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<Commission>{CONT}Committee on Budgetary Control</Commission>

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<Titre>on ECA Special Report 7/2020 (Discharge 2019): Implementing Cohesion policy: comparatively low costs, but insufficient information to assess simplification savings</Titre>

<Commission>{CONT}Committee on Budgetary Control</Commission>

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**Summary**

The EU’s economic, social and territorial Cohesion policy, which aims to reduce development disparities between regions, accounts for around one third of overall spending under the EU budget.

It is implemented under shared management between the Commission and the Member States, with the actual management and control of EU funds and programmes delegated to the Member States’ authorities as set out in the Common Provisions Regulation.

The Court found that the overall cost of implementing the Cohesion policy funds presented by the Commission is comparatively low with respect to other EU funds and internationally funded programmes. However, the Commission had not collected underlying data on costs that were complete, consistent and coherent enough to allow this data to be used for assessment of for example the impact of simplifying EU rules.

The Court recommends 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, and examine administrative practices in Member States.

**The Court’s conclusions**

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

– The Court found that the overall cost of implementing the Cohesion policy funds presented by the Commission is comparatively low with respect to other EU funds and internationally funded programmes. However, the audit 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. Even though the costs declared for technical assistance (i.e. reimbursement of part of the costs of programme implementation incurred by Member States) are known, in some cases little or no information is available for the non-declared part which comes on top of the technical assistance.

– To get more information on the non-declared part, the Commission performs enquiries to Member States to estimate administrative costs. The audit concluded that, while the underlying data was insufficiently coherent, consistent and complete, the Commission study published in 2018 on the administrative costs estimated globally for the 2021-2027 period could nevertheless be useful for broad-brush comparisons.

– The costs of implementing Cohesion policy funds compared with those reported by other international organisations incurred by Member States were found to be comparatively low (i.e. the average cost was 2.3 % of the total allocated funds, as reported by Commission in the 2018 study).

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

– For the 2014-2020 period, the Commission estimated that the introduction of 21 simplification measures should lead to a reduction in administrative costs of 4 % to 8 % for the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) and of 2 % to 5 % for the European Social Fund (ESF). However, the Court’s survey shows that the majority of Member State respondents are of the opinion that administrative costs will increase in the 2014-2020 period.

– 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 the Court’s previous work, the Court considers that because of these practices the expected cost-savings from simplification measures may not be reached.

**The Commission’s position**

The Commission first emphasises that the Cohesion policy is the EU main investment policy. The Commission further states that 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 further explains that, in accordance with the principle of shared management, Member States and 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.

An issue specifically addressed by the Commission is the estimation of costs of implementing the Cohesion policy, of which the Court found that most Member States expect them to rise in the 2014-2020 period, while the Commission projected a decline.

The Commission clarifies that it referred, in the explanatory memorandum of the CPR proposal, to the preliminary results of a study from 2017[[1]](#footnote-1), showing a reduction of administrative costs. However, the Commission indicates that, by presenting that estimate, they were being cautious and stressed the difficulty to quantify in advance the measures in financial terms. Moreover, the text of the memorandum contained a disclaimer and did not imply that the less conservative scenario will materialise.

The Commission further replies that 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.

The Commission accepts all recommendations.

**The Court’s recommendations**

**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**.

**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.**

**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.**

**The Rapporteur’s Recommendations**

The European Parliament,

– Welcomes the Court’s special report, its findings and recommendations, and the Commission’s readiness to implement the recommendations;

– Stresses the importance of knowing the true costs of the implementation of the EU’s policies, especial in shared management, and calls on the Commission to present a comprehensive list of data and costs that the Member States should take note in their financial records;

– Warmly recommends that the Commission uses the ‘Best Practice’ approach and shares the best examples of recording the true costs of the policy implementation with other Member States.

1. SWECO, t33 and Spatial Foresight, ‘Use of new provisions on simplification during the early implementation phase of ESIF’, June 2017 [↑](#footnote-ref-1)