

FIT FOR FUTURE Platform Opinion

Topic title	Evaluation of the European Regional Development Fund, the Cohesion Fund and the Just Transition Fund
	AWP 2024
	Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (Common Provisions Regulation)
	Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund <i>Legal reference</i>
Date of adoption	17 October 2024
Opinion reference	2024/6
Policy cycle reference	<input type="checkbox"/> Contribution to ongoing legislative process - <i>Commission work programme reference</i>
	<input checked="" type="checkbox"/> Contribution to the (ongoing) evaluation process Mid-term evaluation of the European Regional Development Fund, the Cohesion Fund and the Just Transition Fund for the programming period 2021-2027 <i>Title of the (ongoing) evaluation</i> Article 45 of the Common Provisions Regulation requires the Commission to carry out a mid-term evaluation to examine the effectiveness, efficiency, relevance, coherence and Union added value of each fund by the end of 2024. The mid-term evaluation, amongst others, could serve as a basis for adjusting the legislation (on the basis of a Commission

proposal) or adjusting ERDF/CF/JTF programmes or their implementation, as appropriate.

The Platform’s opinion can contribute to this evaluation with an in-depth and first-hand feedback from stakeholders involved in the management and implementation of ERDF/CF/JTF, including local and regional authorities, which could serve as an opportunity to find ways how to accelerate their use and reduce administrative burden for beneficiaries.

☐ Included in Annex VI of the Task force for subsidiarity and proportionality

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☐ Other

Please specify

**Have your say:
Simplify!**

No relevant suggestions on this topic have been received from the public.

SUGGESTIONS SUMMARY

- Suggestion 1:** Address fragmentation of funds
- Suggestion 2:** Increase flexibility as regards resource allocations, while preserving the long-term economic development objectives of cohesion policy
- Suggestion 3:** Support more extended use of simplified costs options and financing not linked to costs
- Suggestion 4:** Support broader roll-out of e-cohesion
- Suggestion 5:** Further reduce the audit burden on cohesion policy stakeholders
- Suggestion 6:** Reduce the burden of reporting requirements, while increasing their relevance in respect of communication, transparency and accountability
- Suggestion 7:** Further strengthen the application of the partnership principle and Multi-Level Governance
- Suggestion 8:** Increase communication, visibility and transparency of programmes and investments
- Suggestion 9:** Review and simplify enabling conditions
- Suggestion 10:** Lead a collective and concerted effort on simplification

SHORT DESCRIPTION OF THE LEGISLATION ANALYSED

Cohesion policy is one of the EU's main investment policies and its main objective, set in article 174 of the TFEU, is to strengthen the economic, social and territorial cohesion of the Union by reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions.

Cohesion policy will implement a third of the European Union's long-term budget under the 2021-2027 multiannual financial framework. The EUR 378 billion of EU support is expected to result in EUR 545 billion worth of investment when national (public and private) co-financing is included.

The investment is organised around five policy objectives for the period 2021-2027:

1. a more competitive and smarter Europe;
2. a greener, low carbon transitioning towards a net zero carbon economy;
3. a more connected Europe by enhancing mobility;
4. a more social and inclusive Europe; and
5. Europe closer to citizens by fostering the sustainable and integrated development of all types of territories.

To achieve its goals and address the diverse range of development needs in all EU regions, cohesion policy is delivered through four specific funds: the European Social Fund + (ESF+), the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the Just Transition Fund (JTF). The programming and implementation of the policy are conducted

jointly by Member States' authorities and, in accordance with the partnership principle, regional, local and urban actors, economic and social partners and civil society, as well as the European Commission.

The ERDF finances all Member States and regions, with a particular focus on a more competitive and smarter Europe, as well as greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe. The CF provides support to the 15 Member States with a gross national income (GNI) per capita below 90% EU-27 average for investment in the field of environment and trans-European networks in the area of transport infrastructure (TEN-T). The JTF supports the economic diversification and reconversion of selected territories through a targeted combination of different types of investments.

Pursuant to article 45 of the CPR Regulation 2021/1060, the European Commission must conduct a mid-term evaluation to examine the effectiveness, efficiency, relevance, coherence and Union added value of each Fund by the end of 2024. In particular, this mid-term evaluation will look at the ERDF, the CF and the JTF.

Sources:

[Regulation \(EU\) 2021/1060](#)

[Regulation \(EU\) 2021/1058](#)

[Regulation \(EU\) 2021/1056](#)

<https://cohesiondata.ec.europa.eu/>

PROBLEM DESCRIPTION

The ERDF, CF and the JTF are of enormous importance for the local and regional levels, and local and regional authorities are to varying degrees responsible for their implementation, with the precise nature of their role varying from one Member State to another, depending *inter alia* on funding allocations, thematic scope, governance and capacity issues.

The legislation related to the ERDF, CF and JTF in the 2021-2027 programming period (the Common Provisions Regulation, Regulation (EU) 2021/1056 and Regulation (EU) 2021/1058) introduced a number of measures aiming at simplification, digitalisation and burden reduction compared to the 2014-2020 period.

In the context of the mid-term evaluation on ERDF, CF and JTF currently carried out by the European Commission, this opinion of the Fit for Future Platform is a good opportunity to collect evidence from the ground and examine to what extent the legislation is working in relation to aspects such as the legislative framework / architecture of funds, programming and resources allocation, Simplified Cost Options (SCOs) and Financing Not Linked to Costs (FNLC), use of e-cohesion tools, audit and reporting requirements, and principles of partnership and Multi-Level Governance.

Sources:

- Consultation of the CoR network of regional hubs (RegHubs) between 21 February and 9 April 2024: 27 contributions were received (from 10 Member States)¹;
- CoR opinion "[The future of cohesion policy post-2027](#)" (November 2023);
- CoR opinion "[Review and proposal for the revision of the MFF 2021-2027](#)" (October 2023);
- CoR opinion "[Effectively engaging local and regional authorities in the preparation of the Partnership Agreements and Operational Programmes for the 2021-2027 period](#)" (October 2021);
- CoR study on "[Application of the principles of partnership and multi-level governance in Cohesion Policy programming 2021-2027](#)" (2021);
- CoR opinion "[Common Provisions Regulation](#)" (December 2018);
- CoR study on "[Simplification measures on the Cohesion policy proposal for 2021-2027 and impact of the CoR political work](#)" (2018);
- CoR opinion on "[Simplification of ESIF from the perspective of Local and Regional Authorities](#)" (2016).

The Fit for Future Platform has acknowledged the issues raised by the legislation concerned as follows:

- The **complexity of the legislative framework** for cohesion policy in the 2021-2027 programming period, including the separation out of the Common Provisions Regulation (CPR) framework of the European Agricultural Rural Development Fund (EAFRD) and the late introduction of the Just Transition Fund (JTF) under the CPR framework but with specific rules, leads to difficulties in implementation. Despite some simplification measures, fragmentation persists 2027and there are still various funding instruments investing in similar areas under different rules.
- While programming has been facilitated by the consolidation of thematic objectives, there are concerns with the option to calculate thematic concentration at national level concentration; other **challenges for programming** include extensive data collection, and limitations imposed by thematic concentration, for example for the use of the new Policy Objective 5.
- **Simplified Cost Options (SCOs)** have been more widely used, with benefits reported by the European Court of Auditors (ECA) as regards their use in the 2014-2020 period in terms of reducing errors². The new option of **Financing Not Linked to Costs (FNLC)** is underutilized due to complexity and perceived risks linked to subsequent audits.
- **E-cohesion tools** are widely used and their accessibility has improved but challenges remain regarding lengthy data entry, compatibility with national regulations, interoperability with national systems and the efforts needed to develop and adapt information systems.

¹ See RegHub report in Annex;

² See ECA [Review 03/2024: An overview of the assurance framework and the key factors contributing to errors in 2014-2020 cohesion spending \(europa.eu\)](#) and [Briefing paper Cohesion simplification EN.pdf \(europa.eu\)](#);

- Regarding **audit**, simplification measures have been welcomed by stakeholders, although their concrete impact cannot be assessed yet; concerns have been expressed by the stakeholders that the risk-based approach for audits files is not implemented all the way down the chain for audits (with external audits continuing to apply the verification of all expenditure), which poses financial risks for the managing authority.
- Regarding **reporting requirements**, simplification measures have been welcome, but some stakeholders have reported that, compared with the previous annual reports, the more frequent transmission of data does not have the same level of explanatory power and is in fact time-consuming. There are also issues with common indicators proving challenging for beneficiaries and/or the Managing Authority to follow in practice, and too much emphasis put on quantitative aspects in evaluations.
- The **principles of partnership and Multi-Level Governance** are not fully applied³. Local and regional authorities often feel under-represented or not listened to in preparatory processes; a more active engagement of more stakeholders requires training them on EU rules and programmes but this requires capacity at regional level. All levels of governance are not always coordinated.
- **Communication efforts** are essential to inform the public and beneficiaries about EU projects and funding procedures.
- Concerns exist regarding the relevance and administrative burden of **enabling conditions** at the programme level.

Finally, evidence⁴ shows that all levels of authorities (Member States, European Commission, local or regional authority) share responsibility for addressing complexities and promoting simplification, with the national and the European level being held primary responsible for imposing additional rules.

SUGGESTIONS

Suggestion 1: Address fragmentation of funds

Description: The legislation for 2021-2027 introduced an overall shorter, more unified legal framework, with the aim of providing clarity and consistency for programme preparation and implementation across the shared management funds. Measures included:

- Almost all shared management funds covered in a single framework, under the Common Provision Regulation (CPR);
- One single regulation for ERDF and CF (previously two);
- Changes in the structure of the CPR and significant reduction of its length (number of words reduced by almost 50% in total for CPR, ERDF/CF regulation)

³ See [Application of the principles of partnership and multi-level governance in Cohesion Policy programming 2021-2027 \(europa.eu\)](#) and RegHub report in Annex;

⁴ See RegHub report in Annex;

- Significant reduction in the number of empowerments (from 50 in 2014-2020 to 9 in 2021-2027);
- Common templates available upfront, also incorporating limits to word count, where applicable (e.g. template for the partnership agreement).

The majority of stakeholders consulted in the RegHubs consultation considers the simplification measures introduced generally have had a positive impact, especially the placing of almost all EU funds implemented under shared management under the CPR and the provision of common templates as annexes to the CPR.

However, feedback from RegHubs and other stakeholders demonstrates that there is still complexity and fragmentation due to different funding instruments and rules:

- The separation out of the CPR framework of the European Agricultural Rural Development Fund (EAFRD) is seen as mainly negative⁵;
- The late introduction of the Just Transition Fund (JTF), under the CPR framework but nevertheless with distinctive and specific rules of its own (e.g. Territorial Just Transition Plans) and a different timeframe for part of its allocations (the Next Generation EU component of the JTF has to be spent faster than the MFF component – 70 % of the total JTF budget has to be spent by 2026) was challenging for programme preparation;
- The differences between ERDF and ESF+ regulations sometimes make it difficult to finance integrated place-based approaches (in a specific geographic area) linking ERDF and ESF+ financing under policy objective 4;
- A plethora of funding instruments managed centrally at EU level but investing in similar areas under different rules and conditions continues to exist. For example, the introduction of the Recovery and Resilience Facility in the midst of the programming for 2021-2027, with different rules and governance but intervening in similar or even identical thematic areas, contributed to slowing down both implementation of 2014-2020 and negotiation of 2021-2027 programmes under cohesion policy.

In this light, the Commission and Member States are invited, within and beyond the framework of the mid-term evaluation of the ERDF, the CF and the JTF, to analyse and consider measures to address the fragmentation of funds:

- Introduce a single strategic framework for all EU funding streams at EU and Member State level – this should capture all funding, under all forms of management, whilst setting a clear demarcation of eligibility under the different funds. During 2021-2027 this could be launched as a Commission communication; for post 2027, it should be reflected also in legislative terms (e.g. a single CPR for all shared management funds);
- Establish one-stop-shops at national/regional level to help beneficiaries handling EU funds under different management modes in parallel without additional burden for the authorities/bodies involved, i.e. managing/programming authorities and implementing bodies;

⁵ See Annex and CoR opinion "[Common Provisions Regulation](#)";

- Set up dedicated coordination mechanisms and governance structures at EU, Member State and regional level to address and mitigate the challenge of ensuring a coordinated and complementary approach between funds under shared management;
- Explore the scope for production of coordinated guidance and training addressing shared management stakeholders together;
- Make support for capacity building a horizontal objective for programming of the relevant funds in the next period, as good governance and administrative capacity at all levels is key for strategic planning, efficient implementation of programmes and structural reforms;
- Consider similar interventions (coordination mechanisms, governance structures, guidance and training) to ensure effective synergies between different CPR funds, in particular when targeting at the same group or thematic area (e.g. policies related to Roma integration can be funded by both ERDF and ESF+; policies related to sustainable urban development via Art. 9 ERDF and multi-fund approaches with the ESF+);
- Assess the feasibility of proposing legislative changes to simplify and speed up implementation of the JTF during 2021-2027 by (partial) merger back under the rules appertaining to ERDF / ESF+, while respecting territorial allocations;
- Assess the feasibility of proposing legislative changes to the JTF to bring the timeframe of its implementation fully in line with that of the financing under the other CPR funds;
- Base any future EU investment policy instrument with a territorial dimension on the principles of clarity and consistency for programme preparation and implementation and implement them under shared management in line with the principles of subsidiarity and shared multilevel governance and in compliance with the "Do no harm to cohesion" principle;
- Take into account the needs and capacities of small beneficiaries and entrepreneurs and assess the extent to which they have benefited from this programming period when drafting the legislation for the next programming period, in particular with regard to the amount of eligible costs, rules on access to funding and reporting procedures;
- Bring the different rules for managing calls for projects (for funds under direct and indirect management and funds under shared management) managed by the EC and European funds closer together by using the simplest rules as relevant (e.g. on State Aid);
- Detail rules regarding the interaction of Cohesion Policy regulations with funds under direct management.

Expected benefits: Stakeholders at all levels will be able to operate under a less complicated legislative and funding framework, speeding up implementation of programmes and reducing risk of error because of mixing rules from different funding instruments. Implementation costs linked to IT systems can also be reduced.

Suggestion 2: Increase flexibility as regards resource allocations, while preserving the long-term economic development objectives of cohesion policy

Description: The 2021-2027 policy and legislative framework aimed to introduce a streamlined framework for easier programming, including innovations such as the consolidation of 11

thematic objectives into 5 policy objectives, option to calculate thematic concentration at national level, giving Member States more flexibility and choices at regional level. ERDF thematic concentration takes also account of levels of development by differentiating between Member States in terms of their gross national income in comparison with the EU average and by categories of regions respectively.

Stakeholders consulted in the RegHubs consultation largely consider the consolidation of 11 thematic objectives in 2014-2020 into 5 policy objectives has had a positive impact. The perception is however mixed regarding the option for Member States to calculate thematic concentration at national level⁶.

Feedback from stakeholders so far in the context of CoR opinions and RegHubs point to a number of difficulties already at this early stage of 2021-2027 programme implementation:

- The focus on Member State level - at least in some Member States - does not leave enough role for the regional and local level in determining and deciding needs as regards thematic concentration;
- There is a perceived need in some Member States for more flexibility to address specific territorial needs (different approach to the current system installed by annex D of the country reports in the context of the European Semester); this includes the types of eligible projects which means additional flexibility to allow for enriching, sustainable and inclusive projects to achieve multiple overarching goals in line with the cohesion objective and the subsidiarity principle in the EU Treaty;
- While quotas can be helpful to ensure targeted support, the current approach to thematic concentration can be perceived as a) not focussed enough in terms of impact due to fragmentation into too many sub-areas and b) leading to a static and inflexible commitment of a relatively high amount of the resources;
- As for 2014-2020, it is already proving too easy for EU to introduce changes which divert cohesion policy funds from their key objectives and which introduce instability into the work of programme authorities and beneficiaries alike. For instance, this was the case with the implementation of REACT-EU on top during the ongoing programming period. Another example is the Commission's proposal to set up a Strategic Technologies for Europe Platform (STEP), which included an adaptation of cohesion policy instruments and rules to facilitate and encourage funding for STEP projects;
- The delayed adoption of the applicable legal framework and the delayed programme approval in some cases has hindered implementation; Last minute amendments to the expected content of the legal framework due to the final shape of the agreement on the Multi-annual Financial Framework were also problematic⁷;
- There is a perception that there are too many fields required for programming, and that some pieces of data are collected which are not necessary for reporting or payment purposes⁸.

⁶ See Annex, p. 23-24;

⁷ See Annex, p. 23;

⁸ See Annex, p. 24;

In this light, the Commission and Member States are invited, within and beyond the framework of the mid-term evaluation of the ERDF, the CF and the JTF, to analyse and consider measures to increase flexibility as regards resource allocations, while preserving the long-term economic development objectives of cohesion policy:

- In each Member State, to explore further possibilities for programming and investments under ERDF policy objective 5, which, subject to correct use of territorial tools, can combine activities financed under other policy objectives – enabling a genuinely multi-sectoral integrated approach tailored to the local context. Currently, the allocation per Member State to ERDF policy objective 5 ranges between 0% and 22% of the total ERDF allocation and there may be scope at mid-term review or even before to revisit this issue;
- Continue for the next programming period with the efforts to simplify and unify the rules for individual funds as much as possible to enable the practical implementation of integrated measures and territorial strategies;
- Encourage within Member States the establishment of a dialogue with all the national, regional or local authorities concerned in order to identify the national rules which are over-regulated (gold-plating) or which create obstacles to the implementation of European funds, in order to progressively remove them;
- Launch a survey of cohesion policy stakeholders in all Member States on which basis to consider possible legislative modifications to adjust thematic concentration requirements at mid-term review in view of providing more flexibility, for example as regards percentage limits, should the feedback support such proposal;
- Desist from introducing further measures intending use of cohesion policy as a crisis-response mechanism or as a funding pot to address the latest new priority at EU level. New crises and challenges require new funding (within the framework of existing policies and instruments), not redirection of funding away from existing priorities;
- Lessons learned from the increasing use of cohesion policy funds in recent years as a crisis intervention instrument for simplified implementation options, for example through easier redeployment and faster programming options, should be analysed in more detail also with regard to an adequate time frame for implementation;
- Consider what elements of the current legislative framework could be rolled over to the next period, as consistency and stability are an important aspect to facilitate the work of the different stakeholders involved. In order to shorten the lengthy process of programming and approval phases it should also be considered to allow a roll-over or at least allow an adjustment of the 2021 – 2027 programmes in case the Regions still see it fit for purpose and they are in line with the political priorities agreed on during negotiations on future MFF/Cohesion Policy;
- Adopt the applicable legal framework well ahead of the start of the new period in the future to give more time for consultation and drafting of regional programmes;
- Narrow the list of information fields requested in relation to each (operational) programme.

Expected benefits: These measures would introduce more flexibility where this is necessary to address the needs of specific territories and populations, while preserving the policy's focus on

long term objectives and providing a more stable framework for the whole of the programming period.

Suggestion 3: Support more extended use of simplified costs options and financing not linked to costs

Description: The legislation for 2021-2027 aimed to encourage the use of simplified costs options (SCOs) and financing not linked to costs (FNLC) *inter alia* by attaching special templates to the programme model in CPR as SCOs and FNLC can significantly simplify administrative procedures, reduce red tape, and enhance efficiency of project implementation (e.g. the use of SCOs has been estimated to reduce the total administrative costs by up to 25%⁹).

There is also a heightened interest in the relevance and application of these tools due to the advent of the Recovery and Resilience Facility (RRF), whose implementation is portrayed as being on a FNLC model.

Latest figures from the Commission show that 149 SCOs schemes from 14 Member States (BE, CY, CZ, DE, FR, IT, LT, LV, NL, MT, PT, PL, RO, ES) and 5 Interreg programmes (ESPON, BE-NL, SI-AT, SI-HR, SI-HU) covering EUR 6.8 billion (EU and national contribution) as well as 6 FNLC schemes from 5 Member States (AT, BG, CY, IT, LV) covering almost EUR 1.4 billion (EU and national contribution) are adopted as part of the 2021-2027 programmes. Further schemes are expected to be submitted as part of programme amendments: around 30 SCOs from CZ, DE, EL, FR, IE, PT, ES and 2 FNLC schemes from DE and EE already submitted informally.

At the lower level (i.e. reimbursement from the Member State to beneficiaries), more than 600 SCO schemes have been mapped in 24 Member States and Interreg programmes (mapping is ongoing). This compares to 636 SCOs for the whole 2014-2020 period. In other words, the number of SCO methodologies mapped so far in 2021-2027 at the beneficiary level equals the number of schemes used for the whole 2014-2020 period.

The preliminary results of the Commission study on the uptake of SCOs show that 12.7% of the ERDF expenditure (complemented by 2.9% of the CF expenditure and 11.5% JTF expenditure) is reimbursed through SCOs at the level between Member States and beneficiaries. Overall, the amount of expenditure covered is moving steadily upwards as programme implementation gains speed and has almost doubled comparing to 2014-2020 period.

The use of SCOs and FNLCs has been encouraged on the ground notably through REGIO's Transnational Network for Simplification composed of representatives of both managing and audit authorities from all 27 Member States and which acts as a platform for regular exchanges of experience between practitioners. REGIO also focused on supporting Member States at both national and regional level in their preparations for the 2021-2027 period (technical webinars, Q&As, bilateral meetings, multi-country workshops, trainings, seminars, support in designing and submitting SCOs/FNLCs methodologies).

⁹ See CoR study "[Simplification measures on the Cohesion policy proposal for 2021-2027 and impact of the CoR political work](#)" (2018);

Feedback from the RegHubs¹⁰ demonstrates that SCOs have been used more widely in programmes compared to the previous programming period but that the new option of FNLC is not much used. The majority of stakeholders consulted consider that, at this stage of implementation, it is too early to see if this has led to a reduction of administrative costs or a reduction of errors.

Stakeholders reported experiencing the following issues with SCOs and FNLCs¹¹:

- Complex and time-consuming development and use; in particular, elaborating SCOs for projects below 200.000 EUR (an obligation) actually requires more administrative burden than using real costs;
- Lack of available guidance materials/studies that would help implement SCOs and FNLCs and provide legal certainty (e.g. lack of delegated regulations establishing SCOs at Union level) and lack of applicants' knowledge and competences on SCOs;
- (Perceived) risks of use linked to subsequent checks and audits: potential non-alignment with the practices of the Audit Authority or with the rules imposed on public bodies by the Court of Auditors.

In this light, the Commission and Member States are invited, within and beyond the framework of the mid-term evaluation of the ERDF, the CF and the JTF, to continue implementing, monitoring and further strengthening measures to support more extended use of SCOs and FNLC as follows:

- Ensure clear and consistent communication about the (dis-)advantages of simplified cost options and financing mechanisms not linked to costs, while avoiding misrepresentation of these as a panacea as they are not necessarily always the right tool for all circumstances;
- Expansion of the set of off-the-shelf SCOs in the CPR that are directly applicable to the different types of intervention/action, including actions for smaller amounts, with enough flexibility allowing experimentation;
- Dedicate technical assistance and support services, as well as clear guidance to help stakeholders at all levels (including public authorities and beneficiaries) navigate and implement these tools – guidance and training programmes; assistance with project design, financial management, and reporting. Such assistance, support services and other instruments need to be easy to access and understandable for stakeholders;
- Initiate pilot programmes which can serve as models, showcasing successful implementation and encouraging wider adoption, and facilitate peer learning and exchange programmes to share experiences, challenges, and good practices;
- Regularly map the most common SCO/FNLC schemes across Member States, in order to identify measures that can be used as a reference for establishing similar schemes elsewhere, and disseminate them;
- Consider establishing incentives, such as financial rewards or recognition, for projects that use SCOs or FNLC;

¹⁰ See Annex, p. 24-26;

¹¹ See Annex; p. 24-26;

- Perhaps consider setting up specific funding streams dedicated to projects using SCOs or FNLC;
- Review and, if necessary, revise EU, national or sub-national regulations that constitute a barrier to the effective use of SCOs or FNLCs, with the particular objective of providing clear and harmonised rules. In particular, Article 94 (3) and Article 95 (3) of the CPR Regulation (EU) 2021/1060 should be supplemented by clarifying who is responsible for compliance with applicable law by adding the following sentence: "Compliance with applicable law under Article 74 (a) is ensured by the respective national systems in place."; As for national or sub-national legislation, gold plating at this level has to be avoided. Imposing additional rules on top of the rules already set out in EU regulations is one of the major barriers hindering the take-up of SCOs;
- Ensure robust monitoring, evaluation and stakeholder feedback mechanisms to assess the impact of SCOs and FNLCs and use these to refine policies/methodologies and improve the overall effectiveness of these approaches;
- Involve the audit authorities in the design of simplified cost models;
- Assess the feasibility of proposing legislative changes to further incentivise or oblige the use of SCOs and FNLCs under cohesion policy (incentives such as higher co-financing rates or extension of automatic decommitment rules; obligations could include minimum percentages, or obligation for certain policy interventions to only use SCOs or FNLCs, as appropriate);
- Consolidate EC delegated acts related to SCOs and FNLCs into a single provision.

Expected benefits: when implemented correctly, SCOs and FNLCs can bring about simplification and increased efficiency (reducing paperwork, reporting requirements, and reduced frequency of errors, etc.) and better overall management of funds (more focus on outcomes and results).

Suggestion 4: Support broader roll-out of e-cohesion

Description: "e-cohesion" refers to the use of digital technologies and tools to enhance and streamline the implementation of cohesion policy. The Final Report of the "Evaluation of e-Cohesion 2014-2020" indicated that the e-cohesion is widely implemented (for an overwhelming majority of ERDF and CF funded programmes) and mostly used for project implementation activities, especially handling the payment claims. The Report also underlined that during the 2014-2020 programming period, most e-cohesion systems have implemented the key functionalities, processes, data security requirements, and principles of e-cohesion.

Feedback from the RegHubs demonstrates that e-cohesion tools are massively used and are largely considered to have made life easier¹².

However, there is still room for improvement:

¹² See Annex, p. 26-28;

- According to authorities, establishing interconnections with external applications, registers, and databases, represents the most important challenge for the 2021-2027 programming period.
- There is a lack of compatibility between systems used or with national regulations and data mismatch or not consistently transmitted; this means parallel exchanges of information (such as e-mail, paper, etc.). Ensuring interoperability beyond the programme-level to the national and the EU level is also important.
- The data entry can be lengthy for beneficiaries (many attachments to upload and data to be filled in).

Also, the significant efforts of the development, testing, customisation and maintenance of information systems should be considered; generally, a further simplification of rules and processes in the future would limit the IT programming effort.

In this light, the Commission and Member States are invited, within and beyond the framework of the mid-term evaluation of the ERDF, the CF and the JTF, to analyse and consider measures to support and facilitate the broader roll-out of e-cohesion:

- Ensure robust and widespread digital infrastructure, including high-speed internet access, to facilitate the adoption of e-cohesion tools across all regions;
- Provide training programmes for public officials, local authorities, and other stakeholders to enhance their digital skills and understanding of e-cohesion tools;
- Establish common standards and interoperability frameworks to ensure that e-cohesion tools can seamlessly integrate across different levels of government and various sectors.
- Conduct awareness campaigns to inform stakeholders about the benefits of e-cohesion, share success stories, and address concerns to encourage widespread adoption.
- Allocate funds specifically for the development and implementation of e-cohesion initiatives. Financial incentives can encourage local authorities to adopt and effectively use digital tools;
- Initiate pilot projects in specific regions to demonstrate the effectiveness of e-cohesion tools in practice. These pilot projects can serve as models for broader implementation;
- Foster collaboration between the EU, member states, local governments, private sector entities, and non-governmental organizations to pool resources and expertise for the successful implementation of e-cohesion;
- Design user-friendly interfaces for e-cohesion tools to ensure that even those with limited technical expertise can easily navigate and use the platforms;
- Establish robust monitoring, evaluation and stakeholder feedback mechanisms to assess the impact of e-cohesion initiatives and improve them;
- Adopt the regulations setting the requirements of the IT systems well ahead of the start of the new period in the future, to make sure the systems are in place in time;
- Provide practical application guidelines on SCOs and technical annexes to the CPR (e.g. Annex on Information Systems) to allow regions to properly understand the technical and practical aspects of implementation;
- Explore the potential for incorporating Artificial Intelligence (AI) in the e-Cohesion tools in view of providing for advanced quality control mechanisms supporting users.

Expected benefits: Increased efficiency and streamlined processes, reducing paperwork and manual tasks; cost savings; reduced errors and improved data accuracy; faster access to relevant data and information for all stakeholders; increased transparency; facilitation of coordination.

Suggestion 5: Further reduce the audit burden on cohesion policy stakeholders

Description: The legislation for 2021-2027 aimed to reduce the management, control and audit burden by introducing a simpler and proportionate approach and relying more on national systems. Measures included:

- A more proportionate approach: risks-based management checks (instead of covering 100% of operations) and simpler audit requirements for programmes with good track record and proper functioning of the management and control systems;
- Single audit arrangement: the Commission will audit only the audit authority if the opinions issued by that audit authority are deemed to be reliable and the Member State is part of the collaboration with the European Public Prosecutor's Office;
- Simpler template for accounts and payment application (e.g. for intermediate bodies implementing Art. 9 ERDF);
- Clear document retention period (and shorter) for beneficiaries.

The majority of stakeholders consulted in the RegHubs consultation expect the simplification measures introduced to have a very positive impact¹³; due to delayed start of implementation in the period 2021-27, there is at the moment only limited factual evidence on the functioning of the current audit system.

However, feedback already suggests that:

- The number of audits has been reduced, but the content is still complex, maybe even more than before with the addition of elements such as do no significant harm (DNSH), the Paris agreement, and the Bauhaus initiative;
- The risk-based approach for management checks simplifies and speeds up the processing of files; however, the fact it is not implemented down the chain for audits (with external audits continuing to apply the verification of all expenditure) poses financial risks for the managing authority (which may then be tempted not to fully apply the risk-based approach), especially since extrapolation rules continue to apply and the additional flat-rate financial correction threshold remains set at the low level of 2 %;
- Similarly, the retention of documents for a shorter period of time is positive in theory, but it runs the risk that project documents will no longer be kept long enough for subsequent audits, putting the beneficiary and the managing authority in difficulty at a later stage.

In this light, the Commission and Member States are invited, within and beyond the framework of the mid-term evaluation of the ERDF, the CF and the JTF, to analyse and consider measures to further reduce the audit burden on cohesion policy stakeholders, as follows:

¹³ See Annex, p. 28-29;

- Consider a “confidence bonus” for programmes without relevant audit findings, leading to fewer reporting obligations;
- Commission to transmit the preliminary audit findings and the audit report in at least one official language of both the EU and the Member State concerned (not one of the official languages of the Union) to speed up implementation;
- Explore the benefits of adopting a separate regulation on management and control applicable across periods and mirroring, not increasing the requirements of the Financial Regulation, to reduce legislative confusion and speed up delivery;
- Encourage preventive controls at the start of programming with a view to prevention rather than punishment;
- Broadly apply in practice the principle of proportionality in the risk assessment. The risk assessment should consider the financial amount of the projects, in addition to factors such as the number, type, size and content of operations implemented;
- Reintroduce a clear distinction between the concepts of error and fraud and adapt the respective application of the concepts of error and fraud;
- Re-examine the error rate threshold and extrapolation rules as they cause excessive controls and risk-prevention measures (for example, increase the error rate threshold from 2% to 3%);
- Inspired by what may exist in national legislation, explore the possibility of introducing a principle of “right to error”;
- Examine the possibility of extending the risk-based approach more comprehensively, up to the end of the processing chain;
- Provide clear guidance, available in one place, regarding the various aspects such as implementation, control etc.;
- Consider applying prediction models for the error rate based on historical data (machine learning techniques) and using sampling techniques based on risk. Such measures could potentially contribute to reducing the number of audits, whilst increasing at the same time the accuracy of the error rate estimation;
- Generally, identify and avoid gold-plating, including audit bodies, to make single audit arrangement a reality on the ground. National and regional auditors should apply simplification measures proposed by ESIF regulations, and national regulations should be further simplified;
- For the next period, build on the initiative taken by the EAFRD early 2024 and introduce a threshold below which projects would be exempted from external audit.

Expected benefits: increased trust, reduction of administrative burden, reduced error rate.

Suggestion 6: Reduce the burden of reporting requirements, while increasing their relevance in respect of communication, transparency and accountability

Description: The legislation for 2021-2027 aimed to reduce the burden of monitoring and evaluation requirements by having more frequent but lighter reporting. Measures included:

- Option (no obligation) to conduct an ex-ante evaluation of future programmes;

- Regular electronic data transmission (instead of annual implementation and progress reports);
- A common set of output and result indicators for the ERDF, the CF and the JTF that cover a high share of programme interventions.

The majority of stakeholders consulted in the RegHubs consultation considers the simplification measures introduced generally have had a positive impact¹⁴.

However, some issues remain:

- Whilst the transfer of electronic data several times a year provides more up-to-date information, it also triggers a certain administrative burden as the data often has to be consolidated and imported (with significant manual effort and risk of errors);
- Electronic data transmission does not have the same level of explanatory power as annual implementation reports, which used to provide a useful assessment on the implementation progress and was also a useful communication measure;
- While common indicators allow compiling data at EU level, in practice many common indicators prove challenging for beneficiaries and/or the managing authority to follow in practice (high complexity or lack of reliability of overall data).

In this light, the Commission and Member States are invited, within and beyond the framework of the mid-term evaluation of the ERDF, the CF and the JTF, to analyse and consider measures to reduce the burden of reporting requirements, while increasing their relevance in respect of communication, transparency and accountability, as follows:

- Member States and managing authorities could standardise and streamline reporting templates and procedures, including a clear description of the content required, to make them more user-friendly;
- In addition, the current System for Fund Management in the European Union (SFC) has to become more user-friendly and should be further developed with the involvement of the managing authorities; more templates/import options for the transmission of data could be provided;
- Examine the application of a risk-based approach to audit and reporting, focusing on areas with the highest potential impact or risk of error, while ensuring that communication on the use of EU funds is not restricted;
- Provide training and support to stakeholders involved in the reporting process and foster a culture of continuous improvement by sharing good practices and lessons learned;
- Maintain in the next programming period a flexibility regarding the possibility of using programme-specific indicators beside common indicators;
- Involve relevant stakeholders, including beneficiaries, in the design of reporting requirements to ensure their practicality and relevance, limiting data collection to what is absolutely necessary, and set up feedback mechanisms to continuously refine reporting processes based on user experience;
- Embed reporting requirements into the project management process from the outset;

¹⁴ See Annex, p. 30-31;

- Assess the administrative burden associated with financial data submissions to the Commission and consider regulatory amendment to align with regular reporting intervals (e.g. semi-annual indicators and quarterly financial data);
- Consider that any reporting beyond quantitative data (that might be necessary e.g. to monitor and provide more granular information about implementation progress) should take place in the form of standardised reporting templates to be transmitted within the framework of the SFC, without creating additional administrative burden for managing authorities.

Expected benefits: reduction of administrative burden, increased focus on results.

Suggestion 7: Further strengthen the application of the partnership principle and Multi-Level Governance

Description: The partnership principle and multi-level governance are key features for the programming and implementation of Cohesion Policy. Indeed, stakeholder involvement enhances the delivery of European programmes by providing ownership and making investments place-based. The 2021-27 regulatory framework kept similar references to the partnership principle as the 2014-20 regulations.

However, the CoR has underlined in various studies¹⁵ and opinions that, while cohesion policy outstrips other EU policies in its attention to and respect of the partnership principle, there remains room for improvement. The RegHub consultation confirms some challenges¹⁶:

- Almost half the respondents to the RegHub consultation consider that mistakes in project planning or bureaucratic faults would have been avoided by more active engagement of the partnership and/or application of the multi-level governance principle;
- Although regions are more aware of the territorial challenges, they often lack decision-making power or they may be only involved in the preparation of the Partnership Agreement for its initial version (not during the subsequent negotiations with the Commission);
- It is difficult to mobilise partners when the implementation of EU funds is very technical; also, regions do not have the capacity to enhance stakeholders' knowledge of EU programmes and funds;
- It is difficult and time-consuming to reconcile all interests, especially when partners are not willing to compromise and have unbalanced powers;
- The European Code of Conduct on Partnership is too detailed while each managing authority is best placed to decide how to involve relevant partners, and it puts the region on the same level as other actors who do not have the same knowledge of cohesion policy mechanisms.

¹⁵ See [study report](#) "Application of the principles of partnership and multi-level governance in Cohesion Policy programming 2021-2027";

¹⁶ See Annex, p. 31-33;

In this light, the Commission and Member States are invited, within and beyond the framework of the mid-term evaluation of the ERDF, the CF and the JTF, to analyse and consider measures to strengthen the application of the partnership principle and MLG, as follows:

- Capitalise on good practices of concertation and mandatory consultation of local and regional authorities at an early stage and their active involvement and representation throughout the implementation process to ensure broad and meaningful participation of the partnership in the preparation and implementation of programmes. This is important to ensure ownership and to ensure the democratic design of partnership agreements and operational programmes;
- Continue to conduct surveys and assessments – where considered necessary – as to the participation of various partners and to take action to address low or non-participation of certain stakeholders, as well as measures to ensure the necessary follow-up to strengthen their participation;
- Continue investing – where considered necessary – in training and capacity-building of partners, especially those with lower capacity or resources to engage in the governance and / or implementation of programmes;
- Analyse application with a view to review and revise the European Code of Conduct as appropriate and complement it with practical guidelines. For future legislative changes/legislation, include it within the CPR;
- Establish compliance with the partnership principle as an ex-ante condition for receiving cohesion policy funds (to be evaluated externally);
- Develop strategies for proactive outreach to engage partners early on in decision-making process so that they can participate throughout the lifecycle of the funding;
- Base any future EU investment policy instrument with a territorial dimension on the principles of partnership and multilevel governance and implement them under shared management in line with the principle of subsidiarity and in compliance with the “Do no harm to cohesion” principle.

Expected benefits: enhanced ownership, improved effectiveness and accountability, positive spill-over effects (e.g. capacity-building), increased social cohesion; sustainability of investments.

Suggestion 8: Increase communication, visibility and transparency of programmes and investments

Description: In order to increase the relevance and potential impact of cohesion policy funded projects, there is a need to increase communication, visibility and transparency.

Feedback from the RegHubs demonstrates that communication efforts are still needed¹⁷:

- Towards the public to inform about EU projects;
- Towards beneficiaries and participants to help them find the best European funding sources and to educate them on procedures for the use of EU funds.

¹⁷ See Annex, 34-35;

In this light, the Commission and Member States are invited, within and beyond the framework of the mid-term evaluation of the ERDF, the CF and the JTF, to analyse and consider measures to improve communication, as follows:

- Streamline the complex terminology surrounding cohesion policy, making it more user-friendly for the beneficiaries, the managing and audit authorities and EU citizens at large;
- Pay particular attention to de-centralised communication and the needs and specific requirements of target audiences at sub-national levels;
- Better communicate on funding results on the Cohesion Open Data Platform, in particular by using easily understandable indicators;
- Establish a single branding, by further exchange and cooperation within INFORM EU;
- Unify billboards when there are multiple projects on site;
- Consider including in evaluation studies a deliverable on a “citizens” summary and an infographic, so as to better communicate the results of cohesion policy and its constituent funds;
- Involve the European Commission more strongly in regional and local communication campaigns.

Ideas could include to further encourage the use of common output indicators to further improve on transparency.

Expected benefits: better knowledge and understanding of the policy and its interventions; countering misinformation; increased trust; improved stakeholder involvement, decision-making and accountability.

Suggestion 9: Review and simplify enabling conditions

Description: Enabling conditions should be further simplified with the aim to reduce administrative burden.

For the 2021-2027 programming period, there are 20 enabling conditions which must be fulfilled for a reimbursement of expenditure to be made by the Commission (compared with 36 conditions with different parameters in the previous period). The aim of these enabling conditions is to ensure that the necessary conditions for the effective and efficient use of the Funds are in place from the beginning of the programming period.

The majority of RegHubs reported that the change of requirements linked to enabling conditions for 2021-2027 had a positive or neutral impact on their work.

However, the following issues were reported:

- The presence of some conditions at programme level is problematic because they are related to the Member State, not always to what the region can do, which risks slowing down development and implementation of programmes.
- For some hubs, the documents fulfilling the enabling conditions represent a significant administrative burden.

In this light, the Commission and Member States are invited, within and beyond the framework of the mid-term evaluation of the ERDF, the CF and the JTF, to analyse and consider measures to simplify enabling conditions, notably by organising checks of enabling conditions and dialogue at the appropriate level and, in the case that this is at Member State, to avoid impacting the programmes implementing the funding.

Expected benefits: burden reduction with a concurrent speeding up of the whole process.

Suggestion 10: Lead a collective and concerted effort on simplification

Description: Authorities at all levels should be engaged towards simplification.

Feedback from the RegHubs demonstrates that simplification concerns all authorities: the European Commission, Member States and managing and audit authorities¹⁸. Generally, when asked who imposes additional rules on top of the agreed legislative framework and who should do more in order to promote simplification, RegHubs first chose the Member States, then the European Commission (close behind) and then regional authorities.

In this light, the Commission and Member States are invited, within and beyond the framework of the mid-term evaluation of the ERDF, the CF and the JTF, to lead a concerted approach to simplification. All stakeholders throughout the management chain should be involved, with a dialogue between all actors: from the beneficiary to the European audit bodies and national audit bodies.

In addition, based on feedback from RegHubs, the Commission is invited to look into the following actions which could facilitate the work of managing authorities:

- Amend the legal bases as little as possible during the programming period;
- All stakeholders to prepare documents relevant to expenditure eligibility in parallel with the negotiations on the Partnership Agreement (not later) so as to avoid risk of operations on the basis of old rules and risk of illegality;
- For the programming template, take into account the characteristics of different official languages to set high enough character number limits¹⁹;
- For small projects highly depending on volunteer work, consider volunteer costs as personnel costs²⁰.

Expected benefits: reduction of administrative burden; increased trust; improved stakeholder involvement.

¹⁸ See Annex, p. 34-35;

¹⁹ See Annex, p. 23;

²⁰ See Annex, p. 24.

To collect feedback on how the European Regional Development Fund, the Cohesion Fund and the Just Transition Fund as well as the European Social Fund Plus (ESF+) are being implemented in the 2021-2027 programming period and on how they could be improved, the European Committee of the Regions consulted its network of regional hubs (RegHubs) between 21 February and 9 April 2024.

Twenty-seven contributions were received (from 10 Member States). While the main results of the consultation are included in the opinion, this annex presents a more detailed synthesis of the contributions; it is organised according to the sections of the questionnaire, with links made to the relevant suggestion in the opinion.

1. LEGAL FRAMEWORK & COORDINATION OF FUNDS (linked to Suggestion 1)

- **The simplification measures introduced for the legislative framework 2021-2027 generally have had a positive impact**, especially the placing of almost all EU funds implemented under shared management under the CPR and the provision of common templates as annexes to the CPR;
- **The exclusion of the EAFRD from the CPR is seen as mainly negative**; one hub indicated that from the ERDF managing authority's perspective, cooperation with the EAFRD is made more difficult by its strict allocation to the CAP. Another hub indicated that this is a step back as many EAFRD measures contribute to territorial development and cohesion; this has an impact on beneficiaries who may have projects under ERDF and EAFRD and are confronted with different rules, as well as an impact on the demarcation of funds and timing of implementation.
- One hub indicated a lack of coordination between the relevant EU Directorates-Generals.
- Another hub called for more detailed rules regarding the interaction of cohesion policy regulations with other directly managed funds, notably with Horizon Europe.

When it comes to proposals for the current or next programming period:

- **The hubs largely support the following:**
 - Single strategic framework for all EU funding streams at EU and Member State level;
 - One-stop-shops to help beneficiaries handling EU funds under different management modes in parallel;
 - For the next period: Number of funds reduced, for instance merging JTF under ERDF or ESF+.
- **On the convergence of funds and rules**, some hubs commented that:

- In principle, reducing the number of funds is a good idea but only on the basis of a number of conditions: a stable level of resources, clear and common rules and ambitions, choice of the most functional rules.
- It is important to continue to converge the strategic frameworks and the types of funds, in order to simplify their implementation, and financial management, and to facilitate access to finance for project managers.
- It would be useful to bring the different rules for managing calls for projects (for funds under direct and indirect management and funds under shared management) closer together by using the simplest rules as relevant (e.g. on advance payments, on State aid).
- An issue was reported on the programming template in Annex V of RDC 1060/2021 which establishes the number of characters per field that must be filled out: it takes more fields to explain a project in Spanish than in English.
- For future programming periods, it was suggested to:
 - Detail rules regarding the interaction of Cohesion Policy regulations with funds under direct management;
 - For the programming template, set different character numbers based on the characteristics of different official languages;
 - Promote a strategic approach at regional and decentralised level, allowing to take into account the real needs of a territory, different in nature from those of a neighbouring territory, and to converge the strategy of the programme with all the regional planning and development strategies of the territory already in operation, in all the areas of intervention of the cohesion policy funds;
 - Amend the legal bases as little as possible through the programming periods;
 - Continue to have a separate Regulation for European Territorial Cooperation (ETC).

2. PROGRAMMING (linked to Suggestion 2)

- The consolidation of 11 thematic objectives in 2014-2020 into 5 policy objectives is very largely considered as having had a positive impact;
- **The perception is however mixed regarding the option for Member States to calculate thematic concentration at national level** (instead of calculation at the level of category of region). One hub considered that national concentration for ERDF provides more flexibility because it can be compensated between regions. Another hub commented that letting the MS calculate concentration is interesting if there is a dynamic and strong coordination, but it could slow down the drafting process. Another hub underlined that the excessive thematic concentration may limit the ability of different regions to programme, given the established concentration rates;
- The menu set out in the Regulation should remain fully accessible to all European territories and that it is the needs analysis which should then guide the choice of objectives to be deployed in the territory concerned.
- Several issues were reported:
 - Delayed adoption of the applicable legal framework;

- For some programmes, delayed programme approval has hindered implementation;
- There is a perception that there are too many fields, and that some pieces of data are collected which are not necessary for reporting or payment purposes;
- Article 93(5) of CPR can lead to not fully using the funds;
- The integration of the new Objective 5 is positive; however, thematic concentration restricts the budget that can be devoted to this objective;
- People to people projects in the framework of Interreg-Programmes are often organised by associations or even individuals who work as volunteers, without payment. In the previous programming period, the European Commission used to accept co-financing (with ERDF) volunteer work. It is no longer the case in the current period, which is discouraging for such projects.

When it comes to proposals for the current or next programming period:

- The hubs largely support the tackling of unnecessary additional rules and gold-plating that impede the implementation of EU funds and to have further possibilities in each Member State for programming and investments under ERDF policy objective 5;
- It was suggested to:
 - Maintain the CPR in principle and amend it for post-2027 only on a very targeted basis so that existing systems such as IT can be maintained to a large extent, reducing implementation costs;
 - Narrow the list of fields (currently 142, to be reduced down to 113 as before);
 - Publish rules earlier in the future to give more time for consultation and drafting of regional programmes;
 - Provide additional opportunities to programme and invest according to a specific policy objective, and to ensure continuity with previous strategies.
 - Apply to funds under shared management the same rules on state aid as for funds under direct management or better align state aid law with cohesion policy;
 - For small projects highly depending on volunteer work, consider volunteer costs as personnel costs;
 - Simplify output and result indicators (although how was not specified by the respondents).

3. SIMPLIFIED COST OPTIONS AND FINANCING NOT LINKED TO COSTS (linked to Suggestion 3)

- **SCOs have been used more widely in programmes** compared to the previous programming period according to almost all respondents;
- Most respondents cannot tell yet if this has led to a reduction of administrative costs or a reduction of errors, at this stage of implementation. However, 37% of 27 respondents consider that SCOs have reduced errors and 44% that they have led to a simplification of administrative procedures and/or reduction of administrative costs;
- Two hubs indicated that the initial set-up of SCOs takes time; one of them stated they are beneficial to the promoters (more secure, rapid, simple) and for the region, which

has to check less and can concentrate on more qualitative rather than administrative controls;

- The reasons given for not using SCOs were:
 - The lack of applicants' knowledge and competences on simplified cost options and the lack of available materials/studies that would help implement SCOs (e.g. related to inconsistencies between SCO provisions in cohesion policy vs. public aid, lack of delegated acts of the European Commission ensuring legal certainty of the Managing Authority when implementing SCOs, high inflation...);
 - Unchanged rules in the sampling methodologies by the Audit Authority and potential non-alignment with the rules imposed on public bodies by the Court of Auditors.
- Among the hubs who are using SCOs, several hubs have reported issues or risks:
 - The development of SCOs can be complex and time-consuming, with exchanges with the stakeholders involved and with the audit authority. It can be difficult to determine standard unit costs and to apply the flat rates provided for in the CPR. The national accounting system may not have structured accounting in direct and indirect costs.
 - The obligation to find SCOs for all projects below the 200,000 EUR threshold is problematic. It is not because a project is of lower value that it is suitable for SCOs. For operations of modest economic size, real-cost reporting often requires a lower administrative burden than the elaboration of budgeting methodologies/projects developed ad hoc for the type of operation;
 - It is difficult to draw up SCOs while trying to match the aid received by the final recipient to the contribution reimbursed by the Union for a programme and the fact there are no (more) delegated regulations establishing SCOs at Union level;
 - There are risks associated to SCOs, in particular linked to audits; audit authorities are sometimes critical of simplified cost options due to the risk of overcompensation.
- As for **the new option of FNLC, it is not much used** (used by 15%, not used by 63%). Two hubs out of the four using it reported simplified procedures (the other two did not provide any assessment).
- The reasons given for not using the option were:
 - The complexity of use (in particular, ex-ante analysis requiring expert human resources and historical data on similar intervention devices) and lack of guidance, combined sometimes with the need to start the programme implementation quickly;
 - The perceived risks of use linked to subsequent checks and audits;
 - A request from the European Commission to limit this formula to some elements, for example, not to use it in the case of technical assistance at regional programme level as only foreseen for use at national programme level.

When it comes to proposals for the current or next programming period:

- The hubs largely support the following:

- Technical assistance and support services to help stakeholders at all levels (including public authorities and beneficiaries) navigate and implement these tools;
- Clear and consistent communication about the (dis-) advantages of simplified cost options and financing mechanisms not linked to costs;
- Continued use of pilot programmes which can serve as models and peer learning and exchange programmes to share experiences, challenges, and good practices;
- Incentives for beneficiaries for the use of SCOs or FNLC;
- Evaluation and, if necessary, revision of EU, national or sub-national rules that constitute a barrier to the effective use of SCOs or FNLC;
- Robust monitoring, evaluation and stakeholder feedback mechanisms to assess the impact of SCOs and FNLC and improve the overall effectiveness of these approaches;
- Legislative changes (in the current period) to further incentivise or oblige the use of SCOs and FNLC under cohesion policy - One hub considers the incentive to be more appropriate than taxation.
- For the future programming period, is the hubs suggested to:
 - Provide off-the-shelf SCOs in the CPR that are directly applicable to the different types of intervention/action, including actions for smaller amounts;
 - Simplify the approval process of SCOs submitted within programmes (Art 94 CPR);
 - Revisit and assess the provisions concerning certain obligatory use of SCOs;
 - Enable consultations of Member States with the European Commission on practical aspects of SCO implementation;
 - Launch early the evaluation of EU methodologies for the implementation of SCOs – and their possible revision of methodologies;
 - Involve the audit authorities in the design of simplified cost models;
 - Continue adopting EC delegated acts in areas where they do not exist, taking into account the legal certainty that they provide and the reduction of irregular spending, and consolidate delegated acts into a single provision allowing the continuity of those approved in the current period;
 - Encourage the exchange of good practices on SCO methods and simplification models;
 - Establish flat rates, lump sums and unit costs to avoid differentiation and risk of error;
 - Continue keeping the library of SCOs used in different countries, with the specific methodology used in designing SCOs and with a description of the types of activities for which they are used.

4. E-COHESION (linked to Suggestion 4)

- **E-cohesion tools are massively used and are considered to have made life easier for 85% of respondents;**
- Some issues have been reported:

- **Lengthy data entry for beneficiaries** (many attachments to upload and data to be filled in); one hub considered that many pieces of data are required for audit purposes and that focussing audits solely on eligibility of expenditure would reduce the amount of data that is entered into the system;
- Obligation of a high electronic signature standard, leading to additional costs for the beneficiary or for the managing authority;
- In the case of France, lack of effectiveness of the 'e-synergie' tool in management of cohesion policy programmes;
- **Significant efforts required for the development, testing, customisation and maintenance of the information system** (including to adapt to changes in the Regulations);
- **Lack of compatibility** between systems used or with national regulations and data mismatch or not consistently transmitted;
- Lack of an IT tool – common to all intermediate bodies - prior to the start of programme implementation;
- Forms and processes not standardised;
- Unclear practical application of SCOs and FNLCs;
- Limits in attachment sizes or in memory to introduce documents into the system when applying for certain projects;
- Occasional problematic internet connection for applicants or beneficiaries and obstacles to signing;
- Modules of the SFC platform often available too late;
- High programming effort for individual projects;
- Information systems not always in line with the stakeholders' needs;
- Limited access from regions to all the information concerning them in the SFC2021 application (only the central government, which makes the process very tedious).

When it comes to proposals for the current or next programming period:

- The hubs largely support the following:
 - Training programmes for public officials, local authorities, and other stakeholders to enhance their digital skills and understanding of e-cohesion tools;
 - Common standards and interoperability frameworks to ensure that e-cohesion tools can seamlessly integrate across different levels of government and various sectors;
 - Awareness campaigns to inform stakeholders about the benefits of e-cohesion, share success stories, and address concerns to encourage widespread adoption;
 - Funds specifically allocated for the development and implementation of e-cohesion initiatives;
 - Pilot projects in specific regions to demonstrate the effectiveness of e-cohesion tools in practice;
 - Collaboration between the EU, Member States, local governments, private sector entities, and non-governmental organisations to pool resources and expertise for the successful implementation of e-cohesion;

- User-friendly interfaces for e-cohesion tools to ensure that even those with limited technical expertise can easily navigate and use the platforms;
- Robust monitoring and evaluation systems to assess the impact of e-cohesion initiatives, identify areas for improvement, and make necessary adjustments;
- Mechanisms to gather feedback from users and stakeholders to continuously improve e-cohesion tools and address any issues or challenges that arise;
- It was also suggested to:
 - Make the e-synergie interface (France) even simpler;
 - Provide requirements to the managing authorities in advance in order to start the programming period with the information systems in place, as development and testing are time-consuming;
 - Provide practical application guidelines on SCOs and technical annexes to the CPR (e.g. Annex on Information Systems) to allow regions to properly understand the technical and practical aspects of implementation;
 - Give access to regions to all information in the SFC2021 application (in read-only);
 - Generally, **conduct a major simplification effort for the next programming period** to simplify the tools and the process for project promoters, **as the IT tools reflect the rules imposed**. The number of data to be entered for each project should be reduced to limit the IT programming effort as well as the administrative burden for beneficiaries.

5. MANAGEMENT, CONTROL AND AUDIT (linked to Suggestion 5)

- **The simplification measures introduced are assessed as having a very positive impact**, although some hubs have not yet seen their concrete implementation as too early in the programming period.
- However, several issues are reported:
 - The risk-based approach for management checks simplifies and speeds up the processing of files; however, the fact it is not implemented down the chain for audits (with external audits continuing to apply the verification of all expenditure) poses financial risks for the managing authority (which may then be tempted not to fully apply the risk-based approach), especially since extrapolation rules continue to apply and the additional flat-rate financial correction threshold remains set at the very low level of 2 %;
 - Similarly, the retention of documents for a shorter period of time is positive in theory, but it runs the risk that project documents will no longer be kept long enough for subsequent audits, putting the beneficiary and the managing authority in difficulty at a later stage;
 - The risk-based controls by the managing authority are unlikely to be carried out on a sample basis due to state accounting rules;
 - One hub indicated that the administrative burden for the managing authority and intermediate bodies for their own checks and for the audit by the audit authority has increased; it considers the mandatory introduction of the ARACHNE tool has increased the administrative burden for Member States;

- In one case, audits/controls request actual cost documentation even though SCOs are used.

The hubs had the following proposals for the current and next programming period:

- In the new system of risk-based management checks, audit bodies should focus on the proper application by the MA of the risk verification system and focus their eligibility audits on the checks strictly carried out by the MA; the risk-based approach should be extended to the end of the processing chain, including external audits;
- The work on identifying unnecessary gold-plating and rules should be done at all levels (by each Member State and managing authority and also at European level) and should include audit bodies; the fear of audits and protection against financial risk contributes to complementary rules and gold-plating;
- Re-examine the error rate threshold and extrapolation rules as they cause excessive controls and risk-prevention measures, a situation which ultimately weighs on the beneficiary; focus pressure on the risks of fraud rather than on irregularities;
- The European Commission should carry out an analysis to determine what expenditure is at risk and what controls should be reduced, and then ensure that these choices are applied by all, in particular the national audit authorities; having common management, control and audit rules would save time for each MA and would ensure equal treatment of applicants;
- The audits carried out by the European Commission, the national Court of Auditors and the European Court of Auditors should be carried out in line with the controls (single audit) by the local audit authority;
- Coordinate audit programmes of the programme authorities and review the method for selecting files to be checked to avoid checking the same file several times;
- Provide document templates for the selection of the operation (e.g. request for financing) common to MAs;
- Ensure that the audit schedule is consistent with the documents retention period so as not to put the beneficiary and the managing authority in difficulty at a later stage; consider further reducing the documents retention period;
- Focus on the achievements of results rather than the management of expenditure, which is already audited by the control bodies of each region;
- Focus audits on the eligibility of expenditure of the funded project and carry out more structural audits (e.g. relating to general public procurement rules, the application of Community thematic legislation, etc.) at national level, to facilitate access to finance for all types of project promoters;
- For the next period, build on the initiative taken by the EAFRD early 2024 and introduce a threshold below which projects would be exempted from external audit;
- For the next period, the eligibility of expenditure should be proposed by the Member State and agreed with the European Commission, so that different state tax and tax rules across Member States are taken into account.

6. MONITORING AND EVALUATION (linked to Suggestion 6)

- **The simplification measures introduced are largely assessed as having a positive impact.** Concerning the more frequent electronic data transmission instead of annual reports, a slight majority of respondents consider it positive but one third assess it as neither negative nor positive.
- Issues reported:
 - Several hubs indicated that **the more frequent transmission is in fact time-consuming** as the data has to be consolidated and imported (with significant manual effort and risk of errors); also, electronic data transmission **does not have the same level of explanatory power as annual reports**, which could provide a useful assessment and explanations for data;
 - While common indicators allow compiling data at EU level, in practice many common indicators prove challenging for beneficiaries and/or the managing authority to follow in practice, which means high complexity or lack of reliability of overall data;
 - On evaluation, only quantitative aspects count, not qualitative aspects, which means that creative and pilot projects/support measures are increasingly difficult to accommodate in the programmes;
 - Additional objectives (e.g. reference is made to the Strategic Technologies for Europe Platform) introduced on the ongoing ERDF hamper implementation, monitoring and evaluation.
- A slight majority of RegHubs are rather satisfied with the current availability of regional data (NUTS I, NUTS II, NUTS III and NUTS IV); 19% of 27 respondents are unsatisfied. When asked what regional data would be helpful to improve the efficiency and effectiveness of implementation of the ERDF/CF/JTF/ESF+, the hubs mentioned: data on environment, green transformation and waste management, data on innovation, entrepreneurship, unemployment, poverty; regional data to assess the impact of the use of funds and policies, data allowing to detect developments traps which may not show at NUTS 2 level.

When it comes to proposals for the current or next programming period:

- The hubs generally support the following:
 - Training and support to stakeholders involved in the reporting process;
 - Standardised and streamlined reporting templates and procedures;
 - Sharing of good practices and lessons learned;
 - For the next period: Involvement of relevant stakeholders, including beneficiaries, in the design of reporting requirements;
 - For the next period: Reporting requirements embedded into the project management process from the outset;
 - Reporting timelines aligned with project milestones to avoid additional administrative burden;
 - For the next period: Risk-based approach to reporting, focusing on areas with the highest potential impact or risk of error - However, this proposal drew some negative comments (according to which this introduces a confusion between the evaluation exercise and the audit exercise).

- It was also suggested to:
 - Reduce the frequency and timing of reporting (semi-annual indicators; financial data at most quarterly);
 - Provide more templates/import options for the transmission of data;
 - Assess the operational nature of indicators listed by the Commission with managing authorities from the outset;
 - Continue to provide a list of output and result indicators with common definitions, to save time, while maintaining the possibility of adapting certain indicators to local conditions/ambitions;
 - Authorities should take greater responsibility for the evaluation of projects and programmes;
 - Provide common definitions/explanations of policy areas;
 - Establish working groups and define a consistent way to apply rules for calculating performance indicators follow-up;
 - Simplify reporting templates and procedures and provide training to build a culture of accountability and more focus on performance;
 - Do not introduce additional reporting requirements; they would lead to less appetite from project leaders to take part in the monitoring and evaluation exercises, which is essential to demonstrate the concrete added value of EU action.

7. PARTNERSHIP PRINCIPLE AND MULTI-LEVEL GOVERNANCE (linked to Suggestion 7)

- Almost half the RegHubs consider that mistakes in project planning or bureaucratic faults would have been avoided by more active engagement of the partnership and/or application of the multi-level governance principle. One hub would have appreciated greater information/participation in the process of preparing the Partnership Agreement, not just for its initial version but during the subsequent negotiations with the Commission, with the final determination of which types of interventions are eligible for funding and which are not.
- Two hubs called for a stronger consultation of regions and managing authorities in the design of the EU regulation to give input on the operational implementation of the draft texts.
- The engagement of more stakeholders would be useful to turn good ideas into good projects. However, this requires enhancing the stakeholders and partners' knowledge of EU programmes, which could be done through training and real dialogue, meaning more administrative burden for the region.
- Several challenges regarding the principle of partnership and multilevel governance were reported:
 - Lack of decision-making capacity of the regions, although they are more aware of the challenges to be faced due to their greater proximity to the territory;
 - Limited involvement of a provincial council (second level local administration with long experience in supporting local authorities in its territory) and absence of consideration of its contributions;

- Lack of recognition of the specific role of municipalities in cohesion policy: in the Monitoring Committee, municipalities cannot always be represented at the same level as many other actors;
- Disparity in implementation capacities and levels of awareness and usage of funds at regional and local levels;
- Very technical nature of some subjects in the mandatory scope of the Monitoring Committee, giving a technocratic picture of the implementation of EU funds while the partnership aims to mobilise partners and motivate them to promote EU funding and action on the territory;
- Lack of partners' knowledge of detailed implementation rules of cohesion policy, with frequent requests for measures not authorised by the rules;
- Difficulty to reconcile all interests and longer time needed for collegiate decision-making (although it is very useful);
- Imbalance of power and lack of cooperation / willingness to compromise between partners; Non-compliance with the principles of transparency and inclusiveness;
- Lack of coordination between different levels of governance.
- Other issues were reported:
 - Too detailed European Code of Conduct on Partnership, while each managing authority is best placed to choose and decide how to involve relevant partners;
 - In the Code of Conduct, region put on the same level as other actors such as private partners, who do not have the same knowledge of cohesion policy mechanisms;
 - No available information about the calls to be opened, which limits the ability of local governments to plan ahead.

When it comes to proposals for the current or next programming period:

- The hubs largely support the following:
 - Good practices of concertation to ensure broad and meaningful participation of the partnership in the preparation and implementation of programmes;
 - Investment in training and capacity-building of partners, especially those with lower capacity or resources to engage in the governance and/or implementation of programmes;
 - For the next programming period: Any future EU investment policy instrument with a territorial dimension to be based on the partnership principle.
- It was also suggested to:
 - Establish as an ex-ante condition for receiving cohesion policy funds the compliance with the partnership principle, which should be evaluated externally;
 - Maintain the possibility for managing authorities to rely on existing forums for dialogue with partners on the regional territory to be more effective in mobilising partners;
 - Draw up documents on expenditure eligibility at the same time as the Partnership Agreement and not later to avoid risk of operations on the basis of old rules and risk of illegality;

- Reconsider the role of municipalities in cohesion policy and the selection of the members of the monitoring committee.

8. EFFECTIVENESS OF POLICY IMPLEMENTATION

- In terms of effectiveness of policy implementation, several hubs considered it was too early to assess policy delivery. For those who did, a majority of respondents assess the **policy delivery as rather effective** for all funds, POs and Specific Objectives.
- A few issues were reported:
 - For ERDF PO 1 "A smarter Europe":
 - Limitation on the possibility to use SO 1.3 as largely as desired due to the pressure for an innovative nature;
 - Intervention capacity is limited by the strict framework or state aid schemes and the EC's refusal to finance projects carried out by mid-caps or even large companies, which are driving forces in certain sectors.
 - For ERDF PO2 "A greener Europe":
 - Transport measures are opened up to urban areas only, while low-carbon mobility in rural areas is a major challenge.
 - Difficult programming for SO 2.1 and 2.3 due to many specifications through investment guidelines, regulations, state aid law, etc.
 - Intervention capacity is limited by the strict framework or state aid schemes and the EC's refusal to finance projects carried out by mid-caps or large companies, and also by the limited contribution to the thematic concentration on sustainable mobility development.
 - For ERDF PO5 "A Europe closer to citizens"
 - Exclusion of PO5 from the contribution to the thematic concentration, although the broad scope of intervention can contribute to the themes of PO1 and PO2.
 - Interest for SO 5.2 when drafting the programme but sustainable urban development is limited to a few cities in a national programme; the Member State is not able to work with the territorial tools in smaller communities.
 - Need for SO 5.2 to include measures to support administrative capacity from the initial setting of territorial strategies and throughout the entire process of selecting operations.
 - For JTF: One hub considers that the JTF's focus on mitigation of the consequences of the transition rather than structural change due to decarbonisation itself has made programming more difficult and overlooks the needs of the region.

9. ENABLING CONDITIONS (linked to Suggestion 9)

- The majority of RegHubs reported that the change of requirements linked to enabling conditions for 2021-2027 had a positive or neutral effect on their work: 40% of 27

respondents considered it had a positive effect, 33% considered it had neither facilitated nor jeopardised their work and about 20% said it had a negative effect.

- The following issues were reported:
 - One hub considered it very positive to motivate the Member State to take action (e.g. reforms in the legal system regulating individual areas of support) but **several hubs questioned the presence of some of these conditions at programme level**, precisely because they are sometimes related to the Member State, not always to what the region can do on the intervention of EU funds in the territory. The risk is to slow down development of programmes on sectors that would be problematic.
 - One hub also considered that, except for the smart specialisation strategy, the documents justifying enabling conditions to the implementation of projects are meaningless and correspond to over-regulation;
 - The state documents fulfilling the enabling conditions are too long and represent a significant administrative burden.
- It was suggested to:
 - Organise checks of enabling conditions and dialogue with Member States, regardless of the programmes implementing the funding;
 - Further reduce and simplify enabling conditions;
 - Better support and educate programme participants to help them understand the enabling conditions and how to meet them;
 - Regularly monitor and evaluate the impact of the implementation of the enabling conditions;
 - Increase transparency in the process of implementing conditions.

10.OTHER ASPECTS (linked to Suggestions 8 and 10)

- Communication efforts are still needed:
 - Towards the public to inform about EU projects;
 - Towards beneficiaries and participants to help them find the best European funding sources and to educate them on procedures for the use of EU funds.
- Simplification concerns all authorities: the European Commission, Member States and managing and audit authorities. Generally, when asked **who imposes additional rules** on top of the agreed legislative framework and **who should do more in order to promote simplification**, RegHubs first chose **the Member States**, then the European Commission (close behind) and then regional authorities.

It was recommended:

- For authorities at all levels to be willing to simplify, taking into account and passing on to the European Commission proposals for simplification arising from experience in the field;
- To lead a concerted approach to simplification, systematically involving all stakeholders throughout the management chain: from the beneficiary to the European audit bodies and national audit bodies. It is only in the dialogue between all the actors that

simplification can really be put in place, otherwise each actor in the chain rejects the fault of complexity on the other one;

- To give more responsibility to regions, placing more trust in them.