

Reducing the implementation burden in the EU

Introduction

EU funds make heavy demands in terms of supervision and control. This results in a complex system that is characterised by legal uncertainty and disproportionately high costs and administrative expenses for both recipients and Member States. The yearly transfer of unspent funds back and forth between the national and European level leads to unnecessary costs. In order to significantly enhance the efficiency and effectiveness of EU funds, the implementation burden¹ has to be reduced.

Ways to reduce the implementation burden

Below are some recommendations as to how this could be achieved:

- **Implementation costs: differentiation in the accountability regime and circulation of funds**
In the current programming period, the same accountability regime applies to all Member States. However, the size of the resources and the experience with public investment and implementation differ per Member State. This results in an unnecessary high accountability burden for some Member States. Risk-based differentiation in the accountability regime can resolve this, and can be put into practice on the basis of two criteria:
 - **Quantitative criterion:** the share of ESI funds plus co-financing in the total amount of public investment of a Member State, or the ratio of the ESI funds and national co-financing can serve as a quantitative criterion. High national investment indicates experience and knowledge of the Member State concerned in the governance, supervision and control of public investment. Additionally, ownership of projects leads to better governance of the project resulting in lower costs and higher efficiency.
 - **Qualitative criterion:** an appreciation of the management and control system of an Operational Programme can serve as a qualitative criterion. Such an appreciation can be translated into a decrease in audit obligations of high-performing Member States. Insufficient use of funds by the recipient in the allocation period often results in unnecessary circulation of funds. This leads to excessive costs.
- **Control: cross reliance and proportionality**
 - **Cross reliance:** audits performed by different layers of control result in a complex control system and cross reliance can limit this. When the quality criteria of cross reliance are met, the judgement of an independent auditor may form the basis for assurance in the control pyramid later on in the process. This approach will limit unnecessary control.
 - **More proportionality** between the administrative burden and control for the recipient on the one hand, and the subsidy amount on the other. The lower the subsidy amount per recipient, the fewer or simpler the imposed conditions should be.
- **Supervision: directed conditionality, HUF and innovation in supervision methods**
The supervisory burden has increased because of the increase in performance-driven demands imposed by the Commission, as more demands lead to more supervision. This burden can be limited when conditionality focuses on proportionality and relevance. The purpose of conditionality should be to enhance the economic structure, in line with the goal of the ESI funds.
 - **Directed and proportional demands** result in a lower supervisory burden.
 - **A European test on enforceability, practicability and protection against fraud** can help to ensure this. This test will enable the Commission and the Member States to obtain advance insight into how certain EU regulations will work in practice, whether supervision is proportional for the competent authority and whether it is practicable.

¹ The implementation burden comprises the actual implementation costs, the administrative burden and costs resulting from control and supervision activities.

- Innovative supervision methods will make supervision more efficient and effective. EU regulations should not restrict the use of innovative methods such as those involving big data.
- Introduction of one system for surface bound payments for both the first and second pillar with the application of new developments in remote sensing. This system would fit the move towards targeted payments in the CAP, simplifies implementation and improves error rates.