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**CEMR Response to the
public consultation on the
Review of the Financial
Regulation**

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Introduction

CEMR welcomes the opportunity to contribute to the public consultation on the financial rules for the programmes funded by the budget of the EU. The present paper mainly concentrates on issues related to the structural funds and other EU funds relevant for local and regional authorities.

[Part I](#) of our response answers to the questions of the consultation. In [Part II](#) we provide further suggestions on information and consultation and in [Part III](#) we submit CEMR's position on the simplification and management of the structural funds, based on the experience of our members, national associations of local and regional authorities from all across Europe.

Part I: The questions from the Commission

1 - GRANTS

Question 1: Are you sufficiently informed about upcoming calls for proposals in a timely manner? What improvements would you suggest?

- The information about upcoming calls for proposals varies. Sometimes it is sufficient and provided in a timely manner, but in other cases our members also experience difficulties with short time frames (for example concerning the Youth in Action Programme).
- We support web-based instruments that allow interested parties to become aware of calls as soon as they are published. It is important that these electronic resources allow for personalised profiles to enable applicants to tailor make their information requests.
- Events such as info days should also be accessible electronically, via videoconference, streaming etc.
- The [EU's page listing grants](#) provides basic information but should be further developed. If the information is limited because of the regulation ruling the information, these rules should be changed.
- Publication on an indicative annual planning of the call for projects by the EC could be a useful tool for applicants. Most of the time the deadlines are very tight. A planning allows for some activities to be carried on in advance like the creation of the partnership or hiring a consultant to assist in drafting of the application.
- As well as initiatives at EU level, Member States should themselves also consider ways in which more comprehensive advice on EU funds could be provided to local and regional authorities. National contact points which can advise on all EU funds would be of value.

Further suggestions to improve the efficiency of information and consultation and the implementation of the partnership principle are developed in [part II](#) of this paper.

Question 2: should the rules be more flexible on co-financing requirements taking into account the type of actions and project managers? How could in-kind contributions best be dealt with, while adhering to the non-profit principle?

- The current proposals to remove the match funding requirement for ESF for 2009-2011 are essential to allow projects to start up. Such flexibility should be extended to ERDF.
- CEMR welcomes that the EU Recovery Programme accepts in kind contributions as match funding in ERDF. This needs to be generalised to other funds where a form of co-financing is required.
- This need is further emphasized as the current economic crisis and the likely medium-term constraints in public finances will deprive public bodies from other sources of match funding than in kind contributions.
- Also, as suggested by question 2 a differentiated and flexible approach on co-financing should be pursued by allowing local public beneficiaries, particularly in those local areas (EU15 and EU12) that are more in need, to have a reduced requirement of match funding /in kind contribution.
- The key is to recognise that each place is different. Accordingly, the requirements on match funding must be flexible enough for local partners to vary them in a way that maximises the impact that EU funds have on the territories.
- More clarification is needed concerning the use of in-kind contribution. Because of the various interpretations of such a contribution the applicants have difficulties to quantify it and managing authorities opt for not using it. In-kind contribution could be any cost that can be quantified and justified according to the accounting systems in the Member States that contributes to the achievement of the expected project results and should go up to 25% of the value of the project.

Question 3: Should the use of lump sums, flat rates become the norm rather than the exception? Should the rules allow for costs to be covered on the basis of expected outputs? If yes, can you provide concrete examples?

- The recent moves in Cohesion Policy as regards to lump sums and flat rates are welcome and should be generalised and made permanent in other EU funding streams, both in current and future rounds.

- CEMR would support in particular the following measures:
 - to apply a flat-rate system for technical assistance.
 - to define a higher rate of tolerable error for audit purposes (to 5% in ERDF) in relation to the type of project (conventional projects having a low rate of error, innovative projects a higher one) to avoid the current risk averse culture.
 - to apply a system of flat rates, overheads and standard costs to reduce administrative burden
 - to adapt evaluation criteria to types of projects in order to meet the aims of development concepts (e.g. innovation, sustainability, etc.)
 - to use less restrictive evaluation criteria for innovative projects (to avoid current risk averse culture)
- We agree that funding in the framework of Cohesion and other policies should be more performance-based. As question 3 outlines this highlights a governance issue. CEMR believes that performance can only be improved by allowing greater flexibility, and greater trust in managing authorities by the Commission. Therefore we promote to move away from a funding culture that is too focused on ensuring the regularity of expenditure rather than effects on the ground.
- The key for achieving both performance (with verifiable results) and (implementation) flexibility lies in partnership structures. As one option, outcome based contracts between the Commission, the Managing Authority and the Implementing Body could define the responsibilities and actions of each level to achieve that outcome (clear allocation of tasks and responsibilities).

Question 4: Should the rules strictly adhere to the non-profit principle or should there be room for some flexibility in this matter? Do you have examples of good practices from other public authorities?

- Public authorities at the European, national, regional and local level are under increasing financial pressure. In response, we must look for creative solutions to bring the private sector more into regional investment.
- There have been demands in the past that current EU funding rules should allow for projects to be revenue generating. Allowing this, in a permanent but proportionate fashion, would encourage wider partnerships as well as ensuring the permanence of the project after the end of EU funding.

- We consider it as a good example that the Recovery package eases existing rules of cohesion funding and would propose to generalise this to other sources of EU funding. However we would favour the use of a percentage rather than a fixed amount as threshold for funding.
- CEMR proposes to raise the threshold for the application of Article 55 of the General Regulation (on revenue generating projects) from 1m Euros to 5m Euros or higher.

Question 5: What, in your view, would be the appropriate amount for low and very low value grants?

- The appropriate amount is likely different, depending on the economic environment in different Member States. A common frame could be the usual frame for micro-credits (from 2.000 to 20.000 / 5.000 to 50.000 Euro to be proved).

Question 6: How could the rules on operating grants be more flexible? In which way? What are your views on the duration of framework partnership agreements?

- The best way of ensuring that funds are easily accessible to funding managers is to ensure clear and consistent eligibility rules. If a consolidation of EU funding streams is not available, we would very much welcome a "one-stop-shop" in which delivery mechanisms and procedures are merged as much as it is technically possible as to ensure that funding managers could operate with several EU funding instruments almost as if they would only be handling one.

Recommendations:

- Relax the rule on operational programmes to meet N+2 spending targets in times of recession. N+3 could be proposed as a temporary measure for example. This would enable operational programmes to plan strategies that take account of recession
- Greater flexibility for ERDF money to support ESF objectives to reduce unemployment, and up skill workers under threat of redundancy
- Greater opportunities for coordination and even consolidation between structural funds and relevant funds managed at the EU level, for instance between FP7, CIP, and ERDF measures aiming at promoting research and innovation
- Review Article 57 of the General Regulation (on durability of operations) and generally how ERDF can be used to support regional development
- Focus on generation of employment, involving the private sector

Question 7: Can you give concrete examples and types of actions where the strict limitation on cascading grants became an obstacle for achieving the goal of your action?

- Revolving funds (including those run by local and regional authorities or under their considerable influence) would help to achieve more involvement and commitment of local and regional authorities for regional development.
- Otherwise, innovative and small scale projects are systematically discouraged. Large projects with potential to spend a high amount of money have systematic advantages while many smaller projects might have more impact on the development of the territory.

2 - THE COMMISSION'S HANDLING OF FINANCIAL FILES

Question 8: From your experience, what alternative solutions could be proposed for pre-financing payments while safeguarding tax payers' money?

- We welcome the recent flexibilisation of advance payments in Structural Fund and would welcome similar moves in other funding streams.
- In addition to this, and in order to help funding managers to streamline funding applications we would welcome the use of measures such as retrospective awards that have already been successfully applied in previous financial periods.
- To ensure pre-financing payments are spent according to the interest of the tax payer, EU finances spent locally should be managed only by democratically accountable organisations as a key component of their overall local development plan or strategy.
- We strongly support revolving funds and the provision of lump-sums as grants to revolving funds, but only if the fund is based on an integrated development concept in accordance with the aims and priorities of the structural funds. In this case, additional audit would be redundant provided that the correct use of the grant is proven.

Question 9: What mechanism, other than pre-financing guarantee, could be explored while ensuring adequate protection of community funds?

- Disproportionate audit and administrative requirements are putting off potential and existing partners, costing delivery organisations both time and money, and detracting from their capacity to deliver. Further changes should ensure an approach in proportion to the nature of the project.

Recommendations

- Allow the administration (application, appraisal, monitoring etc) of all projects funded under multiple priority axes to be consolidated into one process. At present projects that deliver on two priority axes must endure double the administrative burden.
- Reduce the administrative requirements on smaller public authorities who find it difficult to set up and maintain the systems and depth of information required by the EU.
- A reduction in the number of retrospective audits.
- Translate the rhetoric of devolved and consolidated audit procedures between the EU, national, programme and local level, into real action. This would reduce the audit requirements and frequency of expenditure checks, for example EU auditors could audit the audit systems and not projects.
- Awareness campaigns of the new energy efficiency measures so that additional ERDF monies can be used to help insulate homes and stimulate the local green economy.
- Do more at national level to encourage, support and promote the implementation of the programmes JEREMIE, JASMINE, JESSICA where local partners request it. Develop a new programme "Joint European Regional Development Fund of Local Authorities" (JERALD Local).
- Promote opportunities and support for SMEs to benefit from new EIB loan monies.
- Better information by the Member State on the new provisions in state aid policy, which for example have more than doubled the amount that can be granted to SMEs.
- Member States should promote the accelerated public procurement possibilities. Government guidance may help give local authorities the green light to use these new procedures whilst remaining compliant with the normal public procurement rules and regulations.

Question 11: How could the application procedure for both grants and contracts be further improved?

- By having a single simplified application procedure common to all funds.

- Guidance applicable to EU funding programmes in respect of record keeping requirements should be more consistent and applicable for the whole life of the programmes.
- Contracts of Confidence: CEMR supports the idea of allowing auditing and control to be exercised nationally with only European Commission certifying the total Member State envelope (within the legal framework of the Member State).
- The compliance and payment processes need to be greatly simplified to ensure that the approved projects can be quickly delivered on the ground.
- We support more IT-based management and auditing, including:
 - All information –bids, beneficiaries- should be made public via a dedicated website.
 - It should be possible to apply online.
 - It should be possible to scan and store documents online.
 - All financial information should be hosted only via a standardised website or at least a network of identical standardised websites (such as those already existing for REACH, SIS, IMI).
 - The maximum of years the documents need to be stored electronically should be reduced from 10 to 3 years.

Part II:

Further suggestions to improve the efficiency of information and consultation and the implementation of the partnership principle

- In addition to standardised information (forms, written guidance, etc), CEMR supports to establish communities of practice between the EU and local authority funding managers where these exist. Communities of practice are virtual and interactive fora for the sharing of information. The epractice.eu portal is a good model.
 - Such a site should include an EU-wide publicly accessible website of best as well as bad practices. The information should be provided in a standardised form, the Commission could provide a template.
 - The '[Success Stories](#)' pages are severely underdeveloped – many regions do not record a single success off the back of multi-million Euro programmes. This presents a negative image of the EU's funding programmes. For reasons of transparency, summary information of all EU funded projects should be made available on a single web portal encompassing the programmes of all DGs.

We therefore welcome the initiative of the Commission Representation in the Netherlands to create a [website](#) with all the ERDF and ESF funded projects in The Netherlands during the programming period 2000-2006 and the current period. We ask the Commission to integrate this initiative into one single web portal for the whole Union.

- The Commission should create a special Unit to receive complaints or recommendations from practitioners (not just Managing Authorities) on problems in applying the Regulations governing EU funding. This unit should also proactively advise on best practices.
- The Commission should create an EU-wide “stakeholder funding consultation group” drawing together representatives from inter alia local and regions authorities to give regular and structured feedback on difficulties accessing EU funding programmes from a stakeholder perspective. This would be a valuable source of immediate information in addition to the official implementation reports from Member States, and the activities of COCOF. In addition existing links with representative organisations such as CEMR and the Committee of the Regions should be improved.
- Commission-Member States coordination committees (such as COCOF) should make the guidelines to implement the funds publicly and electronically available.
- In the absence of an EU-wide funding and best practice portal, it is especially important to develop a national community of practice on EU funds specifically targeted to local authorities domestically.
- Managing Authorities need to adopt a more strategic approach that could ensure predictability in the contributions from the EU and national level. This requires streamlining of decision making at Managing Authority level to ensure an accelerated issuing of formal grant offers and of confirmation of awards.
- As particularly highlighted during the current financial situation, local services need to be geared to combat the crisis and make the best of the EU funding available to them. It is important that they do not suffer from short to medium term funding gaps caused by currency fluctuation in non-Euro countries or competing demands from diminished local finances due to the crisis.
- The EU should put in place a specific evaluation mechanism to actually monitor and enforce the implementation of the partnership principle. Such evaluations could form part of the Commission’s implementation reports which should be discussed annually with, amongst others, the European Parliament, increasing the transparency and legitimacy of the entire funding process.

Part III:

CEMR's position on the future of cohesion policy in relation to simplification and governance of the structural funds

1. The EU should simplify and consolidate its wide range of funding programmes wherever possible as this currently acts as a barrier to engagement from local and regional level.
2. CEMR recalls that the European Commission has promised to undertake a fundamental review of regional development funds after 2013. It is important that the Commission does not simply propose minor changes to the current structures.
3. The Commission should involve local and regional government associations in its work on simplification, in particular in DG REGIO's simplification Task Forces.
4. Fragmentation of funds generates difficulties for local and regional authorities in achieving coherence of their projects and in efficiently addressing social, environmental and economic problems in an integrated way.
5. The current myriad of EU funding programmes from different parts of the Commission, each with their own rules, administrative procedures, and hierarchy of plans dissuade many local authorities from engaging with EU funds. Flexible allocation and common rules for funds must be implemented in order to reduce the administrative burden.
6. Having such a set of consolidated funds will make it easier for EU interventions to address territorial challenges. Revised funding arrangements should be able to target need at the level of the real or 'functional' economy, in each Member State (rather than NUTS II as is currently the case). The EU should pursue consolidated funds as a goal even if it would take more than one programming periods to implement fully.
7. The most effective model may ultimately be that each territory should receive a single block of consolidated EU funding, which is based on a set of priority outcomes agreed between the territory, the member state, and the EU, under a three-way 'contract'. The Commission, or a new function within, would work behind the scenes to put together one single fund from the many different programmes which exist.
8. The single fund should include finance from all programmes with a territorial impact, especially rural development.

9. Should the existing funds remain, single Operational Programmes should be established.
10. Moving towards consolidated programmes or a single fund should not see a reduction in the overall amount of EU funds made available for regional development.
11. In order to allow flexibility over the period, Operational Programmes could be two-tiered, with one fixed part covering the fundamentals that can only be reviewed using the current process of authorisation whereas the remaining sections could be just subject of a simplified procedure (via Commission authorisation letter). For any significant change of the Operational Programmes the subsidiarity and partnership principle need to be fully respected.
12. CEMR welcomes that the Commission now realises that risk should be incorporated into the funds for the policy to provide innovative results. We support the proposals to apply flat rates and higher rates of tolerable error for audit purposes and would encourage going even further.
13. Similarly, CEMR welcomes the idea of the Barca report for an European Initiatives programme to be used to experimental and innovative solutions. CEMR would propose that its amount go beyond 0.1% to at least 1% of the overall allocation. The evaluation criteria of this programme should be less restrictive and instead of being based on regularity of expenditure, its evaluation should be essentially based on a peer review method.