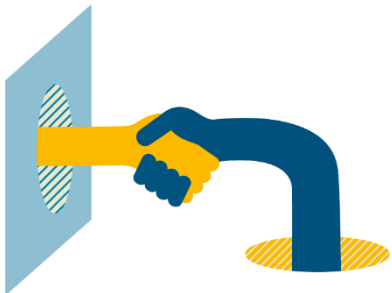


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Disclaimer:

The information below summarises the different proposals discussed in the above mentioned workshop. The discussions took place in parallel, in small working groups (between 7 and 13 people). Due to this set-up, participants did not have the opportunity to contribute to each topic, the proposals are based and limited to what was discussed in the respective working group. Participants were composed of Member State representatives, audit authorities, certifying authorities, managing authorities, joint secretariats and representatives from the European Commission.

Issue addressed/Regulation, Article	Proposal for change	Comments/further explanations
<p>1. Control Systems</p>		
<p>General observations/challenges/proposals</p>		
<ul style="list-style-type: none"> - Currently the same expenditure of an individual beneficiary can be checked by beneficiaries' controllers, lead beneficiary controllers, MA, CA, MS, AA, EC, ECA which could lead to a disproportionate administrative burden of a beneficiary. - To create an control and audit system which builds on the different control/audit levels and does not duplicate or repeat controls which have already been carried out. 		
<p>Article 23 - Functions of the managing authority, ETC Article 125 - Functions of the managing authority, CPR</p>	<p>To organise management verifications at programme level (internal/external) and to abandon the option to implement management verifications at MS level.</p> <p>Programmes (Monitoring Committees = Member States participating in the cooperation programme) decide for</p> <ul style="list-style-type: none"> - internalisation (qualified staff at MA level) or - externalisation (via public procurement) 	<p>The following points apply to the vast majority of programmes in which management verifications are the responsibility of MS.</p> <p>Significant amounts of public funds (either MS level or through the projects themselves) are spent on management verifications (in some MS up to 7% of the beneficiary's total budget) to ensure the well-functioning of the present systems, especially to ensure quality and reactivity. There is also the cost for setting up and maintaining the system (e.g. approbation function in decentralized systems, training, quality checks etc.) at MS level to be considered. Organising the management verifications at programme level could allow to reduce the overall costs for the MS and beneficiaries.</p> <p>Currently there is no actual liability of the controller for mistakes (during the discussion none of the participants was aware of an example that recoveries following audits were covered by the controller who had originally certified the expenditure). Organising the management verifications at programme level could allow to clarify liabilities and streamline approaches, methodologies, communication and training.</p> <p>Beneficiaries (and MAs) are faced with different control philosophies, although the same regulatory frame for the eligibility of expenditure apply (Regulations, including the DA for ETC, programme rules). Given the "hierarchy of rules" (Articles 65, CPR and Article 18, ETC) national rules are limited to few areas (e.g. public procurement). Nevertheless it still is the</p>

common practice that national rules and national interpretation of EU and programme rules are applied.

Although most programmes provide common templates e.g. list of expenditure or control checklists, the quality, quantity and interpretations of rules may still differ from controller to controller and MS to MS (and programme to programme). While some beneficiaries have to go through 2 quasi-verifications for every claim other beneficiaries experience control “light”. Which leads to an unequal treatment of beneficiaries carrying out the same activities and formally operating under the same EU/programme rules. Organising the management verifications at programme level would allow for a more standardised and harmonised scope for all beneficiaries within a programme. Further, the MA could react faster to apply necessary corrections and ensure a more equal quality of the work.

It could even be considered, to establish “Terms of reference” for management verifications across programmes to create greater harmonisation between programmes and avoid gold-plating at programme level.

Due to the split responsibilities and the different programme bodies many quality checks are carried out. First, in most cases quality checks are carried out through re-checking the already reported expenditure, which means an additional administrative burden for the beneficiary. Second, beneficiaries question the usefulness of a system in which expenditure is declared as eligible by “their” controller and is then deemed ineligible by a quality check of the MA, MS or the CA. With a programme approach to management verifications the following levels of additional (quality) checks, based on beneficiary expenditure, could be abandoned: lead beneficiary controller, MS, MA, CA.

Participants also highlighted that

- organising management verifications on programme level (as it exists already in the context of the Urban Innovative Action programme) might require reducing the scope (e.g. through

	<p>sampling, use of SCOs) and especially the frequency (e.g. through advance payments) to keep it manageable, ensure that programmes are able to cope with the demand and to keep the costs limited.</p> <ul style="list-style-type: none"> - To finance such a system, the control cost could still be financed under the priorities dedicated to projects (however, the control would be financed directly now by the programme). - The question of liability would have to be addressed. Considering also that the MS is ultimately liable if a recovery from a partner is not possible, the question of liability must be examined and the question of possibilities for the MS to still monitor the quality of management verifications organised at programme level (like it is currently the case for second level audits through the GoA). Furthermore it should also be considered to what extent the changing well-functioning systems increases the risks for MS and beneficiaries. - Good practice to be considered in order to limit the control burden for the beneficiaries, is to focus on the reported expenditure of beneficiaries during the audit of operations, as during the management verifications the controller should be in a position to confirm the eligibility of the expenditure and correctness of the project. Verification at the level of beneficiaries could be limited to: accounting system, physical progress of the project, presence of original documents, information and promotion issues etc.
<p>Stronger, more harmonised sampling approach for management verifications (= no more 100% approach)</p>	<p>In some MS already now the sampling of expenditure for management verifications is very prescriptive and systematically applied. Currently there are good practices available but they are limited to the respective MS (and then programme level). Such clear “rules” could be taken up by the Regulation and thus provide a frame for management-verifications which reflect what is considered good practice applicable for all EU (and third countries in ETC).</p>

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	Reduce n° of claims to be reported to the programme/controlled	Currently a rather high frequency of payment claims to programmes are a reality (e.g. every 6 months). While there are certainly some advantages to it (e.g. early discovery of problems) the disadvantages in terms of administration/costs are significant. However, a reduction in frequency of reporting expenditure or controls would require more possibilities for pre-financing & advance payments to ensure liquidity at beneficiary and programme level (please see also the point on cash-flow, below). Advances paid to beneficiaries would also have to be considered for reaching the n+3 target.
Article 127 - Functions of the audit authority, CPR Articles 7 (1) and Annex VII (model for the audit strategy), CIR 207/2015 Audit of operations	Audit of operations at Interreg level by EC	Audit of operations at Interreg level and no longer at programme level would create a standardised and harmonised approach across Interreg programmes and audit authorities (different scopes and approaches have to be noted in the current programming period). An error-rate would be established at Interreg level (NB: in the past, the “Interreg error-rate” always remained under 2%).
	System audits through programme audit authority	Further investigation necessary, e.g. what if the error-rate of Interreg goes beyond 2% (liabilities, corrections, action plans, payment interruptions etc.), what would the sample look like, how could the data be collected, would this require a common management and control system for all Interreg (basis for a joint audit strategy)? Programme AAs would focus on system audits, with limited checks of expenditure at beneficiary level and without an “error-rate” at individual programme level.
	Sampling	Independent from any future control/audit structure the applicable sampling methodology should take into consideration the cooperation nature of ETC. In particular the applied “projection of error-rate” does currently not reflect the different management verification systems at MS level (which would change with a management verification system at programme level) or different national rules (this would, however, not change).
Simplified cost options (Article 67 & 68, CPR)	To promote stronger use of SCOs	Participants were strongly in favour of increased application of SCOs in ETC, as it means that less actual expenditure has to be controlled and the focus

	<p>of controls can on “risky” expenditure. Which would also mean that controls become less expensive and more effective.</p> <p>Some participants would even consider to make the use of SCOs mandatory through the Regulation.</p>
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Issue addressed/Regulation, Article	Proposal for change	Comments/further explanations
2. Simplified Cost Options		
Lump sums		
Article 67 1(c), Forms of grant and repayable assistance, CPR.	The option of using lump sums should be kept and the 100.000 limit should be lifted as proposed already in the omnibus regulation.	
Article 68 1(b) CPR, Flat rate financing for indirect costs and staff costs.	Keep up to 15% flat rate on direct staff costs for office and administration costs.	
	Introduce a up to 15% flat on direct staff costs for travel and accommodation costs.	Travel and accommodation costs take a lot of time, and resources, to verify and control. Train tickets, mileage, hotel rooms etc. A flat rate would speed up this process and simplify things for beneficiaries, first level controllers and programmes.
	Increase the proposed flat rate on staff costs for all other costs, (proposed in omnibus) to up to 80% on direct staff costs.	The project budget will act as the overall limit and it would be up to each programme to decide the applicable rate. The current proposed rate does not work for a typical Interreg project in practise. Therefore is the suggestion to increase this flat rate.
Article 19, Staff costs, ETC.	Up to 20% flat rate for staff costs is too low and needs to be amended. Skip the requirement to proof staff working at the beneficiary.	Most Interreg projects are very staff cost heavy, 50% of the budget and upwards. This makes the current option of 20% very unattractive for most beneficiaries. A higher rate would therefore make this option more attractive.

Validation of SCOs	Validation of SCO's in the program development phase; define in regulations whom is responsible for that and how.	Some countris have had issues with this. Where the Audit Authority have been reluctant as it is not specified in the regulation that this would be their task.
Standard scale of unit costs	Define some standard scale of unit costs on a EU level.	Could be really helpful for CEO's of SME's who do not receive actual salary but rather dividend or an amount based on the result of the company.
Controllers costs	Define a fixed maximum rate for controllers costs	Daily rate or a rate per verification.

Issue addressed/Regulation, Article	Proposal for change	Comments/further explanations
3. State aid		
De Minimis		
Total amount of <i>de minimis</i> aid granted per Member State shall not exceed 200.000 EUR (Article 3(2) <i>de minimis</i>)	<p>Cumulative <i>de minimis</i> (i.e. the option to add up <i>de minimis</i> from all countries participating in a programme) has led to a situation where beneficiaries can get up to 1.4 million EUR <i>de minimis</i> in one programme and only up to 400.000 EUR in another programme. This is confusing for applicants and often hard to explain and justify.</p> <p>The idea is to introduce a <i>de minimis</i> specifically for Interreg with a threshold that is equal for all programmes. <i>Interreg de minimis</i> would completely replace the existing <i>de minimis</i>, which counts per Member States.</p>	<p><i>Interreg de minimis</i> would create equal conditions for all programmes and – at the same time – continue to invite players to participate in programmes that have already reached the national <i>de minimis</i> threshold.</p> <p>Issue to be solved: Who would be held liable in case of ineligible amounts arising from irregularities in granting <i>de minimis</i>? It is important that one or more Member States continue to be liable and are accountable for <i>Interreg de minimis</i>. Should it be proportionally allocated to participating Member States? Other solutions?</p>

	<p>Interreg programmes could no longer grant ‘normal’ <i>de minimis</i> but would grant <i>Interreg de minimis</i> instead.</p> <p>The envisioned threshold for <i>Interreg de minimis</i> is 500.000 EUR per programme and beneficiary.</p> <p>There would be no need to monitor on a cross-programme level (i.e. programmes would not need to know if an undertaking has already received <i>Interreg de minimis</i> in another programme).</p> <p>Monitoring would be necessary on a programme level only.</p>	
	<p>Alternatively, the threshold for ‘normal’ <i>de minimis</i> could be raised. This solution is similar to the one above but would still be part of the existing logic and require monitoring at national level.</p> <p>The proposed threshold is 500.000 EUR.</p>	<p>This would be an alternative, but only in case <i>Interreg de minimis</i> should not be possible. Cumulating <i>de minimis</i> has not been possible for some Interreg programmes because participating MS did not agree. These programmes currently can only grant up to 200.000 EUR <i>de minimis</i>.</p> <p>Issue to be solved: This solution would require to set a threshold on cumulation of <i>de minimis</i>.</p>
	<p>In the context of ‘normal’ <i>de minimis</i>, programmes would also welcome a harmonised approach to cumulating <i>de minimis</i>: cumulating <i>de minimis</i> should be the standard.</p>	
Indirect aid	<p>A <i>micro de minimis</i> is proposed that covers most cases of indirect aid in Interreg projects:</p>	<p>Indirect State aid to recipients of services or trainings provided by Interreg projects leads to disproportionate administrative efforts. Undertakings are required to sign a <i>de minimis</i> self- declaration and often do not understand the purpose. The reliability of these self-</p>

	<p>The envisioned threshold is 5.000 EUR per undertaking and project.</p> <p>Up to this value, trainings and services would be considered negligible in comparison to the high administrative burden requested for managing such aid. Accordingly, such amounts would not count towards ‘normal’ <i>de minimis</i>.</p> <p><i>Micro de minimis</i> would not have to be monitored at all.</p>	<p>declarations is sometimes questionable. The value of the trainings and services provided is most often very low (well below 5.000 EUR).</p> <p>Programmes agree to provide the following information on trainings and services typically provided by Interreg projects:</p> <ul style="list-style-type: none"> • What is a typical content? How are services and trainings provided by ETC programmes different from those of regional programmes? • What is the experimental and innovative character? Why can the content of training or services sometimes not be known at the application stage? • Examples of trainings that would not be attended if beneficiaries had to pay for it. • Examples of organisations that do not attend trainings because of the administrative burden (<i>de minimis</i> self-declaration)
	<p>For some programmes it might be possible to show that there is no advantage for undertakings participating in trainings or using services.</p> <p>Project assessments need to show that undertakings would not even come to the trainings or used the services if they had to pay.</p>	<p>Trainings and services provided by Interreg programmes are often aimed at raising awareness, generating openness towards cooperation, initiating partnerships. In many cases, undertakings would not attend related trainings or use services if they had to pay for them. Afterall it is often easier for undertakings not to cooperate across borders.</p>
<p>GBER</p>		
<p>Aid for cooperation costs incurred by SMEs participating in ETC projects (Article 20, GBER)</p>	<p>The aim is to enlarge Article 20 to an umbrella for all Interreg projects:</p>	<p>Article 20 has been welcomed by programmes and is used to address some State aid issues. There are still a number of cases that cannot be addressed with Article 20 and programmes are looking for solutions.</p>

	<p>Make clear that Art. 20 covers all activities and costs of cooperation projects</p> <p>Programmes suggest to delete the text in Art. 20 that specifies eligible costs.</p>	<p>The intention of Art.20 was to cover all costs that are eligible under ETC. The current text is perceived as misleading because it can be read in a way that Interreg activities and budget lines are not entirely covered.</p>
	<p>Include large enterprises</p> <p>Large enterprises in the context of Interreg are typically universities, research organisations, tourism organisations or large municipalities that participate with a public aim.</p> <p>Currently Article 20 covers only SMEs because it is in essence an SME exemption, not an ETC exemption. In order to include large enterprises in Interreg projects, ETC would need to be included in the Enabling Regulation (i.e. a Council Regulation).</p> <p>Alternatively, the definition of SME in the GBER could be amended to include also large enterprises for ETC.</p> <p>GBER Article 6 (3) on incentive effect outlines additional requirements for large enterprises that should be lifted for large enterprises participating in Interreg projects.</p>	<p>Programmes are urgently looking for a solution for large enterprises participating in Interreg projects. There is a limited group of large enterprises that typically participate in Interreg projects (such as research organisations or large municipalities) but they are vital for reaching programme objectives.</p> <p>Requesting extra information on large enterprises (as required by Art. 6 GBER) causes additional administrative burden on the side of the beneficiary and the Managing Authority. This seems out of proportion in the context of Interreg projects, especially considering that typical activities of large enterprises in cooperation projects are similar to those of SMEs.</p> <p>Programmes agree to provide more detailed information on the types of large enterprises typically participating in Interreg projects.</p>
	<p>Increase the aid intensity to the maximum co-financing rate allowed by Interreg programmes (i.e. currently 85%).</p> <p>This would be a very important step towards applicability of Article 20. The idea is to</p>	<p>Most Interreg programmes currently have co-financing rates up to 85%. Interreg programmes are by nature of public interest with the aim of stimulating cooperation across borders. Relatively high co-financing rates are needed in many areas to attract beneficiaries.</p>

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	<p>harmonise the regulatory frameworks for Interreg and State Aid and thus simplify procedures.</p>	<p>Currently even programmes allowing only 50% ERDF co-financing sometimes have difficulties using Article 20, because the aid threshold also has to take into consideration any national or regional public contribution provided to match ERDF funding.</p> <p>Article 25 allows higher aid thresholds and programmes are using Article 25 whenever possible.</p> <p>Sometimes this leads to mosaics of ERDF funding with different co-financing rates for different activities of a beneficiary, which is very hard to explain and monitor.</p>
<p>Relevant regulations under the responsibility of DG Agri and DG Mare</p>	<p>Cover also sectors that are currently not covered by the GBER (fisheries, aquaculture, agriculture, etc.)</p> <p>DG Comp does not deal with agriculture or aquaculture and the responsible DGs are DG Agri and DG Mare. Programmes need to address these DGs to raise awareness.</p>	<p>Many Interreg programmes finance projects that deal with agriculture and primary production and are thus not covered by the GBER. Programmes in marine areas deal with marine projects that are also not covered by the GBER.</p>
<p>Exempt ETC from State Aid</p>	<p>Programmes generally feel that Interreg should be exempted completely from State aid.</p> <p>In theory the Treaty could be changed to exempt ETC from State Aid but all MS would have to agree.</p> <p>Transferring decision taking to EC (e.g. on the projects that are being funded) would avoid State Aid but this is clearly not an option for cooperation programmes as they need to be well grounded in regions.</p>	<p>Interreg is increasingly contributing to uniting the European market across borders. Some cooperation projects can potentially have a distortive effect in one country but – at the same time – have strong positive effects on levelling the playing field across borders. No-one has ever quantified the extent to which Interreg contributes to uniting the European market but programmes think that these effects could well counterbalance any potential distortion.</p> <p>There is also growing awareness that cooperation is a European value and cooperation programmes primarily address a market failure (i.e. lack of cooperation across borders). To some it seems a legal artefact that it is not possible to exempt ETC from State Aid due to the way the Treaty is formulated.</p>

		<p>Finally, it is also very hard to explain to beneficiaries why programmes managed centrally by EC do not fall under State Aid, while ETC does. This is especially tricky for projects that are similar to those financed by Horizon 2020, COSME, etc.</p>
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Issue addressed/Regulation, Article	Proposal for change	Comments/further explanations
<p>4. Designation and reporting</p>		
<p>General observations and challenges and resulting proposals</p> <ul style="list-style-type: none"> - Reporting: Coherence of reporting periods should be aligned. Following current reporting provisions creates unnecessary work load in ETC programmes. Doubling of information need to be eliminated. - Designation procedures should not be continued. 		
<p>Article 123 - Designation of authorities Article 124 - Procedure for the designation of the MA and the CA, CPR Article 21 - Designation of authorities, ETC</p>	<p>To abandon the designation procedure.</p>	<p>Programme bodies are already appointed during programming and before designation, therefore the purpose or added value of designation was not clear.</p> <p>Programmes believe that even in cases of new authorities, e.g. MA or AA the relevant description in the management and control system is sufficient.</p> <p>System audit after the start of the programmes should be enough to check if implementation settings and programme bodies are functioning properly. In this period this was almost a double work: designation was done to check set up and structures on paper and then immediately the system audit was performed to check.</p>

<p>Article 72 – Management and control system, CPR Annex III, CIR 1011/2014</p>	<p>Continuation, instead of re-inventing the wheel</p> <ul style="list-style-type: none">- If there is a continuation of the programme with the same MA DMCS should not be changed. This should be very clearly stated in Regulations (obligatory, not optional).- In case rules changed on EU Level existing DMCS should only be updated to take into account new rules. For example, in case of merger of MA and CA, new functions of CA should be reflected in the updated version of DMCS- In case of merger of programmes new DMCS could be prepared to take into account new situation. However, if MA of such new merged programme stays the same, only necessary changes should be reflected in DMCS.- If MA is new (e.g. change of MA, new programme), new DMCS to be prepared.- Exclude anti-fraud measures from DMCS for ETC (see also section risk-management). ETC programmes believe strongly that addressing potential fraud is very important but it is very difficult to implement on the level of ETC authorities, but responsibility should remain on the level of Member States.	<p>Keep the requirements as much as possible (Simplification welcome where possible) as they are, not too much changes between programming periods, that way programmes can continue with the same implementation set up.</p> <p>Description of management and control system should be considered as the main document to provide assurance that system will function.</p> <p>In the spirit of abandoning the designation procedure, no formal approval by “external body” of DMCS would be necessary in the future. MC acceptance/approval provides the necessary responsibility. A critical review/opinion will be provided for with the first system audit.</p>
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	<ul style="list-style-type: none"> - Keep the model of DMCS with some improvements of the template by giving it even more structure. 	DMCS should be prepared gradually to follow programme cycle. It is difficult to have all elements of programme implementation described in details at the very beginning of programmes. Short summary DMCS can be prepared at the beginning to reflect main principles and later on as programme stages are coming up (calls, selection of operations, etc.) these procedures can be more thoroughly prepared and gradually approved
Article 50 – Implementation reports, CPR	AIR could be omitted, if data on programme implementation can be extracted to the Commission on a demand basis.	The relevant implementation data is usually always available in the programmes monitoring system. A background exchange between the programmes system and the Commission’s system could help to avoid bottlenecks (X programmes submitting at the same time to the Commission etc.). Corresponding exchange systems and harmonised data should allow to extracting data from programmes monitoring systems and without additional work.
Annex III data collection, DA 480/2014	Critical review of data to be collected by programmes (through beneficiaries) to be made available to the EC, with an ETC perspective.	Some of the data to be collected at programme level seem to lack the necessary added-value for ETC, but increase the administrative burden of the beneficiaries (and cost more money to be implemented in monitoring systems at programme level).

Issue addressed/Regulation, Article	Proposal for change	Comments/further explanations
5. Risk-management		
Article 123 Designation of authorities and Annex XII Designation Criteria for the MA and the CA	Risk management concept should not be narrowed down to the anti-fraud strategy.	This concept is much wider and includes various levels of the programme management. Soft guidance on risk management is needed (Interact rather than EGESIF). Meetings of control bodies were defined as a good practice which can lead to better risk prevention.

	<p>The risk management exercise should not be verified by the AA.</p>	<p>Risk management exercise should help programmes to define and understand risks. Risk management should be tailor-made, programme and location specific. This will help avoid the creation of never-ending lists of risks, creation of risk prevention tasks forces and other, not always necessary, activities which in the end do not result in the risk prevention, but increase administrative burden within a programme. National risk prevention procedures should be taken into account as much as possible. The duplication of risk prevention procedures should be avoided.</p>
	<p>The common understanding of risks is necessary.</p> <p>Failures (especially in relation to innovative projects) are possible and should not be penalised.</p>	<p>Risks should not be understood as dangers. Risks in many cases mean opportunities, especially when speaking about innovative projects. Risk management is a bridge between the sound use of public money and the result-oriented innovative projects. Balance between the two must be found. On the other hand, clear rules to mitigate the misuse of public money should be established.</p> <p>The partnership and the MA should not at all cost implement the projects which at the early phases seem to be a failure. Such projects should be allowed to close.</p>
	<p>The usage of ARACHNE, as a fraud prevention tool should still remain the option and not the obligation.</p>	
Issue addressed/Regulation, Article	Proposal for change	Comments/further explanations
6. Cash flow		

The three main concerns that we would like to get changed in the next programming period concerning cash flow;

- Increase the **liquidity of programme** authorities in order to stimulate the payment flow (and spending) in the programmes and most important, to offer programmes opportunities to reduce the number of obligatory project progress reports (reduction of overall control costs)
- Amend the definition of “eligible expenditure” in order to enable programmes to **report to the EC also advance/interim payments** that were made based on agreed programme rules (speed up of programme spending)
- Keep the N+3 rule, but reduce the complexity of the current system and find a solution to receive 100% of the programme budget if programmes have reported 100% expenditure (**skip 10% capping of approved payment claims**).

Art. 134, Payment of pre-financing, CPR.

To introduce higher programme pre-financing connected with the committed amounts.

The more funds are committed (resulting from Monitoring Committee decision) the more pre-financing is received by the programme.

Art. 131, Payment applications, CPR.

To introduce the option of payment applications including also advanced payments to the beneficiaries.

To make the advance payments made by programmes to the beneficiaries eligible to be claimed from the EC. Such pre-payments would be eligible to be claimed from the EC upon granting decision of the Monitoring Committee and signature of the subsidy contract.

The (missing) liquidity at programme level is caused by several factors:

- There is not enough (initial/annual) pre-financing from the EC - the only actual buffer is the initial pre-financing (as the annual pre-financing needs to be used to compensate the 10% reserve of payment claims and it is cleared on annual basis)
- There is no possibility for programme authorities to use (own or national) bridge funding - this seems to be a particular issue for Interreg programmes, which are often implemented with their independent budgets in hosting organisations and do not have national bridge funding to lean on.

The financial capacity of programmes needs to be strengthened, by increasing programme pre-financing. The increased pre-financing and ability to claim committed funds will:

- Allow programme to pre-finance projects and as result attract more beneficiaries
- Reduce amount of reporting and as result decrease administrative burden as well as control costs for projects and programmes
- Reduce amount of payment claims and as result decrease administrative burden on programmes and the EC

		<ul style="list-style-type: none"> - Smooth the spending curve of Interreg programmes – no peaks of spending, but steady slope
Art. 65, Eligibility, CPR.	To redefine the eligibility of expenditure	<p>Speed up programmes funds absorption.</p> <p>In order to make the advance payments made by programmes to the beneficiaries eligible to be claimed from the EC.</p>
Art. 130, Common rules for calculating interim payments, CPR.	The capping of 10% ERDF funding of interim payment claims submitted to the EC should be skipped.	<p>90% reimbursement by the EC causes major liquidity problems, as programmes have to reimburse beneficiaries at 100% ERDF claimed.</p> <p>Moreover, this may affect negatively the spending level of programme budget.</p> <p>Programmes need to receive payment in full. This will help to;</p> <ul style="list-style-type: none"> - Allow programme to reimburse beneficiaries on time - Reduce financial and administrative burden <p>Increase the overall spending level of programmes.</p>
Art. 137, Preparation of accounts, CPR.	The deadline for the submission of annual accounts should be prolonged, e.g. till June.	<p>Programmes authorities need more time to prepare the assurance package and to submit annual accounts, currently majority of programme submit final “non-zero” payment claim in March in order to give Audit Authorities more time to perform audit of operations.</p> <p>During the period between April and July programmes do not claim from the EC, increasing liquidity problems. With a postponed deadline, programmes could really submit “non-zero” payment applications to the EC until the end of the accounting year instead of applying an “early cut-off” in March.</p>
Art. 135, Deadlines for preparations of interim payment applications, CPR.	The submission of the first application for interim payment for the next accounting year should be possible before the end of July.	<p>Once programmes submit final payment claim for the current accounting year, the submission of the first interim payment claim of the next accounting year should be possible in the SFC system, it should not be necessary to wait until July. Therefore, a programme could claim from the EC without breaks and the liquidity problem would be slightly diminished.</p>

Issue addressed/Regulation, Article	Proposal for change	Comments/further explanations
<p>7. Gold-plating</p>		
<p>Reasons for gold plating and general approaches to containment</p> <ul style="list-style-type: none"> - Fear of errors and consequences ranks among the key reasons for gold plating - This fear is an impediment for innovative (and implicitly more risky) projects - Gold plating in ETC is mostly rooted in national approaches to or the interpretation of EU requirements and ‘adding up’ of national provisions 		
<p>In case of ETC more and more elaborate rules might become a lever for containment of gold plating since these might narrow the room for national (over-)interpretation.</p>		
<p>Gold plating and attitude/mind-set</p>	<p>Approach to new regulations / delegated acts</p> <ul style="list-style-type: none"> - In many cases the requirements stipulated in the EU Regulations should be defined explicitly as maximum and not as minimum – in particular when it comes to revised and expanded eligibility rules - When it comes to control requirements it is useful to clearly define what to check and what not to check - When a guidance is under development it would be useful to involve representatives of Member States (MS) and programmes in the drafting process – thus gold plating risks due to unclear formulations might be identified and contained in a shared process 	<p>Given the vision that the future set of regulations will tackle the most critical issues at EU level (in particular related to eligibility of expenditures and subsequent control and audit) the room for interpretation should narrow.</p>
	<p>Strengthen the position of the MA towards the AA</p> <ul style="list-style-type: none"> - In cases of disputes – in particular over the interpretation of eligibility 	<p>Experience shows that a change of rules does not necessarily imply an immediate change of behavioural patterns but the change is rather a gradual one – thus a strengthened position of the MA is meaningful (also</p>

	<p>rules – not only the AA but also the MA should have a voice;</p> <ul style="list-style-type: none">- It is considered useful to invite also the AA to annual review meetings	<p>with a view to the fact that taking over the CA function raises profile and responsibility of the MA in the forthcoming period).</p>
	<p>Raising awareness</p> <ul style="list-style-type: none">- A general agreement on simplification and thus implicitly the agreement to contain and/or reduce gold plating is one of the major pre-requirements- It is important to work constantly on the issue, e.g. when discussing additional / new or revised checks or templates the initial question should be whether these are really needed or if it could not be done in a simpler way- Making gold plating an audit finding might also contribute to awareness-raising.	<p>It takes continuous efforts to raise awareness and to alter perceptions and mind-sets in order to pave the way for comprehensive simplification approaches. All steps towards simplification undertaken in this period will be supportive when developing the system for post 2020.</p>
<p>Standardisation of rules</p>	<ul style="list-style-type: none">- Setting up largely the same rules for all programmes allows for exchange on and a quicker pathway to shared interpretation of the rules (plus the approach that the rules should define maximum standards, see above)- Thus it would also allow for the use of the same templates with minor need for adjustment to programme needs – it could count on the preparatory work of Interact in this period (Harmonised Implementation Tools (HIT); when developing HIT into an obligatory element for the forthcoming period it is	<p>In general, the EU-wide standardisation of rules, in particular of rules on eligibility of expenditure is considered as a major lever to contain gold plating.</p> <p>Knowing that all programmes apply largely the same rules will be a major contribution in order to reduce the level of fear in implementing bodies (since interpretation is backed by a large consensus across programmes and players)</p>

important to base it on a closed set of requirements stemming from a concise regulation in order to avoid adding up so-called specific needs of programmes (the latter are frequently based on resistance to change established routines)

Eligibility rules

- The rules on eligibility of expenditure in ETC should be defined to the extent possible at EU-level; the pathway started with the Delegated Act 481/2014 and subsequently the Omnibus Regulation should be continued
- The hierarchy of rules (as currently stated in Article 18.3 of ETC) should be formulated more clearly; i.e. for issues not settled in the EU-rules a solution at programme level should be the preferred solution and national rules should be 'the last resort' for all issues not settled at EU and programme levels

Simplified Cost (Options)

Flat rate on travel cost defined at programme level; it could be based on the experiences made in the current period (since travel cost might vary strongly depending on the type of programme, and the size of the programme area).
(the following points were partially proposed in the working group on SCOs. However, they seem more fitting in category)

Simplified cost are a major lever to contain gold plating in management verifications (i.e. the work of the controllers). Simplified Cost should not be options but the general approach in the forthcoming period.

Reduce and streamline the options for calculating staff costs to;

- Flat rate on staff cost: the current rate set at 20% (acc. Article 19 in Reg. (EU 1299/2013 and also the future option to have 40% as in the proposed Omnibus Regulation) is considered to be not fully adequate since it can be applied only for investment projects (and has been considered as too high in discussion at the programming stage in some programmes) whereas the majority of projects shows shares of staff cost ranging from 60% to 80%; no requirement to establish workers or employees if flat rates are used
- Fixed percentage for all except those that do not have any salary, i.e. CEO's of some SME's., no justification of fixed percentage of salary.
- Have 1 simple calculation for real staff costs calculation. (for example: Gross salary / working hours per week * 52)

(see also section 2 Simplified Cost Options)

Limit programme functions to the necessary

- It could be considered to integrate the CA tasks into the responsibilities of the MA. The option for the MA to delegate functions to other organisations (intermediate bodies) will remain thus allowing to maintain well-functioning and established institutional cooperation from the current period.
- When delegating functions, the scope of tasks should be clearly set out in order to contain and reduce the risk

	for gold plating (i.e. to state tasks clearly, exhaustively and exclusively).
Simplify / omit designation	The intent is that in the forthcoming period the designation process will be simplified respectively omitted. This is welcomed as a contribution to contain gold plating. <i>For details please see the outcomes of Working Group 4 on Designation and Reporting.</i>
Gold plating as audit finding	The introduction of gold plating as audit finding is welcomed as a contribution to awareness-raising. It should be applied in system audits and sample audits.