



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 28 September 2012

14358/12

**POLGEN 158
CADREFIN 413**

COVER NOTE

from: Secretary-General of the European Commission,
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date of receipt: 20 September 2012

to: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European
Union

No Cion doc.: COM(2012) 531 final

Subject: Communication from the Commission to the European Parliament, the
Council, the European Economic and Social Committee and the Committee of
the Regions.
First Simplification Scoreboard for the MFF 2014-2020

Delegations will find attached Commission document COM(2012) 531 final.

Encl.: COM(2012) 531 final



EUROPEAN COMMISSION

Brussels, 20.9.2012
COM(2012) 531 final

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

First Simplification Scoreboard for the MFF 2014-2020

1. BACKGROUND

The Commission is committed to simplifying and improving delivery of EU policies. Following the announcement in the Communication *a Budget for Europe 2020*¹, on 8 February 2012 the Commission launched the *Simplification Agenda for the MFF 2014-2020*². The aim of the Simplification Agenda was to take stock of the main measures proposed by the Commission in order to simplify and improve the delivery of European Union (EU) spending for the next Multiannual Financial Framework (MFF) and track progress made until final adoption of the legislative proposals. The Agenda identified two building blocks of simplification: the review of the Financial Regulation (FR)³ and 57 sector specific legislative proposals underlying spending programmes and instruments for the next MFF.

The Commission has made a commitment to monitor progress of the Simplification Agenda regularly throughout the legislative process via a dedicated Scoreboard, tracking simplification measures proposed by the Commission, as well as those proposed by the legislator. The Commission has also committed to make the Scoreboard regularly available to the European Parliament and the Council. The aim of this First Simplification Scoreboard is to report on progress on simplification throughout the legislative process with a view to well informed and transparent decision making.

2. GENERAL ASSESSMENT

The Commission welcomes the substantial progress that has been made in relation to the proposal for a new Financial Regulation, which includes a wide range of simplification measures. The European Parliament and the Council have reached political agreement in June 2012 following an extensive negotiation process. The proposal is expected to be formally adopted in first reading in autumn 2012, opening the way for the Commission to adopt the Rules of Application of the Financial Regulation. The new Financial Regulation and its Rules of Application should be applicable as from January 2013, with the notable exception notably of the new provisions relating to shared management, which would be postponed until 1 January 2014.

The Commission also welcomes progress made in relation to sector-specific proposals but at the same time has to **raise serious concerns on some particular developments described in this Communication.**

Regarding the state of negotiations in the European Parliament, the responsible rapporteurs and Committees have presented their reports and opinions on most Commission proposals, thus providing a basis for negotiations with the Council. No formal decisions on amendments have been taken as yet by the European Parliament. Substantial work has been carried out in the Council under the leadership of the Polish and Danish Presidencies. This has led to the endorsement by the Council of a partial general approach on some elements of the Commission proposals, leaving out mainly the issues which are directly linked to the outcome of the negotiations on the MFF and the revision of the FR.

¹ COM (2011) 500 of 29.06. 2011

² COM (2012) 42 final)

³ COM (2010) 815 final)

At this stage of the legislative process, a provisional assessment should be made. Work carried out in the European Parliament and in the Council shows a positive approach to simplification which is largely considered as a key horizontal issue for the next programming period. With a few notable exceptions (see the case of FISCUS programme below), the legislative proposals have received broad political support as regards their simplification objectives in both Institutions and many of the core elements of simplification have been upheld and new ones have been introduced.

However, there are some important issues where simplification has been undermined in substance by proposing solutions oriented at particular geographic regions of the EU, aiming at specific actions or actors, or through procedural complications in the decision-making process. Such deviations from the initial Commission proposals, if they become law, would significantly reduce the scope and effect of simplification (see point 3 and the Annex).

The European Commission has strong concerns on the following developments:

More burdensome decision making procedures for the implementation of the programmes causing substantial delays in the implementation of the EU programmes.-

Over-specification of the modalities for the implementation of the budget; (sub-ceilings, fixed amounts for specific actions) restricting the necessary operational flexibility of the Commission that is required for the smooth and effective implementation of the programmes.

Too detailed modalities for the use of the financial instruments at the level of the basic act reducing the necessary flexibility for their implementation and in some instances affecting their effectiveness by notably limiting the reuse of reflows.

A common feature of these undesirable developments is that they restrict the operational flexibility of the Commission's action as a manager of the EU budget. In contrast, more simplification has been proposed by the Council in the area of shared management to the benefit of the administrations of the Member States. In particular, many positions expressed by the Council, such as those concerning the Commission proposal 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 (hereinafter called the "CSF" Funds)⁴, provide for more flexibility in the action of Member States (such as lighter procedures for programming and reporting, more flexible eligibility rules, and lighter control and audit procedures).

The Commission opposes those elements introduced by the Council which: a) risk undermining the economy, efficiency and effectiveness of budgetary spending and may lead to increased error rates and b) introduce changes in reporting arrangements which

⁴ 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 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

do not facilitate continuous monitoring and timely management decisions and affect the Commission's assurance.

This is especially the case **where the monitoring and audit responsibilities of the Commission are being limited** in an ad hoc manner, affecting its capacity to effectively monitor, evaluate and report on the use of EU money while it remains accountable for it and where audit methods are proposed that do not necessarily provide reliable and comparable information across Member States and thus undermine assurance at EU level (e.g. the introduction of non-statistical sampling under Cohesion Policy).

Moreover, the approach to simplification followed in the Council and in various European Parliament Committee reports **is not always consistent**, as in certain cases the *status quo* is preferred to clear simplification. For example, the Commission's proposals in the CAP horizontal Regulation⁵ to limit the number of paying agencies to one per Member State or one per region or the mandatory combination of managing and certifying functions for comparative small programmes under European Territorial Cooperation⁶ have been opposed by the Council. In the Commission's view such an approach runs counter any real attempts at simplification of administrative structures and procedures, at both European and national levels.

The Commission takes the view that particular attention of the Institutions will be required to avoid inconsistencies in the final legislative acts.

With this in mind, and in order to keep the focus of the institutions on simplification, the Commission presents this Scoreboard. A consolidated short table giving a global overview of the main elements affecting simplification is annexed to this Communication. Detailed information on simplification progress concerning each policy area will be available during the discussions with the European Parliament and Council.

3. RATIONALISATION OF PROGRAMMES

3.1 Reducing the number of programmes

The proposed reduction of the number of programmes (by 22 as from 2014) through the creation of integrated programmes has been welcomed by the co-legislators. One noticeable exception concerns the integrated programme proposed by the Commission for taxation and customs (the "**FISCUS**" programme)⁷, which both legislators have requested to split and revert to status quo in order mainly to preserve the prerogatives of the distinct administrative structures in the Member States and of the competent Committees in the European Parliament dealing with customs and taxation. .

⁵ Proposal for a Regulation of the European Parliament and the Council on the financing, management and monitoring of the Common Agricultural Policy (COM(2011) 628 final)

⁶ Proposal for a Regulation of the European Parliament and the Council amending Regulation (EC) No1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European Grouping of Territorial Cooperation (EGTC) as regards the clarification, simplification and improvement of the establishment and implementation of such groupings.(COM(2011) 610 final)

⁷ Proposal for a Regulation of the European Parliament and of the Council establishing an action programme for customs and taxation systems in the EU for the period 2014-2020, (Fiscus 2020) and repealing Decisions No 1482/2007/EC and 624/2007/EC, (COM (2011) 706 final)

The Commission believes that the integration of separate and distinct programmes into a single framework is a powerful means of simplification, ensuring synergies and common implementation rules and procedures.

In particular, the Commission considers that a single programme for customs and taxation would enhance simplification and coherence due to the structural similarities of its two components, whilst preserving the distinctive features of the customs and taxation elements. These benefits would accrue not only to the beneficiaries of EU funding but would also help to streamline the administrative procedures for implementing EU programmes. However, given the European Parliament's and the Council's positions, the Commission adopted on 29 August⁸ two separate legislative proposals.

3.2 Enhancing coherence and clarity of rules

- *Financial Regulation*

The revision of the FR includes important measures of simplification which will bring about direct benefits to the stakeholders, as they will apply to the implementation of all programmes with the exception of programmes in shared management. The main benefits concern shorter payment deadlines, enhanced predictability of EU spending through multi-annual work programmes, the abolition of the obligation of beneficiaries of grants to return interest earned on pre-financing, simplified cost forms of grants cutting administrative burden for low-value contracts and grants, electronic communication with beneficiaries and authorities.

- *Sector specific rules*

The Commission welcomes efforts made by the European Parliament and the Council to ensure consistency between sector-specific proposals and the revision of the Financial Regulation. The financial rules inserted in sector-specific acts have generally been upheld, while waiting for the outcome of that revision. This is of crucial importance, as the new FR reinforces the requirement of coherence of the sector specific rules with the FR (Article 2 of the FR), as it allows no exceptions from the common principles and stipulates that any proposals for derogation from the FR (including its Rules of Application) have to be specifically justified and indicated. Nevertheless, the Commission notes that in some policy areas, attempts are being made to introduce in the basic acts too detailed rules which, if adopted, will hinder smooth implementation and undermine the coherence of the overall legislative framework. In particular, the Commission is concerned about indications to introduce special or too detailed provisions in the Rules of Participation and Dissemination applicable to the "Horizon 2020" programme⁹ (hereinafter called the Rules for Participation in

⁸ Amended Proposal for a Regulation of the European Parliament and of the Council establishing an action programme for customs in the European Union for the period 2014-2020 (Customs 2020) and repealing Decision N°624/2007/EC, COM (2012) 464 final and Amended Proposal for a Regulation of the European Parliament and of the Council establishing an action programme for taxation in the European Union for the period 2014-2020 (Fiscalis 2020) and repealing Decision N°482/2007/EC, COM (2012) 465 final

⁹ Proposal for a Regulation of the European Parliament and of the council laying down the rules for participation and dissemination in Horizon 2020-the framework Programme for Research and Innovation 2014-2020 (COM (2011) 810 final)

"Horizon 2020") and in the proposed "LIFE" Programme¹⁰, whereas in these policy areas, serious simplification is needed and has been proposed by the Commission.

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

The introduction of single sector frameworks has been generally welcomed, by both the European Parliament and the Council (notably as regards the "CSF" Funds, the CAP horizontal Regulation on financing and monitoring of the CAP, the "Horizon 2020"¹¹, "Erasmus for all"¹², "Creative Europe"¹³, and the common implementing rules in "External Relations Instruments"¹⁴). This orientation should be preserved throughout the legislative process.

The Parliament and the Council also welcomed the exploitation of cross-sector approaches leading to simplification of the EU legal framework (notably as regards the Connecting Europe Facility¹⁵, ensuring a coherent and transparent approach to EU project financing across energy, transport and telecommunication infrastructure). This would offer certainty and would thus have a huge potential to attract more private sector financing, as well as drawing on lessons learnt and best practice sharing across sectors, enabling thus an enhanced effectiveness and efficiency of EU financing in all sectors.

- ***Mainstreaming***

The Commission welcomes the commitment from Member States and the European Institutions to facilitate the achievement of the Europe 2020 Strategy objectives, which is of utmost importance in the current economic context. The proposed mainstreaming of priorities, such as resource efficiency, climate change, environment and delivering energy security and efficiency, into different programmes aims at promoting synergies in the use of EU funds. This approach should ensure greater consistency, simplification and cost-efficiency in spending, from which the final beneficiaries (such as SMEs) will benefit.

As regards Cohesion Policy, the Commission has noted a widespread political will to allow for more flexibility in the proposed thematic concentration framework ("CSF" Funds). Under the CAP, the Member States are pushing for a less stringent application of the Union priorities and objectives to the rural development programming. While understanding the reasons for such calls to take better account of specific situations and needs, it should be recalled that a "menu à la carte" approach, rather than uniform and simple rules for all Member States, could result in the dilution of EU spending and could even endanger the focus on Europe 2020 Strategy objectives.

¹⁰ Proposal for a regulation of the European Parliament and the Council on the establishment of a Programme for the Environment and Climate Action (LIFE), (COM (2011) 874 final)

¹¹ Proposal for a Regulation of the European Parliament and of the Council establishing Horizon 2020 the Framework Programme for Research and Innovation (2014-2020) COM (2011) 809 final)

¹² Proposal for a Regulation of the European Parliament and of the Council establishing "Erasmus for all" the EU Programme for Education, Training, Youth and Sport COM (2011) 788 final)

¹³ Proposal for a Regulation of the European Parliament and of the Council establishing the Creative Europe Programme, (COM (2011) 785 final)

¹⁴ Proposal for a Regulation of the European Parliament and of the Council establishing common rules and procedures for the implementation of the Union's Instruments for external action (COM(2011) 842 final)

¹⁵ Proposal for a Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility, (COM(2011) 665 final2)

As regards the CAP and the Direct Payments Regulation¹⁶ the "**greening**" objectives of the **CAP reform**, which constitute one of the main priorities of the post 2013 Common Agricultural Policy, are widely supported by the European institutions, Member States and other partners. However, the Commission's proposals on **concrete measures** to attain the greening objectives have received mixed support in the Council, as Member States consider the technical modalities of greening to be too complex. It was requested by some Member States to redefine the greening measures and to extend derogations to the three proposed greening requirements (crop diversification, permanent grassland and ecological focus areas) in order to take better account of Member States' specific situations and needs. Both the Danish Council Presidency and the rapporteur of the European Parliament have suggested amendments aiming at limiting the scope of the greening requirements, by for example raising thresholds and widening definitions. They have also suggested additional possibilities for considering farms as being "green" by definition. Moreover, several Member States raised concerns about the proposed increase of the baseline for calculation of support under pillar II (Rural Development), as well as the possibility to apply administrative penalties for non-compliance with greening requirements that would go beyond the "green" payment. According to the amendments suggested by the rapporteur of the European Parliament to the proposal for a horizontal CAP Regulation, the non-respect of the greening requirements should not affect the basic direct payment. **This would *de facto* render the greening voluntary for farmers.**

The Commission remains open to discuss possible readjustments of its technical proposals, but stresses the need for designing an efficient, homogeneous and credible mechanism for greening that safeguards the objective of linking 30% of direct payments to environment and climate friendly practices.

3.3 Focusing on clear priority objectives and indicators

The Commission aims at facilitating the assessment of the impact of EU interventions, following repeated calls from Member States and the European Institutions. In a context of scarce public resources, the responsible approach to policy priorities, where EU added value can be optimised, is necessary. The Commission has thus proposed a limited number of clear priority objectives, associated with relevant lists of indicators and targets and a specific performance framework in several policies, accompanied by positive incentives and preventive means to ensure delivery of results ("CSF" Funds, external action instruments).

This approach has received broad support in the European Parliament and in the Council.

The Commission points out that in several cases, the prioritisation of objectives is being watered down by adding more objectives (for example the "Health and Growth" programme) and the indicators are being weakened by making them less directly related to the output of the programme, thus reducing the focus on results and the visible added

¹⁶ Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy, (COM(2011) 625 final)

value of the EU budget (for example, in the "Consumer"¹⁷, and "COSME"¹⁸ or the external action instruments). Moreover, some indicators were added, the collection of which would be very costly, and some targets were raised to unrealistic levels.

The Commission has also noted some positive elements in the mechanism of thematic concentration in the CSF Funds, but disagrees with the weakening of some important elements under the Cohesion Policy, such as the proposal of the Council to delete **the minimum allocation to the European Social Fund (ESF)** (especially in view of the need to tackle levels of unemployment and to support people), to empty of its substance the focus to **reducing poverty and stimulating social inclusion**, and the opening to **finance basic infrastructure in more developed regions**.

The Commission has noted a widespread political will to allow for more flexibility in the proposed thematic concentration framework ("CSF" Funds).

The Commission is against a significant dilution of thematic concentration requirements in the Cohesion Policy, as this could seriously undermine the performance of the policy.

The Commission has also noted a general will from the co-legislators to **rationalise and simplify reporting requirements imposed on national authorities** (annual implementation reports, progress reports, collection and transmission of financial data, date for transmission of annual management declarations) which are used in the assessment of performance. The Commission in general has been supportive of these efforts in order to ensure that essential data on progress and performance can be made available without undue delay to allow monitoring of progress and to underpin management decisions. However, the Commission has observed a tendency in the Council, to extend deadlines for submission of reports, despite the simplification achieved. This reduces the utility of reporting for monitoring and management purposes as by the time reports reach the Commission, the information included has become outdated.

Given the importance attached by all of the institutions to improved performance-measurement and reporting under Article 318 TFEU on the evaluation of the Union's finances, it is essential that the new financial programmes have sound, coherent and comparable monitoring, evaluation and reporting mechanisms. Weakening of objectives, indicators or reporting requirements in the specific legislative proposals risk undermining the quality of reporting under Article 318.

The Commission hopes that these issues will be reconsidered in the negotiations with the two arms of the legislative authority and that an efficient and more balanced approach can be reached through constructive dialogue between the EU institutions.

The proposed introduction of a **performance reserve for the "CSF" funds** (5% of the resources allocated to each CSF Fund and Member State) has been extensively discussed in the Council as many Member States continue to express scepticism towards the arrangements proposed. The performance reserve has been rejected by the European Parliament's lead

¹⁷ Proposal for a Regulation of the European Parliament and of the Council creating the "consumers" programme for the period 2014-2020 (COM (2011) 707 final)

¹⁸ Proposal for a Regulation of the European Parliament and of the Council establishing a programme for the Competitiveness of Enterprises and small and medium-sized enterprises 2014-2020, (COM(2011) 834 final)

Committee (REGI), on the grounds that the performance reserve could lead policy-makers to set more easily achievable objectives in order to safeguard resources. The Commission does not share this view. Moreover, this approach is inconsistent with the position taken by Parliament and Council in relation to IPA II, where both support the introduction of a 5% (or higher) performance reserve to reward best performing countries.

The Commission welcomes the fact that the Council has acknowledged the need for reinforced result orientation and has agreed, upon introduction of certain safeguards as regards suspension of payments and financial corrections, to the set-up of a clear performance framework for the "CSF" Funds. The Commission emphasises that the performance framework should be established in dialogue between the Member State and the Commission taking account of past experience in order to ensure that milestones and targets are realistic. The Commission maintains that both positive incentives and preventive measures (a possibility to suspend payments and to apply financial corrections) are necessary to underpin a performance oriented approach to the implementation of the CSF Funds. The proposed introduction of **macroeconomic conditionality in the "CSF" Funds** has been put into question by both some Member States in the Council and in the European Parliament.

The Commission considers that macroeconomic conditionality is indeed a strong instrument to keep cohesion policy focused on growth and economic development, in line with the objectives of the Europe 2020 Strategy, and that it will enhance the impact of the expenditure when it is linked more closely to sound macro-economic conditions in the recipient Member States.

It also recalls that the Commission will take full account of the need to respect the proportionality principle at each step of the process, and that the proposed mechanism is built on incentives rather than sanctions.

However, the decisions of principle on these two issues (performance reserve and macro-economic conditionality) are expected to be taken **in the context of the MFF negotiations** and will subsequently have to be reflected in the CSF Funds Regulation.

3.4 Using simplified instruments for decision making

In designing the sector specific rules, the Commission has proposed to set new legislative provisions through Regulation rather than by a Decision. A Regulation provides a higher level of legal certainty by defining uniform sets of rights and obligations for European citizens. This is a shared concern, in both the European Parliament and the Council.

With the view of the hierarchy of rules and the simplification of EU legislation, Article 290 of the TFEU provides for the possibility of delegation of powers by the legislative authority to the Commission to adopt delegated acts **to supplement or amend non-essential elements of legislative acts**. Article 291 of the TFEU requires implementing acts to be adopted where uniform conditions of implementation are needed. On this basis, the Commission has proposed the use of delegated acts as the most efficient means to complement or modify non-essential elements of the basic acts, since they provide the flexibility necessary to take account of operational needs, whilst at the same time ensuring appropriate control by both arms of the legislative authority. **The Commission calls for a common approach based on the Treaty and the objective nature of the legislation concerned to determine the most appropriate legal form for provisions concerned.**

The Commission is concerned about the diverging views which have been expressed by the Council and the European Parliament on the use of delegated and implementing acts and urges the European Parliament and the Council to adopt **a more balanced approach** on the above horizontal issues, in the full respect of the Treaty and of each institution's prerogatives. The Commission stresses the need to: i) limit legal provisions of the basic acts to the essential elements of the legislation, ii) ensure the minimum level of flexibility required to adapt to unforeseen events and developments in the light of practical experience, iii) avoid unnecessary complications and micro-management of the decision making process.

The Commission will remain particularly vigilant and insist on the need to:

Use implementing acts for the adoption of the annual work programmes and in indicative programming documents under external aid instruments

Avoid the insertion in the legislative act of budget micro-management elements, such as detailed sub-ceilings or fixed amounts for specific actions

Avoid the application of Committee procedures ("Comitology")¹⁹ to individual selection and grant award decisions.

Delegated acts, which have been generally proposed by the European Parliament, are very inappropriate **for the adoption of the annual work programmes...** Annual work programmes are regulated in the FR and need to be adopted swiftly to allow for the budget implementation stage to commence and for calls for proposals to be published. They are currently adopted by the Commission, usually following "Comitology". Imposing the application of the heavier procedure of the delegated acts would cause unjustifiably long delays in the implementation of the programmes, which is a frequent complaint of beneficiaries. Moreover, imposing **ex ante consultation with stakeholders** for the annual work programmes, as envisaged in some cases by the rapporteurs in the European Parliament ("Cosme" programme, "Health for Growth" programme), would further delay implementation. A difference of approach between the co-legislators concerning the use of implementing acts should not be resolved by including the relevant provisions in the basic legislative act, as this would complicate the legislative procedure. This would deprive the Commission of the necessary flexibility in day-to-day management, delay disproportionately the implementation of the programmes and would clearly infringe on the Commission's institutional responsibility for the implementation of the budget

The need to use **implementing acts** for the adoption of indicative programming documents is a key element under the external action instruments. Programming documents setting out priority areas or sectors of intervention per country, expected results and indicative financial allocations are implementing decisions. It is important to allow for a lean and timely decision and making when adopting and revising these documents. Adopting and amending them as delegated acts, as proposed by the European Parliament, would defeat the important objectives of efficiency, flexibility and simplification. Adjusting timely the financial assistance to the (changing) needs and capacities in each beneficiary country would become impossible.

¹⁹ Regulation (EU) No 182/2011 of the European Parliament and the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers.

The proposed introduction into the basic act itself of more detailed sub-ceilings or amounts of the financial envelopes complicates and delays financial management.

Defining such amounts for specific objectives or actions, especially in programmes managed by the Commission, constitutes a form of "micro-management" not geared to the needs of day-to-day management of the budget (e.g. Council positions on the "Connecting Europe Facility" programme, the "Europe for Citizens"²⁰ programme, "Erasmus for all" programme and in some Committee reports in the European Parliament for instance in the Consumers programme). It is even more cumbersome when such a detailed breakdown of budget allocations is foreseen **on an annual basis** (e.g. rapporteur in the "FISCUS" programme). Such a detailed breakdown should be left in the Commission's financial statement accompanying the legislative proposal, as the Commission proposed. The use of separate budget lines per specific objectives, especially for small programmes, would have a similarly very negative effect on the practical implementation of those programmes.

The application of "Comitology" to individual selection and grant award decisions is inappropriate. These decisions are mere administrative decisions currently adopted by the authorising officers by delegation of the Commission resulting directly from the application of annual work programmes; the latter are adopted by the College of Commissioners following "Comitology". Moreover, practice shows that such decisions are not controversial. Subjecting them to "Comitology" would be unworkable, excessively disproportionate and bureaucratic (especially for small value grants), deprived of any value added whilst generating additional administrative cost. Equally, the Commission guards against the application of "Comitology" to Commission guidelines (example: "Creative Europe"). The latter is not in line with the Treaty, as Article 291 requires, for the use of implementing acts, the use of uniform conditions for implementing legally binding acts. Guidelines cannot ensure uniform conditions as they are not legally binding.

4. SIMPLIFIED IMPLEMENTATION MECHANISMS AND PROCEDURES

4.1 Cost eligibility rules that are clear and coherent

The Commission has noted repeated demands from Member States for a greater degree of flexibility in accessing, using or implementing EU programmes. In other words, a "tailor-made" or "menu à la carte" approach is generally preferred in shared management to a "one-size-fits-all" approach. This demand has also been echoed in the European Parliament as a way to take into account national, regional, local or sector-specific needs. This is also the case for direct centralised management in the "Horizon 2020" programme (example: one draft amendment introduces different funding rates per type of beneficiary and type of activity in the Rules for Participation in "Horizon 2020"). The Commission stresses that the generalisation of such an approach would significantly water down simplification gains for involved partners, whether at national, local or final users' level.

In this context, the VAT eligibility rule agreed in the revision of the FR foresees it as eligible cost, if it is not recoverable under national law and has been paid by a beneficiary other than a non-taxable person as defined in Article 13(1) of Directive 2006/112/EC.

²⁰ Proposal for a Council Regulation establishing for the period 2014-2020 the programme Europe for Citizens (COM(2011) 884 final)

The Commission is concerned about requests to apply this rule to all beneficiaries and in all programmes and in particular to public bodies that are beneficiaries of major infrastructure projects (Connecting Europe Facility programme, CSF Funds). This would reduce the effectiveness of the EU budget by using substantial amounts of the EU budget to compensate some fiscal choices of Member States with a risk to over-finance operations.

This is why the Commission has proposed restrictions in the eligibility of VAT in its proposals on the Connecting Europe Facility programme and in the CPR, which are nevertheless being questioned.

4.2 Simplified forms of grants

The Council and the European Parliament have fully supported the Commission's proposals on simplified forms of funding as well as the introduction of a lighter regime for low value grants in the Financial Regulation, which have been defined as those below EUR 60.000. The new regime for prizes, including inducement prizes, with a potentially leverage effect, has also been finally accepted in the FR, provided the budgetary authority is duly kept informed of prizes the value of which is above EUR 1 million.

The Commission's proposals to facilitate the use of simplified cost forms of grants in shared management have received general support in the Council and the European Parliament. However, in some cases, eligibility thresholds and ceilings have been increased, both in the Council and the European Parliament (examples: flat rate for indirect costs in "CSF" Funds) and new options for the simplified calculation of costs have been introduced (examples: standard calculation of staff costs in "CSF" Funds), without due analysis of all underpinning data or practical consequences.

The Commission disagrees with the real cost option which has been envisaged as an alternative to simplified calculation of cost, thus weakening the effect of simplification, and insists on the mandatory use of simplified forms of grants only (examples: Rules for Participation in "Horizon 2020", small grants under the ESF).

As regards the CAP, the proposed basic payment scheme was welcomed in the Council as a major simplification, but some concerns were raised on the need for a smooth transition between the current and future systems. Several derogations were thus suggested to the Commission's proposals (possibility of keeping current payment entitlements, possibility to move from a regional to a national model notably). These issues are under examination by the Commission.

4.3 Streamlining of procurement procedures

The procurement rules applicable for EU programmes are aligned with the corresponding EU procurement Directives which are applicable in Member States. However, some improvements have been made possible. For instance, guarantees will only be required after a risk assessment and the procedures for tenders below the thresholds set up by the Directives have been simplified.

4.4 A move towards e-governance

The new FR allows Member States, EU institutions and partners to take concrete steps towards e-governance, through extended possibilities (grants submission and management, including e-signature of grant agreements, e-tendering) and strengthened objectives.

The Commission does not support the Council proposal to postpone the deadline for implementation of e-cohesion by Member States from 31 December 2014 to 31 December 2016 ("CSF" Funds). E-cohesion is a major element of the Simplification Agenda and such a delay would diminish the benefits of e-cohesion in terms of reduction in the administrative burden of beneficiaries. Furthermore, the deadline of 2014 is consistent with the Digital Agenda. The same applies to the Council plans to delete the requirement to set up an electronic information system for monitoring and evaluation of rural development programmes.

4.5 More proportionate and cost effective control

A risk-based approach was also put forward in the Commission's proposals with regard to audit and control procedures. The Commission has noted a general request for more proportionality at all levels and a tendency to limit the scope of Commission's competences on monitoring and auditing in shared management (agricultural and cohesion policies notably).

The Commission is opposed to restrictions introduced by Council on audit and control that put the assurance of the Commission at risk (examples: "CSF" Funds and CAP).

The Commission has consistently opposed such changes to its proposals, as these would lead to undermining the level of assurance that might be provided by national authorities and jeopardise the progress that has been achieved under previous multiannual financial frameworks. The Commission recalls that there is a considerable reputational risk to the European Union as a whole if the Commission together with the Member States and the European Parliament are not in a position to take the necessary measures to reduce error rates and improve audit and control mechanisms.

5. CONCLUSIONS AND NEXT STEPS

The Commission:

- Welcomes that, as part of the political agreement on the revised rules of the FR, the European Parliament and the Council have taken on board a considerable bulk of its proposals aimed at simplifying financial rules for the benefit of stakeholders.
- Notes that, at this stage of the legislative process on the proposals for the next multiannual financial framework, work carried out in the Council and the European Parliament indicates broad support for most of its simplification proposals. However, serious concerns have to be addressed as some important elements on key issues have been weakened in the course of the discussions, with a potential negative impact on the operational flexibility needed in budget and financial management including evaluating and reporting on performance.

- Stresses the need to ensure coherence between sector-specific rules and the overall framework of the FR and to strike a balance between simplification and sound financial management.
- Recalls that simplification is a common challenge and a shared responsibility for all the EU institutions and the Member States.
- Confirms its determination to continue to defend its simplification proposals and monitor progress in the simplification agenda by identifying and highlighting any measures introduced during the legislative process which increase administrative burden for beneficiaries.

The Commission hopes that the present progress report will contribute to reconsidering certain alterations to elements of simplification which were central in its proposals, and that it will and maintain the momentum for simplification and efficiency of the rules and procedures for spending programmes. In this way, the Union will live up to the high expectations of beneficiaries and the national administrations for a robust simplification, without reducing the quality of EU expenditure. The Commission will make available the updated Scoreboard following progress of negotiations, in due time bearing in mind the European Council's objective of reaching an agreement on the MFF by the end of 2012.

ANNEX

MAIN POINTS OF THE SCORE BOARD IN ALL POLICY AREAS

General comments	<p>Significant work has been accomplished in the Council and the European Parliament on most of the Commission proposals for the new spending programs designed for the new Multiannual Financial framework (MFF 2014-2020).</p> <p>The importance of the simplification as a horizontal objective is shared by the co-legislators. However, the ambitions in concrete terms differ.</p> <p>The Council proposes more simplification particularly in the areas where the EU budget is managed by the Member States in cooperation with the Commission (shared management), such as agriculture and cohesion policy, with the view to providing more flexibility to national administrations. The Commission supports additional simplification elements provided they do not undermine sound financial management and the ability for the Commission to discharge its responsibility to ensure compliance with the applicable legal framework.</p> <p>The European Parliament is open to more simplification, shares the member States' objective to give more flexibility for national administrations in shared management but needs to define the concrete parameters.</p> <p>The Council and EP positions concerning the decision making <i>instruments</i> on budgetary and financial management matters complicate the legislative texts by inserting therein too many technical details, render the adoption of purely technical decisions more difficult and testify the different approaches of the co-legislators in the delegation of powers to the Commission (delegated and implementing acts). The Commission insists on maintaining the necessary operational discretion for effective financial management in order to respond to the expectations of beneficiaries to speed up the implementation of programs and enhance their effectiveness by cutting red tape.</p>
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	<p>Other points where a more balanced approach should be sought concern (a) the effectiveness of the funds impact by keeping a more targeted and focused approach to deliver the 2020 strategic objectives, and (b) ensuring a sound financial management by proportionate and sound control and audit methodologies.</p> <p>The Commission will work closely with the co-legislators in order to ensure that an acceptable outcome is reached in the above priorities.</p>	
Reduction of numbers of programmes	<p>Coherence between the common rules and the sector specific rules</p> <p><i>(Article 1 of the "CSF" Funds – CPR Regulation) (COM 2011/615 final)</i></p> <p><i>(COM 2011/615 final)</i></p>	<p>The Council position concerning the CSF Funds Regulation (CPR) may give rise to multiple derogations in the sector specific rules.</p> <p>The Commission considers that derogations in the sector specific rules have to be authorized in the common rules; otherwise, there is a risk to undermine the designed harmonization by inserting multiple derogations in the sector specific rules. In this respect, the Commission supports the UK Statement to seek enhanced harmonization of the rules on the Funds covered by the Common Strategic Framework.</p>
	<p>"FISCUS" programme</p> <p><i>(COM (2011)706 final)</i></p>	<p>The Council and the European Parliament proposed to split the integrated programme proposed by the Commission for customs and taxation.</p> <p>The Commission maintains that an integrated "FISCUS" programme would ensure robust simplification, boost synergies and safeguard coherence in implementing modalities, without affecting the distinctive features of the two sectors. Given however the positions of the co-legislators, the Commission has submitted proposals for two separate programmes.</p>
Single sector framework	<p>Common Strategic Framework</p> <p><i>(Article 12 of the CPR)</i></p>	<p>The use of a delegated act for the definition of the non-essential elements of the common strategic framework has been rejected by Council and Parliament; they propose to include these elements in the Annex to the legislative act.</p> <p>The Commission has accepted to follow this approach but insists to be empowered to adopt a delegated act to complete the Annex with the more technical non-essential elements of the common strategic framework and to amend the Annex. This is necessary in order to allow for some flexibility in adjusting the relevant elements to take account of practical experience</p>
	<p>Common rules for External financial instruments</p> <p><i>(COM (2011) 842 final)</i></p>	<p>The Council and the European Parliament rapporteurs want to include into the sector specific external financial instruments parts of the Common Implementing Rules Regulation applicable to all external financial instruments. The Commission will work to maintain the integrity of a single set of simplified implementing rules under the Implementing Regulation, ensuring a sound financial management and legal approach.</p>

	<p>Single paying agency in CAP</p> <p><i>(Article 7 in horizontal CAP Regulation)</i></p> <p><i>(COM 2011/ 625 final 2)</i></p>	<p>The Council Presidency proposes to limit the number of paying agencies per Member State to "the minimum necessary".</p> <p>The reduction to one paying agency per Member State or per region has been proposed by the Commission in order to ensure further harmonization and simplification of the CAP management notably by reducing administrative burden and improving audit efficiency</p>
	<p>Single coordinating national agency in "Erasmus for all"</p> <p><i>(Article 21)</i></p> <p><i>(COM (2011)788 final)</i></p>	<p>The Commission proposal for a single coordinating national agency per Member State has been removed by Council in its partial general approach and is questioned in the European Parliament competent Committee.</p> <p>The Commission does not agree with the approach, of the EP Committee, which would maintain the current situation, as this would reduce the flexible use of the EU funds within the Member States and entail additional administrative work and costs.</p>
	<p>Three sector under one single instrument in the Connecting Europe Facility</p> <p><i>(COM(2011) 665 final 2)</i></p>	<p>The integrated approach of the Connecting Europe Facility was supported by the Council in the Partial General Approach of 7 June 2012.</p> <p>The Parliament, working under a joint TRAN-ITRE Committee on this file, shows signs of broad support to the instrument.</p>
Synergies/ Mainstreaming	<p>Greening of direct payments in CAP</p> <p><i>(Articles 29-33 of the Direct Payments Regulation)</i></p> <p><i>(COM (2011)625 final)</i></p>	<p>Tendencies in Council are emerging which risk watering down the Commission proposals. Both the Council and the rapporteur in the European Parliament have suggested amendments aiming at limiting the scope of the greening requirements by for instance raising thresholds and widening definitions. According to the amendments suggested by the rapporteur of the European Parliament to the proposal to the horizontal CAP regulation, the non- respect of the greening requirements should not affect the basic direct payment. This would de facto render greening voluntary for farmers.</p> <p>Whilst certain adaptations of the Commission technical proposals may be negotiated, the mechanisms for greening should remain credible in order to safeguard the objective of linking 30% of direct payments to environment and climate friendly practices.</p>
	<p>Mainstreaming of horizontal principles</p> <p><i>(Articles 7, 8 ,48, 87 of the "CSF" Funds)</i></p>	<p>Council and Parliament are supportive of reinforced mainstreaming of the horizontal principles of equality of treatment, non-discrimination, sustainable development and climate change. However, Council's position to give the Member States the power to assess their relevance's in operational programmes would weaken the mainstreaming of these principles.</p>

Clear priority objectives and indicators (results oriented)	<p>Minimum allocation to the ESF</p> <p><i>(Article 4 of the ERDF (COM (2011) 611 final 2)</i></p>	<p>Council position in the CPR to delete the minimum allocation to the European Social Fund (ESF) would weaken the focus on Europe 2020 priorities for growth and jobs.</p> <p>The Commission insists on the need for the ESF to have a predictable budget through a minimum share in cohesion policy. This is a key to guarantee the necessary level of investments in people in order to deliver ambitious employment objectives, especially in view of the need to tackle levels of unemployment and to fight poverty and social exclusion.</p> <p>The Employment Committee in European Parliament strongly supports all of the above Commission proposals.</p>
	<p><i>(Article 5 of the ERDF)</i></p>	<p>The Council proposes to open the financing of basic infrastructure to more developed regions in the areas of environment, transport and ICT. The Commission considers that making use of the small amounts available under the European Regional Development Fund (ERDF) in more developed regions which are already well endowed would provide little economic benefit. This money is much more effectively used to directly stimulate growth and jobs in the less developed regions in need.</p>
	<p>Thematic concentration in the ESF</p> <p><i>(Article 4 of the ESF)</i></p> <p><i>(COM (2011) 607 final 2)</i></p>	<p>The Council proposes to change the concentration mechanism of the European Social Fund (ESF) "promoting social inclusion and combatting poverty". A derogation proposed by the Council allowing to count ERDF amounts towards the objective of 20% of the ESF allocated to this thematic objective, would make the concentration mechanism irrelevant. The ERDF amounts alone, especially in the less developed regions could represent by themselves 20% of the ESF resources.</p> <p>The Employment Committee in European Parliament strongly supports all of the above Commission proposals.</p>
	<p>Performance framework in "CSF" Funds</p> <p><i>(Article 20 and Annex I in "CSF" Funds)</i></p>	<p>The Council has introduced changes to provide more flexibility to the Member States and sufficient safeguards to alleviate fears with regard to negative incentives (suspension of payments and financial corrections). The Commission can accept these changes, but it will not accept to delete or weaken the negative incentives in order to discourage poor performance and unrealistic target setting.</p>
	<p>New objectives and indicators</p>	<p>This is a horizontal issue. In many Commission proposals the European Parliament rapporteurs and in some cases the Council suggest adding multiple detailed objectives and new indicators, which are less specific or less-relevant thus weakening the focus on results.</p>
	<p>Erasmus for All</p> <p>(articles 4,5 and 11 COM (2011)</p>	<p>In the Council partial general approach all indicators have been removed. The Council proposes to define the indicators in an implementing act. This is not consistent with the other programmes. Indicators are normally a component of the</p>

	788 final)	legislative act, or should be defined through delegated acts.
	"Creative Europe" programme <i>(Article 14 COM (2011) 785 final)</i>	The Council proposes to define the indicators in an implementing act. This is not consistent with the other programs. General indicators of the programme as a whole are a component of the legislative act. This is why the basic indicators are defined in the legislative text itself and they can be detailed in delegated acts.
	Health programme <i>(Articles 2 and 7 COM (2011) 709 final)</i>	The objective of the programme and the indicators are made much broader and less result-oriented and as such lacking a direct link with the financial and operational capacities of the programme. The decision in the Council general approach to generalize the cofinancing rate up to 80% for so-called 'joint actions' between the Member States (see below) and the contradictory extension of the objectives covered contribute to a likely dilution of the Programme's impact as less actions will be able to be financed.
	Maritime and Fisheries Fund (EMFF) <i>(Article 6 COM (2011) 804 final)</i>	The Council has added new priorities; In particular the inclusion of the reference to processing would reduce effectiveness, given the small size of the program compared to other structural instruments, the EMFF proposal should focus on core areas in the fisheries and aquaculture sectors.
Flexible decision making procedures	Delegation of powers to Commission is deleted or restricted	<p>These are horizontal issues encountered in many changes suggested by the Council and the European Parliament to the Commission proposals.</p> <p>The Council and in some cases the European Parliament have proposed to remove or restrict the scope of the delegation of powers to the Commission to adopt delegated acts for non-essential elements of the legislative act; they have suggested to include these elements into the legislative act. This approach burdens the legislative texts with too many technical details which complicate the readability of the texts and affect the accessibility of stakeholders and curtails the operational management discretion necessary for a sound and effective financial management of EU funds or imposes lengthy decision making.</p>
	Delegated acts versus implementing acts	<p>Council has proposed in many cases, especially in the shared management areas (CAP, Cohesion Policy, Maritime and Fisheries Fund), the conversion of delegated acts into implementing acts in order to reinforce the right of control by Member States (through comitology procedures) and to curtail the monitoring by the EP. This raises questions on the scope and the nature of acts covered by Articles 290 and 291 of the Treaty (TFEU) and has important institutional consequences.</p> <p>On the contrary, the European Parliament proposes systematically the conversion of implementing acts into delegated acts which place it on equal footing with the Council. Such positions are totally inappropriate with regard to indicative programming documents and annual work programmes which need to be</p>

		<p>adopted and subsequently be adapted swiftly to allow for timely reaction to changing circumstances and effective implementation of the programmes. Such delegated acts would not be in compliance with the Treaty and would considerably hamper operational implementation and lengthen "the time to grant and time to pay". They would also be totally inappropriate for programming documents under the Relex instruments, which require in most instances to be discussed and accorded with the beneficiary third countries. It has to be recalled that programming documents are made for implementing, not regulating, the relevant legal instruments and thus lack all the legal characteristics (i.e. the setting of general and binding rules within the EU legal order) which are required for defining a "delegated act".</p>
	Restrictions of the budgetary powers of the Commission	<p>Council and in many cases the European Parliament suggest further breakdown of the budget in sub-ceilings for the different activities and/or actions and for technical assistance of the programmes and to fix it on the level of the legislative act. Such positions restrict the necessary operational financial management discretion of the Commission as they deprive it of the operational flexibility which is necessary for the proper day-to day management of budget. They are totally inappropriate for programmes with small financial envelopes and disproportionately rigid for the annual work programmes.</p>
	ETC <i>(Article 20 COM (2011) 611 final)</i>	<p>In the case of European Territorial Cooperation (ETC), the Council has proposed that the combination of managing and certifying authority functions be made optional.</p> <p>The Commission has not agreed to it and has maintained that this should be mandatory, to ensure proportionate management structures for comparatively small programmes under the European Territorial Cooperation, and avoid a waste of scarce human resources in the public sector.</p>
Eligibility rules	<p>VAT in infrastructure projects:</p> <p><i>(Article 8 in "CEF" COM (2011) 665 final),</i></p> <p><i>(Article 59 in the "CSF" Funds)</i></p> <p><i>(Article 20 in the "LIFE" programme)</i></p> <p><i>(COM (2011) 874 final)</i></p>	<p>Following agreement on the Financial Regulation (FR), providing for the eligibility of VAT cost, on condition that it is not recoverable and has been paid by a beneficiary other than a non-taxable person within the meaning of Article 13(1) of Directive 2006/112/EC, the sector specific proposals contained in the Connecting Europe Facility (CEF), the CPR for the CSF Funds, and the Life programmes, which exclude the eligibility of VAT are being questioned in the Council and the European Parliament.</p> <p>The Commission believes that the non-eligibility of VAT in particular in infrastructure projects is appropriate and thus should be maintained in the relevant sector specific legislative acts. Otherwise, the European Union budget will be used to finance the national budgets, instead of financing more projects, which could be considered as in contradiction with the objectives and purpose of the financing instruments concerned.</p>
	Marketing	<p>Council suggests the deletion of the reference to support for</p>

	<p>measures in (EMFF)</p> <p><i>(Article 71 in "EMFF")</i></p> <p><i>(COM (2011) 804 final)</i></p> <p>Single reimbursement rate</p> <p>in "Horizon 2020"</p> <p><i>(Articles 22 and 24 of the Rules of Participation)</i></p> <p><i>(COM(2011) 810 final)</i></p>	<p>"direct marketing of fishery products for small scale coastal fishermen" in the Commission proposal concerning the European Maritime and Fisheries Fund (EMFF). The European Parliament has indicated its support to the Commission proposal.</p> <p>The Commission disagrees with the Council position as support for small-scale fishing vessels is important as they often lack the experience, knowledge or financial means to engage in direct marketing.</p> <p>The single reimbursement rate for all activities in the project is questioned by the European Parliament rapporteur and the single flat rate for indirect cost is being questioned both by the Council and the European Parliament rapporteur. The Commission insists on its proposals contained in the Rules for participation in Horizon 2020, as these issues are two cornerstones of the simplified funding rules in Horizon 2020; they represent the Commission's efforts to reduce administrative burden on beneficiaries and "error rates, allow" a lighter control strategy and speed up the time to grant in the interest of beneficiaries.</p>
Simplified cost methods	<p>"CSF" Funds</p> <p><i>(Article 58)</i></p>	<p>A new option has been proposed by Council for the simplified calculation of staff costs by dividing the annual gross employment cost by 1650 hours.</p> <p>Commission has remained reserved as regards this position in the absence of underlining method supporting it.</p>
	<p>ESF</p> <p><i>(Article 14 of the ESF Regulation)</i></p> <p><i>COM(2011)607</i></p>	<p>In the case of the ESF Council has proposed that operations below 50.000 Euros could also use flat rates in addition to lump sums and unit costs.</p> <p>The Commission would prefer the mandatory use of flat rates instead of an option due to the greater potential for simplification.</p>
Proportionate control	<p>"CSF" Funds</p> <p><i>(Article 140)</i></p>	<p>The Council has proposed amendments which limit Commission audit work to an extent that cannot be accepted as it risks undermining the Commission capacity to monitor the use of EU budget and its capability to account for it.</p>
	<p>Audit methods in the "CSF" Funds</p> <p><i>(Article 116)</i></p>	<p>The Council has proposed that national audit bodies in Cohesion policy may use non-statistical sampling methods. The Commission has not accepted this position as it does not necessarily provide reliable and comparable information across Member States and thus undermines assurance at EU level.</p>
E-governance	<p>"CSF" Funds</p> <p><i>(Article 112)</i></p>	<p>The Council proposes to postpone the deadline for the implementation of the E-cohesion policy from 2014 to 2016 delaying by 2 years what constitutes a major simplification for beneficiaries. The Commission cannot accept this delay.</p>

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