

		E-cohesion systems - programme administration	E-cohesion systems - beneficiaries
<b>EU</b>			
<b>Change in EUR</b>		84,000,000	-94,000,000
<b>Change in person years</b>		-3,350	-3,560
<b>Change in %</b>		-2.04	-2.16
<b>Sample</b>			
	<b>Programme types</b>	<b>Change in %</b>	<b>Change in %</b>
<b>Programme</b>	<b>CONV</b>	-2.28	-2.23
	<b>RCE</b>	0.00	-0.56
	<b>ETC</b>	-1.37	-3.09
<b>Thematic</b>	<b>SEC</b>	-2.77	-2.82
	<b>REG</b>	-0.33	-0.46
	<b>CBC</b>	-1.37	-3.09
<b>Financial volume</b>	<b>Large</b>	-1.84	-1.87
	<b>Small</b>	-1.01	-1.89

		E-cohesion systems - programme administration	E-cohesion systems - beneficiaries
<b>Admin staff</b>	<b>Low share</b>	-0.37	-1.63
	<b>High share</b>	-2.72	-2.04
	<b>Few</b>	-1.09	-1.41
	<b>Many</b>	-1.88	-1.95
<b>EU15/12</b>	<b>12</b>	-2.43	-2.37
	<b>15</b>	0.00	-0.46

*In order to increase comparability, the percentage figures are related to the total administrative workload of the involved programmes, as identified in SWECO (2010). The changes in EU level data are extrapolated based on a weighted average of the sample data considering the actual size of a programme, whereas figures at sample level data are a simple average of programmes in each programme type, which is why the figures can be considerably lower.*

At programme level e-cohesion systems are considered by some authorities as a source of savings especially as duplication of information and document requests could be avoided.

However, several programmes do not expect any administrative cost reductions as:

- in some countries developed electronic systems are already in place;
- significant investments are required and the systems will require time before being implemented;
- maintenance and security can be expensive;
- there will be additional training costs for beneficiaries;
- national legislation requires paper based documents for some purposes.

Investment costs for the establishment of e-cohesion systems would vary depending on final regulatory requirements, current status of electronic systems available, as well as the complexity of the management and control arrangements at the OP level e.g. number of bodies involved in management and control.

In general terms, initial investment costs are expected to range from some hundreds of thousands of Euro to several million. In addition, feedback from the respondents suggests that e-cohesion investment costs would range from less than 1% to 6-7% of total administrative costs at the OP level with relevant economies of scale i.e. percentage costs are expected to be lower for programmes with higher total administrative costs. It must be noted that the figures provided mainly refer to the establishment of the systems, and do not include additional costs related to training, security and maintenance.

Some authorities also emphasized that additional investment costs will be needed in any case to adapt IT systems to future procedures and regulatory requirements.

If transmission of information and documents is required in hard copy in addition to the electronic exchange, reduction of costs would not be possible. This situation makes the achievement of the expected benefits particularly challenging, since many countries still require paper based documents and signatures in their national legislation. Legislative input at EU level seems to be necessary in this regard.

In most countries management information systems are in place and advanced functionalities are added to these systems incrementally. The process of development is very complex since it involves not only technical but also cultural and organizational changes. It is the general view of the respondents that, if the regulation included strict

and rigid technical requirements, this might greatly increase investment costs for IT systems and familiarization.

In addition, feedback from the interviewees suggests that in some (federal) countries communication between central and regional levels is more a political than a technical issue.

### 3.5 Evaluation and monitoring

The proposed changes comprise various points with regard to monitoring and evaluation. For this study, it was decided to focus on the effects of putting in place a system of common indicators and leave aside the possible changes regarding the ex-ante and on-going evaluation, as the preliminary assessment indicated that these would not be associated with major changes in administrative costs or burdens.

#### Modification 12: Focus on common output indicators

Monitoring indicators would be focused on common output indicators which would be harmonised across the EU, plus some programme-specific indicators to be used where appropriate. Result indicators would be required but the choice of indicators would be free. This relates to article 6 of the proposed new ERDF regulation, article 4 of the proposed new CF regulation and article 15 of the proposed new ETC regulation.

A simplified and suitable indicator system should reduce the workload for monitoring and preparation of the annual monitoring reports, as the identification and interpretation of indicators would be simpler.

For the development of the OPs, ready-to-use indicator lists and limiting basic information requirements for common indicators should also imply a simplification compared to the current practice.

Two-thirds of the interviewees did not expect the proposed changes to have a major impact on their workload related to indicators. However, the rest expected possible reductions of up to 30% of the workload related to indicators. Overall, this change might allow for a reduction of approx. 0.8% of the total workload, i.e. 1,340 person-years spread over all ERDF programmes. Excluding extreme responses, which can be considered as outliers, the figure would be lower.

The biggest reductions in workload would be anticipated in sector OPs under the convergence objective. These programmes tend to be financially large and have high total administrative costs, but these form a small share of their programme budget.

Table 12. Focus on common output indicators: reduction in workload and costs

Focus on common output indicators		
<b>EU</b>		
<b>Change in EUR</b>		-43,000,000
<b>Change in person years</b>		-1,340
<b>Change in %</b>		-0.78
<b>Sample</b>		
	<b>Programme types</b>	<b>Change in %</b>
<b>Programme</b>	<b>CONV</b>	-0.19
	<b>RCE</b>	-0.33
	<b>ETC</b>	0.00
<b>Thematic</b>	<b>SEC</b>	-0.19
	<b>REG</b>	0.00
	<b>CBC</b>	0.00

Focus on common output indicators		
<b>Financial volume</b>	<b>Large</b>	0.00
	<b>Small</b>	0.00
<b>Admin staff</b>	<b>Low share</b>	0.00
	<b>High share</b>	0.00
	<b>Few</b>	0.00
	<b>Many</b>	0.00
<b>EU15/12</b>	<b>12</b>	-0.04
	<b>15</b>	-0.06

*In order to increase comparability, the percentage figures are related to the total administrative workload of the involved programmes, as identified in SWECO (2010). The changes in EU level data are extrapolated based on a weighted average of the sample data considering the actual size of a programme, whereas figures at sample level data are a simple average of programmes in each programme type, which is why the figures can be considerably lower.*

In the view of the respondents, focus on common output indicators defined at the EU level might generate some saving due to:

- a reduced need for hiring external consultants to elaborate indicators;
- easier monitoring.

However, in most cases the current workload is not perceived as especially burdensome. In addition, the necessity to have more detailed indicators tailored on programme specificities and evaluation needs might even result in an increase of workload.

It is the general view of the respondents that, in order to achieve administrative workload savings, common indicators should be available in the programme preparation phase and not be changed afterwards.

Some concerns were raised that, as proposed common indicators will have to be sufficiently general to include all the project types potentially implemented under Cohesion Policy, this might reduce their usefulness.

### **Modification 13: Performance framework**

The change includes establishment of the performance framework, carrying out performance reviews in the Member States in 2017 and 2019, as well as allocation of the performance reserve.

The establishment of milestones and targets for the performance framework and the collection of achievement figures are estimated to generate minor, if any, additional costs. This is because already in the period 2007-2013 Member States need to include indicators, along with targets, in the operational programmes and are obliged to report on achievement levels for those indicators. The performance framework shall constitute a sub-set of programme indicators, and will be constructed largely around common indicators established at EU level and already used for the monitoring of the programme. Therefore setting up a performance framework does not require substantial additional effort, albeit an improvement in the quality of the indicators may be sought. Given the stronger focus on performance, it is assumed that some Member States may need to invest more in target setting and undertake more annual in-depth analysis based on monitoring data to identify any issues that may affect performance.

Once during the programming period, in 2019, the performance framework should be the basis for the allocation of the performance reserve. The costs of this exercise are difficult to assess, as they depend on the arrangements that Member States opt for at national and regional level and they may vary from zero (where the reserve is not allocated) to notable if the programming exercise is undertaken in a complex manner. It is however assumed that given the limited amounts involved (5% of the allocation) the costs will not exceed 2% of the initial costs of programming and are very likely to remain below that level.

## 4. Analysis of administrative burden for beneficiaries

This chapter illustrates the findings of the data collection exercise at the level of the beneficiaries / operations.

- *Paragraph 4.1* provides an understanding of the main features of the operations analysed and the beneficiaries managing them;
- *Paragraph 4.2* illustrates the estimation of the current burden for the beneficiaries at the EU level in total and with reference to the specific tasks identified during the design of the methodology;
- *Paragraph 4.3* describes the estimation of the overall expected change in administrative burden at the EU level stemming from the proposed regulatory modifications;
- *Paragraph 4.4* analyses the impact of the proposed regulatory modifications at the level of information obligations for the beneficiary;
- *Paragraph 4.5* illustrates the impact and rationale of the proposed individual modifications.

The introduction of advanced e-Cohesion systems is analysed separately from the remaining regulatory modifications.

### 4.1 Analysis of the main features of operations and beneficiaries

During the data collection exercise, a total of 132 beneficiaries were interviewed, with operations referring to 22 OPs and 10 different countries<sup>17</sup>. The total investment of the operations reviewed amounted to **EUR 8.4 billion** with a total ERDF co-funding of about **EUR 4.5 billion**.

The following table illustrates the breakdown - in absolute and percentage terms - of the operations investigated per programme type:

*Table 13. Operations investigated per programme type*

Programme Type	No	No%
ERDF RCE	46	38%
ERDF Convergence	52	43%
CF	10	8%
ERDF ETC	13	11%
<b>Total</b>	<b>121</b>	<b>100%</b>

As regards the priority themes (which characterise the content of the intervention, as well as the sector), the three most represented categories are “Transport”, “Research

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<sup>17</sup> Out of 132 questionnaires collected, 121 included data suitable for quantitative analysis.

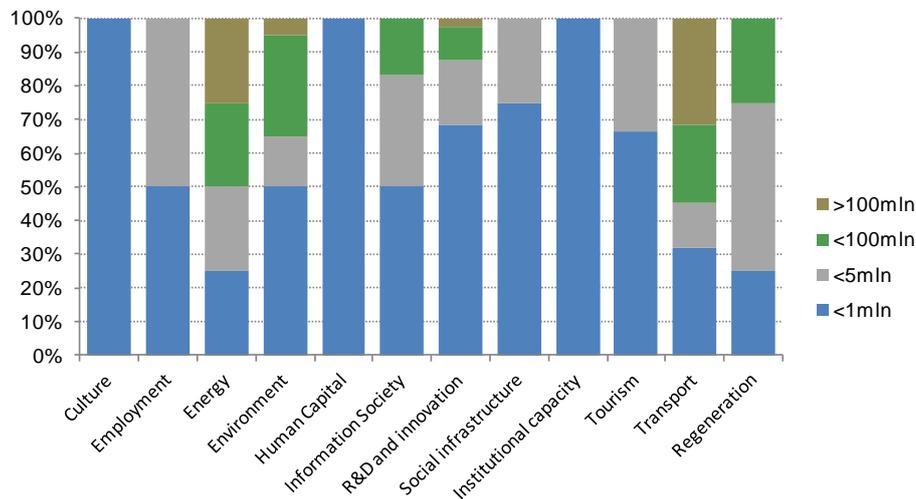
and technological development, innovation and entrepreneurship”, and “Environmental protection and risk prevention”. The percentage distribution by priority themes of the projects analysed is illustrated in more detail in the following table:

*Table 14. Distribution by priority themes of the projects analysed*

Priority	%
Culture	1%
Transport	19%
Employment and inclusion	2%
Energy	3%
Environment	17%
Improving human capital	1%
Information Society	5%
Social Infrastructure	3%
R&D and Innovation	36%
Institutional capacity	1%
Tourism	8%
Urban or Rural Regeneration	3%
<b>Total</b>	<b>100%</b>

The median ERDF / CF contribution to an individual project in the sample was **EUR 0.6 million** and the average **EUR 36.8 million** (the difference can be explained by a few large operations that bring up the average). The following bar chart illustrates the breakdown of the operations considered by priority theme and ERDF / CF contribution.

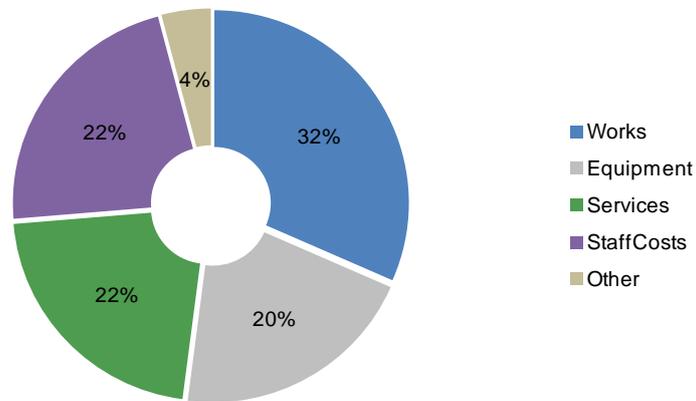
*Figure 3 – Operations by priority and amount of ERDF/CF contribution (EUR)*



As regards the expenses, the operations analysed showed a well-balanced distribution among the various expenditure categories identified (physical works, equipment, services, and staff costs).

The percentage distribution by main areas of expenditure is illustrated in the following pie chart. It must be noted that one or more areas of expenditure could have been indicated by an interviewee for each individual project.

Figure 4 – Operations breakdown by expenditure area



The following table summarizes the features of the beneficiaries in terms of their experience with Structural Funds and other EU instruments. In particular, figures in the table show the proportion of beneficiaries having other operations financed in the current programming period under the:

- ERDF or CF;
- ESF;
- EAFRD; or
- other EU instruments.

The share of beneficiary organisations which received ERDF or CF support in the previous programming period is also illustrated (last column of the table).

Figures are grouped by type of organization<sup>18</sup> or priority theme<sup>19</sup>, as well as the overall ratio is shown for the total number of beneficiaries in the sample (bottom line of the table).

While a majority of beneficiaries had previous experience with ERDF / CF operations, about 33% had projects financed under other EU instruments, approximately 25% had experience with ESF, and 8% had been involved in EAFRD operations.

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<sup>18</sup> Each organisation category includes different types of entities. In particular, non-profit organisations include foundations, universities, higher education institutes, and other not-for-profit entities; private business includes both publicly- and privately- owned companies; public and semi-public authorities include local, regional and central government bodies.

<sup>19</sup> To facilitate reading and focus on the most significant information, only priority themes with a minimum of four operations analysed are included in the table. The same approach was adopted whenever data are presented concerning administrative burden and changes in administrative burden by priority themes, unless explicitly stated otherwise.

As could be expected, experience with SF and other EU instruments was more common among public and semi-public authorities than among private businesses and non-profit organisations.

In addition, previous experience with ERDF appears to be below average for beneficiaries operating in the energy, information and society, and R&D and innovation priorities, and especially high for beneficiaries managing social infrastructure and urban or rural regeneration projects.

*Table 15. Proportion of sampled beneficiaries (by type of beneficiary and priority theme) who implemented other ERDF/CF operations or operations financed from other Union instruments in 2007-2013, and who had experience of ERDF/CF operations funded in the period 2000-2006.*

Organisation Type	ERDF or CF	ESF	EAFRD	Other EU	Previous ERDF/CF
Non-profit organisation	55%	23%	5%	32%	50%
Private business	68%	14%	2%	25%	45%
Public and semi-public authority	78%	40%	15%	38%	75%
Priority	ERDF or CF	ESF	EAFRD	Other EU	Previous ERDF/CF
Energy	75%	25%	0%	50%	50%
Environment	75%	30%	20%	35%	65%
Information Society	50%	17%	0%	17%	50%
R&TD and Innovation	66%	32%	7%	29%	46%
Social Infrastructure	75%	50%	25%	25%	100%
Tourism	67%	22%	0%	22%	67%
Transport	77%	14%	9%	45%	68%
Urban or Rural Regeneration	100%	50%	0%	50%	75%
<b>Total</b>	<b>70%</b>	<b>27%</b>	<b>8%</b>	<b>32%</b>	<b>60%</b>

Lastly, a total of **14 major** and **24 revenue-generating projects** were included in the sample.

## 4.2 Baseline for the administrative burden for the period 2007-2013

As explained in paragraph 2.4, in order to estimate the overall administrative burden at the EU level, weighted average burden figures of the analysed operations were calculated for each priority as a share of the ERDF/CF contribution; these values were then applied to the overall European distribution of ERDF / CF contribution by priority theme to obtain EU-wide figures. Weighted average burden indicates the average costs associated with managing the same amount of support under different priority themes, i.e. in different areas of intervention.

The following table illustrates the results of this exercise. Each of the priorities analysed is listed, together with the forecasted ERDF / CF financial allocation for the current programming period in absolute values (column header 'ERDF/CF') and as a percentage of total funding ('ERDF/CF %'). Weighted average burden<sup>20</sup> from the operations analysed is also illustrated ('Wght Avg'), which was multiplied by the ERDF / CF financial allocation to obtain the total administrative burden in EUR per priority ('Admin burden').

The last column of the table provides information on the contribution of the specific priority theme to the overall administrative burden at the EU-level ('Contribution'), i.e. the proportion of administrative burden related to the specific area of intervention out of total burden at the EU-level.

Table 16. Overall burden at the EU-level (extrapolation based on priority themes)

Priority Theme	ERDF/CF	ERDF/CF %	Wght Avg	Admin burden	Contribution
Energy	10,401,300,083	4%	0.3%	35,498,263	1%
Environmental protection and risk pre	48,772,355,152	20%	1.4%	664,795,292	18%
Information Society	14,589,297,827	6%	5.2%	759,857,272	20%
R&D, innovation and entrepreneurship	62,039,163,685	26%	1.7%	1,056,209,532	28%
Investment in social infrastructure	16,238,129,407	7%	1.5%	237,612,644	6%
Tourism	5,751,648,214	2%	6.0%	347,094,303	9%
Transport	74,718,544,569	31%	0.2%	185,186,777	5%
Urban and rural regeneration	9,961,148,391	4%	4.3%	430,053,462	12%
				2%	

According to this extrapolation method, the total burden at EU-level is equal to about **2%** of the total ERDF / CF contribution. In addition, considering that the priority themes analysed include more than 90% of the total ERDF / CF funding of the period - about 242 out of 268 EUR billion – total burden in absolute terms for the 2007-2013

<sup>20</sup> This is calculated as:

$$Wght\ Avg_j = \frac{\sum_{i=1}^n Burden_{ij}}{\sum_{i=1}^n ERDF\_CF_{ij}}$$

Where  $j$  is the priority being analysed

$ij = 1, \dots, n$  are the individual operations of priority  $j$

$Burden_{ij}$  and  $ERDF\_CF_{ij}$  are the burden and the ERDF/CF co-funding of the operation  $ij$  respectively, expressed in EUR.

can be estimated at about **5.4 EUR billion**<sup>21</sup>, which appears consistent with previous measurements. As could be expected, the highest contribution to the overall burden at the EU-level comes from those themes to which a higher share of the ERDF / CF budget is allocated. However, among these priorities, a significantly lower weighted average burden can be noted for transport, which reduces the contribution of this priority theme to the total burden to well below its share in terms of percentage allocated funding.

Administrative burden figures are presented as a percentage of the ERDF / CF contribution to be comparable with previous estimates of the administrative burden for Cohesion policy beneficiaries<sup>22</sup>, and allow for comparison with the total administrative costs for authorities at the national and regional level. However, administrative burden is borne by the beneficiaries to get overall co-funding (i.e. including national and potentially regional funding) and not just ERDF / CF resources. Thus, it would be necessary to compare it to the overall public resources received to get a more consistent picture of the extent to which it weights on beneficiaries.

During the data collection exercise, the team of experts collected information concerning the current burden for the beneficiaries for preparation and submission of the funding application, and for the administration of the operations. The following seven tasks were considered in more detail:

- Preparation and submission of the funding application<sup>23</sup>
- Monitoring and reporting on progress
- Financial management incl. the submission of payment claims
- Publicity incl. labelling
- Keeping records (incl. accounting information)
- Proof/verification of deliverables and compliance (responding to audit and management controls)
- Evaluation

Within the activities performed for project administration, financial management and monitoring were considered as the greatest burden, with a share of about **28%** each, while activities related to publicity requirements, record keeping, and verification/audits involved a lower workload for the beneficiaries (**9 to 14%**).

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<sup>21</sup> The baseline measurement undertaken at the initiative of DG ENTR to establish a baseline for administrative burden linked to EU policies, including cohesion policy, indicated, based on measurements undertaken in 2005, that the aggregate administrative burden of beneficiaries linked to cohesion policy in the period 2000-2006 was EUR 929 million per annum (approx. EUR 6,5 billion for the 7 year programming period). A direct comparison of these absolute figures would not be relevant, as the measurement for 2000-2006 also covered the European Social Fund. However, as the total allocation to cohesion policy has increased in 2007-2013, retaining a similar level of aggregate administrative burden as in 2000-2006 would imply that a certain degree of simplification has been achieved.

See 'EU project on baseline measurement and reduction of administrative costs' 5th March 2009.

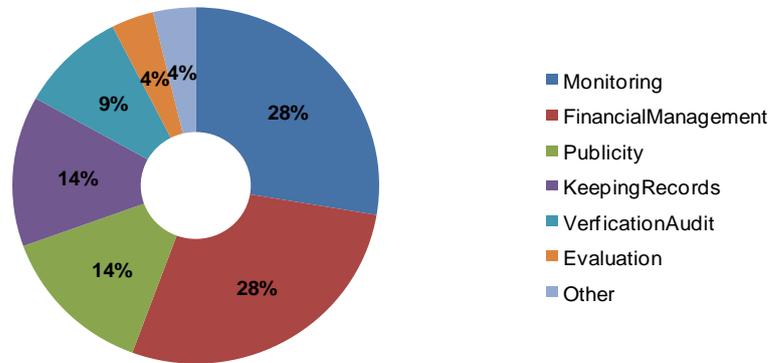
[http://ec.europa.eu/enterprise/policies/smart-regulation/documents/ab\\_studies\\_2009\\_en.htm](http://ec.europa.eu/enterprise/policies/smart-regulation/documents/ab_studies_2009_en.htm)

See also the Final Report of the 'Explorative study in preparation of the possible future development of central Clearing Houses for Cohesion Policy reporting at national/regional level'. Note that results presented in the report also cover the ESF and are thus not directly comparable with those provided in the current study.

<sup>23</sup> The costs pertaining to the task were not included in the calculation of the overall administrative burden, as, with the exception of major projects, EU regulations do not explicitly foresee requirements for funding applications.

The following chart illustrates the share of the total burden related to the individual information obligations<sup>24</sup>.

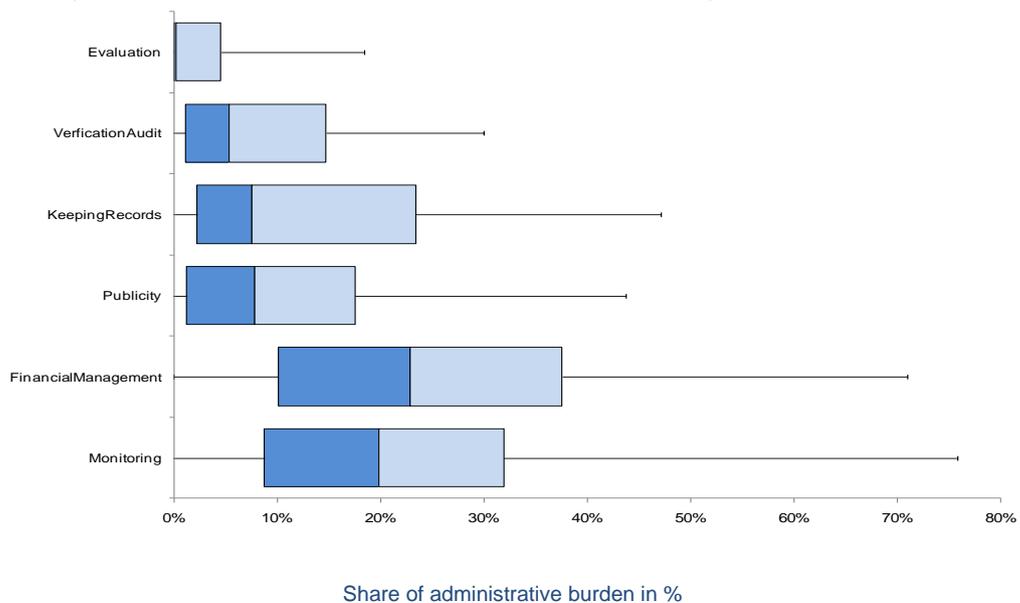
Figure 5 – Share of burden per individual task



It has to be noted that, to ensure consistency with the estimate for the overall burden, the distribution of the burden per individual information obligation at the EU level was calculated by using average figures for each priority theme.

In this regard, to ensure a more detailed understanding of the data collected for the operations analysed, the following box-plots illustrate the 25<sup>th</sup>, median and 75<sup>th</sup> percentile figures for each of the information obligations based on information gathered on projects considered.

Figure 6 – Share of administrative burden per information obligation (based on sample)



<sup>24</sup> If included in the calculation, the preparation and submission of the funding application would represent the task generating the highest share of the burden for the beneficiaries.

### 4.3 Expected overall impact of the proposed changes

During the data collection exercise, information was gathered regarding the expected impact of the proposed changes on the current burden for the beneficiaries. In particular, the impact stemming from the following modifications was analysed:

- Introducing flat rates for indirect costs, for which a methodology is not required;
- Possibility of referring to simplified costs (mainly unit costs) used in other EU instruments;
- Harmonisation of the eligibility rules across SF, CF, EAFRD and EFF;
- Establishment of detailed eligibility rules for European Territorial Cooperation at the EU level;
- Reduction in the retention period of documents and the period for audits: retention of documents, financial audits and corrections for 3 years after the closure of the operation, corresponding to the proposal for a rolling closure of operations<sup>25</sup>;
- Monitoring focused on common indicators;
- Simplified approach to revenue-generating projects
- Establishment of advanced e-Cohesion systems for communication between the administration and the beneficiaries.

As illustrated in the following table, the overall expected reduction in administrative burden due to regulatory modifications at the EU level, excluding the introduction of e-Cohesion systems, stays at about **9%**<sup>26</sup>. The greatest reductions are expected for “Environmental protection and risk prevention”, “Information Society” and “R&D, innovation and entrepreneurship”.

More in detail, the table shows, for each of priority themes analysed: administrative burden in total EUR (‘Admin Burden’, see also Table 16); weighted average percentage burden reduction due to regulatory modifications (‘Wght Avg’); total EUR burden reduction (‘Reduction EUR’)<sup>27</sup>; the proportion of administrative burden reduction related to the specific priority theme out of total burden reduction at the EU-level (‘Contribution’).

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<sup>25</sup> Retention of documents, financial audits and corrections for 6 years after the closure of the operation, approximating the change for the beneficiaries in case of a mandatory mid-term closure of the operational programme, was another option considered by the study. However, analysis of the alternative is not included in the report as the option does not correspond to the current proposal of the Commission for the 2014-2020 period.

<sup>26</sup> Net of implementation of e-Cohesion systems, which is treated separately (see the text below).

<sup>27</sup> This is obtained by multiplying the administrative burden in total EUR of the priority by the weighted average percentage burden reduction.

Table 17. Overall burden reduction from regulatory changes and contribution by priority theme

Priority	Admin Burden	Regulatory changes		
		Wght Avg	Reduction EUR	Contribution
Energy	35,498,263	-11%	-3,990,563	1%
Environmental protection and risk prevention	664,795,292	-9%	-56,999,517	16%
Information Society	759,857,272	-13%	-100,311,815	29%
R&D, innovation and entrepreneurship	1,056,209,532	-11%	-121,008,221	35%
Investment in social infrastructure	237,612,644	-6%	-13,802,734	4%
Tourism	347,094,303	-3%	-11,260,913	3%
Transport	185,186,777	-12%	-21,610,273	6%
Urban and rural regeneration	430,053,462	-4%	-16,798,224	5%
			-9%	

As regards the introduction of e-cohesion systems, this results in a total reduction at the EU-level of about **11%**. It must be noted that the figure addresses changes during the next programming period, i.e. it is based on assumptions about what would be achieved until the end of the present programming period (by 2013).

The expected percentage reduction at aggregate EU-27 level is illustrated in the following table, together with weighted average reductions and contribution to the overall reduction of burden per each of the priority themes considered. As shown in the table, the greatest reductions are expected for “Environmental protection and risk prevention” and “R&D, innovation and entrepreneurship”, which are expected together to contribute to about half of the total reduction at the EU level.

Table 18. Overall burden reduction from e-Cohesion and contribution per priority theme

Priority	Admin Burden	e-Cohesion		
		Wght Avg	Reduction EUR	Contribution
Energy	35,498,263	-21%	-7,464,673	2%
Environmental protection and risk preventior	664,795,292	-14%	-95,082,668	24%
Information Society	759,857,272	-9%	-69,718,668	17%
R&D, innovation and entrepreneurship	1,056,209,532	-10%	-102,795,747	25%
Investment in social infrastructure	237,612,644	-5%	-12,681,725	3%
Tourism	347,094,303	-20%	-67,712,249	17%
Transport	185,186,777	-22%	-40,469,833	10%
Urban and rural regeneration	430,053,462	-2%	-8,487,400	2%
			-11%	

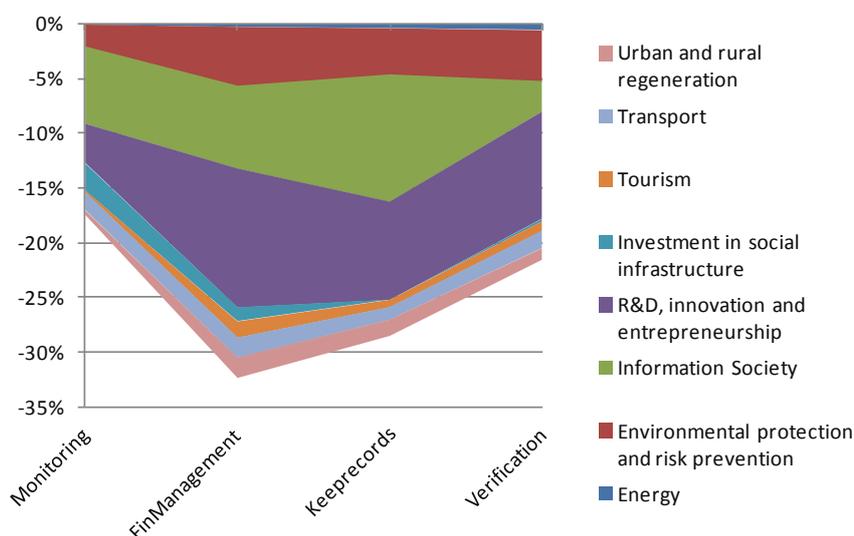
#### 4.4 Impact of the proposed regulatory modifications at the information obligation level

As regards the impact of the regulatory changes at the level of information obligations, the greatest burden reduction is expected for financial management and keeping records, which together account for about 60% of the total benefits at the EU level.

The reductions related to other information obligations represent between **17%** (monitoring) and **22%** (verification) of the total expected benefits for the beneficiaries.

The following chart<sup>28</sup> illustrates the contribution of the various information obligations to the total burden reduction at the EU level due to the proposed regulatory modifications. For each information obligation, the impact at the priority theme level is also shown.

Figure 7 – Contribution to the total burden reduction at the individual information obligation level per priority (EU-wide extrapolation)



<sup>28</sup> Of the total information obligations analysed in the study – see list in paragraph 4.2, as well as in Annex 1 - information and publicity, as well as evaluation are not included in the chart, as none of the regulatory modifications considered in the case studies was expected to affect the specific tasks.

## 4.5 Impact and rationale of the individual modifications proposed

As illustrated in the following table<sup>29</sup>, the greatest impact of individual regulatory changes is expected from the adoption of set flat rates for indirect costs and from shortening of the period for the retention of documents.

Table 19. Burden reduction per change

Regulatory changes	%Reduction
Flat rates for indirect costs, methodology not required	-2.9%
Simplified costs used in other EU instruments	-0.5%
Harmonisation of eligibility rules across funds	-1.0%
Detailed EU eligibility rules for ETC	-0.2%
Monitoring focused on common indicators	-1.6%
Simplified approach to revenue-generating projects (Ex Ante)	-0.2%
Simplified approach to revenue-generating projects (Monitoring)	-0.2%
Reduction of the period of retention of documents and audits	-2.6%
<b>Total</b>	<b>-9%</b>

It is worth noting that the impact of individual modifications depends on three independent factors:

- the expected impact of the change at the level of the individual project;
- the number of operations and beneficiaries expected to benefit from the modification;
- the financial dimension of the operations affected.

This is an especially important aspect, as many of the regulatory changes can be expected to affect the burden of specific sets of operations only, limiting the overall potential for reduction. The clearest examples here are major, revenue-generating and ETC operations, but the same applies for instance to the proposed harmonisation of the eligibility rules, where the only beneficiaries expected to gain are those with projects funded under different funds (ERDF, ESF, CF, EAFRD or EFF).

It must also be noted that the estimated burden reduction related to simplified costs is based on the expected future usage of such costs as foreseen by the sample of beneficiaries interviewed and extrapolated at EU level. However, it can be estimated

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<sup>29</sup> Please refer to paragraph 4.3 for a more detailed description of the regulatory changes illustrated in the table.

that a more extended adoption of unit costs than envisaged by the respondents might further reduce the total burden at the EU level by about 1 – 2 %. Actual burden reduction in the future will also depend on the relative importance of the different types of co-funded expenditure in the next programming period. In the following text, qualitative insights explaining the burden reduction for each specific change are reported.

### **Eligibility – Flat rates for indirect costs established at EU level**

From the qualitative information gathered during the case studies, it seems that only some beneficiaries believe that using flat rates for overhead costs would reduce their administrative burden. This is due to several reasons:

- in some cases indirect costs are not eligible under the OPs analysed;
- some beneficiaries (e.g. local authorities, Universities) opted not to include overheads/indirect costs in their applications because of the complexity of claiming indirect costs payments;
- projects that include the purchase of many consumable items are often not submitted as it is perceived that the benefit of having EU co-funding is lower than the administrative costs associated with co-financing;
- there are operations (e.g. large infrastructure projects) where indirect costs are irrelevant when compared to other categories of project expenditure (therefore beneficiaries often do not include these in the project budget).

However, in the case of some smaller projects, the volume of work and paper for claiming indirect costs could be higher than for the expenses related to the core project activities. In this case, flat rates are expected to reduce administrative costs related to retrieving and organizing documents supporting payment claims, and simplify the preparation of the financial aspects of the project application. It is also likely, that the possibility of a set flat rate would motivate some beneficiaries who thus far have not claimed indirect costs to do so.

From the point of view of some of the beneficiaries, using flat rate for indirect costs would present the additional benefit of providing a margin of manoeuvre for managing unexpected events or costs.

### **Eligibility – Using standardised unit costs applied to other EU instruments**

The proposed change is especially appreciated by those operations including staff costs among expenses. Consequently the respondents concentrated on benefits associated with the application of the proposed mechanism to staff costs, albeit unit costs can be used to cover other types of costs.

Currently, beneficiaries could be required by programme authorities to estimate costs ex-ante based on the actual labour contracts of the workers involved and to identify the individual employees involved, which could become a complex task in those cases where there are several employees working on a project.

In addition, in public administrations, the department responsible for preparing payment claims could have to initiate formal and rather burdensome procedures to collect information about the costs of personnel in several different units involved in the operation.

Also private firms managing long-term research and development projects, especially where several employees are involved, could find the preparation of the documents supporting payment claims to be burdensome.

In all these cases, the administrative burden related to the preparation of payment claims and supporting documents could decrease significantly.

However, even if in principle unit costs might provide a stable, unified system, some beneficiaries emphasized that its efficiency would depend on the methodology used.

While in some cases, especially where staff categories are well defined in labour contracts (e.g. in case of public administration personnel) it should be quite easy to apply unit costs, specification of expenditure and description according to the methodology might in other cases be as burdensome as without simplified cost solutions. Operations financed under ETC may find standard unit costs difficult to apply due to different costs in each participating country.

In addition, detailed verification of compliance might also mean that documentation retention and preparation would remain burdensome.

It is also worth noting that a few beneficiaries were in favour of submitting all the relevant information on expenditure incurred by the beneficiary i.e. not based on standard unit costs, as this is felt to improve transparency and accountability.

### **Harmonisation of rules across different EU funds and common rules for ETC**

Harmonisation of EU funds rules would particularly benefit those beneficiaries with operations financed under several EU funds.

The main benefits identified are:

- reduced time needed to learn and check different rules, requirements, and programme procedures and guidelines (i.e. lower costs of familiarisation), including resources spent on training;
- less risk of mistakes and errors.

These could reduce the administrative burden for the preparation of applications, and the preparation and submission of payment claims.

It is worth noting that in some cases beneficiary organisations include different departments which deal with specific funds. This means that to benefit from this modification, some organisational changes would be needed.

In addition, the interviewees noted that the benefits of harmonisation could be maximised if the most effective rules under the different funds are selected as common future requirements.

There is a further aspect of harmonisation which looks particularly relevant, relating to the interpretation of requirements. It appears that interpretation of rules can differ even within the same programme, depending on the different managing bodies (e.g. intermediate bodies), generating difficulties and extra-burden.

For this reason, it is argued that clarification and simplification of the regulatory requirements – as well as clear and timely guidelines in place without changes during implementation - could generate workload savings for the beneficiaries.

Common eligibility rules for ETC operations at EU level are expected to generate the desired effects if not overruled by national/regional legislation. A solution to administrative burden arising from state aid would be much appreciated for ETC programmes, as currently the multi-country nature of ETC projects entails different aid intensities for expenditure.

### **Reduction in the retention period of documents and the period for audits**

The burden reduction from the proposed change is expected to be limited, as:

- in many cases national legislations or internal organisational rules demand the retention of documents for more than 3 years. This often includes accounting information, procurement documents and technical documentation. This means that there are few documents related to reporting within the programme administration that, according to national rules, may not need to be retained after 3 years<sup>30</sup>;
- the reduction in workload would be marginal for long-term projects (e.g. infrastructure), considering that these operations would in any case be completed in the last years of the programming period.

The expected benefits of the change refer mainly to the reduced need for archives, but this is only relevant where a large volume of documents is retained by the beneficiaries (e.g. some large infrastructure projects), while it may be negligible for smaller projects.

At the same time, the activities required for keeping records, when performed jointly with the other required tasks (and especially the preparation of payment claims and supporting documents), are perceived to require marginal additional work, and thus are not particularly burdensome.

Some additional advantages from shorter retention periods could come from the fact that documents could be released sooner to be retained under (homogeneous) internal rules.

The respondents felt that the real advantage of this proposal would be linked to the shorter period for audits and controls. When controls are carried out long after the finalisation of the projects, the staff turnover may have eroded the 'institutional memory' of a beneficiary as well as the audit trail, increasing the risk of financial corrections.

However, some beneficiaries stated that internal staff turnover is generally low and, based on past experience, even when verifications were performed several years after project completion, the audit trail wasn't compromised and they didn't experience problems retrieving the required information.

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<sup>30</sup> For the same reason some beneficiaries claimed that they could not see a real difference between a rolling closure option (3 years) and a mandatory mid-term closure (6 years), as below a certain time threshold, the documents will have to be retained in any case for other legal or administrative purposes.

In several cases there are well-established and organised systems for documentation storage e.g. within local authorities, which can ensure that, even in the case of staff turnover, requested documents can be easily retrieved.

### **Monitoring – focus on common indicators**

Beneficiaries gave different accounts of the effect of this modification.

Some beneficiaries consider the current reporting on indicators for the period 2007-2013 to be straightforward and not particularly burdensome. This is the case for many research, development, and innovation operations. These beneficiaries do not see considerable scope for reduction of administrative burden, because it is already rather low.

At the same time, this simplification is expected to reduce the burden of those operations which encountered problems selecting indicators in the preparation of application and in the contracting phase, or have faced difficulties in identifying and collecting the data for the verification of the achievement of target levels for their indicators.

In some cases the interviewees emphasized that:

- due to the nature of some projects (e.g. ETC operations with a variety of activities in different fields), project management would still require monitoring several output indicators internally even if reporting were limited to only the key indicators;
- a stable framework for indicators for whole period of reporting would bring about additional benefits.

### **Simplified approach to revenue-generating projects**

According to the interviewed beneficiaries, pre-defined rates in the regulation would significantly reduce the burden associated with the management of revenue generating projects. This is seen as a simplifying solution, which would save money usually spent for external services commissioned for the ex-ante calculation of revenues.

However, when considered as a share of total costs for managing these projects, the reduction could be limited (e.g. one beneficiary estimated it to be around 5% of total costs).

Beneficiaries stressed that an ex-ante analysis might in any case still be needed as a basis for the financial analysis, or for internal planning purposes (i.e. to assess the viability of projects during the design phase).

In most cases, beneficiaries have no experience of monitoring revenues after completion of the operations, thus it is difficult for them to provide estimates on the possible reduction of burden.

However, some beneficiaries emphasized that, as it is sometimes difficult to disentangle the revenues generated by the co-financed operations (e.g. actual revenue of a given piece of infrastructure), reduced monitoring obligations could lower the burden related to the provision of data to the relevant authorities.

## Introduction of advanced e-Cohesion systems

As regards the e-Cohesion systems, the following table illustrates the average percentage reduction in terms of total burden expected as a consequence of the adoption of different IT features (‘Avg reduction’), as well as the contribution of each of the latter to the overall burden decrease estimated at the EU-level (‘Attribution’), i.e. the proportion of the total 11% burden reduction attributable to the adoption of the specific IT functionalities.

It has to be noted that the average values depend both on the expected ‘utility’ of the various IT functionalities and the number of beneficiaries expecting a reduction of burden from their adoption. This means that, where a lower reduction is envisaged, this could be due the fact that limited benefits are perceived from the adoption of the specific feature, or from the fact that this feature is already available for a number of beneficiaries.

In addition, it is worth noting that the greatest reductions are expected from the most advanced IT features, and that, in order to achieve a significant reduction in administrative burden, the IT systems would need to operate without a need for the beneficiaries to re-submit information on paper.

Table 20. e-Cohesion burden reduction per IT functionality

Functionality	Avg reduction	Attribution
Support: general information, guidelines and/or a F.A.Q;	-0.1%	1.2%
Downloadable forms for project application, payment claims, reports, etc.	-0.1%	1.4%
E-learning and tutorials.	-0.5%	4.4%
Electronic authentication (login, password, e-ID);	-0.6%	5.6%
On-line monitoring of the status of the application/project	-0.9%	7.9%
Uploading information continuously, at the point in time of occurrence. E.g. Uploac	-1.1%	9.7%
Personalised forms (forms which are pre-filled with data already in the system for t	-1.2%	11.4%
Forms can be electronically submitted (no need to resubmit on paper);	-2.8%	25.7%
Submit ALL requested information about the project through the portal (no need to	-3.6%	32.7%
	<b>-11%</b>	

Several beneficiaries indicated that more advanced IT systems could significantly reduce their administrative burden. It must be noted that the benefits were estimated by the beneficiaries without referring to the possible technical, legal, or organisational difficulties in implementing such IT solutions.

It must also be noted that some of the electronic functionalities are already available for beneficiaries (e.g. guidelines are available online, there are downloadable forms, and application forms can be submitted electronically in some cases, also reporting is often done through electronic data platforms). In some cases the wide availability of electronic services reduces the expectation of significant additional benefits in the future.

Some of the main benefits identified are:

- reducing the volume of paper work (e.g. signing, printing, copying, delivering materials) and costs (e.g. postal charges);
- minimizing the exchange of emails and telephone calls (e.g. for the submission of applications and project proposal)

- easier and faster retrieval and timely communication of up-to-date information;
- workload reduction due to the prevention of calculation errors (e.g. when aggregating cost items for processing of payment requests and financial reports) as well as reduction of the time spent to clarify possible misinterpretation of data provided on paper;
- avoiding the repetition of activities (e.g. through personalised forms) and repetitive submission of the same information to various institutions (reported in some cases as a significant source of administrative burden at present).

Expected benefits also depend on the nature of projects. In some cases (e.g. infrastructure projects) significant amounts of supporting documents have to be delivered in paper form. This is generally perceived to be particularly burdensome. Beneficiaries of these operations generally saw greater potential for the reduction of administrative burden in advanced IT solutions.

Apart from burden reduction, some beneficiaries also expect that e-Cohesion solutions could generate further advantages in terms of facilitating financial management and planning liquidity (e.g. through on-line monitoring) and quicker processes for reimbursement (i.e. time saving in addition to cost saving).

It has to be noted that several of the benefits mentioned above will depend on the actual IT solutions to be implemented in the future. The elimination of the paper trail is generally believed to be necessary for the attainment of significant reduction of burden and is often seen as a prerequisite of a fully fledged e-Cohesion system. The advantages of fully electronic communication systems would also vary depending on the functionalities available.

It was also highlighted that in the absence of broad usage of electronic signature, the need to scan documents (which are signed on paper) could reintroduce some of the workload saved by IT systems. Therefore a wide application of the electronic signature would greatly facilitate the shift to e-Cohesion.

Beneficiaries also highlighted some of the features which would be appreciated for future systems on top of necessary functionalities:

- proper functioning<sup>31</sup> and user friendliness of the system;
- adequate technical interoperability;
- safety standards and data protection;
- adequate capacity (e.g. for the transfer of large files containing project documentation);
- multi-language capabilities (in the case of projects under ETC).

In ETC operations, the lead partner organizations are expected to reap the greatest benefits, as advanced IT systems could simplify their work considerably (in terms of monitoring finances, monitoring progress, access to documents in different Member States, uploading joint reports, etc.), especially where each of the project partners would have the possibility to generate reports and upload documents. Therefore IT systems which facilitate data exchange from different geographical locations would simplify the management of ETC projects.

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<sup>31</sup> Some beneficiaries reported existing weaknesses of the functionalities already available. This highlights the difficulties of implementing complex high-quality communication systems for the management of widely differentiated projects and programmes.

Training as well as an update of software and hardware within beneficiary institutions might be necessary for beneficiaries to be able to use more advanced IT functionalities. However, the investments needed for this are generally considered to be minor.

## 5. Conclusions

- 1) Proposed regulatory modifications are expected to decrease the overall administrative work load at national and regional level by almost 13 % and **reduce administrative costs by approximately 7 %**. There are considerable differences between different types of programmes. The analysis shows that sector programmes are expected to benefit the most from the envisaged changes. In relative terms their expected reduction of workload is approximately three times higher than for regional programmes. Furthermore, convergence programmes will benefit more than regional competitiveness programmes and programmes with large administrative costs are expected to benefit more than those with already operate with limited resources.
  - 2) Considering the individual regulatory changes tested, the highest reduction of administrative workload in absolute terms is associated with (a) the establishment of the Accredited Body (merger of MA and CA); (b) greater thematic concentration; (c) e-cohesion at programme level; (d) e-cohesion interface with beneficiaries; and (e) simpler eligibility rules. The changes which may imply an increase of administrative workload are: (a) the annual management declaration and annual accounts (new task); (b) more frequent closure of programmes. The required submission of the annual management declaration and the annual accounts should however be read within the broader context of the establishment of a single body responsible for management and control, which can generate a significant decrease in administrative workload. At the same time, workload increases related to the more frequent closure of programmes can be classified as marginal (less than 0.5% of the total administrative workload), and should be viewed in conjunction with the expected reduction in the burden of beneficiaries.
  - 3) A systematic review of the various types of funded actions shows that the total administrative burden of beneficiaries in 2007-2013 corresponds to approximately **2%** of the total ERDF and CF contribution. Financial management (preparation of payment claims and supporting documents) and monitoring obligations are the most significant sources of administrative burden for beneficiaries. The possible changes in regulatory requirements assessed in this study are expected to allow for a **reduction in the administrative burden of approximately 20% compared to the baseline established for the period 2007-2013**. Of this, **11%** relates to the introduction of a fully electronic e-cohesion system without any parallel paper trail, and the remaining 9% stems from the other regulatory changes tested. The simplification of the eligibility rules, notably the introduction of a set flat rate for indirect costs, would reduce the administrative burden by about 3%. The second most significant impact comes from the shortening of the period for the retention of documents, which is associated with more frequent closure of programmes.
  - 4) In absolute figures, the highest reduction of the administrative burden is expected for operations associated with (a) environmental protection and risk prevention, (b) R&D, innovation and entrepreneurship, and (c) information society. Based on the sample of operations analysed, **local authorities are likely to achieve the greatest savings (25%)**. The burden of SMEs could reduce by 19% and the burden of NGOs by 11%, compared to the baseline established for the period 2007-2013.
  - 5) **The decrease in administrative burden is estimated to be greater than the decrease in administrative costs** in terms of both proportional change and
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absolute values<sup>32</sup>. In other words, the beneficiaries will benefit from the changes more than programme authorities.

- 6) In many cases respondents have highlighted **risks** and **conditions** related to the achievement of the expected reduction in administrative costs and burden. The clarity of the regulations and timing of their entry into force are essential and can avoid misinterpretation and gold plating in Member States. There are concerns that the newly established Accrediting Authority might exceed its 'political' role and contribute to an increase in the administrative cost and burden by duplicating controls and audits. Furthermore, Member States might undertake an overly stringent accreditation of the new authorities if they perceive a need to bolster assurance vis-a-vis the Commission. Lastly the submission of the annual management declaration and annual accounts will be a source of additional costs, as this constitutes a new task.
- 7) **The interplay between the ERDF and CF regulatory framework and national legislation** is also crucial. This is notably the case with regard to the retention requirements for supporting documents - any simplification at EU level might be neutralized by national requirements. Such risks are also associated with the e-Cohesion systems, as currently electronic documents do not have a legal value in all Member States. A reduction in administrative burden can thus only be achieved if the legal requirements proposed in this regard are implemented in full and in due time.
- 8) **The perception from national and managing authorities** with regard to shifts of administrative costs is that some of the regulatory changes tested might entail a shift of costs from the Commission to the MS especially regarding the accreditation process and the closure procedures. The respondents also believe that some of the regulatory changes aim at increasing the strategic orientation of cohesion policy and aligning management and control systems with the new Financial Regulation, but do not necessarily simplify management or reduce the administrative workload. In addition, rolling closure is sometimes perceived as providing less flexibility compared to the way expenditures are currently certified. Some authorities emphasized the need for e-cohesion systems requirements to be formulated<sup>33</sup> so that progress achieved so far in the development of IT services for the beneficiaries is not put at risk. Given the uncertainties involved with changes in regulatory requirements, and the costs of learning and adaptation, some respondents consider that there are significant benefits in retaining the *status quo*.

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<sup>32</sup> Based on estimations in the study, reduction of administrative costs for national and regional authorities would be about EUR 0.8 billion, while administrative burden savings for the beneficiaries would approximate EUR 1.1 billion.

<sup>33</sup> It must be remembered that the interviews in the study were carried out in the first months of 2011. Respondents were thus not aware of the specific content of the Commission proposal for the future legislative framework regarding e-cohesion systems.

## Annex 1 –Tasks and information obligations considered

The core tasks carried out by the national/regional authorities of Cohesion Policy under current legislation were mapped based on the list prepared for the “Regional governance in the context of globalisation: reviewing governance mechanisms & administrative costs” study. The core tasks considered in this study are based on the requirements of Regulation 1083/2006 and listed in the following table, together with the corresponding function.

No	Task description	Level
1	National Strategic Reference Framework (art . 27, 28)	National
2	Strategic reporting by the Member States (art. 29)	National
3	Preparation of the Operational Programme (art. 32)	Progr. preparation
4	Ex ante evaluation (art. 48)	Progr. preparation
5	Designation of authorities (art. 59)	Progr. preparation
6	Setting up of management and control system (art. 71)	Progr. preparation
7	Information and publicity requirements (art. 69 & 60j)	Progr. management
8	Establishing and running of the monitoring committee (art. 63)	Progr. management
9	Guiding the work of the monitoring committee (art. 60h)	Progr. management
10	Ensuring a system for data recording (art. 60c)	Progr. management
11	Ensuring equality between men & women and non-discrimination (art. 16)	Progr. management
12	Ensuring of adequate accounting systems of the beneficiaries (art. 60d)	Progr. management
13	Prevention, detection and correction of irregularities (art. 70)	Progr. management
14	Management of financial engineering measures (art. 44)	Progr. management
15	Assessment and monitoring of revenue generation projects (art. 55)	Progr. management
16	Communication with the certifying authority (art. 60g)	Progr. management
17	Selection of operations (art. 60a)	Progr. management
18	Verification of deliveries and compliance (art. 60b)	Progr. management
19	Management of global grants (art. 42)	Progr. management
20	Major projects (art. 39 & 40)	Progr. management
21	Provision of project information to the Commission (art. 60k)	Progr. management
22	Preparation of annual and final implementation reports (art. 67 & 60i)	Progr. management
23	Evaluations during the programming period (art. 48 & 60e)	Progr. management
24	Monitoring (art. 66)	Progr. management
25	Ensuring an adequate audit trail (art. 60f)	Progr. management
26	Statements of expenditure & payment application to the Commission (art. 61a)	Progr. certification
27	Certification of statements of expenditure & expenditure declared (art. 61b)	Progr. certification
28	Ensuring that adequate information (art. 61c)	Progr. certification
29	Audits (art. 61d)	Progr. certification
30	Maintenance of records of expenditure declared to the Commission (art. 61e)	Progr. certification
31	Accounting of amounts recoverable or withdrawn following cancellations (art. 61f)	Progr. certification
32	Audits of the management and control system (art. 62a)	Progr. audit
33	Audit of samples (art. 62b)	Progr. audit

No	Task description	Level
34	Preparation and submission of the audit strategy (art. 62c)	Progr. audit
35	Preparation and submission of the annual control report (art. 62d)	Progr. audit
36	Partial closure (art. 88)	Progr. audit
37	Closure declaration (art. 62e)	Progr. audit

At the operation level, the information obligations for applicants and beneficiaries of Cohesion Policy stemming from current legislation and considered by the consultant in the framework of the study, were:

1. Preparation and submission of funding applications;
2. Monitoring and reporting to the programme management;
3. Financial management including declaration of expenditure and preparation of payment claims;
4. Information and publicity;
5. Keeping records (including accounting information) and maintenance of the audit trail;
6. Proof/verification of deliverables and compliance;
7. Evaluation.





This is the revised final deliverable of the study on measuring the impact of changing regulatory requirements to administrative cost and administrative burden of managing Structural Funds (ERDF and Cohesion Fund), commissioned by DG Regional Policy (Contract No 2010.CE.16.B.AT.030)

## **The team**

This study was undertaken to assess the impact that various modifications to the regulatory framework of EU Cohesion Policy in force in 2007-2013 may have on the administrative costs and burden of managing the ERDF and the Cohesion Fund in the period post 2014.

The study, which was launched in December 2010, was led by t33 and carried out by a consortium of companies including: Archidata (IT), Berman Group (CZ), CSIL (IT), Infyde (ES), Laboratorium Rozwoju (PL), METIS (AT), SWECO (SE), t33 (IT),

An advisory board of external experts has been established with the objective of ensuring the highest quality of the overall analysis. Members of the board included an academic expert in the field of administrative cost assessments, consultants with specific experience in Structural Funds, public administration officials, and a beneficiary, who provided the study team with precious inputs at various stages of the project. John Bachtler and Carlos Mendez (EPRC, UK), Andrea Ciaffi (Association of the Regions, IT), Thiemo W. Eser (ESPOON Managing Authority, LU), Anita Kullén (Nordregio, SE), Erik Longo (University of Macerata, IT), Jan Maurer (TAURUS-ECO, DE), and Matt Nichols (North Sea Programme, DK) joined the advisory board.

The final report was prepared by t33 and SWECO based on underlying information collected in cooperation with national experts in ten EU Member States. The first version of the final report was submitted in September 2011 and has been improved in accordance with comments by DG Regional Policy.

