

**Principles for a simplification of the ESIF<sup>1</sup> Regulation  
in the 2021+ programming period**

**Better simple – simply better!**

In the belief that there will continue to be an active European cohesion and structural policy for all regions after 2020, following the mandate in the Lisbon Treaty, the Federal Ministry for Economic Affairs and Energy set up a group of experts, working under the motto “Better via simplification”, which has analysed the potential for a radical simplification of the current General Regulation (Regulation (EU) No 1303/2013 - the “ESIF Regulation”<sup>2</sup>), taking account of past experience and results.

The group consists of representatives of the coordinating division in the Economic Affairs Ministry (EA3 - Coordination of EU Cohesion and Structural Policy) and representatives of the ERDF<sup>3</sup> managing and certifying authorities of the Länder.

It hereby presents its main proposals for simplification.

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<sup>1</sup>ESIF = European Structural and Investment Funds

<sup>2</sup> ESIF Regulation = Regulation (EU) No 1303/2013

<sup>3</sup> ERDF = European Regional Development Fund

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## I. General points

1. Following the reform of cohesion policy and the integration of the European Structural and Investment Funds (ESIFs) before the current programming period, the thematic objectives have identified the main areas which are suitable for aligning the levels of development of the EU Member States (Art. 174 TFEU) and improving employment opportunities (Art. 162 TFEU).

We wish primarily to further align the differing levels of regional development, strengthen regional excellence, and thus further develop regional competitiveness. Here, more developed regions can serve as a locomotive for less developed regions.

2. Where it makes sense, we would like the legal framework for this to be retained, but we also aim at a radical simplification. In particular, this is true of the strategic orientation, of all measures going hand in hand with the interventions, and of the management and auditing.
3. Further potential for simplifications might be found in a further harmonisation of the ESIFs. Before this happens, however, fundamental political decisions would have to be taken, e.g. on the Multiannual Financial Framework and the breakdown of the funding between different budget headings.
4. The concentration on the thematic objectives which are oriented to overriding strategies and objectives of the European Union is a key element of the funding. They offer a reliable framework whilst retaining sufficient scope for regionally adapted priorities.

We want to vigorously continue and develop this strategic concentration. At the same time, it is up to the Member State to set its priorities within this framework.

5. The principle of a common regulation governing all the ESIFs should be retained. Rules governing all funds are only set out in the common regulation.
6. We are aiming to reduce the number of regulations to the necessary amount. Implementing regulations and delegated acts should be significantly pruned back or abandoned entirely.  
All regulations are prefaced by a list of contents.

7. The regulations should be worded clearly and concisely. Rules which go into the last detail reduce the discretionary scope desired by the legislators, and generate further need for clarification for each new type of case.
8. The number of all sorts of guidelines should be considerably reduced. We call on the Commission to exercise much more restraint again in terms of the publication of guidelines. It is up to the Member States to apply the rules correctly.
9. We want to systematically prune back those rules which are perceived to be generators of bureaucracy and administration burden or additional burdens on potential beneficiaries to the level that is necessary.
10. We do not want fundamentally new management and auditing systems in each new programming period. The basic features of the systems in place for the current programming period should continue to apply in the new programming period. Continuity in the systems and thus in the expertise acquired in implementation boosts the secure application of the rules and reduces the error rates.
11. We are in favour of results-oriented budget implementation.  
We believe that the measurement of the results attained by the policy offers much greater value than merely confirming the compliance of an operation and its implementation with all the rules.
12. With regard to the auditing of the legality and correctness of expenditure, the principle of the single audit should apply to the Commission and the Member States. It is primarily a matter for the national authorities to ensure that the expenditure on a project is legal and correct. This is an expression of the shared management, with the Commission delegating budget implementation tasks to the Member States. The Commission should focus on auditing the effective functioning of the management and control systems. In doing so, it pays attention to the proportionality principle, as provided for by the European Financial Regulation<sup>4</sup>.
13. The protection of the financial interests of the European Union is a shared responsibility of the Member States and the Commission, and this should remain the case.

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<sup>4</sup> EU Financial Regulation (EU) No 966/2012, or “FR”

We have zero tolerance of fraud and corruption, and the diligence we exercise does not distinguish between European and national funding.

14. However, the measures to protect the financial interests of the Union have become so all-encompassing that the actual policy intentions have taken a back seat. The measures scarcely make any distinction between simple errors and deliberate actions like fraud.

This has created a culture of distrust, taking up valuable time with more and more audits, time which is then not available to promote sensible projects using the ESIFS.

But the audits must also justify the costs they cause, i.e. they must be proportionate.

15. We trust in functioning legal systems in our own and in other Member States and in responsible administration by the relevant authorities.

This is a key element of shared management.

16. Also, the Member States or regions fulfil ex-ante conditionalities which ensure effective and efficient use of the funds.

This prepares the ground for targeted and efficient interventions, i.e. interventions which are legal and regular. This also documents the existence of the necessary preconditions for functioning management and control systems.

17. We want to get back to a **culture of trust** in which Member States and the Commission come together as partners.

Trusting in the regional capabilities and expertise, and taking these considerations into account, we make the following specific proposals for improvements to the Common Regulation currently in force (Regulation (EU) No 1303/2013):

## **II. Key points regarding thematic sections of the ESIF Regulation**

### **1. Strategic approach and thematic concentration**

#### ***Articles in the 2014-2020 ESIF Regulation***

Articles 9 - 13 and Annex I

#### ***Present situation***

The programmes of the 2014-2020 programming period aim to contribute to the Union strategy for smart, sustainable and inclusive growth. To achieve this, eleven thematic objectives are defined, and these are set out in greater detail in the fund-specific regulations. Further to this, a comprehensive strategic framework in the ESIF Regulation specifies the strategic orientation of the ESIF programmes.

#### ***Goal***

The strategic orientation of the next-generation funding programmes should be in line with an updated Union strategy like the Europe 2020 Strategy. The basis should be the thematic objectives already identified for 2014-2020, including ongoing developments such as digitalisation.

The ESIF Regulation does not include a further detailed strategic framework. Its content is restricted to a few principles which are included in the ESIF Regulation. The strategic principles are reviewed when major changes occur.

#### ***Justification***

The strategic orientation of the programmes to a long-term EU strategy in conjunction with the principles of results-orientation and concentration of funding seems to have worked well and should therefore be continued. This approach requires a continuation of the EU's 2020 Strategy. On this basis, the stipulation of a few principles of the strategic orientation and the coordination amongst the funds and with other EU and national policies provides the necessary framework and is sufficient. This approach also ensures sufficient flexibility.

A review of the strategic principles makes sense, but adjustments due to major changes must not impact directly on the approved programmes; rather, they should create possibilities.

## **2. Partnership Agreement**

### ***Articles in the 2014-2020 ESIF Regulation***

Article 5, Articles 14 - 17

#### ***Present situation***

The Partnership Agreement (PA) stipulates the strategic framework in the Member States for the assistance from the fund. It also contains messages about the distribution of the funding and the coherence of the deployment of the funding. This overarching national strategy is fleshed out – taking account of special regional and sectoral features – by the operational programmes and the rural development programmes (programmes). In view of Germany's federal structure, the specific implementation in Germany largely takes place at Länder level.

The PA for Germany was drawn up in a lengthy bottom-up process involving the economic and social partners. The Länder formulated their funding priorities and fed them into the draft PA. It is thus the starting point and the benchmark for developmental progress and for reporting.

Before it was negotiated, the Commission produced a position paper on each Member State, which included fine-tuning or restrictions of the thematic objectives which are in principle available (pre-determination).

#### ***Goal***

There should continue to be a national strategic framework for funding from the ESIFs. This framework is produced by the Member States with the participation of all the relevant partners without any Commission position paper imposing fine-tuning/restrictions. The national strategic framework defines the challenges to be tackled and the overarching strategic objectives in line with European strategies. Also, it stipulates the fulfilment of general ex-ante conditionalities as an essential basis for orderly and results-oriented funding (administrative capacities, good governance, etc.). Furthermore, it includes the country-specific recommendations and National Reform Programmes of relevance at the time of the negotiating of the PA.

It does not define or repeat the respective special regional and sectoral features. In order to avoid overlapping and duplication, such statements belong exclusively in the programmes. In view of subsidiarity, the scope set out in the regulations for the programmes should be retained.

With regard to adjustments to the PAs following approved programme changes, an automated procedure should use interfaces in the SFC to transfer relevant programme changes to the PA.

***Justification***

Key elements of the PAs include the strategic analysis of the development potential of a Member State and resulting national developmental needs. The specific developmental and growth potential at regional level is analysed and defined in the programmes. If the PAs are restricted to this elementary function, the procedures will be substantially simplified: it will not be necessary to reflect every change in a regional approach in the PA, or in the reporting.

### **3. Performance framework and review**

#### ***Articles in the 2014-2020 ESIF Regulation***

Articles 20 - 22 and Annex II

#### ***Present situation***

In the 2014-2020 programming period, 6% of the ERDF and ESF<sup>5</sup> funds will only be finally allocated following a “performance review” (Art. 21). The basis for this is the “performance framework” (Annex II), which is set at priority level and embraces at least one financial and one output indicator.

The performance framework was linked closely to the greater “results-orientation” of the structural funding.

In fact, however, steering a complex policy with a large number of individual measures via a few performance indicators is not possible, or results in false incentives. Investments tend to be undertaken in “safe and quickly achievable projects” which guarantee that the performance reserve will be allocated.

So the performance reserve does not achieve its goal, as is also shown by experience from the 2000-2006 programming period. Consequently, there was only a voluntary performance reserve in the 2007-2013 period; there was also already a national reserve for unexpected events.

#### ***Goal***

The performance framework and the performance review should not be continued.

The introduction of a (new) flexibility reserve creates flexibility in the programme to permit responses to fresh challenges from unexpected events. It should therefore be made contingent on conditions which permit such programme developments without cumbersome amendment procedures.

#### ***Justification***

It is not appropriate to use substantive output or results indicators to measure the “performance” of a programme during the programming period. Steering a complex policy with a large number of individual measures via a few performance indicators is not usefully possible; rather, it results in false incentives, because investment tends to take place in safe and quickly achievable mainstream projects, and not in innovative approaches. This means that the goal of investing in a better and more forward-looking way (more value for

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<sup>5</sup> ESF = European Social Fund

money) is not attained. Similar experience was made with the performance reserve in the 2000-2006 programming period. That is why it was abolished in the subsequent programming period.

Also, the effort required of the Commission and Member States in the multi-stage performance review procedure is out of all proportion to the amount of funding which is ultimately allocated.

Using stringent intervention logics, every euro invested leads to the desired output and result. The performance of the programme can therefore be measured via the funding flow, without a need to measure implementation stages or output at this early stage of programme implementation. If stringent intervention logics are to be applied, effective ex-ante evaluation is essential.

Nevertheless, it would be desirable to give the programmes greater flexibility, because this will make possible a quick response in the region, i.e. in the place where the expertise on developmental potential is to be found and where the new needs are first recognised. This does not imply any abandonment of the strategic orientation of the programmes.

## 4. Programming

### *Articles in the 2014-2020 ESIF Regulation*

Articles 26 - 31 and 96 - 99

#### *Present situation*

The existing programming rules result in relatively rigid programmes which ultimately last for 10 years. The parts of the programmes which are subject to approval include highly specific data at the level of the envisaged measures. Where there are new challenges and a need for alterations because the situation has changed or the implementation is proceeding differently than expected, it is not possible to respond sufficiently flexibly, since it is first necessary to undertake cumbersome and often lengthy programme amendment procedures.

The existing rules do permit joint support from several funds, but this is impeded in various ways.

#### *Goal*

In future, the programmes are to be even more strategic in nature, i.e. they will become strategic guidance documents with stringent intervention logics, underpinned by an independent ex-ante evaluation, but streamlined in terms of removal of the parts that are more implementation-oriented and addressed to specific funding activities/instruments: The investment priorities level should be abolished. The programme should consist of a brief analysis, selected thematic objectives, strategy, priority axes with a few specific objectives and a few central indicators, and the financial plan. The strategy should also include strategic information on interaction with other ESIFs. The details of the measures, target groups, selection procedure, types of beneficiaries and large-scale projects should not be included. Where “common indicators” are used, they must be appropriate, adequately defined, and admissible under national law.

No minimum quotas will be stipulated for the distribution of the funding across the thematic objectives, priority issues or implementation instruments.

The optional common use of different ESIFs is also to be made easier, e.g. via mixed axes and improved possibilities to use territorial approaches, such as Integrated Territorial Investments (ITIs) and community-led local developments (CLLDs).<sup>6</sup>

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<sup>6</sup> Within the meaning of Art. 32 ESIF Regulation LEADER/CLLD

Programme changes which are subject to approval will be restricted to substantial changes. A substantial change is assumed to exist if the financial plan allocation to a priority axis is exceeded by more than 10%. Beyond this, a flexibility reserve is to be set up.

### ***Justification***

The lack of flexibility in the programmes is mainly due to the complexity of the programme structure, the stipulation of specific, implementation-oriented aspects, and cumbersome processes relating to programme changes.

In order to reflect the orientation to results, stringent intervention logics are needed, with a tailored, clearly defined system of indicators. The set of “common indicators” must meet these requirements.

In view of the related effort, and in order to increase flexibility, only substantial programme changes shall be subject to approval. A benchmark for this is the flexibility introduced for the 2000-2006 and 2007-2013 programme closures. Beyond this, a flexibility reserve offers scope to respond to unforeseen events. It should therefore be made contingent on conditions which permit such programme developments without cumbersome amendment procedures.

Regarding the territorial approaches as an element of planning and implementation, such as ITIs and CLLDs, reference is made to Chapter 5.

## **5. Territorial instruments (such as CLLDs and ITIs)**

### ***Articles in the 2014-2020 ESIF Regulation***

Articles 32 - 35 and Article 36 in conjunction with the fund-specific regulations

### ***Present situation***

Territorial approaches like ITIs and CLLDs<sup>7</sup> can be good instruments for integrated, targeted and partnership-based interventions. Overregulation and bureaucratic barriers impede the deployment of these instruments, including cross-fund deployment and combinations with other funding programmes at EU, federal, Länder or municipal level.

### ***Goal***

The optional funding in the context of integrated approaches – including in sustainable urban development – should be as simple as possible and open up the necessary substantive scope for optimal use to be made of the integrated approaches. In future, there will be no rules on issues like the establishment of intermediate bodies (ERDF Regulation) or the addressing of each priority axis via the territorial approach (ERDF Regulation). To the extent that it is not possible to fully harmonise the funding and audit mechanisms of the respective funds, it should be possible to apply a lead-fund principle according to which the funding from the relevant funds obeys the rules of a lead fund selected by the managing authorities.

A networking of the national/EU-wide exchange of experience will be envisaged on a multi-fund basis.

In the programming, it will be sufficient to provide details of the financial provision for a territorial approach at the level of the overall programme, including in a multi-fund programme.

### ***Justification***

The reduction of rules will create the necessary flexibility for effective and efficient deployment. The existing instruments impede acceptance and use of the instruments. Further to this, the bottom-up approach of such instruments can only function if the rules are restricted to what is absolutely necessary.

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<sup>7</sup> Within the meaning of Art. 32 ESIF Regulation LEADER/CLLD

The networking set up in the EAFRD<sup>8</sup> field for a national/EU-wide exchange of experience has worked, and should therefore be expanded.

Different rules on cofinancing, management and auditing in the various funds impede the multi-fund approach.

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<sup>8</sup> EAFRD = European Agricultural Fund for Rural Development

## 6. Financial instruments

### *Articles in the 2014-2020 ESIF Regulation*

Articles 37 - 46 and the fund-specific regulation

#### *Present situation*

Increasing importance is being attached to financial instruments (FIs) because due to the returns, each euro can in theory be used several times. The Commission and the European Council underline the significance of FIs. However, the aim of using more FIs is undermined by complex rules.

The implementation of funding for companies via FIs mainly takes place via financial intermediaries. These take charge of, for example, project selection and support, and they are already subject to banking rules. The additional specific rules for FIs in the ESIF Regulation and several subordinate legal acts render the entire set of relevant rules extremely complex and bureaucratic.

The ERDF Regulation restricts the scope for investment permissible under state aid rules.

#### *Goal*

- FIs should not be deployed at any price, but used where they fit. It is up to the Member States to choose the right instrument (grants or FIs).
- The rules governing banking and state aid are sufficient for an FI to be set up on a market-oriented basis; supplementary rules should exist only where they are justified and necessary. The justification of market failure and the analysis of coherence with existing instruments should also be restricted to what is absolutely necessary.
- The EIB and promotional banks should be subject to the same regulation.
- The combination of non-repayable and repayable assistance should be simplified.
- Follow-up investments in companies which enter into difficulties following the ESIFS investment should be possible, to the extent that private follow-up investments are made *pari passu*.
- Audits of the final beneficiaries (usually companies) should normally be avoided.
- The auditing activities of the audit authorities, intermediate bodies and agents should be restricted to the necessary substance which has not already been audited in line with banking and capital market rules or attestations.
- The documentation of the management expenses of the financial intermediary must be simplified.

### ***Justification***

FIs can only be made more attractive if access to FIs is no more complex than access to the corresponding offers from banks, etc. without EU funding, and if reporting requirements for companies are significantly reduced.

The recognition of established requirements under banking law can significantly reduce the rules; also, this will do away with duplications in terms of documentation requirements and auditing obligations.

It is not appropriate objectively or in market terms to prohibit follow-up investments in undertakings in difficulty as long as private citizens also invest at the same conditions (*pari passu*). Permission to undertake follow-up investments on this condition would cover the special situation of many companies in the start-up phase.

The reduction of rules to what is absolutely necessary and a concentrated placing of all rules on FIs in one regulation will create legal and planning certainty.

## 7. Eligibility of expenditure

### *Articles in the 2014-2020 ESIF Regulation*

Articles 61 - 71

#### *Present situation*

Eligible expenditure must be reduced in advance by net revenues where this rule applies. Despite some simplifications, the rules on net revenues have become more complex in the course of the programming periods. This contrasts with a lack of any significant revenues.

The expanded possibilities to use simplified cost options in the ERDF do in principle offer potential for simplification, but the details are far too complex.

The rules on sustainability have become more complex over the course of the programming periods, and some parts cover a period longer than five years.

#### *Goal*

In view of their limited effect, the rules on net revenues and the calculation methods, some of which are highly complex, should be abandoned entirely for the sake of simplification.

The application of simplified cost options must be optional.

The period for the sustainability of investments shall be a maximum of five years, and three for SMEs, following the completion of the project by the beneficiaries. The rules on recovery should be in line with national procedural rules.

#### *Justification*

Consideration is given to net revenues in order to prevent the beneficiaries from “enriching” themselves. However, the Member States are required to engage in sound financial management in line with the EU Financial Regulation. This already prohibits over-financing.

Also, a study<sup>9</sup> covering three of the most important financing priorities (R&D&I, energy efficiency, ICT) shows that only 0.1% to 0.8% of the projects actually generate any net revenues; this highlights how insignificant the net revenues are. One can therefore assume that state aid rules will provide sufficient protection against over-financing.

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<sup>9</sup> Study by the European Commission: “Study to determine flat-rate revenue percentages for the sectors or subsectors within the fields of (i) ICT, (ii) research, development and innovation and (iii) energy efficiency to apply to net revenue generating operations co-financed by the European Structural and Investment Funds (ESI Funds) in 2014-2020”

Finally, the existing rules on net revenues are not in line with accounting requirements, since they do not allow consideration to be given to reserves for maintenance/replacements.

In line with the subsidiarity principle, it is up to national authorities to determine the appropriate type of support for the funding. This is not compatible with an obligation to apply the simplified cost options.

Clear rules are needed if the options are to be applied on a basis of legal certainty.

In order to relieve the burden on the beneficiaries and administrations, five years, or three years for SMEs, following completion of the project, are sufficient for sustainability, as in the previous 2000-2006 and 2007-2013 programming periods.

## **8. Management and control**

### ***Articles in the 2014-2020 ESIF Regulation***

Articles 72 - 74 in conjunction with Articles 122 - 128 and 148

#### ***Present situation***

In order to ensure sound financial management of the funds administered in shared management, specific administrative structures (the “programme authorities”) have been in place for several programming periods, covering roughly the same range of tasks. However, the degree of detail involved in those tasks, and particularly for audits, has grown substantially. This is the result of numerous enabling acts for delegated and implementing regulations.

The designation procedure introduced in the 2014-2020 programming period, which was intended to determine the capacity of the management and audit systems to function, has resulted in cumbersome scrutiny and coordination in this process, and thus in substantial delays in the initial provision of funding.

Depending on the size of the project, projects should only be subjected to at most one audit by the audit authority, the Commission or the European Court of Auditors (the “single audit” principle).

#### ***Goal***

- The respective programme authorities and the tasks assigned to them are basically retained, but the degree of detail of the rules is reduced.
- The number of enabling acts (delegation of power) is reduced to the absolutely necessary level.
- The cumbersome designation procedure with its designation review applies only to administrations of new Member States. Administrations which have already undergone the procedure are merely designated as programme authorities (i.e. designation pursuant to Art. 123).
- The single audit principle should apply generally, without thresholds; alternatively, the thresholds would have to be significantly raised. The principle should be that audits of the same operation are not undertaken multiple times by authorities at national and European level.

- The cooperation between the Commission and the Member States will in future embrace a culture of trust and partnership between all programme authorities, and will no longer be restricted to the audit authorities.

### ***Justification***

The structures and the range of tasks of the programme authorities have proved their worth over several programming periods and should therefore be retained.

The management authorities are responsible for the regular, legal and economic implementation of the programmes, whilst the Commission should observe the principle of proportionality and restrict itself to scrutinising the capacity of the systems to function.

In the previous programming period, management and auditing were designed on the basis that the Commission could rely on the capacity of the Member State systems to function. The 2014-2020 designation procedure has again provided adequate proof of the capacity of the managing and certifying authorities of the present Member States to function. The designation procedure is known to be a major driving force for bureaucracy and administrative costs, and has contributed significantly to the late roll-out of the programmes across the EU and to a delay in disbursement of funding. Since certainty has now been obtained regarding the functioning of the systems and since these systems are subject to continual national audits, only newly acceding Member States need to undergo this procedure.

Each individual audit creates a considerable burden for the beneficiaries and the administration: firstly, the managing authority audits the projects on an ongoing basis, and this is followed by audits on an appropriate sample of operations by the audit authority, so that it is ensured that the funding is provided legally and regularly. There is no need for further audits by other bodies.

## **9. Financial management (excluding the accounts)**

### **Note:**

Accounts are covered separately in the following section.

### **Articles in the 2014-2020 ESIF Regulation**

Articles 76 - 83, 85 - 88, 129 - 136, 142 - 147

### **Present situation**

Substantial changes occurred in the field of payment applications and pre-financing payments during the 2014-2020 programming period, compared with the previous period. The rules on financial corrections were also tightened. The accounting system introduced in the 2007-2013 programming period was retained; in this system, the total expenditure of a priority axis is multiplied by the authorised intervention rate of that priority axis. This ensures flexibility and simplification.

### **Goal**

The rules need to be coherent, easy to understand, and capable of being implemented in a useful manner. The implementation of the entire financial management and financial reporting under the rules of the 2014-2020 programming period has created a considerable amount of effort in the field of the IT structure, so that no fundamental changes should take place in the following programming period; rather, the basic structure should be retained but significantly streamlined. This applies in particular to the following:

- The system of pre-financing payments is simplified, in that the (first) advance payment, which is not included in the accounts, is only divided between the first two years. From year 3, the payment of the annual pre-financing takes place as before.
- The rule on the 90-day deadline for the payment to the beneficiary is dropped.

Financial corrections by the Commission may in principle be made only to the extent that on balance the identified errors exceed the financial corrections already undertaken or triggered by the Member State beyond the materiality threshold.

### **Justification**

The simplified pre-financing system safeguards both the ability to act at the outset of a programming period and the Commission's annual accounts system.

The nature of the accounting system means that there is no direct link between the reimbursement for an operation by the Commission and the payment of a grant to the beneficiary for the project. Procedures and deadlines for payment are therefore logically a national responsibility. Also, compliance with the deadlines for the 90-day rule creates unnecessary bureaucracy.

The funding is intended to attain goals, not to punish errors. Financial corrections should be a last resort and should be applied in moderation.

## **10. Accounting**

### ***Articles in the 2014-2020 ESIF Regulation***

Article 87 and Articles 137 - 141

#### ***Present situation***

The provisions of the Financial Regulation on the use of the budget in a shared management context, and particularly on accounting, were substantially tightened in the ESIF Regulation. The risk of recovery defaults is shifted almost entirely to the Member State, because – in derogation from the Financial Regulation – where the regularity and legality of expenditure still has to be audited, that expenditure cannot be included in the accounts. Furthermore, this amounts to unequal treatment. After all, in the field of the Agriculture Fund, the closure of accounts permits the inclusion of open recoveries and expenditure which is subject to audit. It remains the case that accounting entails a large number of very detailed reporting requirements, which in turn necessitate an IT architecture which is very cumbersome and thus susceptible to error.

#### ***Goal***

To the extent that a change to the Financial Regulation exempting the structural funding from annual accounting is not possible, accounting, including all the related declarations, is pruned back to what the Financial Regulation actually requires. That means that accounting can also include amounts subject to ongoing recovery procedures and amounts subject to audit.

By accepting the accounts, the Commission recognises that the expenditure is legal and regular.

The statistics/reporting on withdrawal and recoveries as well as on financial instruments and state aid are restricted to a few clearly defined and meaningful items of information.

The “summary of the final audit reports and of controls carried out” according to the FR shall be the annual control report by the audit authority.

The rules on the period for keeping the documents are simplified.

#### ***Justification***

The current distribution of risks in the case of open recoveries or expenditure which is still being clarified does not coincide with the spirit of the Financial Regulation and the partnership-based approach based on shared management.

The obligation to provide differentiated reports on split recoveries, withdrawals and cancellations broken down by financial years of the declaration of the underlying

expenditure and by the breach of sustainability, etc., is highly complex and involves enormous programming work, and hence is highly susceptible to error. This breakdown does not seem to add any value.

The “summary of the final audit reports and of controls carried out” cited in the Financial Regulation has been assigned to the managing authority in the ESIF Regulation for the 2014-2020 programming period (“annual summary”). This creates extra, mostly duplicated, work. In practice, this summary refers to the audits by the audit authority; this is the information provided by the annual control report.

On the basis of multilevel accounting, it makes sense that the auditing of the accounts by the Commission includes the determination of the regularity and legality of the expenditure.

The linkage of the deadlines for the retention of documents to the inclusion in the accounts of the last expenditure item for the operation, which happens a long time after the completion of the project, is not practicable. It must be possible to stipulate the deadlines in the rules on the funding when the funding is granted. This provision should therefore be adapted accordingly.

## **11. Monitoring and evaluation**

### ***Articles in the 2014-2020 ESIF Regulation***

Articles 47 - 57, 110 - 112, 114

#### ***Present situation***

The establishment of a monitoring committee, equipped with rights and obligations to shape, implement, monitor and evaluate the programme, is an expression of the partnership principle.

Ex-ante evaluation and evaluation during the project have been established as essential accompaniments to results-oriented programming and implementation.

The key basis for the monitoring, the implementation report, is not very readable due to its predetermined format, and is thus not particularly suited for a discussion on the attainment of the goals by the respective programmes.

It seems likely that the EU funding will become even more target-oriented and results-oriented in future.

#### ***Goal***

- The ex-ante evaluation of the programme should determine the programme indicators and targets. There is no need for additional detailed reviews by the Commission.
- The implementation reports must be set out in a suitable, easy-to-read format for the expert audience (e.g. the monitoring committee) as a basis for approval.  
The same deadline dates should apply for reporting in the various funds.
- The rights of the monitoring committee should respect the responsibility of the managing authorities.

#### ***Justification***

- Since an ex-ante evaluation is generally undertaken by independent experts who assess the suitability of programme indicators, additional detailed reviews by the Commission are unnecessary.
- The implementation reports must be approved by the monitoring committee, so it is necessary for them to be provided in a logically structured, readable and comprehensible version. This means that the system requirements need to be adapted.

- Harmonising the deadline dates for reporting requirements across the funds would relieve the burden on cross-fund monitoring committees and management, because they would only have to prepare one meeting. Also, it would make it possible to provide the interested public with information about all the funds on uniform dates.
- Decisions in the monitoring committee which do not respect the overall responsibility of the managing authority are likely to impede the implementation of the programme.

## **12. Information and communication**

### ***Articles in the 2014-2020 ESIF Regulation***

Articles 115 -117 and Annex XII

#### ***Present situation***

In times of Brexit and other challenges, a positive message about Europe is of considerable significance for the cohesion of the Union. The ESIFs are a particularly strong symbol of solidarity in action amongst the Member States, and their funding makes a considerable contribution to improving the quality of life of Europe's citizens. This message is disseminated via a wide range of measures and activities.

However, the rules about the scope and format of the information and communication have become considerably more complex without serving this intention.

#### ***Goal***

The number of rules – and particularly the detailed obligations for all parties in Annex XII – should be pruned back to what is absolutely necessary.

#### ***Justification***

Once again, there is a need for greater trust between the Commission and the Member States: it is not up to the Commission to undertake detailed supervision of the Member States to check, for example, whether they have A3-size posters on display.

Fewer obligations, mainly pruned by those which tend to deter beneficiaries, and in their place more public relations work to promote the intention of the policy, should be a natural basis for information and communication.