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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

A Simplification Agenda for the MFF 2014-2020

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

A Simplification Agenda for the MFF 2014-2020

1. INTRODUCTION

On 29 June 2011, the European Commission presented its vision of the EU's finances for the next Multiannual Financial Framework (MFF) 2014-2020[1], indicating the policy objectives and the means to finance them. By the end of last year, the Commission tabled 57 specific legislative proposals, which establish how, in practice, the EU's money will be directed to address the concerns of its citizens as identified in the Europe 2020 Strategy[2], focusing on stimulating growth and job creation in Europe.

In the context of the legislative challenge to renew and improve the performance of EU spending programmes, cross-cutting all European policies and engaging work of all the European Institutions and the Member States, the Commission has sought to ease access to EU funding for its citizens and businesses. At the same time the Commission has to ensure that the EU money is spent in accordance with the principle of sound financial management, which means that proportionate financial procedures and mechanisms must be in place.

In its Communication on the MFF 2014-2020, the Commission has seized the opportunity and decided to launch an agenda of **ambitious simplification across the whole future MFF,** taking stock of all its efforts, starting with the Financial Regulation, and complemented by the 57 proposed legislative acts in the present Communication. This Communication builds on public consultations[3] and follows-up on the calls of Member States and the European Institutions[4] to reduce the administrative burden on the beneficiaries and actors participating in the expenditure process and speed up the delivery of the Union's financial support.

2. SIMPLIFICATION PROCESS

The EU has the responsibility, through robust controls and effective performance measurement, not only to ensure that funds are well spent but also to take measures to respond to the need to simplify its spending programmes in order to reduce the administrative burden and costs for beneficiaries of funds and for all actors involved, in line with the Commission's Smart Regulation agenda[5]. While progress has been made with current programmes[6], the

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1 COM (2011) 500final

2 COM (2010) 2020

3 See for example, the details on the consultation process on the EU budget review, http://ec.europa.eu/budget/reform/issues/read.en.html

4 See, for example, European Council Conclusions of 4.02.2011, European Parliament Resolution of 8.06.2011 "Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe", European Court of Auditors Opinion No 1/2010, "Improving the financial management of the European Union budget: Risks and challenges", a common letter of 23 European affairs Ministers of 13.04.2011 addressed to Commissioner J. Lewandowski

5 COM(2010)543

Commission has proposed a more ambitious simplification for the future. Prerequisites for simplification include clarity of objectives and instruments, consistency of rules and legal certainty, light and speedy administrative procedures and processes - from application, through to implementation and reporting and auditing. To achieve this, the Commission has proposed for the next MFF the **rationalisation of programmes** and the use of **simplified implementation mechanisms and procedures**.

Experience has shown that frequent changes in rules can also reduce legal certainty for beneficiaries and create instability for national and regional administrations. Learning and adjustment requires time and resources. Hence many stakeholders who have called for simplification have also pointed out that a radical overhaul of the legislative framework could increase the complexity of management. Given the aim to ensure a smooth transition from one programming period to the next, the Commission's proposals focus on areas where practical simplification can be attained.

However, simplification is ultimately a shared responsibility between the EU Institutions and Member States, which means that combined efforts are required throughout the legislative process for both the general rules of the Financial Regulation and the sector-specific rules. Simplification efforts at the EU level will not be fully effective, unless they are accompanied by parallel efforts at the national and sub-national level, particularly for policy areas covered by shared management, which account for the larger share of EU budget.

The simplification process does not end with the adoption of legislation. The Commission will follow-up the implementation of the final acts in order to monitor how the simplified rules will function in practice and assess and quantify, if possible, the effects on the ground, and to propose modification of agreed EU rules, if needed.

The simplification agenda is based on two building blocks:

– **Financial Regulation**

The Financial Regulation contains the common financial rules and principles applicable to all sectors. As a first building block of simplification, in May 2010[7], the Commission launched a process of revision of the Financial Regulation. That proposal (the main elements are presented in Annex) set out a clear general implementation framework, covering all modes of management (including a common framework for shared management), creating dedicated rules for innovative financial instruments and prizes. In the field of grants directly managed by the Commission, the proposal specifically promotes the use of simplified methods to calculate costs (such as lump sums, flat rates and standard scales of unit costs) in line with the profile of the population of beneficiaries and of the actions concerned; it facilitates the acceptance of costs declared according to the beneficiary's 'usual accounting practice' and introduces lighter procedures for small grants.

It is of the utmost importance to progress with negotiations and reach an agreement between the European Parliament and the Council as soon as possible, given the central role of Financial Regulation, serving as a reference for other sector-specific legislation.

– **Sector-specific legislative proposals**

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6 For example in the 7th research Framework Programme, where dedicated simplification measures were introduced in 2011 and the time to grant has fallen by nearly 30 days.

7 COM(2010) 815 final

The Commission's sector-specific legislative proposals for the post 2013 develop and complete the simplification exercise with rationalised spending programmes and instruments for all EU policy areas. These proposals enhance the harmonisation of funding rules, improve legibility and transparency of rules in order to increase legal certainty and introduce a series of specific practical simplification measures, including more proportionate control measures attuned to the risk environment and aimed at providing reasonable assurance at a reasonable cost. Simplification can take many forms: reduction in the diversity of rules across different instruments, measures which simplify performance assessment, the possibility to choose arrangements which are suitable for particular circumstances, more proportionate control and reporting requirements, widespread use of e-Governance tools.

In designing its proposals, the Commission's has endeavoured to reduce the administrative burden and facilitate access to funds by EU citizens and businesses, especially SMEs, given that this will specifically contribute to growth and employment. The Commission's proposals also include measures for a more modern, flexible and efficient administration, which should have an impact on the attractiveness and improve performance of the programmes. Therefore some proposals reduce the administrative burden of beneficiaries, and others can limit the costs borne by the administration at EU, national and regional level. Beyond that, simplification can also serve to increase transparency and accountability and contribute to increased assurance by reducing errors.

The Commission has delivered on the calls for simplification made by users of EU programmes, Member States and EU Institutions by presenting simplification measures in its MFF general proposals and the related sector-specific legal bases. In the course of the legislative process and subsequent implementation of the programmes concerned, the Commission will be particularly vigilant in ensuring that simplification measures remain a priority so that the benefits of simplification ultimately accrue to beneficiaries. It is also important that the impact of these simplification measures is assessed and, where possible, quantified once they have taken full effect on the ground.

3. RATIONALISATION OF PROGRAMMES

The European Union's policies and spending programmes have developed progressively over the years in line with the piecemeal evolution of the Union's responsibilities reflected in several revisions of the Treaty. In designing the programmes, the focus in the past was to respond to new political imperatives. This has led to the present, rather patchy legislative structure characterised by multiple programmes, instruments and procedures with increased complexity and sometimes differences between programmes. The new financial framework is a unique opportunity to rationalise the EU programmes receiving financial support from the budget. The rationalisation measures referred to below should facilitate the submission and the processing of applications for financial assistance and reduce the administrative burden of applicants and beneficiaries.

3.1. Reducing the number of programmes

To tackle this fragmented approach and in order to move in the direction of more integrated programmes, the Commission has proposed to simplify the structure of EU funding mechanisms in several policy areas by systematically reviewing the need for separate programmes. This has led to the number of proposed EU financial programmes being reduced by 22. Bringing together the programmes and subprogrammes which are currently separate into coherent packages should be conducive to greater efficiency and simplification, both for the recipients of EU funding and for the administrations concerned. This will allow a stronger focus on more concentrated activities and strengthen synergies between the various programmes. The reduction in the number of programmes and instruments should also facilitate streamlined implementing methods and procedures and improve understanding of the rules, thus facilitating access to programmes and speeding up their implementation for the benefit of citizens and businesses.

This approach has been proposed by the Commission in the following fields: research and innovation, maritime affairs and fisheries, justice and fundamental rights, home affairs, education and culture, employment and social affairs, customs and taxation and civil protection.

3.2. Enhancing coherence and clarity of rules

The complexity of programmes has been compounded by the tendency to provide special provisions to accompany the different instruments. As a consequence, legislative acts and management and control systems have become increasingly complicated, creating uncertainty for applicants and further slowing down the adoption and implementation processes. In order to reverse this tendency, a return to a common set of basic principles instead of a "tailor-made" approach in each sector is necessary. The Commission's proposals show that this can be done without any negative impact on the policy objectives. For example, in line with the Commission Anti-Fraud Strategy, the Commission has proposed uniform anti-fraud provisions in all spending programmes.

– ***Financial Regulation***

The common principles and rules are set out in the Financial Regulation, as foreseen in Article 322 of the Treaty. The Financial Regulation covers the whole process from budget planning and management to its implementation and control. Ensuring consistency of sector-specific rules with the overall framework of the Financial Regulation is in itself an important form of simplification. In forging this coherence the Commission has proposed in its sector-specific instruments:

- In most cases, a simple reference to the horizontal rules of the Financial Regulation, avoiding repetition which may undermine the aim of harmonisation;

- Limiting special rules to what is absolutely essential, accompanied (where necessary) by proper justification of each proposal for a different rule, as required by the Financial Regulation.

Adhering to these common rules and procedures on issues such as eligibility conditions, reporting, monitoring and control, deadlines or audit arrangements across funding programmes will facilitate access to funding and contribute to reducing the administrative burden by minimising the time that potential beneficiaries spend on familiarising themselves with the requirements of application, and thus contribute to speed up the to grant and time to pay.

– ***Bringing the different instruments under a single framework***

Where it is not feasible to use only the horizontal rules of the Financial Regulation, for example due to different types of beneficiaries and delivery modes, provisions should be established in a framework legislation for complementary common rules covering multiple instruments and funding programmes. This will ensure greater cross-sector consistency and coordination as well as potential synergies. Following this approach, the Commission has proposed:

- To bring together the three main sources of funding for research and innovation and technological development (the current 7th Framework Programme, the innovation part of the current Competitiveness and Innovation programme and the European Institute of Innovation and Technology (EIT)) within a single **Common Strategic Framework for Research and Innovation** in the Horizon 2020 Framework Programme, to which common rules for participation and dissemination will apply.

- To establish the Connecting Europe Facility (CEF), a unique instrument for EU priority infrastructure investments that applies a single set of rules to the funding of projects across transport, energy and telecommunication networks.

- To establish common rules which cover the approach to strategic programming and coordination (including a single **Common Strategic Framework** CSF)), eligibility rules, the set up of financial instruments, community-led local development and several other areas for the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the future European Maritime and Fisheries Fund (EMFF

- To establish **a common instrument** for the Asylum and Migration Fund and all components of the Internal Security Fund, laying down the principles of assistance, programming and the reporting mechanism, the rules on financial management and control and the monitoring and evaluation provisions applicable to both Funds.

- To provide for a **horizontal instrument** laying down common rules and procedures for the implementation of the Union's instruments for external action

Under these proposals, stakeholders and beneficiaries of EU support are offered a consistent set of complementary programmes which allow "smart specialisation", instead of being confronted with a multitude of partially overlapping schemes and differing rules. Greater harmonisation of eligibility rules and coordination mechanisms will be an important step towards a more integrated delivery of EU policies on the ground.

– ***Mainstreaming***

Mainstreaming priorities (such as resource efficiency, climate change, environment and delivering energy security and energy efficiency, SMEs) into different programmes is an effective approach, which acknowledges that the same action can and should pursue different complementary objectives at the same time.

Mainstreaming promotes synergies in the use of funds for various priorities and will result in greater consistency, simplification and cost-efficiency in spending. This will allow for the primacy of policy goals in areas such as climate action, environment and energy to be re-prioritised within Union policies. For example, in order to attain the Europe 2020 objectives, **climate mitigation and adaptation actions** will be mainstreamed into all major EU programmes: cohesion, energy and transport policies, research and innovation, agriculture (through the greening of direct payments to farmers) and rural development policy. The tracking of climate-related expenditure will be integrated into the methodology for measuring performance used for EU programmes. Also, **environmental policy** priorities will be mainstreamed in these same policies as well as in maritime and **fisheries** EU funding instruments and external aid programmes. Close monitoring of the delivery of results will ensure that the mainstreaming effort in the various spending programmes is effective.

3.3. Focusing on clear priority objectives and indicators

Assessment of progress and of the impact of EU policies is an area which is inherently complex, but which is essential to ensure the sound financial management of EU Funds, transparency and accountability. While planning, monitoring and evaluation are already an integral part of the management of the EU Budget, assessment of the impact of EU interventions has remained a challenge both at EU and national level. Therefore the Commission has proposed a number of measures to facilitate these tasks at all levels.

Clear priority objectives have been defined in Commission proposals at two levels:

- General Objectives describe the contribution of the programme to the EU's priority objectives as defined in the *Europe 2020* Strategy;

- Specific Objectives, which are limited in number, provide clarity and focus on interventions as well as increased transparency in terms of the results to be achieved and tangible benefits for European citizens.

The allocation of scarce resources calls for a responsible choice of a limited number of policy priorities where the EU can ensure genuine added value. Providing clear priority objectives thus helps to concentrate resources on those priority areas where EU funds can actually deliver concrete benefits for European citizens[8], and avoiding overlap between EU programmes and actions made by Member States. Programmes such as *Horizon 2020* or the *Connecting Europe Facility* are designed to deliver clear benefits at the European level in research and innovation as well as in key European infrastructures, which are not addressed by national programmes and which focus on areas which are key to Europe's competitiveness and growth potential.

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8 In order to ensure that these identified policy priorities are communicated effectively and that the benefits resulting from EU action are known to citizens, the Commission will implement a corporate communication approach, exploiting synergies between various communication activities of the Commission. (COM(2011)500final, part II, p.8)

3.4. Using simplified instruments for decision making

Simplification can be enhanced through the use of flexible and easily adjustable instruments, such as delegated acts and implementing acts, whilst at the same time ensuring legal certainty for all stakeholders.

In line with the institutional balance introduced by the Lisbon Treaty[9], the Commission will be therefore empowered to adopt **delegated acts** to supplement or amend non-essential elements of the legislative act establishing the essential rules of the spending programmes and **implementing acts** for their implementation, for example for the adoption of the annual work programmes/financing decisions., These legal instruments allow the Commission to adapt the implementation of programmes more easily to changing circumstances and to respond more readily to the needs of beneficiaries, without affecting the essential elements of the legislative act and with due respect to safeguarding the rights of control of the Member States and the scrutiny of the European Parliament.

The Commission has also streamlined the instruments by choosing regulation instead of decision. Regulations provide with uniform rules throughout the Union securing the same level of rights and obligations for the beneficiaries.

4. SIMPLIFIED IMPLEMENTATION MECHANISMS AND PROCEDURES

4.1. Cost eligibility rules that are clear and coherent

The simplification of cost eligibility rules involves making concerted efforts both at the level of the Financial Regulation, through provisions that are more suited to the usual practices of the beneficiaries, and at the level of the spending programmes, by ensuring consistency with the Financial Regulation and taking full advantage of the measures it contains.

As regards the **Financial Regulation**, priority has been given to stability and to compliance with the basic principles applicable to Union funding, including sound financial management, while taking greater account of the beneficiaries' perspective.

In case where financial benefits could be outweighed by the administrative workload borne by beneficiaries, the Commission proposes introducing corrective measures. As an example, the interest generated by pre-financing paid to beneficiaries' bank accounts, as a rule would no longer be due to the EU. With this measure, beneficiaries will not be obliged to open and manage separate interest-bearing bank accounts for EU funds. It is also proposed to allow beneficiaries to reach out, more easily by means of sub-granting, to the final beneficiaries (e.g. scholars, refugees, local NGOs), where this is the primary aim of the action, for example for trans-national mobility actions, in line with the stated objectives of Union programmes.

Moreover, the new Financial Regulation proposes measures that will facilitate participation of networks, groupings or other joint ventures in EU programmes,

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9 Regulation EU N° 182/2011 of the European Parliament and of the Council of 16/2/2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ.55/13 of 28.02.2011)

which in some cases make up most of their target population. This is the case for example for clusters in the areas of transport or innovation, where the costs incurred by affiliated entities will be considered eligible for refund without imposing on cluster members all the obligations of a beneficiary.

That is why the Commission, in presenting its proposals, has paid particular attention to consistency and harmonisation by ensuring that specific rules have been introduced in the proposals for new programmes only in cases where they were already applicable (e.g. eligibility of in-kind contributions under research programmes), and duly justified by the nature of the actions or beneficiaries to be supported. Provisions that created disproportionate obligations and administrative burden for the beneficiaries, such as specific procurement rules for the implementation of contracts awarded under the *Lifelong Learning Programme*, have been abandoned.

Where sector specific rules already exist, the Commission has proposed clearer, simpler and more coherent eligibility rules, for example the common rules for the *CSF Funds* and the rules on participation in the area of research and innovation. Particular attention has been given to the possibility to continue the current systems, to improve legal certainty but also to improve harmonisation with existing EU and national schemes

4.2. Simplified forms of grants

The Commission proposes to build on the experience gained in recent years with regard to simplified forms of grants (lump sums, standard scales of unit costs, flat-rate financing) and to develop further these funding schemes. These schemes actually have considerable potential to lessen the administrative burden of all stakeholders by reducing the requirements of financial reporting in the case of flat rates, or even replacing it by reporting of outputs and results in the case of standard scales of unit costs and lump sums. This should enable beneficiaries to focus on proper implementation of the action. In order to widen the use of these simplified forms of funding:

– Rules which have a strong disincentive effects, such as the EUR 25 000 ceiling for the unit value of lump sums and the requirement to have the amounts established and updated every two years by Commission decision, have been removed from the Financial Regulation. It is now proposed that only the recourse to these simplified forms of funding and the establishment of the calculation method, i.e. not the actual amounts, should be decided at Commission level. No prior Commission decision is required for low value, low risk grants, as this can be decided by the Authorising Officer by Delegation.

– The Commission is also suggesting the introduction of an alternative **tailor-made beneficiary-by-beneficiary approach** to determine simplified cost on the basis of the historical data of the individual beneficiary instead of relying on statistical data per type of action or broad categories of beneficiaries. This system, which may involve more processing on the part of the Commission, should simplify maters considerably for beneficiaries and should be better adapted to the needs of a specific project. This method has already been successfully tested for standardisation bodies, for which the simplification process is taken one step further by adopting the general principle of paying grants in the form of lump sums upon fulfilment of specific performance objectives.[10]

– **Prizes** should be treated under a separate dedicated title of the new Financial Regulation, in recognition of their ultimate form of a simplified and output-based management of Union funding focussing exclusively on results rather than on the control of inputs.

– The revised Financial Regulation will also allow beneficiaries to declare costs in accordance with their **usual cost accounting practices**, subject to minimum conditions which are designed to accommodate most of them[11], in line with the acceptance of average personnel costs already provided for under earlier research framework programmes.

The Commission is committed to offering **lighter procedures** to ensure that entities with high added-value for Union policies are not deterred from applying for Union funding even where they have limited administrative resources or financial capacity. This requires cutting red tape not only during the implementation of the grants, but also at the calls for proposals stage. The Commission will therefore keep to a minimum the number of supporting documents needed to demonstrate that the applicant is not in a situation of exclusion or, for low value grants, that it meets the Commission's criteria in terms of legal status, operational and financial capacity. Moreover, pre-financing guarantees, which are costly to obtain and manage, would be only required in cases of substantiated risk. This will reduce the administrative burden of applicants in some cases considerably, such as in the case foreseen in the extended guarantee fund, (in *Horizon 2020*) which makes pre-financing guarantees unnecessary in that programme.

Similarly, the requirement for a gradual decrease in the number of operating grants and no-profit rules would be revised so as to make Union funding more attractive, while still ensuring sound financial management.

These general simplification measures will be reflected in the proposed spending programmes, which will simply make a reference to the general rules of Financial Regulation. Similar rules have been specifically incorporated in the common rules for the *CSF Funds*, whilst the general provisions applicable to the cohesion policy provide for a Joint Action Plan, which constitutes an extension of the current system of simplified cost and result-oriented tool. However, in order to be effective on the ground for the purposes of administrations, implementing partners and beneficiaries, some simplification measures will require further action to be taken either by the Commission, or by the Member States. For instance, this is the case where the use of simplified cost methods is not mandatory but optional.

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10 See Article 13(4) of the Proposal for a Regulation of the European Parliament and of the Council on European Standardisation and amending Council Directives 89/686/EEC and 93/15/EEC and Directives 94/9/EC, 94/25/EC, 95/16/EC, 97/23/EC, 98/34/EC, 2004/22/EC, 2007/23/EC, 2009/105/EC and 2009/23/EC of the European Parliament and of the Council (COM(2011) 315 final)

11 Recurrent beneficiaries willing to obtain assurance that their accounting practices comply with the conditions set out by the Commission and that the amounts so declared will not be challenged *ex post* may request, on a voluntary basis, approval of the method they intend to follow.

4.3. Streamlining of procurement procedures

The Commission proposal for the Financial Regulation reduces the administrative burden for participants in a tender in two main respects.

Firstly, the obligation to submit documentary evidence (e.g. a balance sheet) may be waived if that evidence has already been submitted for another procurement procedure.

Secondly, guarantees on pre-financing will no longer be required above a given threshold, but will have to undergo a risk assessment. This change addresses in particular the difficulties of SMEs in obtaining bank guarantees, as banks often require SMEs to deposit an equivalent amount of cash in a blocked account, which empties pre-financing of its purpose to provide the contractor with a float of cash in addition to its current assets in order to make it easier for him/her to start implementing the contract. The Commission estimates that with this measure, fewer guarantees will be required from beneficiaries, while the risks will be sufficiently contained to ensure sound financial management.

4.4. A move towards e-governance

The Financial Regulation already explicitly allows grant proposals to be submitted electronically. Some basic acts go a step further towards systematic electronic data exchange. The proposals for cohesion policy, notably foresee the mandatory set up of electronic data management and electronic data exchange between the administration and beneficiaries[12], which will alleviate the administrative burden on beneficiaries as it allows them to submit the necessary documents only once.

The Commission proposal for *Horizon 2020* also includes the possibility of exchanging documents, including reports, and even the signing of grant agreements via a single secure electronic system provided by the Commission.

As far as public procurement is concerned the proposal for the new directive on modernisation provides for an alleviation of the current legal requirements on electronic submission of tenders (e-signature). This possibility could greatly simplify the development of an electronic tender submission system for the contracting authorities in Member States, beyond the currently existing e-notices and online publication of tender documents.

4.5. More proportionate and cost effective control

Sound financial management requires that the control strategy built using the simplified elements described above **leads to controls which are more effective, economic and efficient**. The combination of the tools provided by the new legislation, along with a control strategy that targets control on the areas where it is

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[12] See Article 112(3) of the 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, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1083/2006 (COM(2011) 615 final)

addressing the greatest risk, should provide the assurance to the European taxpayer , while enabling beneficiaries to concentrate on policy objectives.

In particular, the wider possibilities made available by the revised Financial Regulation have enabled the Commission to table proposals that are better adapted to beneficiaries and other stakeholders than before, ensuring that EU funds can be disbursed in a way that is clear, easy to understand, and simple to apply. One consequence of this approach is that control is likely to be more proportionate and cost effective. For example:

– In the Common Agricultural Policy, the proposed *Small Farmer's Scheme* would relieve significant proportion of beneficiaries (up to 30%) from the administrative burden of detailed requirements, without increasing the financial risk to the Union. The reform proposal also foresees that the number on-the-spot controls can be reduced on the condition that the control system of the Member State concerned is functioning properly and that the error rate at beneficiary level is sufficiently low.In the cohesion policy, operations below €100,000 can only be audited once prior to rolling closure. Other operations can only be audited once a year except for in cases of a specific risk of irregularity and fraud. Audit bodies will be able to reduce their audit work where systems are robust, and in turn the Commission may decide to limit its audits if it can rely on the opinion of the audit body.

– Specific provisions have been foreseen to curtail the burden associated with audit and control for the smallest beneficiaries and operations under cohesion policy, including restrictions on repetitive audits and a risk based approach to controls that takes into account the volume of EU funding involved.

– *Horizon 2020*, while also incorporating the above approaches, would benefit in particular from the possibility for beneficiaries to use their normal accounting practices, subject to minimum conditions that are meant to accommodate most of them thereby significantly the proportion of the administrative burden of preparing cost claims.

To ensure that simplification does not open the door to an increased risk of error, the Commission has been mindful of the need to propose balanced measures between the costs and benefits of control and the expected level of non-compliance with regulatory requirements, as suggested by the Court of Auditors in its Opinion 1/2010. In particular, the Commission has delivered on the following challenges identified by the Court, namely: improvement in the design of funding schemes to strengthen management and control mechanisms, simplification of grant schemes whilst still achieving policy objectives and appropriate benchmarks for assessing management of risk, which take account of the costs and benefits of controls.

These elements are intended to allow the European Parliament and the Council to consider the likely consequences of their regulatory choices on these parameters and, subsequently, to enable the Commission to better align its control systems with the risks identified. It is expected that simplification will reduce the probability of errors are being made due to confusion or misunderstanding over eligibility requirements or accounting policies, which has frequently been the case in the past.

5. CONCLUSIONS AND NEXT STEPS

Simplification and targeting of the use of the EU funds constitute a necessary and effective approach to drive the Europe 2020 strategy forward and to use the EU budget as a means to deliver policies that enhance growth and employment. In designing the proposals for the new programmes for the period 2014-2020, the Commission has addressed the need for prioritisation, added value, reduction of administrative burden and high quality of spending. It has taken these concerns very seriously into consideration, as they are uppermost in the minds of citizens and businesses against a background of growing pressure on public spending. This approach should unlock the full potential of the opportunities offered by EU funding, and boost the efficiency of spending programmes. Detailed information on the proposed measures is provided in the policy templates attached.

Over the coming months, the two branches of the Legislative Authority – the European Parliament and the Council will enter into inter-institutional negotiations on the Commission proposals, paving the way to the adoption of the legislative acts. **Throughout the legislative process, the objective of simplification must remain a central principle, and the right balance between the policy objectives, the means of delivery and the cost of administration and control must be assured without increasing the risk of error.**

Two cumulative conditions must be met to achieve any meaningful simplification in the use of EU funding:

– It requires combined efforts from all EU Institutions to work towards an ambitious and timely review of the horizontal rules of the Financial Regulation and the sector-specific rules. These efforts should include the necessary coordination within the EU Institutions, given the importance and the number of legislative proposals.

– Furthermore, the simplification efforts at Union level will only produce their full effect if they are properly accompanied by parallel efforts at national and sub-national level, in particular in the policy areas under shared management. Experience shows that national implementing rules often leave considerable scope for simplification. The Commission has already proposed that Member States provide in their Partnership Contracts under cohesion, rural development and maritime and fisheries policies a summary of the actions planned at national level to achieve reduction of administrative burden for beneficiaries. This measure should be supported and extended to other policy areas as appropriate.

Simplification is therefore a common challenge and a shared responsibility for the EU Institutions and the Member States. The Commission is open to endorse other measures not included in its proposals provided that they safeguard sound financial management.

The Commission therefore intends to:

– **Rigorously defend the proposals for simplification as identified in this Communication throughout the legislative process.**

– **Regularly monitor progress made in the current Simplification Agenda via a dedicated Scoreboard, which tracks simplification measures proposed by the Commission as well as those proposed by the Legislative Authority.The Scoreboard will identify measures not accepted by the Legislative Authority and will assess the additional administrative burden for beneficiaries generated by**

new measures which may be introduced in the legal acts. This Scoreboard will be made regularly available to the European Parliament and the Council. The final edition of the Scoreboard concerning the legal acts as they are finally adopted by the co-legislators will be made available to the EU Institutions, the national Parliaments and the public.

– **Take steps to assess, in association with the Member States, the impact of the measures on the ground following the adoption of the legislation.**

The Commission calls upon the European Parliament and Council to deliver robust simplification in the context of the MFF and counts on the support of the two Institutions as well as that of the Member States to succeed in its efforts.

Annexes

1. List of proposals
2. Elements of simplification in the Financial Regulation
3. List of identified simplification measures per policy area