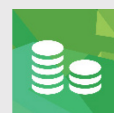


Special Report

Implementing Cohesion policy: comparatively low costs, but insufficient information to assess simplification savings



EUROPEAN
COURT
OF AUDITORS

Contents

	Paragraph
Executive summary	I-X
Introduction	01-15
Cohesion policy funds and how they are managed	01-10
Costs of implementing Cohesion policy funds	11-15
Audit scope and approach	16-21
Observations	22-65
Overall costs reported for implementing the Cohesion policy funds are comparatively low, but based on insufficiently complete, consistent and coherent data	22-44
The Commission reports annually on the costs of implementing the Cohesion policy funds, but this is not consistent over time	23-25
Member States have only incomplete information on administrative costs	26-31
The Commission's 2018 ad hoc study estimating administrative costs was based on input data that was insufficiently complete, consistent or coherent	32-39
The available data shows the administrative costs to be comparatively low	40-44
The cost information available was not adequate to assess the impact of simplifying EU rules	45-65
The Commission is more optimistic of savings in 2014-2020 due to regulatory simplification than Member States	47-53
The impact of proposed simplification measures for 2021-2027 is uncertain	54-62
The Commission did not examine important elements relevant for decision-making and simplifying rules	63-65
Conclusions and recommendations	66-74

Annexes

Annex I - Overview of Cohesion policy total allocation and technical assistance for 2014-2020 programme period per Member State (Euro)

Annex II - Administrative tasks identified by the consultant in consultation with the Commission

Annex III - 21 selected simplification measures introduced in the 2014-2020 CPR analysed for expected administrative cost reductions

Acronyms and abbreviations

Glossary

Replies of the Commission

Audit team

Timeline

Executive summary

I The EU's economic, social and territorial Cohesion policy accounts for around one third of overall spending under the EU budget. The overall aim of the policy is to reduce development disparities between regions. The amount of funds allocated to Cohesion policy, the EU's main investment policy, was €352 billion over 2014-2020, or 37 % of overall spending from the EU budget in this period.

II Cohesion policy is implemented under shared management, which means that responsibility for implementing the policy and the related funds, including control activities, is shared between the Commission and the Member States. Although the Commission remains responsible for the implementation of the EU budget, the actual management and control of EU funds and programmes is delegated to the Member State authorities. The tasks and activities of these authorities are set out in the Common Provisions Regulation; they include selecting projects to be co-financed, and controlling them.

III Implementing Cohesion policy funds generates costs. This applies to all of the tasks and activities of the programme authorities in the Member States, and those of the Commission.

IV In this audit, we examined whether these costs are comparable to other similar schemes and whether the underlying information is complete, consistent and coherent. We also examined whether this information allows for analysis and decision taking on legislation and simplifying rules. Our findings and conclusions are relevant for the 2021-2027 programme period and for increasing the effectiveness of the management and control systems in the Member States for the 2021-2027 period.

V We found that the overall cost of implementing the Cohesion policy funds presented by the Commission is comparatively low compared to other EU funds and internationally funded programmes. However, we concluded that the Commission had not collected underlying data on costs that were complete, consistent and coherent enough to allow this data to be used, for example for assessing the impact of simplifying EU rules on how to implement the Cohesion policy funds.

VI We found that even though the costs declared to the Commission for co-financing are known, little or no information is available about costs which are not declared. To get more information on the non-declared part, the Commission performs enquiries to Member States to estimate administrative costs. We questioned the completeness, consistency and accuracy of the data underlying the most recent estimate from 2018. Nevertheless, this study could serve as a basis for broad-brush, high-level comparisons. We consider that, as reported by the Commission in its 2018 study, the 2.3 % costs incurred by Member States in implementing the Cohesion policy funds are similar or lower compared to other internationally funded schemes.

VII For the 2014-2020 period, the Commission estimated, based on a study from 2017, that the introduction of 21 simplification measures should lead to a reduction of administrative costs. However, we carried out a survey which showed that most Member States expect that administrative costs will increase in the 2014-2020 period.

VIII As part of the explanatory memorandum to the legislative proposal for 2021-2027, the Commission presented two estimates taken from the 2018 study relating to specific individual simplification measures. We consider that, for one of the estimates, a more realistic scenario should have been used in the explanatory memorandum.

IX The Commission has introduced and proposed several simplification measures in the 2014-2020 and 2021-2027 Regulations. The monetary impact of many of these simplification measures have been estimated in several studies i.e. in 2012, 2017 and 2018. However, the complexity of the Member State authorities' administrative practices has not been taken into account. Based on our previous work, we consider that because of these practices the expected cost-savings from simplification measures may not be reached.

X We recommend that the Commission should:

- announce what will be examined, and when, for its regular studies of administrative costs;
- assess whether estimated administrative costs savings have materialised;
- examine administrative practices in Member States.

Introduction

Cohesion policy funds and how they are managed

01 The aim of the EU's economic, social and territorial Cohesion policy (referred to in this report as 'Cohesion policy') is to reduce development disparities between regions, restructure declining industrial areas, and encourage cross border, transnational and interregional cooperation in the European Union.

02 Cohesion policy expenditure accounts for around 37 % of overall spending under the EU budget. The funds allocated to Cohesion policy, the EU's main investment policy, were €346 billion in the 2007-2013 programme period (the total allocation for the EU and Member States was €466 billion) and €352 billion in the 2014-2020 period (the total allocation for the EU and Member States was €473 billion).

03 The EU's Cohesion policy is structured around three of the five European Structural and Investment Funds¹ (ESIFs): the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the European Social Fund (ESF). These three funds are known as the EU Cohesion policy funds. The ERDF, CF and ESF are governed by common rules, subject to exceptions in the specific regulation governing each fund.

04 Cohesion policy is implemented under shared management², which means that responsibility for implementing the policy and the related funds, is shared between the Commission and the Member States. These funds are implemented through operational programmes, drawn up by Member States and adopted by the Commission, which detail how Member States will spend EU funding during a programme period. Operational programmes finance projects selected by Member States' managing authorities and carried out by beneficiaries.

¹ ESIFs also include the European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF).

² Article 59 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

05 There were 441 Cohesion OPs in the 2007-2013 programme period. Almost 90 % of these OPs had already been closed towards the end of 2019³. There are 391 OPs for the 2014-2020 programme period. These OPs are still ongoing.

06 For each OP, the Member State designates authorities to implement the programmes: a managing authority; a certifying authority; and an audit authority. Their tasks and activities are set out in the Common Provisions Regulation (CPR)⁴.

- The managing authority is responsible for implementing the OP. It assesses then selects project applications, and checks and monitors project implementation.
- The certifying authority is responsible for aggregating cost declarations submitted by project beneficiaries into statements of expenditure and payment applications. It submits these to the Commission for reimbursement, as well as preparing the OP's annual accounts.
- The audit authority is responsible for providing a yearly independent opinion on the reliability of the accounts, the legality of the expenditure incurred and the functioning of the management and control systems.

07 Member States may on their own initiative also set up other bodies such as coordination bodies or intermediate bodies to assist with the implementation of operational programmes. A coordination body carries out horizontal functions relevant for several operational programmes. Intermediate bodies are public or private bodies acting under the responsibility of a designated authority, mostly for one operational programme, and carrying out duties on their behalf vis-à-vis beneficiaries implementing operations.

08 At the Commission, two Directorates-General are responsible for implementing EU Cohesion policy: the Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) and the Directorate-General for Regional and Urban Policy (DG REGIO).

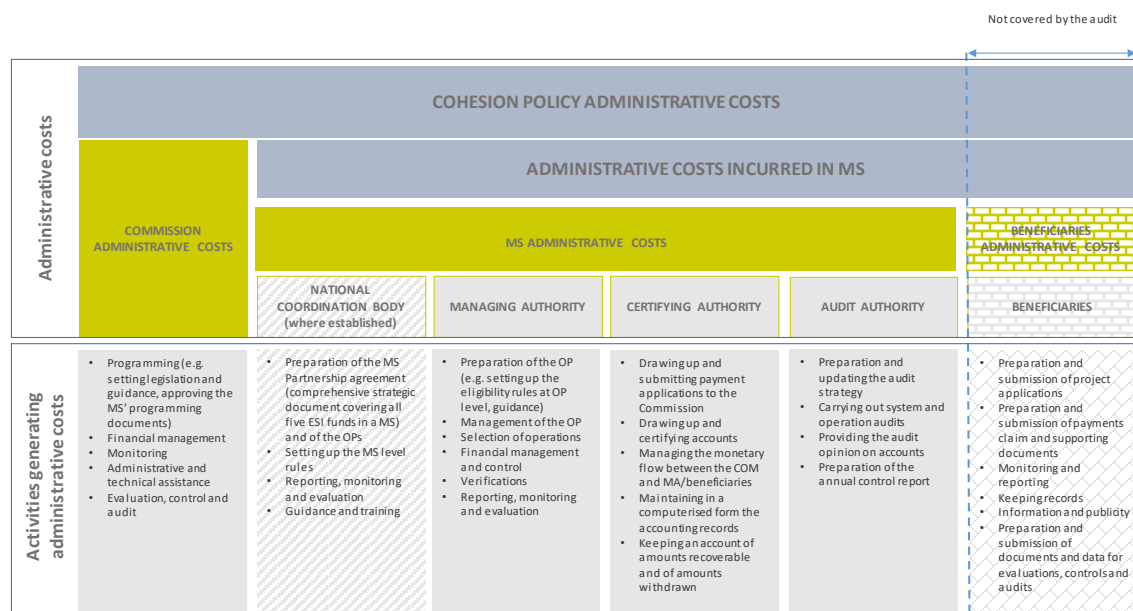
³ ECA based on information received mid-November 2019 from the Commission.

⁴ Articles 125, 126 and 127 of Regulation (EU) No 1303/2013 (CPR).

09 The Commission negotiates and approves operational programmes with Member States, provides guidance and instructions to Member State authorities on carrying out their tasks, and performs Member-State-level or desk-based checks to monitor the implementation of the policy. In addition to these day-to-day tasks, the Commission proposes the basic legislation of the policy area shaping the policy framework and evaluates past frameworks.

10 The most significant activities of the designated Member State authorities and the Commission are set out in *Figure 1*.

Figure 1 – Activities by Cohesion policy actors and related costs



Note: Member States may set up intermediate bodies under the responsibility of managing and certifying authorities.

Source: ECA.

Costs of implementing Cohesion policy funds

11 Activities necessary for preparing and implementing programmes, including management, monitoring, evaluation, information and communication, control and audit (see also paragraphs 06 to 09) generate administrative costs at several levels (see *Figure 1*):

- (1) Costs of programme implementation incurred by:
 - (a) the Commission, in supervising and verifying implementation in Member States (such as staff costs, studies, evaluations, analyses, dissemination of information actions and consultancy); and
 - (b) Member State authorities, in drawing up programmes and their amendments and in management, monitoring, evaluation, information and communication, control and audit activities (such as staff costs, consultancy, IT costs)⁵.
- (2) Costs of implementing selected operations, incurred by:
 - (a) beneficiaries in applying for financial support, carrying out projects, reporting, and in requesting reimbursement (such as staff costs, material costs and services).

12 The costs of implementing funds can be financed from the EU or Member State (national or regional) budgets, or from a combination of these:

- (1) Some costs are covered only by the EU budget. These are costs incurred by the Commission, as technical assistance at its own initiative, such as for administrative capacity building measures, performing studies, evaluations, actions to disseminate information etc.⁶. The EU budget also covers normal administrative costs such as staff and building costs.
- (2) Some costs are covered through co-financing by both the EU and Member State budgets. These costs are incurred by the Member States and declared as technical assistance. Such costs can relate to activities or operations implemented through a specific technical assistance operational programme or a priority in a mainstream operational programme. Technical assistance operations must respect all requirements under Cohesion policy rules in relation to, for example,

⁵ Article 59 of Regulation (EU) No 1303/2013 (CPR).

⁶ Article 58 of Regulation (EU) No 1303/2013 (CPR).

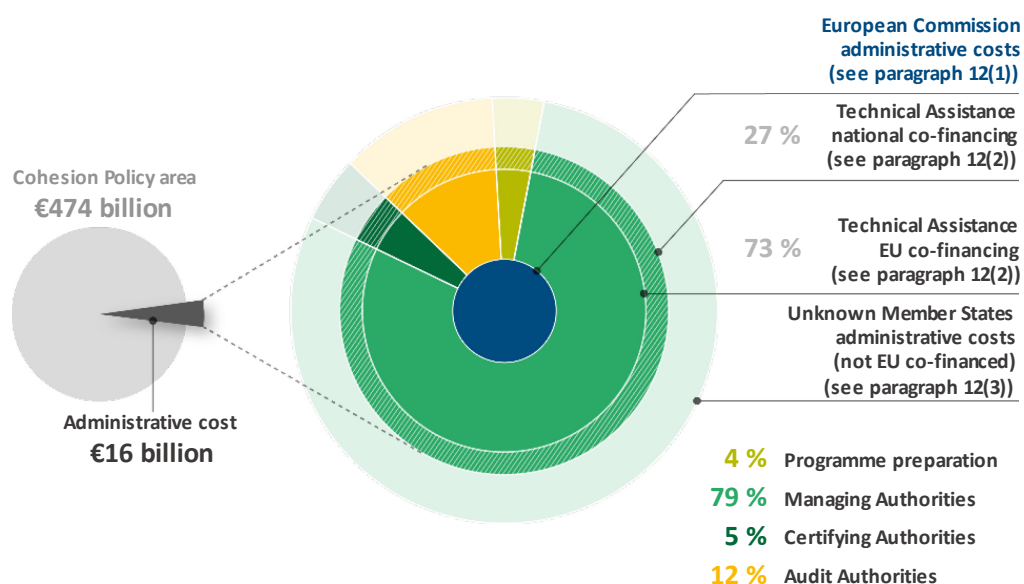
selection procedures, control and audit arrangements, public procurement, eligibility rules, or reporting requirements.

- (3) Some costs are covered by Member State budgets only. The Commission receives no information about these costs, as they fall outside the scope of the CPR.

Each Member State can decide which costs to finance from the national budget, and for which costs it requests co-financing, by declaring it as technical assistance.

13 The relationship between administrative costs and technical assistance is shown in the coloured circle in **Figure 2**, where the inner circles concerns the Commission costs (see paragraph **12 (1)**). The second and third circle relate to technical assistance declared to the Commission by the Member States (see paragraph **12 (2)**). The outer circle is the administrative cost incurred by Member States, but not declared to the Commission (see paragraph **12 (3)**), which the Commission seeks to estimate in studies (see paragraph **15**). The various colours used for the bigger circle shows which authority incurred the costs and it can be seen, for example, that most costs are incurred by Member States, and the managing authorities spend more than 50 % of Member States' technical assistance costs.

Figure 2 – Breakdown of administrative costs and technical assistance



Note: The amount of 474 billion includes EU funding (352 billion, see paragraph 2) and national co-financing.

Source: ECA, based on European Commission 2014-2020 data.

14 The Common Provisions Regulation (CPR) sets limits on the extent that Member States can declare technical assistance (TA). For the 2014-2020 period, Member States are allowed to request reimbursement of costs as technical assistance for an amount up to 4 % of funds allocated to them⁷. The CPR also sets out circumstances under which this limit can be increased to 6 %. *Annex I* provides an overview of the total amounts allocated to Cohesion policy (€473 billion), and to technical assistance (€14 billion), in the 2014-2020 programme period in each Member State. Depending on the programme, the EU co-finance between 50 % and 100 % of declared TA expenses.

15 Between 2010 and 2018, the Commission commissioned five studies to estimate the level of costs of implementing Cohesion policy funds and the impact of measures to simplify the rules and provisions introduced in the various Commission legislative proposals (see *Box 1*).

⁷ Article 119 of Regulation (EU) No 1303/2013 (CPR).

Box 1

Commission studies estimating the level of costs of implementing Cohesion policy funds and the impact of simplification measures

For the programme periods from 2007 to 2027, the Commission has commissioned five studies which estimate the level of administrative costs and the impact of simplification measures:

- 2010 – Study estimating the administrative costs and workload for Member State authorities concerning the ERDF and the CF for the 2007-2013 period⁸;
- June 2012 – Study estimating the administrative costs for the ESF for the 2007-2013 period⁹;
- July 2012 – Study estimating the impact of changes for the administrative costs of the ERDF and the CF introduced for the 2014-2020 legislative proposal¹⁰;
- 2017 – Study which reviews the impact of 21 selected simplification measures introduced in the 2014-2020 Common Provision Regulation for all five ESI Funds based on the early implementation phase of the 2014-2020 period¹¹;
- 2018 – Study establishing a new baseline for administrative cost and burden for all five ESI Funds for the 2014-2020 period and the related anticipated impact of a number of measures from the 2021-2027 proposed regulation¹².

⁸ SWECO, 'Regional governance in the context of globalisation: reviewing governance mechanisms and administrative costs - Administrative workload and costs for Member State public authorities of the implementation of ERDF and Cohesion Fund', June 2010.

⁹ EPEC and COWI, 'Study measuring Current and Future Requirements on Administrative Cost and Burden of Managing the ESF', June 2012.

¹⁰ SWECO and t33, 'Measuring the impact of changing regulatory requirements to administrative cost and administrative burden of managing EU Structural Funds (ERDF and Cohesion Funds)', July 2012.

¹¹ SWECO, t33 and Spatial Foresight, 'Use of new provisions on simplification during the early implementation phase of ESIF', June 2017.

¹² Spatial Foresight and t33, 'New assessment of ESIF administrative costs and burden', October 2018.

Audit scope and approach

16 In this audit we examined the costs to the Commission and to the Member States of implementing Cohesion policy funds through operational programmes. We also examined whether the information that Member States have to report to the Commission on the costs forms a sufficient basis for management decisions on legislation and on simplifying rules and provisions.

17 Our findings and conclusions are relevant for the 2021-2027 programme period and for increasing the effectiveness of the management and control systems in the Member States for the 2021-2027 period.

18 We examined the costs of implementing Cohesion Policy Funds and we asked the following audit questions:

- (1) Are the overall costs of implementing Cohesion policy funds presented by the Commission comparable to other similar schemes building on complete, consistent and coherent detailed cost information?
- (2) Does the underlying cost data available enable analysis and taking decisions on legislation and on simplifying rules?

19 Our audit work for this report covered both the Commission and Member State authorities:

- (1) We assessed the Commission's procedures, and available Commission and Member State cost information, at DG REGIO and DG EMPL. We also examined the methods drawn up by the Commission's central department (Directorate-General for Budget) for estimating the Commission's costs of controls in so far as it concerns Cohesion policy funds.
- (2) To ensure geographical balance, we selected five Member States from those pre-assessed by the Commission as being more advanced in collecting and using cost information. We carried out our work in Czechia, Poland and Portugal by visiting the relevant authorities, and held videoconferences and carried out desk reviews for the relevant authorities in Austria and Latvia. For these Member States we:
 - (a) reviewed the procedures for recording, verifying and reporting costs of implementing Cohesion policy funds and programmes used by national coordination authorities, managing authorities, certifying authorities and

audit authorities involved in the implementation of 15 operational programmes;

- (b) examined the data reported and used in the 2018 study (see [Box 1](#)); and
 - (c) assessed the availability and the quality of this data.
- (3) We interviewed officials of Member State authorities and Commission staff at DG BUDG, DG EMPL and DG REGIO.
- (4) Moreover we undertook two surveys at Member State level.
- (a) We invited all programme authorities to participate in a survey on the collection, analysis and reporting of information on the administrative cost as well as on related processes and views. We obtained replies from 131 out of 591 authorities (22 %) across 26 Member States.
 - (b) We surveyed all EU supreme audit institutions, and invited them to provide additional information about the cost of implementing Cohesion policy funds and national aid schemes, as well as information about their audits concerning these issues. We received replies from 15 of 28 supreme audit institutions.
- (5) We reviewed studies undertaken from 2010 to 2018 about cost of implementing Cohesion policy funds and simplification measures (see [Box 1](#)). Together these studies covered the three programme periods between 2007 and 2027.

20 To examine cost data and related procedures, we mainly focused on the 2014-2020 programme period. The audit covered information available to the Commission and the Member States as at 31 December 2018.

21 Our audit work did not include:

- (1) an examination of the benefits generated by the procedures related to the implementation of Cohesion policy funds; nor
- (2) an examination of administrative costs of selected operations at beneficiary level (see paragraph [11](#)).

Observations

Overall costs reported for implementing the Cohesion policy funds are comparatively low, but based on insufficiently complete, consistent and coherent data

22 Implementing any policy or programme incurs costs, chiefly for staff, IT systems, buildings and services. Complete, coherent and consistent information on costs should also be made publicly available to demonstrate to European citizens that policies are being implemented efficiently. Costs should be kept low: the greater they are the less money is available for actually implementing the policy.

The Commission reports annually on the costs of implementing the Cohesion policy funds, but this is not consistent over time

23 The EU's Financial Regulation requires the Commission to give an assessment of the costs and benefits of controls in each DG's annual activity reports (AAR)¹³. The Commission defines 'costs of controls' as the costs involved in most aspects of implementing EU spending, including Cohesion policy funds. At the Commission, this includes costs primarily relating to its staff involved in the implementation of the Cohesion policy funds such as programming, monitoring, financial management, administrative and technical assistance and audit. [Table 1](#) shows the data for 2013 to 2018.

¹³ Article 74 (9) of Regulation (EU, EURATOM) No 2018/1046 and article 66 (9) of Regulation (EU, EURATOM) No 966/2012 (FR).

Table 1 – Information on costs of control in Commission’s annual activity reports

	2013	2014	2015	2016	2017	2018
Employment Policy						
Cost of control (€ million) ⁽¹⁾	25.51	24.65	24.57	24.55	26.56	13.28
ESF payments made (€ million)	13 763.80	10 609.27	10 301.91	8 132.00	9 780.26	13 917.14
Cost of control (Cost of control / ESF payments made)	0.19 %	0.23 %	0.24 %	0.30 %	0.27 %	0.09 %
MS cost of control for ESF (Cost of control / Total ESF allocation for the programme period)	4.80 %	4.80 %	4.80 %	4.80 %	4.80 %	2.76 %
Regional Policy						
Cost of control (€ million) ⁽¹⁾	not available	75.27	70.57	74.49	74.42	73.69
ERDF and CF payments made (€ million)		48 812.14	40 598.00	28 485.54	26 394.20	39 305.17
Cost of control (Cost of control / ERDF and CF payments made)	0.14 %	0.15 %	0.17 %	0.26 %	0.28 %	0.19 %
MS cost of control for ERDF and CF (Cost of control / Total ERDF and CF allocation for the programme period)	2.10 %	2.10 %	2.10 %	2.10 %	2.10 %	2.26 % for ERDF and 1.84 % for CF

⁽¹⁾ This is a calculation made by the European Commission for the Annual Activity Report. For 2013 to 2017 percentage values are published, for 2018 the absolute amount is published.

Source: European Commission Annual Activity Reports.

24 The Commission present their costs of controls in their AARs as a percentage of payments made. Few payments are made in the early years of a programme period, when Member States are setting up programmes, and projects are not yet up and running. However, the Commission’s costs are relatively stable and do not vary greatly according to the volume of funds disbursed. Variations in the published percentage are mostly the result of variations in the volume of payments made to programmes.

25 Like other Commission DGs, DGs responsible for Cohesion policy (DG EMPL and DG REGIO) estimate their costs using a method established by the Commission’s central departments. It consists of multiplying the number of staff allocated to execute Cohesion policy by an average cost per staff member established for each staff category. Following recommendations by the Commission’s Internal Audit Service, the staff allocation method was updated in 2018. In particular, as it explained in its AAR, DG EMPL refined the method it used to estimate the staff resources involved, a method which had not been updated since 2013. This change, accompanied by two administrative reorganisations and the significantly increased workload linked to the EU semester, all only reported in the 2018 AAR, had the effect of reducing DG EMPL’s reported costs relating to shared management by 50 %. This casts doubt on the accuracy of the reported 2013-2017 costs. We consider that the updated method now used by the Commission allows it to satisfy the requirements of the Financial Regulation (paragraph 23).

Member States have only incomplete information on administrative costs

26 Member States can decide which costs to declare to the Commission as technical assistance (see paragraph 14). The type of costs declared differs from authority to authority, even within individual Member States. Some Member States choose not to declare all of their eligible administrative costs as TA. They may do so, for example, in order to use more of the funds available for operational projects. *Figure 3* shows the types of costs that the authorities in each of the five Member States we audited declared as TA. The table also illustrates that certain Member States chose not to declare in part or fully certain types of cost. For the costs, which are not declared to the Commission, it has no information about the amount nor type of costs (see also paragraph 13).

Figure 3 – Financing of administrative costs in audited member States

Member States	Type of cost of control covered from technical assistance / Authority	Staff cost	Material costs	Overheads	External costs
Austria	Coordination Body (only OROK)	Fully declared	Not declared	Not declared	Not declared
Austria	Managing Authority	Partially declared	Partially declared	Partially declared	Partially declared
Austria	Managing Authority Intermediary Bodies ⁽¹⁾	Not declared	Not declared	Not declared	Partially declared
Austria	Certifying Authority ⁽²⁾	Not declared	Not declared	Not declared	Partially declared
Austria	Certifying Authority Intermediary Bodies ⁽³⁾	Partially declared	Partially declared	Partially declared	Partially declared
Austria	Audit Authority	Not declared	Not declared	Not declared	Not declared
Czechia	Coordination Body	Fully declared	Vast majority declared	Fully declared	Partially declared
Czechia	Managing Authority	Fully declared	Partially declared	Partially declared	Partially declared
Czechia	Managing Authority Intermediary Bodies	Fully declared	Partially declared	Partially declared	Partially declared
Czechia	Certifying Authority	Fully declared	Partially declared	Not declared	Fully declared
Czechia	Audit Authority	Fully declared	Vast majority declared	Vast majority declared	No information
Latvia	Managing Authority	Vast majority declared	Vast majority declared	Vast majority declared	Vast majority declared
Latvia	Managing Authority Intermediary Bodies	Partially declared	Partially declared	Partially declared	Partially declared
Latvia	Certifying Authority	Partially declared	Not declared	Partially declared	Not applicable
Latvia	Audit Authority	Vast majority declared	Vast majority declared	Fully declared	Fully declared
Portugal	Coordination Body	Fully declared	Fully declared	Fully declared	Fully declared
Portugal	Managing Authority	Fully declared	Fully declared	Fully declared	Fully declared
Portugal	Managing Authority Intermediary Bodies	Partially declared	Partially declared	Partially declared	Partially declared
Portugal	Certifying Authority	Fully declared	Fully declared	Fully declared	Fully declared
Portugal	Audit Authority	Partially declared	Fully declared	Partially declared	Fully declared
Portugal	Segregated Audit Structure - Audit of Operations	Fully declared	Fully declared	Fully declared	Fully declared
Poland	Managing Authority	Fully declared	Fully declared	No information	Fully declared
Poland	Managing Authority Intermediary Bodies	Fully declared	Fully declared	Partially declared	Fully declared
Poland	Certifying Authority ⁽⁴⁾	Fully declared	Fully declared	No information	Fully declared
Poland	Audit Authority	Fully declared	Fully declared	Not applicable	Fully declared

⁽¹⁾ ERDF MA IBs are not financed from technical assistance.

⁽²⁾ ESF CA does not declare any costs under technical assistance.

⁽³⁾ The ESF CA does not have any IB.

⁽⁴⁾ In Poland the CA is a separate functional part of MA.

Source: ECA.

27 The replies to our survey indicate that TA covers a significant part of Member States' administrative costs, but not all of them, see [Figure 2](#). In other words, Member States finance a proportion of administrative costs from their own national or regional sources, and they do not declare this to the Commission.

28 For the programme period 2007-2013, for which only a few OPs are still open, 10 % of the Member State authorities responding to our survey financed all their costs from national sources. At the other extreme, 13 % financed all their costs from TA (see [Table 2](#)).

Table 2 – Proportion of TA in the administrative costs as estimated by survey respondents for the period 2007-2013

Proportion of TA versus total administration costs	% of respondents
0 %	10 %
1 %-25 %	9 %
26 %-50 %	11 %
51 %-75 %	7 %
76 %-99 %	9 %
100 %	13 %
Does not know	41 %
Total	100 %

Source: ECA.

29 The Commission estimated the amount declared as a proportion of total Member State administrative costs by asking all Member States. It arrived at an estimated range of between 30 % and 70 %¹⁴ (for the 2007-2013 programme period for ERDF and CF) in 2010, and 68 %¹⁵ (for the 2014-2020 programme period for all five ESI funds) in 2018.

¹⁴ European Commission (2010) study 'Regional governance in the context of globalisation: reviewing governance mechanisms and administrative costs', SWECO, p. 26. The quoted information relates only to ERDF and CF and measures the proportion of TA vs staff costs only.

¹⁵ European Commission (2018) study 'New assessment of ESIF administrative costs and burden', Spatial Foresight and t33, p. 37.

30 Our survey shows that 41 % of the respondents were unable to estimate the proportion of costs funded by TA (see [Table 2](#)). Even though costs declared for TA are known, in most cases (91 % of the respondents) there was no national requirement to identify total costs. This situation is not unique to the bodies implementing the Cohesion policy funds: only 20 % of Supreme Audit Institutions confirmed that such requirements existed for purely national or regional funding schemes.

31 While Member State authorities, being public bodies, have accounting systems that record the costs they incur, 62 % of the authorities responding to our survey were part of bigger organisations, such as ministries. This means that it may be difficult to identify separately the costs relating to the activity of programme authorities implementing Cohesion policy from those of the larger organisation where they share buildings or computer systems, for example.

The Commission's 2018 ad hoc study estimating administrative costs was based on input data that was insufficiently complete, consistent or coherent

32 As complete information on Member States administrative costs is not available, the Commission periodically undertakes studies to estimate these costs. These studies were carried out by consultants around year 5 of the programme periods and resulted in studies issued in 2010 (CF and ERDF); in 2012 (ESF) and in 2018 for all five ESI Funds (see [Box 1](#)).

33 For the 2018 study the consultant asked all Member State authorities to provide information on the administrative costs via a questionnaire. These authorities included managing, certifying and audit authorities, as well as, national coordination bodies, but excluded a significant number of intermediate bodies.

34 Member State authorities were not legally obliged to reply, and indeed not all of them did so. The response rate varied between 13 % (Germany) and 100 % (Denmark and Slovenia)¹⁶. The final coverage across all Member States for all five ESI funds was 39 %¹⁷.

35 We asked the respondents to our survey who did not fill in the consultant's questionnaire for the 2018 study why they have done so. Some replied that it was because of a lack of staff resources and readily available data. Other respondents replied that the timing of the questionnaire was suboptimal since activities are distributed unevenly over a programme period (because of the natural functioning of the policy area) the Member State's administrative costs were also distributed unevenly over the period. As a consequence of the incomplete response to the questionnaire, the consultant had to make compensating adjustments to the data to fill in the gaps. This was done through using valid answers from 'similar' respondents¹⁸.

36 For those Member State that did respond, the resources needed to complete the exercise were not excessive: respondents to our survey indicated that they spent an average of 1.7 staff weeks to reply to the questionnaire.

37 Our audit in the selected Member States and the responses to our survey show that the input data provided to the consultant was insufficiently complete, consistent and coherent for the following reasons:

- Authorities in all five audited Member States claimed that the scope and methodology of the exercise, and the questions were unclear, and that there were no proper guidelines.
- Our survey respondents were able to extract little more than 50 % of the information required for the consultant's questionnaire from their information systems. Consequently, they had to use estimates for much of the data required.

¹⁶ These reply rate numbers differ from those published in the report. Our numbers refer only to the three Cohesion policy funds, while the numbers in the report refer to all five ESI funds.

¹⁷ European Commission (2018) study 'New assessment of ESIF administrative costs and burden', Spatial Foresight and t33, p. 26 Table 2.1.

¹⁸ European Commission (2018) study 'New assessment of ESIF administrative costs and burden', Spatial Foresight and t33, p. 30.

- For all five audited Member States, little verification of data was carried out of the underlying data of the authorities' replies: the consultant only made plausibility checks of data.
- Information for intermediate bodies was not always included in the replies by some authorities of four of the five audited Member States.
- Some authorities in all five audited Member States reported only the costs financed from technical assistance, which do not represent the entirety of administrative costs.
- In two of the five audited Member States, some information reported does not relate only to the 2014-2020 programme period.
- Costs were reported inconsistently in four of the five audited Member States: we found costs, which were not included in the reporting related to the implementation of Cohesion policy. In one of the visited Member States we also found costs reported, which did not relate entirely to the implementation of Cohesion policy (see [Box 2](#)).

Box 2

Problems found in the replies provided by Member State authorities

An audit authority in one Member State reported only the overhead costs of its main office, but the overheads related to 35 regional locations were not included. The same authority included costs related to all of its staff, however some staff members audit expenditure not related to Cohesion policy.

38 Two authorities stated that with advance notice, better and more information could have been obtained. If the need for such information had been communicated from the beginning of the programme period, they could have designed their systems and procedures in a way that would generate the information needed, and providing data would have been much easier, more efficient and more precise.

39 For the ERDF and CF, the 2018 study has very similar results to those of the previous study in 2010. However, the 2018 study estimated Member State costs for the ESF to be 2.8 %, compared to an estimate of 4.8 % in the 2012 study. According to the 2018 study, this large reduction in costs could primarily be attributed to reductions in the costs (i) of monitoring and evaluation; (ii) of verifications of reimbursement

claims in particular due to extended use of simplified cost options (SCO); and (iii) of information and communication activities¹⁹.

The available data shows the administrative costs to be comparatively low

40 The administrative cost of Cohesion policy should be reasonable in comparison to other investment funding programmes at the European or international level.

41 The weaknesses we have reported in paragraphs 33 to 39 call into question the completeness, consistency and coherence of the data collected for the 2018 study. Consequently, when analysing the data, this unreliability must be taken into account, which means that the data is only suitable for broad-brush comparisons. Nevertheless, even allowing for a sizeable margin of error, the available data shows the administrative costs of the Cohesion policy funds to be comparatively low in relation to other European and international programmes.

42 The 2018 study shows that the average cost to Member States of implementing the Cohesion policy funds was 2.3 %²⁰ of the total allocated funds. The CF is the least expensive of all the ESI funds, with 1.8 % administrative costs, followed by the ERDF (2.3 %) and ESF (2.8 %) (see [Table 1](#)). The study concludes²¹ that these differences reflect the different natures of the funds, for example CF programmes typically have fewer, larger projects to carry out than ESF or variances in financial volume. Thus, the different nature of the funds must be taken into account in any comparison. The 2018 study suggests that the costs of implementing the Cohesion policy funds are below those for the EAFRD (8.3 %) and EMFF (4.4 %).

¹⁹ European Commission (2018) study 'New assessment of ESIF administrative costs and burden', Spatial Foresight and t33, paragraph 4.2.

²⁰ ECA calculation based on the data from the European Commission (2018) study 'New assessment of ESIF administrative costs and burden', Spatial Foresight and t33 table 3.1 and the European Structural and Investment Funds, Open data platform, October 2019.

²¹ European Commission (2018) study 'New assessment of ESIF administrative costs and burden', Spatial Foresight and t33, p. 8.

43 In addition to the Member States' costs, the Commission's costs for 2018 are estimated to 0.36 % of total Cohesion policy funding commitments made. Of this, DG EMPL costs amount to 0.18 % of committed ESF funds, and REGIO costs amount to 0.42 % of committed CF and ERDF funds.

44 The 2018 study also refers to earlier studies, which have shown that the costs of implementing the ESI Funds are reasonable according to international comparisons. These studies found that the Member States' costs for implementing the ESI Funds were comparable with the general administrative expenses of the European Bank for Reconstruction and Development (EBRD), with broadly similar management and implementation structures, which amounted to 4.5 % of programme costs. The administrative costs of the World Bank's global and regional partnership programmes are 11 %.

The cost information available was not adequate to assess the impact of simplifying EU rules

45 Information about the administrative costs of implementing Cohesion policy funds is particularly relevant at two stages of any programme period:

- (1) when legislation is proposed for a programme period and rules are modified, discontinued or introduced; and
- (2) when a programme period is closed and the final amount of administrative costs can be worked out and assessed against the assumptions at the outset.

46 To justify the changed legislative provisions in the new CPR, studies should present information and serve as an evidence base for the Commission to obtain a good understanding of the complexity of the rules and administrative practices relevant to the administrative costs. The information should allow the Commission and the Member States to assess which simplification measures might be effective and their expected impact, while considering regulatory benefits. Once, the programme implementation is sufficiently advanced, the Commission should measure the effects and analyse the impact of the simplification measures, where they are applied or it is planned to apply them in the subsequent programme period.

The Commission is more optimistic of savings in 2014-2020 due to regulatory simplification than Member States

47 We examined the Commission's analysis of the impact of simplification measures and compared them to Member States' views on administrative costs for the 2014-2020 period. The studies undertaken for the Commission between 2010 and 2018 (see [Box 1](#)) were based on information either from early stages in the same programme period or on information from the preceding programme period used as a baseline scenario to estimate the future impact of the introduced or proposed simplification measures. In both scenarios, the information available was insufficient to assess the impact of changes due to simplification measures.

48 An example of using information from early in the programme period is the 2017 study (see [Box 1](#)). During previous audit work²², we found that slow implementation in the 2014-2020 period had led to an approximate absorption rate of only 10 % of available ERDF, ESF and CF funds by the first semester of 2017. With merely 10 % of the allocated funds absorbed, it is challenging to estimate the effects of the examined simplification measures as changed rules, in general, would require change of procedures, acquisition of new knowledge and training. The 2018 study confirms, that the impact of changed rules may only have materialised with some delay and that it would be difficult to provide conclusive evidence that the changes resulted in an impact on the administrative costs²³.

49 The studies carried out so far (see [Box 1](#)) aimed to estimate the maximum level set in the legislation for technical assistance from the various cohesion policy funds and to illustrate expected future savings, which simplifications measures may yield. However, the Commission has not yet assessed whether these savings have crystallised. Although nearly all 2007-2013 operational programmes have now been closed (see paragraph [05](#)), to the Commission has not yet measured and assessed the difference between the estimated and actual impact of the simplification measures.

50 In the Commission's 2017 study (see [Box 1](#)) it reviewed whether 21 selected simplification measures introduced in the 2014-2020 CPR had generated the expected reductions for all five ESI Funds (see [Annex III](#)).

²² Special report 17/2018 on Commission's and Member States' actions in the last years of the 2007-2013 programmes tackled low absorption but had insufficient focus on results.

²³ Spatial Foresight and t33, 'New assessment of ESIF administrative costs and burden', October 2018, p. 110.

51 The study found that overall the 21 simplification measures are expected to reduce the administrative costs related to Cohesion policy funds for public administration by a range of 4 % to 8 % for ERDF and CF and a range of 2 % to 5 % for the ESF²⁴. The study also found that the regulatory threshold for technical assistance currently set at 4 % of allocated funds could be reduced to between 3.7 % and 3.8 % for the ESI Funds.

52 In our survey and visits to implementing authorities, we asked how the implementing authorities expected administrative costs for the 2014-2020 period to evolve compared to the 2007-2013 period. Around 58 % of the respondents expected that their costs would increase and 20 % of the respondents expected no change, which means that 78 % believe that administrative costs will either increase or remain the same as in the previous period. According to the respondents, the most important factors, which the Member State authorities expect to contribute to a cost increase are the number of EU legal acts and difficulties in interpreting them, and the number of tasks imposed by legislation on Member State authorities.

53 The expectation of the majority of the Member State respondents of an increase in administrative costs challenges the Commission's assessment which predicts a decrease of administrative costs.

The impact of proposed simplification measures for 2021-2027 is uncertain

54 We pointed out in paragraph 41 that the data for the 2018 study was only suitable for broad-brush comparisons. As a result, using individual components from the 2018 study, as a basis for detailed modifications of the legislative rules appears very difficult, and should be done cautiously. The Commission confirms in the explanatory memorandum to the proposal for the new CPR, stating that 'many of the simplifications are difficult to quantify financially in advance'²⁵. Nevertheless, the Commission selected and presented in the explanatory memorandum two specific

²⁴ SWECO, Spatial Foresight and t33, 'Use of new provisions on simplification during the early implementation phase of ESIF', June 2017, Table 1, p. 17.

²⁵ Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument, 29.5.2018, COM(2018) 375 final.

estimations concerning specific modifications to provisions in the proposed 2021-2027 Regulation (see [Box 3](#)).

Box 3

Selected estimates from the 2018 study inserted in the explanatory memorandum for the new CPR

- o Greater use of simplified cost options (or payments based on conditions) for the ERDF and the Cohesion Fund could substantially reduce total administrative costs – by 20 %-25 % if these options are applied across the board.
- o The more proportionate approach to control and audits would imply a major reduction in the number of verifications and the audit burden for ‘low risk’ programmes thus reducing the total administrative costs of the ERDF and the Cohesion Fund by 2 %-3 % and costs for affected programmes by a much greater amount.

55 The estimate concerning the greater use of simplified cost options (see first indent in [Box 3](#)) is one of two estimates made in the 2018 study for this simplification measure. However, the 2018 study itself refers to this specific estimate as an ‘extreme’ scenario, which is ‘currently unrealistic’. According to the study, a more ‘realistic’ scenario would result in saving from 1 %-2 %²⁶. As such, the Commission did not present the more realistic scenario for the legislative discussion.

56 The 2018 Commission study (see [Box 1](#)) examined the expected impact of eight of the 80 simplification measures introduced in the 2021-2027 proposal. The Commission identified the eight measures as particularly relevant for an impact assessment. The study does not specify how the Commission selected these measures.

57 Compared with the 2014-2020 period as a baseline situation, the study concludes that the eight proposed simplification measures will lead to a reduction of merely 0.2 percentage points²⁷ on the administrative costs for the Cohesion policy funds and

²⁶ Spatial Foresight and t33, ‘New assessment of ESIF administrative costs and burden’, October 2018, pp. 105-106.

²⁷ Spatial Foresight and t33, ‘New assessment of ESIF administrative costs and burden’, October 2018, Table 5.13.

the EMFF. Two measures make up approximately 80 % of this reduction: reduced number of verifications and the extended scope of SCOs (see paragraph 39).

58 We found that the surveyed Member States appear to agree that the administrative costs for Member State authorities will fall for the 2021-2027 period. In order for the fall to materialise, the Member State respondents stated that the main factors for this would be clearer provisions, reduced lower number of EU legal acts, fewer tasks for authorities, and more use of SCOs. In our opinion on the proposed CPR for 2021-2027, we confirm that the legislative framework follows a simplified overall structure and that it contains a reduced number of considerably shorter regulations²⁸.

59 Nonetheless, our opinion²⁹ also sets out that a number of provisions lack clarity as to their implementation. Such provisions may also lead to administrative resources being spent on needless discussion on how to implement them and to additional demand for Commission guidance. On this basis there is a risk that administrative cost reductions may be smaller than estimated or may not materialise at all (see paragraph 57).

60 The co-financing mechanism for technical assistance to Member States for the previous and current programme periods was based on costs made up mostly of activities undertaken by staff. This entails risks linked to inaccurate payment and eligibility criteria. For the 2021-2027 period, the proposed regulation suggests that this should change, and be based instead on a flat rate of operational expenditure³⁰, which should significantly reduce the financial and compliance risk linked to technical assistance.

²⁸ ECA opinion 6/2018, paragraph 24.

²⁹ ECA opinion 6/2018, such as paragraphs 28, 32, 37, 38, 62, 101, 117.

³⁰ Article 31 of Commission proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument, COM(2018) 375 final of 29 May 2018.

61 In addition the proposed regulation for the 2021-2027 period suggests a change in the limit for technical assistance support (see paragraph [14](#) and [Box 4](#)). Overall, and due to the lower financing rate for technical assistance for Cohesion Fund and the ERDF support under the Investment for jobs and growth goal, we consider that this should lead to a significant reduction in EU funds spent by the EU budget on technical assistance to Member States.

Box 4

Limit for flat-rate financing of technical assistance to Member States of the 2021-2027 CPR proposal

The percentage for technical assistance financing for the Cohesion policy funds is limited to:

- 2.5 % for ERDF support under the Investment for jobs and growth goal, and for the Cohesion Fund support;
- 4 % for ESF+ support; and
- 5 % for programmes under Article 4(1) (c) (vii) of the ESF+ Regulation.

62 Some Member States may incur costs above the flat rate limit (see [Box 4](#) and [Figure 2](#)) and a number of Member States will spend significant amounts of money on administrative costs. We consider that this may motivate Member States to look for cost reductions through simplification of rules for the 2021-2027 period indirectly driving forward the exploration of further simplification of EU rules. Another relevant element in this search would be Member States' examination of their administrative processes and procedures for inefficiencies or unnecessary complexities.

The Commission did not examine important elements relevant for decision-making and simplifying rules

63 As indicated in our Briefing Paper on Simplification³¹, some of the greatest scope for simplification lies in national and regional procedures that are independent of the EU regulations and which cannot thus be influenced by the Commission.

64 In some of the studies mentioned in *Box 1*, the Commission assessed a number of simplification measures for the 2014-2020 and 2021-2027 period (see paragraph 48) for their monetary impact. For the Commission's 2018 study, the consultant has gathered information from the Member States by sending questionnaires, (see paragraph 33). Prior to submission of the questionnaires, the consultant identified the administrative tasks, in consultation with the Commission, in a detailed list in the methodology report based on the provision in the 2014-2020 CPR and other related regulations (see *Annex II*).

65 While the study examines the up-take of simplification measures introduced at EU level, it does not address practices and information on how these tasks are carried out by the Member States. Our audit work for our Briefing Paper on Simplification³² showed that administrative practices and the related administrative costs for authorities and beneficiaries vary significantly between Member States and OPs³³. We found that this was the case, for example for the way project applications are submitted, the size of project applications and the amount of information applicants are asked to provide³⁴. This would have provided the consultant with insights into the reasons for the level of administrative costs and may have qualified the expected impact of the simplification measures.

³¹ Briefing Paper - Simplification in post-2020 delivery of Cohesion Policy – May 2018 paragraphs 62 to 72.

³² Briefing Paper - Simplification in post-2020 delivery of Cohesion Policy – May 2018.

³³ See footnote¹⁸.

³⁴ Briefing Paper - Simplification in post-2020 delivery of Cohesion Policy – May 2018, paragraphs 62 to 72.

Conclusions and recommendations

66 We found that the overall cost of implementing the Cohesion policy funds presented by the Commission is comparatively low compared to other EU funds and internationally funded programmes. However, we concluded that the Commission had not collected underlying data on costs that were complete, consistent and coherent enough to allow this data to be used, for example for assessing the impact of simplifying EU rules on how to implement the Cohesion policy funds.

67 Member States declare part of their costs of programme implementation to the EU for reimbursement. This is called technical assistance. Even though the costs declared for technical assistance are known, in some cases little or no information is available for the non-declared part which comes on top of the technical assistance. The Commission therefore carries out studies from time to time to estimate the administrative costs globally; the last study published in 2018, gives an estimate of the administrative costs for the 2021-2027 period. We found that, while the underlying data was insufficiently coherent, consistent and complete, the study could nevertheless be useful for broad-brush comparisons. In addition, two Member State authorities confirmed our view that they could have provided more and better information if they had been given advance notice (paragraphs [26](#) to [39](#)).

68 When we compared the costs of implementing Cohesion policy funds with those reported by other international organisations, we found the 2.3 % costs incurred by Member States as reported by the Commission, to be comparatively low (paragraphs [40](#) to [44](#)).

Recommendation 1 – Improve the approach to studies of administrative costs by announcing what will be examined and when

To ensure a significant study response rate allowing to assess and conclude on specific elements in the studies, for future studies the Commission should:

- (a) at an early stage in the programme period, submit to the Member States an announcement of the study;
- (b) include in the study announcement to the Member States information about what content and data need to be provided and by when;
- (c) support the Member States during the data collection and consolidation;
- (d) ensure that data collected are verified as part of the studies, taking account of Member State and EU verification procedures already in place, to ensure that they are of sufficient quality.

Timeframe: for (a) and (b): end of 2021 and for (c) and (d): end of 2024.

69 The majority of the Commission studies were undertaken in the early stage of the programme periods. However, as the simplification measures materialise with some delay, assessment of their impact at an early stage becomes a challenge or reduces its meaningfulness. For the 2007-2013 period, the Commission has not yet assessed the difference between the estimated and the actual impact of simplification measures even though nearly all operational programmes have been closed (paragraphs [47](#) to [49](#)).

70 For the 2014-2020 period, the Commission estimated, based on a study from 2017, that the introduction of 21 simplification measures should lead to a reduction in administrative costs of 4 % to 8 % for ERDF and CF and of 2 % to 5 % for ESF. However our survey shows that the majority of Member State respondents are of the opinion that administrative costs will increase in the 2014-2020 period (paragraphs [50](#) to [52](#)).

Recommendation 2 – Assess whether estimated administrative cost savings have materialised

The Commission should, when the programme implementation is sufficiently advanced, examine a sample of operational programmes, starting with the 2014-2020 programme period, to measure the effects and analyse the impact of simplification measures.

Timeframe: end 2022.

71 As part of the explanatory memorandum to the legislative proposal for 2021-2027, the Commission presented two estimates from the 2018 study relating to specific individual simplification measures, one of them being characterised as unrealistic by the author of the study. We consider that the more realistic scenario should have been used as a basis for the explanatory memorandum (paragraphs 54 to 55).

72 Based on the 2018 study, the Commission estimated that the administrative costs in the 2021-2027 period would be approximately 0.2 percentage points lower than in the 2014-2020 period. Our survey indicates that the responding Member States authorities confirm this assessment if for example, provisions are clarified, fewer EU legislative acts and Member State tasks are proposed, and the use of SCOs are increased. However, our opinion on the new legislative proposal shows that some provisions are not clear, which questions whether the estimated savings will materialise (paragraphs 56 to 59).

73 The rules for reimbursing technical assistance have changed in the legislative proposal for 2021-2027. If adopted, technical assistance will be paid at a flat rate of operational expenditure with a limit applicable to each Cohesion policy fund. With this change, the financial and compliance risks linked to technical assistance should be significantly reduced and should lead to a significant reduction in EU funds spent on Technical assistance to Member States (paragraphs 60 to 62).

74 The Commission has introduced and proposed several simplification measures in the 2014-2020 and 2021-2027 Regulations. The monetary impact of many of these simplification measures have been estimated by the Commission. However, the complexity of the Member State authorities' administrative practices has not been taken into account. Based on our previous work, we consider that some of the greatest scope for simplification may lie in the national and regional procedures that are independent of the EU regulations (paragraphs 63 to 65).

Recommendation 3 – Examine administrative practices in Member States

The Commission should, in dialogue with the Member States, already for the 2014-2020 programme period assess administrative practices and procedures at Member State level with a view to eliminating inefficiencies (such as gold-plating) and disseminating examples of efficient administrative practices and procedures to all relevant Member State authorities.

Timeframe: end 2021.

This Report was adopted by Chamber II, headed by Mrs Iliana Ivanova, Member of the Court of Auditors, in Luxembourg at its meeting of 26 February 2020.

For the Court of Auditors

Klaus-Heiner Lehne
President

Annexes

Annex I - Overview of Cohesion policy total allocation and technical assistance for 2014-2020 programme period per Member State (Euro)

Member States	2014-2020 OP Total Allocation	2014-2020 Technical Assistance Total Allocation
Belgium	4 694 736 243	125 169 239
Bulgaria	8 700 725 709	344 945 848
Czechia	29 544 467 130	989 172 991
Denmark	810 178 396	37 127 934
Germany	30 366 253 079	1 091 204 875
Estonia	4 665 144 886	127 019 229
Ireland	1 977 710 171	28 213 058
Greece	20 428 360 921	721 851 079
Spain	42 441 119 299	776 314 024
France	28 501 806 801	940 126 804
Croatia	9 921 375 168	371 897 191
Italy	53 257 045 945	1 738 915 895
Cyprus	873 633 561	27 440 714
Latvia	5 192 727 708	119 195 651
Lithuania	7 887 717 226	251 006 331
Luxembourg	88 283 382	4 747 036
Hungary	25 420 619 357	227 587 211
Malta	865 226 493	23 940 736
Netherlands	2 399 304 517	91 849 186
Austria	2 977 566 143	92 134 060
Poland	90 592 769 609	2 947 106 892
Portugal	27 554 810 814	771 793 290

Romania	26 873 144 609	970 594 833
Slovenia	3 818 092 784	142 875 882
Slovakia	17 399 739 144	649 440 476
Finland	2 620 478 202	78 369 592
Sweden	3 467 697 138	139 441 168
United Kingdom	19 617 168 835	652 388 811
Total	472 957 903 270	14 481 870 037

Note: EU cross-border cooperation not included. Amounts as of 31.12.2018.

Source: European Commission.

Annex II - Administrative tasks identified by the consultant in consultation with the Commission

Task name	ERDF/CF & ESF Reference in regulations
Elaboration of partnership agreement	CPR, Part II - Art. 14-17
Progress report	CPR, Part II - Art. 52
National coordination	N/A
Preparation of programmes	CPR, Part II - Art. 26-31
Ex ante evaluation	CPR, Part II - Art. 55
Strategic Environmental Assessment (when applicable)	CPR, Part II - Art. 55 (4)
Setting up of management and control system	CPR, Part II - Art. 72
Designation of authorities	CPR, Part IV - Art. 123, 124
Ensuring ex ante conditionalities	CPR, Part II - Art. 19
Other programme preparation tasks	N/A
General management tasks	
Information and communication	CPR, Part III - Art. 115
Establishing, running and guiding the work of the monitoring committee	CPR, Part IV - Art. 125(2a), CPR, Part II - Art. 47
Ensuring a system for collecting, recording and storing data (ESF: including participants-related data)	CPR Art 72 (d), Art. 112(3), Art. 125 (2a, 2d, 2e, 4d, 8), Art. 140
Set up and use of a system for the electronic exchange of information with beneficiaries (e-cohesion)	CPR, Part IV - Art. 122 (3), Art. 140
Ensuring equality between men & women and non-discrimination	CPR, Part II - Art. 7
Other general management tasks	N/A
Financial management tasks	
Ensuring adequate separation of functions and systems for reporting and monitoring where the responsible authority entrusts execution of tasks to another body	CPR, Part II - Art. 72(a, b, e, h), Part IV - Art 122(2), Art. 125(1)
Correction of irregularities	CPR, Part II - Art. 72(h)

Effective and proportionate anti-fraud measures	CPR, Part II - Art. 72(h), CPR, Part IV - Art. 122(2), Art. 125 (4c)
Management of financial instruments	CPR, Part II - Art. 37-46
Integrated territorial investment	CPR, Part II - Art. 36
Community-led local development & LEADER	CPR, Part II - Art. 34-35
Other financial management tasks	N/A
Project related tasks	
Selection of operations and information to beneficiaries	CPR, Part IV - Art. 125(3), Art. 72(c)
Ensuring an adequate audit trail and adequate management verifications	CPR Art. 72(c, g, h), Art. 122(3), Art. 125 (4a, 4b, 4d, 5, 6, 8), Art. 140
Administrative verifications for each application for reimbursement by beneficiaries	CPR, Part IV - Art. 125 (4a, 5a)
On-the-spot verifications	CPR, Part IV - Art. 125 (4a, 5b, 6)
Drawing up the management declaration and annual summary of final audit reports and of controls carried out	CPR, Part IV - Art. 125 (4e)
Management of major projects	CPR, Part III - Art. 100-103
Management of global grants	CPR, Part IV - Art. 123(7)
Other project related tasks	N/A
Reporting, monitoring and evaluation tasks	
Annual implementation reports	CPR, Part IV - Art. 125(2b)
Preparation and transmission of financial data to the EC, including payment forecasts	CPR, Part III - Art. 112
Monitoring and evaluations during the programming period (ESF: including participant-related data collection)	CPR, Part II Art 56, 57 Part III - Art. 114
Assessment and monitoring of operations generating net revenue after completion	CPR, Part II - Art. 61
Other reporting, monitoring and evaluation tasks	N/A
Other programme management tasks	N/A

Draw up and submit payment application to the Commission	CPR, Part IV - Art. 126 (a)
Certification of expenditure entered in the accounts	CPR, Part IV - Art.126 (c)
Ensuring that adequate information was received from the MA	CPR, Part IV - Art. 126(e)
Taking account of the results of all audits	CPR, Part IV - Art. 126(f)
Maintenance of records of expenditure declared to the Commission	CPR, Part IV - Art. 126(g)
Accounting of amounts recoverable or withdrawn following cancellations	CPR, Part IV - Art. 126(h)
Other certification tasks	N/A
Preparation, submission and updating of the audit strategy	CPR, Part IV - Art. 127(4)
System audits	CPR, Part IV - Art. 127(1)
Audit of operations	CPR, Part IV - Art. 127(1)
Audit of accounts	CPR, Part IV - Art. 127(1)
Preparation and submission of the annual control report	CPR, Part IV - Art. 127(5)
Other audit tasks	N/A

Source: Spatial Foresight and t33, 'New assessment of ESIF administrative costs and burden', October 2018.

Annex III - 21 selected simplification measures introduced in the 2014-2020 CPR analysed for expected administrative cost reductions

Simplification measure
Partnership Agreements replace the National Strategic Reference Framework and National Strategic Plan
Greater thematic concentration
Common indicators & enhanced monitoring framework
Harmonisation of rules
Proportionate control/minimum level of on-the-spot checks
E-cohesion/E-governance with beneficiaries
Simpler rules for revenue-generating projects
Shorter retention period for documents
Simplified programme modification procedure
Simplification of the programme document
Independent quality report for major projects
Considering providers of training or knowledge transfer as beneficiaries
Community-led local development (CLLD) & local action groups
Integrated territorial investments (ITI)
Merging MA-CA/reducing number of PA
Grants and repayable assistance as simplified cost options (SCO)
Joint action plans (JAP)
Advance payments
Establishment of advance criteria for insurance cover
Accelerated procedure for selection process
Special calculation rules for compensation

Source: SWECO, t33 and Spatial Foresight, 'Use of new provisions on simplification during the early implementation phase of ESIF', June 2017.

Acronyms and abbreviations

CPR: Common Provisions Regulation.

DG BUDG: Directorate-General for Budget.

DG EMPL: Directorate-General for Employment.

DG REGIO: Directorate-General for Regional and Urban Policy.

EMFF: European Maritime and Fisheries Fund.

FR: Financial Regulation.

IB: Intermediate body.

IT: Information technology.

SCO: Simplified cost option.

TA: Technical assistance.

Glossary

Administrative costs: Costs incurred by the Commission (Commission administrative costs) and by the Member State authorities (Member State administrative costs) in implementing the Cohesion policy.

Annual Activity report (AAR): AARs indicate the results of operations by reference to objectives set, associated risks and the form of internal control, inter alia. Since the 2001 budget exercise for the Commission and since 2003 for all European Union (EU) institutions, the 'authorising officer by delegation' must submit an AAR to his/her institution on the performance of his/her duties, together with financial and management information.

Audit authority (AAs): Are independent national or regional bodies responsible for establishing whether or not the annual accounts submitted by the certifying authorities paint a fair and accurate picture, the expenditure declared to the Commission is legal and regular, and OP control systems function properly. AAs may address anti-fraud measures set up by MAs through their systems audits and may identify suspected fraud through their audits of operations/transactions.

Certifying authority (CAs): Are national, regional or local public authorities responsible for preparing the annual accounts of the OPs and certifying their completeness and accuracy. They are also responsible for submitting payment applications to the Commission. CAs may perform checks resulting in the identification of suspected fraud.

European Structural and Investment Funds (ESIF): Over half of EU funding is channelled through the five European structural and investment funds that aim to reduce regional imbalances across the European Union, with policy frameworks set for the seven-year MFF budgetary period. They are jointly managed by the European Commission and EU Member States. The funds include: the European Regional Development Fund (ERDF); the European Social Fund (ESF); the Cohesion Fund (CF) the European Agricultural Fund for Rural Development (EAFRD); and the European Maritime and Fisheries Fund (EMFF).

Ex-ante impact assessment: A policy tool that aims at collecting evidence (including results from evaluations) in order to assess if future legislative or non-legislative EU action is justified and how such action can best be designed to achieve desired policy objectives. An impact assessment must identify and describe the problem to be tackled, establish objectives, formulate policy options and assess the impacts of these options. The Commission's impact assessment system follows an integrated approach

that assesses the environmental, social and economic impacts of a range of policy options thereby mainstreaming sustainability into Union policy making.

Intermediate Body: An intermediate body is any public or private body or service which acts under the responsibility of a managing authority, or which carries out duties on behalf of such an authority vis-à-vis beneficiaries implementing operations.

Managing authority (MAs): Is a national, regional or local public authority (or any other public or private body), which has been designated by a Member State to manage an OP. Its tasks include selecting projects to be funded, monitoring how projects are carried out and reporting to the Commission on financial aspects and results achieved. The managing authority is also the body which imposes financial corrections on beneficiaries following audits carried out by the Commission, the European Court of Auditors (ECA) or any authority in the Member State.

Operational Programme (OP): An OP sets out a Member State's priorities and specific objectives and describes how funding (EU and national public and private co-financing) will be used during a given period (generally 7 years) to finance projects. OP funding may come from the ERDF, CF and/or ESF.

Programme authorities: The Member State bodies in charge of managing and monitoring the implementation of operational programmes funded by the ESIFs. There are three types: managing authorities (often supported by intermediate bodies), certifying authorities and audit authorities.

Technical assistance: Support to activities necessary for the implementation of a programme, including, amongst others management, monitoring, control and audit. It is in fact monetary support from the EU budget to cover the costs of implementing different EU policies. It is composed of TA at the initiative of the Commission and TA at the initiative of the Member States.

REPLIES OF THE COMMISSION TO THE SPECIAL REPORT OF THE EUROPEAN COURT OF AUDITORS

“IMPLEMENTING COHESION POLICY: COMPARATIVELY LOW COSTS, BUT INSUFFICIENT INFORMATION TO ASSESS SIMPLIFICATION SAVINGS”

EXECUTIVE SUMMARY

Common Commission reply to paragraphs I to VI:

Cohesion policy is the EU main investment policy. The average cost of implementing this policy by the Commission and by the Member States is less than 3% of the total Cohesion policy funds. The Commission considers that this cost is low compared to other EU funds and internationally funded programmes.

In accordance with the principle of shared management, Member States and the Commission are responsible for the management and control of programmes in accordance with their respective responsibilities laid down in the Common Provisions Regulation (CPR) and in the Fund-specific rules (Article 73 of CPR). The Commission cooperates with Member States to ensure effective coordination in the preparation and implementation of programmes.

VII. The Commission notes that in ECA’s survey the respondents believe their administrative costs will increase, which is a matter of perception.

VIII. The Commission has referred, in the explanatory memorandum of the CPR proposal, to the preliminary results of the study, while being cautious and stressing the difficulty to quantify in advance the measures in financial terms. Moreover, the text of the memorandum contains a disclaimer and does not imply that the less conservative scenario will materialise.

The methodology followed by the consultant to assess the impact of future simplification measures has minimized that impact, taking into account the reluctance of some Member States to implement these measures, as well as the gold plating practices witnessed in the 2007-2013 and 2014-2020 programming periods.

X. The Commission accepts all recommendations.

INTRODUCTION

11. The Commission cooperates with Member States to ensure effective coordination in the preparation and implementation of programmes. In accordance with the principle of shared management, Member States and the Commission are responsible for the management and control of programmes in accordance their respective responsibilities laid down in CPR and in the Fund-specific rules (Article 73 of CPR).

OBSERVATIONS

25. The Commission underlines that the significant reduction of the costs of controls of DG EMPL following the change in methodology in 2018 results from two cumulative trends:

- Some internal re-organisations, notably in 2015, 2016 and 2017;
- An increasing involvement of staff from geographical units in the EU semester process from one year to the other.

The Commission has used the same methodology during the 2013-2017 period, where the reported costs of controls remained relatively stable. As of 2018, the Commission used the updated methodology, leading to a substantial drop in DG EMPL's reported costs of controls. This is due to the fact that staff occupying functions that were previously counted in the cost of controls are excluded from the calculation as per the new methodology. It should be noted that this does not mean that the 2013-2017 data was inaccurate.

49. The proposed technical assistance (TA) ceilings for 2021-2027 are already consistent with the TA costs reported in the study for 2014-2020. The proposed ceilings adequately reflect past experience. The possible impact of simplification measures as proposed in the legislative initiative is not yet taken into account.

52. The Commission notes that in ECA's survey the respondents believe their administrative costs will increase, which is a matter of perception.

Common Commission reply to paragraphs 54 and 55:

The Commission has referred, in the explanatory memorandum of the CPR proposal, to the preliminary results of the study, while being cautious and stressing the difficulty to quantify in advance the measures in financial terms. Moreover, the text of the memorandum contains a disclaimer and does not imply that the less conservative scenario will materialise.

The methodology followed by the consultant to assess the impact of future simplification measures has minimized that impact, taking into account the reluctance of some Member States to implement these measures, as well as the gold plating practices witnessed in the 2007-2013 and 2014-2020 programming periods.

56. The proposed measures have been suggested by the Commission with regard to their likely impact and the capacity to quantify it.

59. Throughout the very detailed negotiations held in the Council and in the Parliament taking place largely after the publication of the ECA's opinion, none of the co-legislators has expressed any difficulties in this regard.

60. The Commission is of the opinion that such simplification referred to by ECA will also lead to savings in administrative costs for both the Member States and its own services.

CONCLUSIONS AND RECOMMENDATIONS

66. Cohesion policy is the EU main investment policy. The average cost of implementing this policy by the Commission and by the Member States is less than 3% of the total Cohesion policy funds. The Commission considers that this cost is low compared to other EU funds and internationally funded programmes.

The Commission underlines that, although the underlying data on costs were not always complete and/or consistent, this did not have any impact on the reliability of the reported costs.

Recommendation 1 – Improve the approach to studies of administrative costs by announcing what will be examined and when

The Commission accepts this recommendation.

Recommendation 2 – Assess whether estimated administrative cost savings have materialised

The Commission accepts this recommendation.

71. The Commission has referred, in the explanatory memorandum of the CPR proposal, to the preliminary results of the study, while being cautious and stressing the difficulty to quantify in advance the measures in financial terms. Moreover, the text of the memorandum contains a disclaimer and does not imply that the less conservative scenario will materialise.

72. Throughout the very detailed negotiations held in the Council and in the Parliament taking place largely after the publication of the Court's opinion, none of the co-legislators has expressed any difficulties in this regard.

Recommendation 3 – Examine administrative practices in Member States

The Commission accepts this recommendation.

Audit team

The ECA's special reports set out the results of its audits of EU policies and programmes, or of management-related topics from specific budgetary areas. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was carried out by Audit Chamber II Investment for cohesion, growth and inclusion spending areas, headed by ECA Member Ms Iliana Ivanova. The audit was led by ECA Member Pietro Russo, supported by Chiara Cipriani, Head of Private Office, Benjamin Jakob, Private Office Attaché; Niels-Erik Brokopp, Principal Manager; Ildikó Preiss, Head of Task; Ana Popescu, Angelika Zych, Cristina-Ioana Jianu, Remus Blidar, Sara Pimentel and Zuzana Gullova, Auditors. Richard Moore provided linguistic support.



From left to right: Chiara Cipriani, Angelika Zych, Benjamin Jakob, Pietro Russo, Niels-Erik Brokopp, Zuzana Gullova, Sara Pimentel.

Timeline

Event	Date
Adoption of Audit Planning Memorandum (APM) / Start of audit	30.5.2018
Official sending of draft report to Commission (or other auditee)	06.01.2020
Adoption of the final report after the adversarial procedure	26.02.2020
Commission's official replies received in all languages	23.03.2020

COPYRIGHT

© European Union, 2020.

The reuse policy of the European Court of Auditors (ECA) is implemented by the [Decision of the European Court of Auditors No 6-2019](#) on the open data policy and the reuse of documents.

Unless otherwise indicated (e.g. in individual copyright notices), the ECA's content owned by the EU is licensed under the [Creative Commons Attribution 4.0 International \(CC BY 4.0\) licence](#). This means that reuse is allowed, provided appropriate credit is given and changes are indicated. The reuser must not distort the original meaning or message of the documents. The ECA shall not be liable for any consequences of reuse.

You are required to clear additional rights if a specific content depicts identifiable private individuals, f. ex. as on pictures of the ECA's staff or includes third-party works. Where permission is obtained, such permission shall cancel the above-mentioned general permission and shall clearly indicate any restrictions on use.

To use or reproduce content that is not owned by the EU, you may need to seek permission directly from the copyright holders.

Software or documents covered by industrial property rights, such as patents, trade marks, registered designs, logos and names, are excluded from the ECA's reuse policy and are not licensed to you.

The European Union's family of institutional Web Sites, within the europa.eu domain, provides links to third-party sites. Since the ECA does not control them, you are encouraged to review their privacy and copyright policies.

Use of European Court of Auditors' logo

The European Court of Auditors logo must not be used without the European Court of Auditors' prior consent.

PDF	ISBN 978-92-847-4551-7	ISSN 1977-5679	doi:10.2865/818662	QJ-AB-20-007-EN-N
HTML	ISBN 978-92-847-4520-3	ISSN 1977-5679	doi:10.2865/127307	QJ-AB-20-007-EN-Q

The implementation of the Cohesion policy funds through operational programmes entails a number of activities, which generate costs by the Commission, Member States and beneficiaries.

We examined whether the Commission's and Member States' costs of implementing Cohesion policy funds are comparable to other similar schemes building on complete, consistent and coherent information, and whether the cost information allows for analysis and decision taking on legislation such as simplifying the rules.

We concluded that the overall cost of implementing the Cohesion policy funds presented by the Commission is low compared to other EU funds and internationally funded programmes. However, we concluded that the Commission had not collected underlying data on costs that were complete, consistent and coherent enough to allow this data to be used, for example, for assessing the impact of simplifying EU rules on how to implement the Cohesion policy funds.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.



EUROPEAN
COURT
OF AUDITORS



Publications Office
of the European Union

EUROPEAN COURT OF AUDITORS
12, rue Alcide De Gasperi
1615 Luxembourg
LUXEMBOURG

Tel. +352 4398-1

Enquiries: eca.europa.eu/en/Pages/ContactForm.aspx

Website: eca.europa.eu

Twitter: @EUAuditors