

HIGH LEVEL GROUP ON SIMPLIFICATION: FOR A SIMPLER DELIVERY OF ESI FUNDS

The High Level Group monitoring simplification for beneficiaries of European Structural and Investment (ESI) Funds was set up by the European Commission in July 2015. This group of 12 experts advises the European Commission on how to reduce the administrative burden for ESI Fund beneficiaries. The group assesses the uptake of simplification opportunities by Member States, identifies good practices and makes recommendations for the current period 2014-2020 and the post-2020 period.

State of play after one year

Since its first meeting in October 2015, the High Level Group has issued recommendations on the following topics:

- ▶ E-governance, i.e. the use of electronic communication between beneficiaries and authorities;
- ▶ Simplified Cost Options, i.e. making it possible to reimburse expenditure without the need to collect and verify every single ticket, invoice or pay slip;
- ▶ Easier access to EU funding for SMEs;
- ▶ Increased uptake of financial instruments.



Many of the group's recommendations were incorporated in the Commission's proposal for the amendment of the [2014-2020 ESI Fund Regulation](#) adopted on 14 September 2016 as part of the [Multiannual Financial Framework \(MFF\) review](#). The key recommendations are:

- ▶ **Making more simplified costs options available:** more beneficiaries would no longer have to justify every single cost item but they can use estimates, such as flat rates or fixed prices for certain categories of costs, for instance staff or other business expenses such as insurance or rent.

Several changes were proposed: in case there is a one-off payment ("lump sum") there is no longer an upper limit imposed; in case of a scheme in which payments are based on milestones achieved ("joint action plan") the requirements for approval are lighter and the minimum amount for setting up such a scheme is lower.

- ▶ **Promoting the "once only" principle:** documents provided by the beneficiaries should be kept in digital form and would not have to be reproduced at each step of the implementation. The Commission's proposal clarifies that where documents are kept on servers there is no need to keep originals. It will make controls faster, as all documents will be directly available to the auditors.
- ▶ **Aligning the requirements for entrepreneurs who receive loans from financial instruments supported by the ESI Funds as much as possible with market practice.** These requirements should be lighter than the requirements for normal grants, such as documents needed, periods for retention of the documents and reporting.

- ▶ The Commission's proposal includes specific solutions **facilitating the combination of ESI Funds with other funds**, in particular [the European Fund for Strategic Investments](#) (EFSI). Building on the recommendations of the Group, the Commission proposed to make combinations with the EFSI easier, with only one set of procedures for the applicant instead of separate rules for each of the funds.
- ▶ The Commission also proposed to facilitate the **set-up of financial instruments** by national promotional banks or financial institutions that operate under a public policy mandate to promote economic development. This should result in faster set up of such instruments and better coordination with national schemes.

Many recommendations do not require changing the existing Regulations and can be implemented immediately. This includes **promoting synergies between the funds and good practice**, for example with single calls for proposals that could bring together different streams. It would allow SMEs to apply for an investment package rather than having to apply for multiple calls for projects.

Next steps

The High Level Group on Simplification will finalise its report on 'gold-plating' in 2016. Gold-plating refers to the extra administrative requirements added by the national and regional authorities in charge of managing the funds.

Tackling gold-plating does not require changing the Regulations, but building trust and promoting best practices. Auditors at all levels should try and identify redundant procedures and promote best practices from other Member States.

The High Level Group already identified areas in need of harmonisation and called for a consistent approach between the ESI Funds and centrally managed instruments.

In 2017 the High Level Group will focus on the post-2020 framework. Their final report, which is to be expected in 2018, will be one of the cornerstones of the Commission's reflection on the future of Cohesion Policy.

Key recommendations of the High Level Group

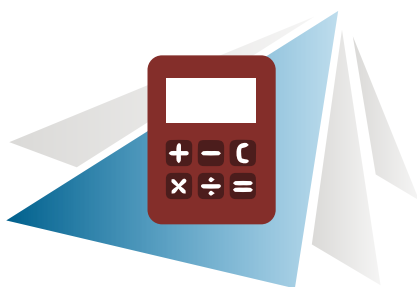


e-Governance

- ▶ The members of the High Level Group strongly recommend that the Commission goes further in its efforts to facilitate the possibility for **Member States to have a common platform or system across the ESI Funds**. Reducing the number of different operating systems would significantly streamline the management of the funds.

▶ For the current period, the members of the High Level Group call on the Commission to ensure **a consistent approach to auditing** that would support the potential of e-Governance to simplify the management of the ESI Funds and, most importantly, **simplify the process for beneficiaries** to apply for the funds. This can be done by **clarifying the acceptability of electronic documents for all funds** and ensuring there is agreement from all relevant auditing bodies, including the European Court of Auditors.

- ▶ The members of the High Level Group call on the Commission to encourage **a partnership approach to e-Governance** across all ESI Funds. The possibility to use technical assistance should be extended across all Funds, for training purposes, in order to widen the use of online systems. A partnership approach would enable the organisation of joint training sessions for potential beneficiaries, informing them about financing options from all funds instead of one specific fund.



Simplified Cost Options

- ▶ The members of the High Level Group call upon the Commission to ensure that the **barriers and uncertainties** around their use, especially in terms of conflicts with other EU rules, such as state aid, which might still require collecting documentary evidence for every single piece of expenditure, **are clarified** as soon as possible and by legislative changes if needed.
- ▶ They emphasise that simplified costs are based on **results** and if the results are achieved then costs should be accepted. They recommend that the Commission provide **more support to programme authorities** and extend the possibilities to give programme authorities an "up front" approval **of their** simplified costs **schemes** by opening up the possibilities already in place for the European Social Fund and/or providing a fast track approval of schemes developed by programme authorities.
- ▶ The members of the High Level Group recommend that the Commission bring forward **legislative changes to remove some of the restrictions** that complicate the use of simplified costs and make the flat rates, which are currently only possible for some funds or objectives, available to all funds.



Access to EU Funding for SMEs

- ▶ The members of the High Level Group stress the importance of **overcoming the barriers for SME beneficiaries**. They recognise the need to deal with SMEs in a tailored way, by having specific procedures in place. These procedures should take into account the special needs and constraints of SMEs when managing, applying, auditing and reporting for ESI Funds.
- ▶ They strongly encourage Member States to apply the **"Think Small First"** principle (taking into account the SMES' interests in policy-making including the application of an 'SME Test') to the design and implementation of the project cycle for SMEs and proactively include stakeholders in these processes.
- ▶ They recommend a reinforced **coordination within the Commission** in the current period to ensure clear and stable rules are established before implementation. They stress that **changes in interpretation of the rules should not result in a retroactive application for SMEs**.
- ▶ For the post-2020 period, the members of the High Level Group call on the Commission to **further harmonise the rules between the funds and learn from the good practices in the EU level instruments supporting SMEs**.



Financial instruments

- ▶ The members of the High Level Group note **the importance of facilitating further the use of financial instruments**, but the lengthy processes for the Managing Authorities to set up these instruments as well as the administrative burden for the entrepreneurs can be discouraging. For SMEs receiving loans or other support, the process of accessing the Funds through financial instruments should be simpler than applying for a grant.
- ▶ For the 2014-2020 programming period they recommend the **establishment of a working group of experts with practical knowledge of financial instruments** as soon as possible to review concrete issues related to their implementation and organise **specific seminars for auditors** to improve their understanding of financial instruments before the first audits for the period are carried out.
- ▶ The members **recommend further capacity building on the use of financial instruments in 2014-2020** and **more harmonisation of the rules between ESI Funds** and other EU funds for the post 2020 period.

**Do you have ideas on how to simplify the management of ESI Funds?
Share them and engage with other stakeholders on [this online platform](#).**

MORE INFO

Simplify ESIF website: <http://europa.eu/lgu94pV>

E-governance: <http://europa.eu/lHn33YJ>

Simplified Cost Options: <http://europa.eu/lHn33YJ>

Access to EU funding for SMEs: <http://europa.eu/ltv49JH>

Financial Instruments: <http://europa.eu/lcb84mG>

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