STUDY

Requested by the REGI Committee

Streamlining EU Cohesion Funds

Addressing Administrative Burdens and Redundancy

Regional Development

Policy Department for Structural and Cohesion Policies
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RESEARCH FOR REGI COMMITTEE

Streamlining EU Cohesion Funds

Addressing Administrative Burdens and Redundancy

Abstract

This paper reviews the simplification measures aimed at reducing administrative costs and burdens for Managing Authorities (MAs) and beneficiaries in implementing European Structural and Investment Funds (ESIF). The study further provides an overview of the administrative burdens and challenges that MAs and beneficiaries face when implementing the ESIF. Although various initiatives have been undertaken, administrative challenges persist due to complex regulations and overlapping programmes. Recommendations include consolidating funds, expanding Simplified Cost Options (SCOs) use, enhancing audit principles, and adopting flexible funding models. Effective simplification requires a stable legislative framework and political commitment, with long-term changes including a shift to result-based financing.

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LIST OF ABBREVIATIONS

CF	Cohesion Fund
CLLD	Community-Led Local Development
CPR	Common Provisions Regulation
CRII and CRII+	Coronavirus Response Initiative
DG EMPL	Commission Directorate-General for Employment, Social Affairs and Inclusion
DG REGIO	Commission Directorate-General for Regional and Urban Policy
DNSH	Do not significantly harm rule
EAFRD	European Agricultural Fund for Rural Development
EGF	European Globalisation Adjustment Fund for Displaced Workers
ERDF	European Regional Development Fund
ESF+	European Social Fund+
ESIF	European Structural and Investment Funds
ETA	European Court of Auditors
ETC	European Territorial Co-operation
FEAD	Fund for European Aid to the Most Deprived
FNLTC	Financing Not Linked to Costs model
GBER	General Block Exemption Regulation
IBs	Intermediate Bodies
ITI	Integrated Territorial Investment
OLAF	European Anti-Fraud Office
MAs	Managing Authorities
MFF	Multiannual Financial Framework
REACT-EU	Recovery Assistance for Cohesion and the Territories of Europe

RRF	Recovery and Resilience Facility
SCOs	Simplified Cost Options
STEP	Strategic Technologies for Europe Platform

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EXECUTIVE SUMMARY

This paper provides a comprehensive review and assessment of the simplification measures implemented to reduce administrative burdens for Managing Authorities (MAs) and Intermediate Bodies (IBs), as well as beneficiaries in the use of European Structural and Investment Funds (ESIF). It outlines the various simplification initiatives introduced since 2007, with a particular emphasis on the 2021-2027 programming period, evaluates their effectiveness in addressing administrative challenges, and explores the ongoing debate on further simplifying Cohesion Policy (CP) beyond 2027. The study examines the landscape of EU funds and initiatives to analyse redundancies and consolidation possibilities. It concludes with recommendations on reducing administrative burdens and enhancing the effectiveness of fund implementation, suggesting potential fund mergers and strategies for both short-term and long-term improvements of CP.

Simplification initiatives

Over the three programming periods, the EU has introduced numerous simplification initiatives aimed at easing administrative burdens.

In the 2007-2013 period, simplification measures included:

- Extending eligibility periods for expenditure;
- Increasing flexibility in fund reallocation; and
- Implementing e-cohesion systems to reduce paperwork through electronic data exchange.

The 2014-2020 period:

- Introduced Simplified Cost Options (SCOs); and
- Introduced the single audit principle to prevent duplicate audits, and proportional controls based on project size and risk.

The current 2021-2027 period:

- Builds on the previous initiatives with further expansions of SCOs;
- Enhanced digital tools for e-cohesion;
- Broadened the harmonisation of rules across multiple funds;
- Increased flexibility in programme management; and
- Streamlined eligibility rules.

Administrative burdens and challenges

Despite efforts to simplify the implementation of the 2021-2027 programmes, MAs, IBs, and beneficiaries continue to face significant administrative burdens. These challenges stem from various factors, including delays in finalizing the legislative package and launching operational programmes, the simultaneous implementation of the Recovery and Resilience Facility (RRF), and the evolving and complex regulatory environment. Compliance with broader EU and national regulations, such as state aid and public procurement laws, further complicates matters. Additionally, the burden is intensified by complex audit and control requirements, high documentation demands, and inconsistent interpretations of regulations. While some simplifications, like the use of SCOs and e-cohesion systems, have helped alleviate certain burdens, new complexities have emerged, particularly with the integration of broader EU goals such as the European Green Deal and new horizontal principles. The persistence of gold-plating—adding extra national requirements—continues to inflate administrative costs.

The table below summarises the main causes and impacts of these administrative burdens and challenges faced by MAs, IBs, and beneficiaries.

Table 1: Summary of key administrative burdens and challenges in ESIF implementation (2021-2027)

Administrative burden/challenge	Causes	Impact on MAs, IBs and beneficiaries
Workloads deriving from delays in programming 2021-2027	Delays in operational programme negotiations due to COVID-19 pandemic, war in Ukraine, and parallel implementation of RRF.	Increased workload for MAs and IBs due to time pressure, overlapping periods, and complex documentation, affecting the timely start of ESIF projects. Beneficiaries experience delays in accessing funds, causing project uncertainty and administrative pressure.
Constant lack of stable legal background	Frequent changes to regulations during the programming period (e.g., GBER, de minimis rules, STEP).	MAs face confusion, increased errors, and higher administrative costs due to misinterpretation of new rules. Beneficiaries face confusion and delays in funding applications as calls are reopened, creating inefficiencies in project planning and implementation.
Increasing complexity of CP	Expansion of CP goals and requirements, notably through the integration of the European Green Deal (including e.g., DNSH[1] principle) and new horizontal principles.	MAs and IBs are overburdened with environmental assessments and documentation requirements. Beneficiaries must submit additional evidence and navigate complex regulatory landscapes, increasing project preparation times and administrative costs.
Audits and controls	Escalating accountability demands, complex multi-layered regulations, and inconsistent interpretation of rules across different audit bodies.	High documentation burden and the risk of multiple audits create significant delays in project implementation. MAs fear financial corrections for even minor errors, leading to heightened caution and workload. Repeated audits increase administrative costs and potentially halt project progress, delaying fund disbursement.
EU regulations that fall outside the realm of CP	Complex state aid rules (e.g., GBER) and frequent amendments that add administrative strain. Additionally, stringent conflict of interest rules under the Financial Regulation.	MAs must develop complex internal procedures for compliance and monitoring, raising costs. Beneficiaries face high administrative barriers due to intricate eligibility criteria and reporting obligations. Conflicts of interest rules further complicate processes, increasing verification burdens.

[1] *Do no significant harm (DNSH)* is a principle from the EU Taxonomy Regulation (EU 2020/852), ensuring that activities benefiting one environmental goal do not harm other environmental objectives, such as climate change mitigation, biodiversity, or pollution prevention. It applies to EU-funded projects to ensure compliance with sustainability criteria.

Gold plating (i.e. additional national requirements)	National/regional authorities imposing stricter-than-required rules out of fear of audit failures or due to inconsistent regulatory frameworks (e.g., public procurement).	MAs and IBs experience increased administrative costs due to excessive procedures, while beneficiaries face longer, more complex application processes and higher documentation requirements, reducing efficiency. Public procurement errors also lead to delays and potential financial penalties.

Source: own elaboration.

Consolidation of EU funds

Despite efforts to align the funds under a unified legal framework, the proliferation of instruments with overlapping objectives but different implementation rules pose challenges in terms of coordination, efficiency, and policy coherence. The introduction of the RRF and the Social Climate Fund (SCF) adds further complexity, with distinct implementation models and timelines that do not align with the traditional seven-year budget cycle of the Multiannual Financial Framework (MFF).

Reintegrating the European Agricultural Fund for Rural Development (EARDF) into the CPR is a logical step, as it often finances similar projects to those under the ERDF but in rural areas. Moreover, merging the Just Transition Fund (JTF) with other cohesion funds, such as the ERDF, would align programme priorities and eliminate redundant programming efforts. While integrating the SCF poses more challenges due to its funding mechanism and timeline, it shares core objectives with the ESIF, making future consolidation desirable.

Ultimately, these steps would streamline fund management and align them more closely with the EU's cohesion policy goals, ensuring a more integrated approach to regional development.

Conclusions and recommendations

To enhance the effectiveness of proposed simplifications in the ESIF, several **critical preliminary conditions must be met first**:

- A broad political consensus on the need for genuine simplification and administrative improvements is essential, ensuring that these reforms are pursued consistently by all relevant EU institutions.
- The continuity of ESIF's current shared management system must also be maintained, allowing new measures to build on the existing framework rather than disrupt it.
- Additionally, CP should not become a "catch-all" mechanism for new EU objectives beyond its core goals of promoting economic, social, and territorial cohesion pointed in Article 174 of the TFEU.
- A real commitment to partnership and evidence-based approaches is necessary, with all simplification proposals developed through open and continuous dialogue with stakeholders, including audit institutions.
- Furthermore, ensuring a stable legislative framework is vital, avoiding the delays and legal uncertainties experienced in previous programming periods.

Short-term recommendations:

- Focus on creating a comprehensive legislative package that consolidates existing funds and avoids the creation of new, ad hoc initiatives, thereby reducing complexity and administrative burdens.
- Including the European Agricultural Fund for Rural Development under the Common Provisions Regulation is suggested to facilitate multi-funded projects in rural areas.
- Modify audit and control procedures by strengthening the single audit principle, reducing duplication, and clearly distinguishing between unintentional errors and fraud.
- Expanding the use of SCOs and adopting best practices from centrally managed programmes, like HORIZON EUROPE, could further harmonise procedures and reduce administrative complexity.
- A more flexible approach to funding, combining results-based and cost-based models depending on project nature and objectives, should be considered.
- Additionally, abandoning a silo approach to ESIF and operational programmes could increase flexibility, enabling more comprehensive project implementation without needing to split actions into separate projects.

Long-term recommendations:

- It is recommended to move away from linking programming periods strictly to the seven-year financial perspectives and instead implement permanent programmes with built-in flexibility for periodic reviews and adjustments. This would provide greater regulatory stability, reduce the administrative burden associated with transitioning between programming periods, and allow for continuous project implementation. Long-term sectoral and regional strategies aligned with EU goals would guide these programmes, with periodic adjustments based on performance reviews or shifting priorities. This approach would enhance adaptability while maintaining regulatory coherence and reducing disruptions.
- Adopting a result-based financing model for ESIF, similar to the RRF. The RRF performance-based model, implemented without many of the constraints seen in ESIF (e.g., ex-ante conditionality, thematic concentration, and heavy audit requirements), has made ESIF less attractive to Member States and beneficiaries. If the model proves to be effective, it is recommended to apply it to ESIF. However, any transition must consider the shared management structure of CP, ensuring involvement from all stakeholders and the provision of clear, applicable rules by the Commission.

The paper demonstrates that for simplification efforts to be truly effective, broader actions beyond the current CP framework must be taken. There needs to be a strategic approach and clear principles in place to limit the creation of ad-hoc funds with separate implementation and financing rules, which complicate the achievement of CP goals. A more cohesive system is essential, ensuring that new initiatives align with existing structures rather than adding layers of complexity. Continued dialogue with stakeholders will be crucial in refining these strategies to ensure a more efficient and cohesive implementation of EU funds post-2027.

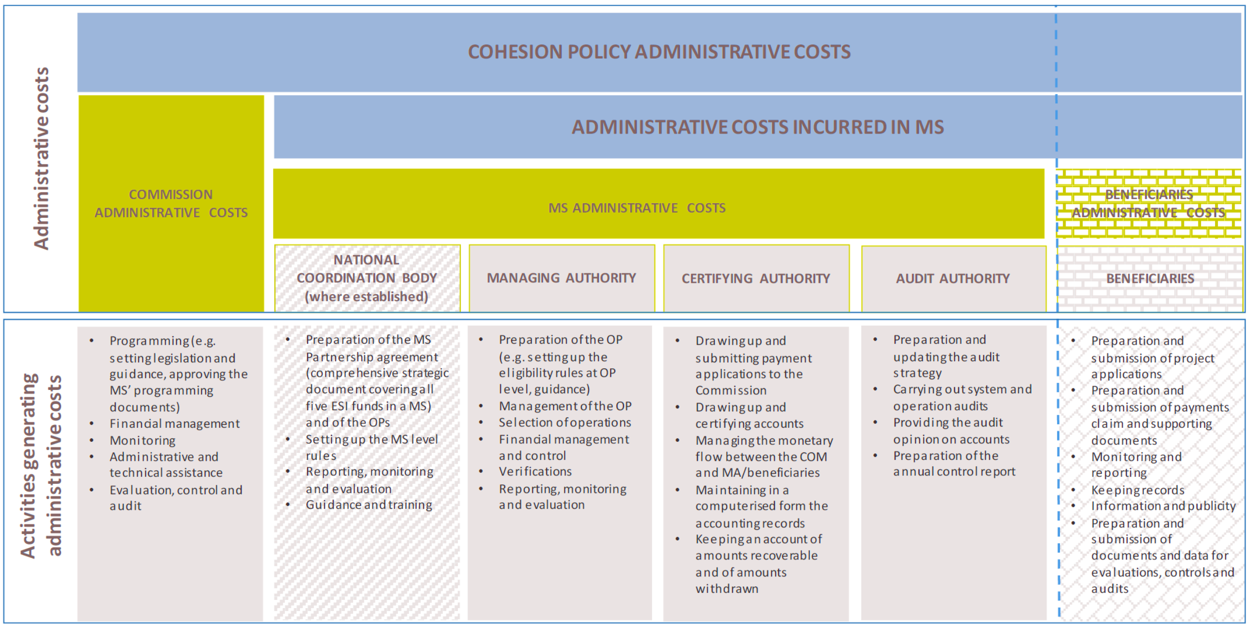
1. INTRODUCTION

1.1. Background of the study

The implementation of the Cohesion Policy (CP), rooted in Articles 174-178 of the Treaty on the Functioning of the European Union (TFEU), aims to reduce disparities between the levels of development of various regions and promote economic, social, and territorial cohesion across the EU. To achieve these treaty-based objectives, the European Structural and Investment Funds (ESIF) provide significant financial resources allocated to Member States (MSs) and their regions to foster sustainable development, competitiveness, and regional cooperation. However, effective governance and administration of these funds require adherence to a complex regulatory framework. Within this framework, MAs, implementing bodies (IBs), and beneficiaries must navigate numerous administrative obligations, which give rise to both costs and burdens.

Administrative costs refer to the expenses associated with carrying out tasks related to the implementation of the ESIF by the responsible bodies at the national or programme level. These tasks include activities such as preparing, managing, certifying, and auditing individual ESIF programmes, as well as related national coordination duties. Administrative costs encompass expenses for staff involved in implementation, payments for external services, and overhead expenses. These costs may arise from tasks outlined in the ESIF regulatory framework or from national or regional regulations (Böhme et al, 2017; EC, 2018). Previous studies proved that administrative costs for MAs (and IBs) are driven by various factors, such as insufficient IT infrastructure for reporting and project management, high staff turnover (which leads to the need for ongoing training), compliance with overlapping and frequently changing EU and national regulations, excessive reporting requirements, frequent audits, and repeated control processes by both national and EU oversight bodies and complex procurement procedures.

Figure 1: Activities by CP actors and related administrative costs



Source: ECA 2020, p. 8
Note: Member States may set up IBs[2] under the responsibility of managing and certifying authorities.

[2] Intermediate Bodies (IBs) are organisations designated by MAs to carry out specific tasks related to the implementation of ESIF. These tasks typically include managing certain aspects of the funds, such as project selection, monitoring, and financial control, acting as intermediaries between the MAs and beneficiaries

Administrative burden, on the other hand, refers to the expenses incurred by ESIF beneficiaries in fulfilling the information obligations imposed by government regulations. This includes complying with requirements set by ESIF regulations and other related regulations, such as those governing State aid, public procurement, and environmental legislation. The administrative burden is often assessed based on the costs of personnel involved in ESIF implementation, fees for external services, or overhead expenses (Böhme et al, 2017; EC, 2018). Administrative burdens for beneficiaries arise primarily due to complex and excessive documentation required during the application stage, including compliance with eligibility rules, submission of certificates, financial analyses, and environmental assessments. This often leads beneficiaries to incur consultancy fees for application preparation. Additionally, the intricate procedures involved in project implementation, such as undergoing multiple audits and responding to repeated requests for the same information from different authorities, further contribute to the burden. These processes increase the costs of project management, necessitating additional staff for reporting, compliance, and legal advisory services.

Addressing administrative burdens within the ESIF is imperative to enhancing the accessibility, efficiency, and effectiveness of CP. The simplification of administrative processes is crucial in lowering barriers to entry for potential beneficiaries, including SMEs, NGOs, and local governments, thereby broadening the reach, and maximising the impact of these funds. By ensuring there are minimal administrative burdens, it enables beneficiaries with fewer resources and smaller organisations to access the funds. This is important as currently a significant issue is that larger and wealthier beneficiaries tend to benefit from the funds more due to their familiarity with the system. Furthermore, streamlined procedures contribute to improved fund absorption rates, ensuring that allocated resources are fully utilised towards regional development objectives. The reduction of bureaucratic complexities not only facilitates faster project implementation and cost efficiencies but also reallocates resources from procedural compliance to direct project activities, thereby increasing the overall efficacy of the CP.

Simplified administrative processes enhance stakeholder trust and encourage participation by making the system more transparent, equitable, and accessible. Such trust and collaboration among stakeholders, including local authorities, civil society, and the private sector, are pivotal for the holistic and sustainable development of regions. Therefore, streamlining administrative procedures within ESIF is not merely a procedural necessity but a strategic imperative to unlock the full potential of CP in driving inclusive and meaningful development across the European Union, in alignment with its foundational goals of promoting economic, social, and territorial cohesion. Despite the introduction of measures to simplify CP through the 2021–2027 legislative framework and the support for administrative capacity building provided over the past decades, further simplification of the policy remains necessary.[3]

1.2. Objectives of the study and methodology

The aim of this paper is to provide a comprehensive review and assessment of the simplification measures aimed at reducing administrative burdens for Managing Authorities (MA) and beneficiaries in the implementation of the ESIF.

In particular, the paper:

- Outlines the simplification initiatives undertaken since 2007, with a particular focus on those introduced within the 2021-2027 programming period. It also examines the effectiveness of

[3] Ninth Report on Economic, Social and Territorial Cohesion, 2024

these measures in addressing administrative challenges and discusses the ongoing debate on further simplifying Cohesion Policy (CP) beyond 2027 (Chapter 2);

- Identifies existing administrative barriers and challenges, which MAs, IBs and beneficiaries must face in ongoing 2021-2027 programming perspective. It also provides practical insights, analysing three case studies that illustrate the administrative challenges faced by beneficiaries at the local level during the implementation of ESIF (Chapter 3);
- Presents the landscape of different EU funds, programmes, and initiatives, which either directly or indirectly contribute to the achievement of CP goals. Identifies and analyses their redundancy, and determines the possibilities of their consolidation (Chapter 4); and
- Offers recommendations for the Members of the European Parliament's Committee on Regional Development (REGI) on how the EU and national governments can further reduce administrative burdens and improve the effectiveness of fund implementation. These recommendations include potential actions for merging funds and strategies for both short-term and long-term improvements in administrative processes (Chapter 5).

The study is based on extensive documentation and literature review, supplemented by interviews and cases studies with key actors of Cohesion policies.

2. REPEATED REFRAIN: SIMPLIFICATION INITIATIVES

KEY FINDINGS

Simplification efforts were systematically introduced in each programming period, with various measures aimed at streamlining the implementation of CP and reducing administrative burdens.

The most notable simplifications in the 2007-2013 programming period included extending the eligibility period for expenditures, providing more flexible fund reallocation options, and implementing e-cohesion systems to facilitate electronic data exchange and reduce paperwork.

In the 2014-2020 period, key simplifications were the introduction of Simplified Cost Options (SCOs), which included flat rates, unit costs, and lump sums; the adoption of the single audit principle to avoid duplicate audits, and the application of proportional controls based on project size and risk. However, evaluations show mixed outcomes of simplification measures introduced. While these measures significantly reduced administrative burdens for beneficiaries, particularly through the use of SCOs and e-cohesion systems, they also introduced new complexities for MAs. These included increased workloads related to the adoption of new rules, legal uncertainties, and challenges in implementing harmonised procedures across different funds.

The simplification measures introduced for the programming period 2021-2027 built on initiatives from the previous period, such as the continued use and expansion of SCOs, the single audit principle, and enhanced digital tools for e-cohesion. However, new elements, such as broader harmonisation of rules across multiple funds, increased flexibility in programme management, and more streamlined eligibility rules, were also proposed.

2.1. Simplification efforts 2007-2013

The simplification measures adopted for the 2007-2013 CP programming period were influenced by three main factors. First, lessons learned from previous programming periods highlighted the need for streamlining procedures. Second, adoption of the Action Programme for Reducing Administrative Burdens[4] (launched by the Commission and endorsed by the Council in 2007), aimed at reducing unnecessary regulatory and administrative costs for businesses, citizens, and public authorities across the European Union, including those related to ESIF. Finally, the global economic crisis in 2008 further emphasized the need for swift and effective deployment of funds, as demonstrated by the Commission's call for Cohesion Policy to focus on supporting economic recovery through simplified, faster fund allocation.

The simplification initiatives can be divided into non-legislative and legislative measures, each targeting specific problems and aiming to enhance efficiency and effectiveness (Bachtler & Mendez, 2010). The non-legislative measures primarily focused on accelerating spending and providing flexibility in programme implementation. The most important included:

- extending the eligibility date for expenditure from the 2000-2006 period by six months and adapting the Commission's guidelines on closure to allow for more flexibility in re-allocating funds at the priority level;

[4] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52008DC0876

- encouragement of front-loading Community co-financing[5] in 2009; and
- delivering comprehensive guidance through management committees and frequent technical meetings with audit authorities, while also coordinating extensive training programmes and sector-specific events for Member States (Bachtler & Mendez, 2010; EC, 2012).

Legislative amendments to the CPR introduced measures such as additional pre-financing, accelerating reimbursement for major projects, and allowing higher state aid advances.

While many of the simplification measures introduced during the 2007-2013 period were effective and well-received, their success often depended on the specific context of each Member State (Bachtler & Mendes 2010, t33, 2012). In states with well-established management systems, the simplification efforts were more easily implemented, enabling a faster and more efficient use of EU funds. Conversely, countries with weaker administrative structures or less experience in managing EU programmes faced greater challenges in adopting these reforms. These difficulties were often exacerbated by stringent national interpretations of EU regulations, creating additional administrative costs that negated the intended effects of simplification.

The highly valued measures, which reduced MAs administrative costs, concerned: the extension of the eligibility period for the 2000-2006 programmes, the increased flexibility in closure guidelines, and the possibility for ESF priorities to receive 100% financing from EU funds in 2009-2010 (during the financial crisis).

Calculations based on the previous period indicate that various introduced changes resulted in savings of EUR 180 million. These modifications included: decreasing administrative obligations for ESIF-supported revenue-generating projects, streamlining the oversight and administration of ESF and ERDF co-funded operations, offering instruction and training on auditing and control procedures, and elucidating general regulations concerning the ERDF, ESF, and CF. For beneficiaries, the estimated reduction in administrative burdens accounted for about 20%, primarily due to the introduction of e-cohesion systems and simplified project management rules (t33, 2012).

The introduction of simplified eligibility rules, including the use of flat rates and lump sums, was a greatly appreciated solution, as it reduced administrative complexity and expedited project preparation, and significantly eased the burden on public authorities and beneficiaries (Bachtler & Mendez, 2010; t33, 2012). Key measures contributing to this reduction include the establishment of accredited bodies, the simplification of eligibility rules, and the extensive use of e-governance systems. The study suggests that while the simplification efforts have been effective in reducing some costs, further alignment and harmonisation at both EU and national levels are necessary to achieve more substantial reductions.

In the Commission's ex-post evaluation of CP 2007-2013, the deficiencies at the level of management verifications were pointed as one of the remaining, major reason for the administrative burdens of beneficiaries (Ward et al. 2016). These deficiencies included inconsistent verification procedures, excessive documentation requirements, and delays in processing claims, particularly at the level of MAs and IBs responsible for overseeing the implementation of projects. These issues contributed to inefficiencies and added complexity for beneficiaries. The need to reduce the administrative burden was a key and repeated finding from the Commission's evaluation, which included a large survey with responses from 2,500 stakeholders, including 1,100 programme and intermediate managers, as well as

[5] Front-loading of Community expenditure refers to the strategy of advancing a higher proportion of EU funds earlier in the programming period. This aimed to increase public funding during fiscal constraints, assist compliance with the n+2 rule, and ease pressure at the end of the period by spreading expenditure more evenly.

1,400 beneficiaries at the project level. A narrow majority of stakeholders (55%) thought the administrative burden of project application and implementation were too high in relation to funding, with over complex management, control and audits systems. This was the source of administrative uncertainty, as well as project delays (Commission Staff Working Document, 2018).

2.2. Simplification efforts 2014-2020

The changes introduced during the 2014-2020 financial period had various origins, ranging from the legislative package adopted for the new programming period to the need for further simplifications, and finally, the necessity to respond to the challenges posed by the COVID-19 pandemic. The pandemic created significant disruptions, particularly in the areas of project implementation delays, increased demand for healthcare and social services, and the need for more flexible financial management to redirect resources to emergency measures. In response, the legislative framework had to adapt to allow for faster disbursement of funds and greater flexibility in the reallocation of resources to meet urgent needs. The legislative package, including the Common Provisions Regulation (CPR)[6], set – for the first time in CP history – a unified framework for the ESIF, with a focus on simplification and harmonisation of rules across all funds.

2.2.1. Key simplification rules introduced

The most important rules concerning the reduction of administrative costs and burdens included:

- Simplified Cost Options (SCOs) (Art. 67-68 CPR): provided for the use of SCOs (flat rates - calculated as a percentage of eligible costs, unit costs - defined amounts paid per unit of output and lump sums - fixed amounts covering all or part of the eligible costs of an operation, up to a maximum of EUR 100 000) as an optional measure;
- E-cohesion requirements (Art. 122 CPR): mandated electronic data exchange between MAs and beneficiaries to streamline the submission and management of documentation, reducing paperwork and administrative workload;
- Single audit principle (Art. 127 CPR): established the single audit principle, which reduces duplicate audits by allowing reliance on national audit authorities, thereby decreasing administrative costs related to multiple auditing processes;
- Proportional control and audits (Art. 125 CPR): introduced proportionality in management verifications and audits, which adjusted the level of control based on the risk and size of operations, reducing the administrative burden for smaller projects; and
- Simplification of eligibility rules (Art. 65 CPR): simplified and clarified eligibility rules to reduce the complexity and administrative burden for beneficiaries when preparing project applications and managing funds.

Several simplifications to facilitate the implementation of multi-fund place-based projects, such as Joint Action Plans (JAPs) (Art. 104 CPR), Integrated Territorial Investments (ITI) (Articles 36 and 37 CPR),

[6] Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006. The Common Provisions Regulation (CPR) was the cornerstone legislation governing the implementation of the ESIF. It provided a unified set of rules for the management, monitoring, and control of funds like the ERDF, ESF+, CF, and others. By creating a harmonised framework, the CPR aimed to simplify processes and ensure coherence in the implementation of EU Cohesion Policy.

and Community-led Local Development (CLLD) (Art. 32-35 CPR), were introduced[7]. These measures aimed to encourage integrated approaches to territorial development and simplify administrative procedures across multiple ESIF.

2.2.2. Challenges and the Omnibus Regulation

The initial experiences of the implementation of the above-mentioned simplifications have revealed several challenges and highlighted the need for further fine-tuning. MAs and beneficiaries found that, while the simplifications reduced administrative burdens in some areas, there were still complexities in the practical application of new rules, particularly around the use of SCOs, the harmonisation of rules across funds, and the alignment of audit procedures. These early experiences highlighted issues with interpreting and applying new regulations consistently across Member States, as well as challenges in ensuring that the simplifications truly streamlined processes at all levels. In response, the Commission proposed a significant amendment to the Financial Regulation governing EU budget implementation in September 2016. This proposal, known as the Omnibus Regulation[8], also encompassed revisions to the CPR and sectoral regulations for ESIF. The finalised version of the Omnibus Regulation was scheduled for adoption by mid-2018, approximately four years into the programming period.

The Omnibus Regulation introduced several key changes to the implementation system of CP funds, aimed at simplifying procedures and enhancing the flexibility and efficiency of fund management. The most important changes (aimed at simplification of ESIF implementation) included:

- Increased flexibility (Art. 30 CPR): the regulation allowed for easier re-allocation of financial resources between different funds and priority axes within an operational programme, enabling better adaptation of actions to changing needs;
- Simplified rules for financial instruments (Art. 37-46 CPR): the regulation introduced simplified setup and management of financial instruments, reduced the frequency and detail required in reporting for financial instruments (which are funding mechanisms, such as loans, guarantees, and equity investments), allowed for a lighter administrative workload and provided more flexibility in the use of revolving funds (funds that can be reused for the same purpose after initial disbursement, allowing for reinvestment), thereby simplifying financial management and reducing administrative costs.
- Strengthening the principle of “Single Audit” and increased proportionality (Art. 125-127 CPR): the regulation introduced rules to reduce the number of audits at the EU level when national management and control systems are deemed reliable. The Single Audit principle refers to a system where each audit layer builds on the work of lower levels. If a national audit is credible, the Commission can rely on it, reducing duplication. However, the Commission still retains ultimate responsibility for protecting the EU’s financial interests. Increased proportionality means that the level and frequency of audits and controls are adjusted based on the size and risk of operations. For example, smaller or lower-risk projects are subject to fewer and less intensive audits. Risk-based sampling methods are used to select which projects are audited based on their risk profile, meaning only projects with higher risk are more

[7] **JAPs** are a tool aimed at simplifying the implementation of EU-funded operations by focusing on results rather than individual projects. JAPs involve a set of activities defined by the achievement of specific goals and outcomes, such as increasing employment or improving workforce skills. **ITI** enables coordinated use of multiple ESIF to address regional challenges, such as urban development, through cross-sector cooperation. **CLLD** empowers local communities to design and implement development strategies, involving local partnerships to manage and allocate ESIF based on community needs.

[8] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012

thoroughly checked. For operations considered low-risk or those below certain financial thresholds, the regulation permitted fewer and less detailed on-the-spot checks;

- Simplified the approach to revenue-generating projects: projects with total eligible costs of less than EUR 1 million were exempted from the detailed revenue calculation requirements. The regulation allowed the use of flat rates to estimate expected net revenue instead of detailed calculations;
- Eligibility of expenditure (Art. 65 CPR): the regulation provided more precise and simpler criteria for determining eligible expenditures, streamlined definitions, allowed for the broader application of flat rates to cover indirect costs, such as administrative overheads, up to certain thresholds (beneficiaries could apply a fixed percentage to direct costs to cover indirect expenses).
- Harmonisation of rules across funds (Art. 65 CPR): the amendments harmonised eligibility rules and implementation procedures across ESF, ERDF, and CF, reducing discrepancies and creating a more unified regulatory framework and enabled a broader and more consistent application of SCOs (flat rates, unit costs, and lump sums) across different funds, simplifying financial management and reporting requirements.
- Advance payments and cash flow management (Art. 132 CPR): the regulation obliged MAs to ensure that a beneficiary would receive the total amount of eligible public expenditure in full no later than 90 days from the date of submission of the payment claim.

The Omnibus Regulation (Regulation (EU) 2018/1046)[9], aimed at making financial rules simpler and more result-oriented, also strongly modified SCOs, by setting modifications to Articles 67 and 68 of the CPR. This included, in particular:

- No upper limit for lump sums (previously limited to EUR 100 000);
- Possibility for Member States to define additional SCOs based on fair, equitable, and verifiable calculation methods, thus expanding the scope of SCOs to cover more cost categories and types of operations;
- Possibility of using "financing not linked to costs" for ESIF, allowing payments to be made based on the fulfilment of conditions related to the achievement of certain objectives or results;
- Compulsory use of SCO for ERDF and ESF where public support does not exceed EUR 100 000 for operations not implemented exclusively through public procurement;
- Flat rate of up to 20% of the direct costs other than staff costs in European Territorial Co-operation (ETC) projects;
- Introduction of „New off-the-shelf" SCOs, which created the possibility for the Commission to adopt delegated acts for the definition of standard scales of unit costs and flat rates and related methods; and
- Extended flat rate options by the introduction of a 7% of total direct costs without justification at programme/project levels.

[9] The Omnibus Regulation introduced various simplifications, including those affecting SCOs, and was applicable during the 2014-2020 programming period. While its direct provisions do not carry over to the 2021-2027 period in the same way, many of the principles and changes it introduced—such as greater flexibility in the use of SCOs—have been incorporated into the updated Common Provisions Regulation (Regulation (EU) 2021/1060) for the current period.

Box 1: SCOs and FNLTC model: comparison

Simplified Cost Options (SCOs) were introduced in the 2014-2020 programming period as part of the broader initiative to simplify the management and control of ESIF. The main aim of SCOs is to reduce the administrative burden associated with verifying actual expenditure, which can be time-consuming and complex. Instead of reimbursing costs based on detailed accounting records, SCOs allow for funding to be calculated using pre-determined methods, such as:

- **flat rates**: these are percentages applied to specific types of costs, such as indirect costs calculated as a fixed percentage of direct costs;
- **unit costs**: these are payments based on predefined costs per unit of output or activity (e.g., per person trained or per kilometre of road built); and
- **lump sums**: these are one-time payments for the completion of an entire project or specific deliverables within the project, without needing to verify individual expenses.

These options are particularly useful in projects where recurring and predictable costs can be estimated easily, such as training programs, and to a lesser extent for complex infrastructure investments.

The **Financing Not Linked to Costs (FNLTC)** model was introduced under the Omnibus Regulation in 2018 and expanded in the 2021-2027 programming period, builds on the principles established by SCOs. The regulation provided the framework for an alternative funding mechanism that shifts away from reimbursing actual costs incurred during project implementation. Instead, payments under the FNLTC model are tied to the achievement of pre-agreed outcomes or results, such as specific project milestones or measurable outputs.

While both models aim to simplify fund management, they differ in approach. SCOs are based on standardised cost calculations, whereas FNLTC focuses solely on achieving pre-defined results (such as project milestones or measurable outputs), without linking payments to incurred costs at all. Both solutions share the goal of reducing administrative burdens and improving efficiency, but FNLTC takes simplification a step further by entirely removing the link between financing and actual expenditure, fully aligning payments with performance-based outcomes.

2.2.3. Impact of simplification measures

The assessment of the simplification measures introduced during the 2014-2020 programming period reveals a mixed impact, with some measures achieving significant reductions in administrative burdens, while others have introduced new complexities. Studies by Sweco, t33, and Spatial Foresight (2017) show that the greatest reductions in administrative burdens were achieved through the use of SCOs, e-cohesion/e-governance systems for communication with beneficiaries, simpler rules for revenue-generating projects, proportionate control/minimal on-the-spot checks, and the harmonisation of rules. These measures significantly reduced the workload, especially for beneficiaries, with SCOs alone leading to savings estimated between EUR 593 to 826 million, and e-cohesion systems contributing reductions between EUR 449 to 624 million. Other measures, such as the simpler rules for revenue-generating projects and the harmonisation of rules, resulted in savings of EUR 176 to 282 million and EUR 96 to 153 million, respectively.

The evaluation of e-cohesion systems' actual use in Member States revealed widespread implementation, with 108 systems identified across the EU covering the vast majority of ERDF and CF funded programmes.[10] Over 80% of users surveyed within the study agreed that e-cohesion systems have resulted in simplified procedures and reduced costs related to project management and that the benefits of e-Cohesion exceed any associated costs with using the system. While the implementation approach varies between Member States, with some opting for centralised systems and others for decentralised ones, the overall impact has been positive.

The research by Davies (2015) and the European Policies Research Centre (EPRC, 2016) suggests that the simplification measures primarily benefited beneficiaries rather than MA. While the 2013 reform introduced several simplification measures, such as flat rates, reporting requirements, and e-cohesion, these were seen as more advantageous to beneficiaries. In contrast, MAs and IBs reported that the overall complexity of regulations, accompanying acts, and guidelines increased, along with the administrative workload and costs associated with managing the funds.

Further complicating the landscape, the introduction of some simplification measures was accompanied by new or modified administrative requirements, which, paradoxically, led to an increased administrative workload for MA. For example, while the harmonisation of rules across different ESIF was intended to streamline procedures, the practical implementation proved challenging due to legal uncertainties, difficulties in interpreting regulations, and the inconsistent application of guidance provided by different Commission services. The efforts to apply proportionality and implement new instruments, such as Joint Action Plans (JAPs), Integrated Territorial Investments (ITI), and Community-led Local Development (CLLD), were also seen as complex and burdensome (ETA, 2021; Bachtler & Polverari, 2017). The Member States showed very limited interest in using JAPs and CLLD as the introduction of these instruments was accompanied by new administrative requirements and guidelines, which often led to confusion and increased administrative workloads (ETA, 2021).

Most MAs have started to use SCOs, in particular in ESF-funded programmes (Brignani & Santin, 2018). However, the preparatory work required by MAs to adopt additional SCOs was found to be to a certain degree onerous. Issues such as the application of SCOs in relation to public procurement rules and their treatment during audits added further administrative challenges. The introduction of flat rates for revenue-generating projects, while beneficial in reducing administrative complexity, excluded significant areas of support, such as ICT, business support, and low-carbon schemes, limiting the broader applicability of these simplifications. When it comes to the concept of FNLTC, introduced in 2019, it was found that there was uncertainty among Member States on how to use this new funding model, which hampered its uptake. Despite its potential to simplify fund management by reducing the need for detailed cost verification, the lack of clear guidelines and assurance mechanisms discouraged its broader application (ETA, 2021).

Another critical issue was the lack of legal certainty, exacerbated by a multiplicity of texts and, at times, divergent messages from different Commission services. There is considerable uncertainty regarding the status, interpretation, and application of Commission guidance—whether it should be considered advisory, 'soft law', best practice, or a form of regulation. This uncertainty has made the designation of MAs and Certifying Authorities particularly complex and time-consuming, undermining some of the intended benefits of simplification (Bachtler&Polverari, 2017).

[10] Evaluation of e-Cohesion 2014-2020. Final Report (2022), https://ec.europa.eu/regional_policy/en/information/publications/studies/2022/evaluation-of-e-cohesion-2014-2020

Box 2: Experience of the application of SCOs to the simplification of the implementation of ESIF in Portugal

The evaluation of the use of SCOs in Portugal during the 2014-2020 programming period shows that they had a positive impact by simplifying the management and implementation of ESIF. The main conclusions from the evaluation are:

- there were no inconsistencies between SCO measures and national rules, however, the concept of "total management control of the operation," which determines SCO applicability in operations with significant procurement costs, remained unclear.
- SCOs have successfully reduced the administrative burden and expedited procedures. Specifically, the time spent on bureaucratic processes decreased by 23.1% during application analysis and by 27.6% during reimbursement and balance request analysis. This reduction has benefited both MAs and beneficiaries by streamlining operations and facilitating quicker access to funds.
- SCOs have led to a greater focus on results and outputs among stakeholders, which has enhanced the efficiency and quality of operations funded by ESIF. However, there is not yet substantial evidence of reduced error rates and project management costs due to the recent adoption of these methodologies.

The recommendations formulated in the evaluation report concerned the following necessities:

- broadening the application of flat rates and standard scales of unit costs to more operations, particularly where personnel and indirect costs are significant.
- include beneficiary entities in developing SCO methodologies to reduce resistance and fears during implementation and foster a collaborative environment.
- strengthening training efforts for MA, IB, and beneficiary entities to deepen their understanding and improve the application of SCOs.
- revise monitoring and auditing processes to focus more on results rather than expenditure.

Source: own elaboration based on Ferreira, G. et al. (2021)

2.2.4. COVID-19 and emergency simplifications

The outbreak of the COVID-19 pandemic provided a new impetus for introducing further simplifications in the implementation of CP. As the pandemic triggered an economic downturn and caused widespread stagnation across the EU, there was an urgent need to deploy CP funds quickly and effectively to support economic recovery and address immediate public health needs. To achieve this, the Commission implemented a series of temporary measures aimed at reducing administrative burdens and enhancing the flexibility of fund management. Given the temporary nature and highly specific objectives of these measures, this section will outline key simplifications introduced under CPR[11] as regards specific measures to provide exceptional flexibility for the use of the ESIF in response to the COVID-19 outbreak without assessing their effectiveness.

- Temporary increase in EU co-financing rates: allowed for a temporary application of a 100% EU co-financing rate for the accounting year 2020-2021.

[11] Regulation (EU) 2020/558 of the European Parliament and of the Council amending Regulations (EU) No 1301/2013 (ERDF) and (EU) No 1303/2013 (CPR)

- Flexibility in fund reallocation (Coronavirus Response Investment Initiative (CRII) and the Corona Investment Initiative Plus CRII+)): provided increased flexibility to reallocate ESIF resources across different priorities and regions without the need for formal amendment procedures.
- Simplified procedures for modifying operational programmes: eased the requirements for modifying operational programmes by MAs, including reducing the procedural steps and documentation needed for reprogramming.
- Extended use of SCOs: encouraged the broader use of SCOs, such as flat rates, unit costs, and lump sums, for financial management and reporting.
- Extended deadlines for reporting and auditing: extended the deadlines for submitting financial reports, programme amendments, and audit requirements.

2.3. Simplification efforts 2021-2027

In the ongoing dialogue about CP's future, various EU institutions contributed their perspectives on potential simplification measures. The High-Level Group (HLG) on Simplification, composed of experts, was tasked by the Commission to propose ways to simplify the rules of the ESIF for beneficiaries[12]. The presented by the HLG report (so called the "Kallas Report") outlined the identified problems and proposed simplifications in four key areas for the post-2020 period: (1) alignment of horizontal rules between EU funds, (2) fewer, clearer, shorter rules, (3) genuine subsidiarity and proportionality, (4) a stable yet flexible framework, and (5) single audit principle[13]. Eventually, the Commission published a Simplification Handbook with 80 simplification measures to be adopted in 2020+ programming period[14].

The 2021-2027 programming period introduced a single CPR covering seven shared management funds[15], which includes common templates for key documents such as Partnership Agreements, programmes, and implementation reports. The most significant changes, outlined in the revised CPR Regulation (Regulation (EU) 2021/1060) concerned:

- Unified regulatory framework (Art. 17 and 18 CPR): further alignment of rules across the ERDF, ESF+, CF, and other ESIFs to simplify multi-fund management. Introduction of common indicators and standards for reporting and evaluation across all funds. Provided the framework for a unified regulatory approach and established common criteria for fund management and reporting;
- Expanded use of SCOs (Art. 53-56 CPR): the regulation encouraged a broader application and mandated the use of SCOs in specific cases, making it compulsory to adopt these simplified methods for certain projects. The "off-the-shelf" SCOs (i.e. predefined, standardised cost parameters that can be readily applied) were introduced. Additionally, the procedures for setting and approving SCOs were simplified, allowing Member States more flexibility in using historical data, statistical data, or expert judgment to determine SCOs, as long as the methods are fair, equitable, and verifiable;

[12] EC Decision of 10 July 2015 setting up the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the European Structural and Investment Funds, C(2015) 4806 final
[13] https://ec.europa.eu/regional_policy/sources/factsheet/high_level_group_recomm_en.pdf
[14] https://ec.europa.eu/regional_policy/sources/factsheet/new_cp/simplification_handbook_pl.pdf
[15] European Regional Development Fund (ERDF), European Social Fund Plus (ESF+), Cohesion Fund (CF), Just Transition Fund (JTF), European Maritime, Fisheries and Aquaculture Fund (EMFAF), Asylum, Migration and Integration Fund (AMIF), Internal Security Fund (ISF)

- Clarification on the use of FNLTC[16] (Art. 94 CPR): the regulation simplified fund management by focusing on the achievement of predefined outputs or results rather than reimbursing actual costs incurred, eliminating the need for detailed cost verification and instead tying payments directly to the accomplishment of specific performance indicators. Clear criteria were provided for using FNLTC, including the need to establish predefined conditions, outputs, or results that must be achieved to trigger payments;
- Approach to audits and controls (Art. 73 and 74 CPR): proportional controls, based on the size and risk of operations, were introduced to reduce the frequency and depth of audits for smaller, lower-risk projects. The regulation enhanced reliance on national audit authorities and reduced duplication of audits, aligning with the principle of "Single Audit". The Commission audits only the audit authority if it has a reliable opinion[17], thus reducing duplication of audit efforts;
- Increased flexibility in programme management (Art. 24 and 25): the regulation introduced simplified procedures for amending operational programmes and reallocating resources between different priorities. It also allowed for broader thematic concentration and greater flexibility in programming, adapting to emerging needs and regional specificities;
- Streamlined eligibility rules and simplified financial instruments (Art. 63-68): the rules across different funds were standardised and simplified to increase their use and accessibility;
- Harmonisation of rules across funds (Art. 17 and 18 CPR): the harmonisation consisted of aligning management, reporting, and audit rules across various ESIFs to reduce inconsistencies and create a more unified approach to fund management;
- A streamlined framework for programming (Art. 4, 8, 17 CPR): reduction of the number of thematic objectives from 11 to 5 and consolidating specific objectives. The Partnership Agreement (PA) simplified into a single strategic document for all seven shared management funds. Additionally, the requirements for the content of operational programmes were simplified, focusing on strategic priorities, and expected results, and providing clearer templates and intervention logics;
- Streamlined rules for CLLD and ITI (Art. 22-28 CPR): a dedicated policy objective for territorial and local development, allowing the continuation and simplification of tools like CLLD and ITIs established in the previous period. The rules for using multiple funds under these tools were unified, and a "lead fund" approach was introduced, allowing Member States to apply a single set of rules from one fund. The provisions also clarified the status and roles of local authorities, simplifying requirements for their involvement as intermediate bodies. Additionally, the regulation allowed for the use of existing national territorial tools, which can now be counted towards sustainable urban development targets;
- Discontinuation of specific rules for major projects: previously, large projects required specific Commission approval. Under the new rules, this requirement has been removed, meaning that major projects no longer need separate approval, streamlining the process;
- Revenue-generating projects: rules concerning revenue-generating investments have been reduced to only state aid compliance, eliminating additional administrative steps and documentation previously required under the CP framework; and

[16] The concept of FNLTC was first introduced under Article 67(1)(e) of the Omnibus Regulation (Regulation (EU) 2018/1046), which amended the Common Provisions Regulation (CPR) (Regulation (EU) No 1303/2013) governing the 2014-2020 programming period.
[17] A "reliable opinion" refers to a qualified, trustworthy assessment of a project's financial management, reducing the need for repeated audits.

- Enhanced use of digital tools and e-cohesion (Art. 69 CPR): the regulation continued promotion of electronic data exchange between MAs and beneficiaries, making it compulsory for all communications to be digital. Furthermore, it strengthened the use of IT systems for application, reporting, and monitoring processes.

The measures, outlined in the revised CPR, were accompanied by other modifications implemented at the level of fund-specific regulations. The next section will assess how these simplifications are working in practice, acknowledging that projects implementation is only now gaining momentum due to the significant delays most Member States faced in launching their operational programmes.

3. ADMINISTRATIVE BURDENS AND CHALLENGES

KEY FINDINGS

Despite the simplification introduced in the post-2020 CPR, the initial phase of implementing programmes in the 2021-2027 period reveals that significant administrative costs and burdens remain for MAs, IBs, and beneficiaries.

The "permanent revolution" and lack of a stable legal background, coupled with ongoing changes in regulations throughout the programming period, has increased complexity and uncertainty for MAs and beneficiaries.

The need to comply with broader EU and national regulations (golden plating), such as state aid rules and public procurement laws, significantly adds to the administrative burdens of CP implementation.

Complex audit and control requirements, including inconsistent interpretations of regulations, high documentation needs, and the risk of financial penalties, continue to generate significant administrative costs.

Case studies reveal a disparity in administrative burdens between different types of projects: Interreg projects face fewer challenges, while ERDF projects within regional operational programmes impose a higher burden. This is because Interreg projects benefit from streamlined cross-border procedures, whereas ERDF projects must comply with stricter national and regional rules, leading to more complex processes and audits, which significantly increase the administrative workload.

3.1. Why do the simplifications not work?

While it was anticipated that the post-2020 CPR proposal would lead to significant reductions in administrative costs and burdens resulting from regulatory innovations, the first phase of programme implementation has shown that MAs, IBs, and beneficiaries have been unable to avoid excessive administrative costs and burdens.

3.1.1. Workloads deriving from delays in the programming 2021-2027

The first reason that created significant costs for the administration was considerable delays in the process of negotiating the shape of operational programmes and developing the legislative package for the new budgetary perspective. To analyse this delay, we need to look at the specific context in which the implementation of ESIF programmes for the post-2020 period began. The global COVID-19 pandemic and the outbreak of a full-scale war in Ukraine significantly delayed the process.

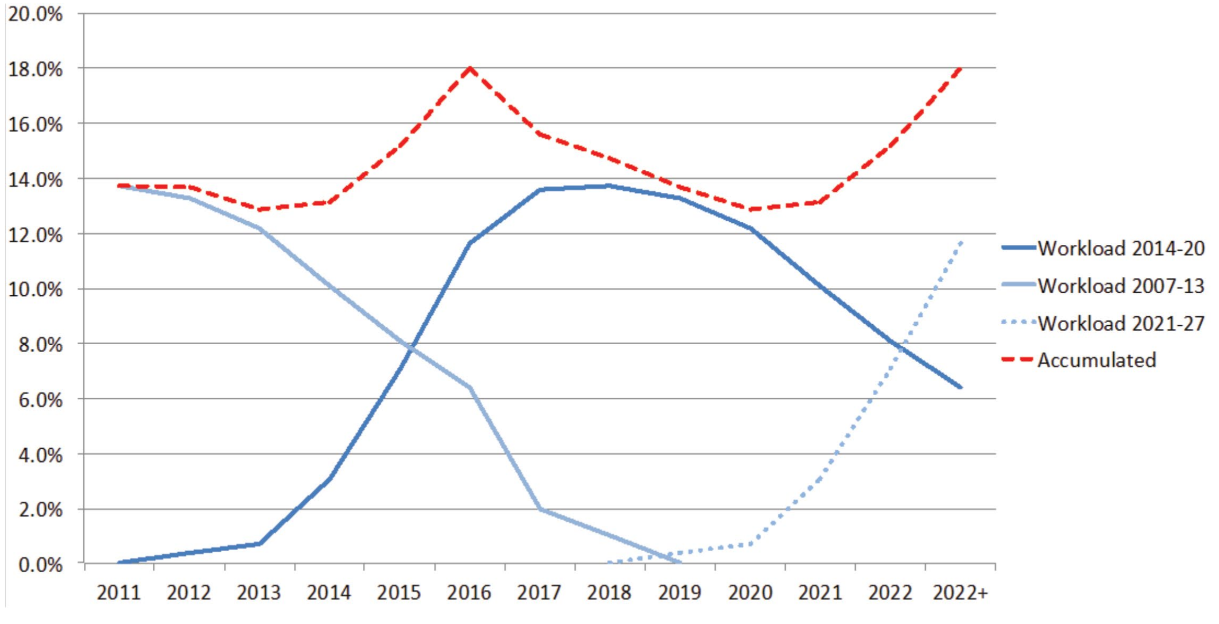
Delays in documents necessary for developing the final versions of operational programmes (e.g. information on dimensions and codes for the types of intervention, coefficient for the calculation of support to climate change and environmental objectives) provided by the Commission to MAs were a factor preventing the timely start of ESIF implementation and thus imposed enormous time pressure on MAs.

An additional factor that increased the workload of MAs and IBs staff involved in programming and implementing ESIF at the national levels is the parallel implementation of the Recovery and Resilience Facility (RRF), which was given the priority over the preparation of Partnership Agreements and operational programmes (Bachtler and Mendez, 2021; Darvas, 2020). Launched in 2021, RRF, being the

EU's response to the outbreak of the COVID-19 pandemic, was the largest economic support plan in its history, with a total allocation of EUR 723.8 billion. In Member States, tasks related to RRF implementation were assigned to varying degrees to institutions within the administrative system of programming and implementing ESIF. Tasks related to RRF implementation created additional administrative costs (EC, 2023; Bokhorst&Corti 2023), including, for example, the need to determine the demarcation between programmes implemented under CP and RRF. Moreover, MAs and beneficiaries had to constantly adapt their process to other initiatives channelled outside the CP (i.e. CRII/CRII+; REACT; CARE/FAST CARE) to mitigate the consequences of the pandemic. This situation exerted extra pressure on the ability of certain Member State administrations to ensure that spending is proper and adheres to the principles of prudent financial management.

All of this intensified the as-yet unresolved problem of overlapping programming periods – in line with the n+2 (or n+3) rule[18]. In the final years of implementing funds from the ending programming period, MAs involved had to simultaneously prepare documentation for the upcoming seven-year programming period while managing the ending phase. Additionally, the final years of programming periods are usually characterised by increased administrative costs resulting from the necessity to settle accumulated projects nearing completion, particularly multi-annual investment projects. The latter, surrounded by a significant amount of documentation, require relatively more work at the stage of their settlement. As indicated, this challenge for the administration occurred at the turn of all subsequent programming periods (see Figure 2).

Figure 2: Estimation of workload throughout programming periods



Source: EC (2018), pp. 59

3.1.2. Constant lack of stable legal background

In terms of simplification, for many MAs, the greatest simplification comes from regulatory stability (t33, 2020). However, the proposals for shorter rules in 2021-2027 actually faced resistance from programming authorities who sought greater certainty regarding the interpretation of these rules during controls and audits. (EC, 2024). For decades, both MAs and beneficiaries involved in the ESIF

[18] The n+2 (or n+3) rule requires Member States to spend EU funds within two or three years after the year of commitment ("n"). For example, under the n+3 rule, funds committed in 2021 must be spent by the end of 2024. Unused funds after this period are returned to the EU budget.

implementation process have consistently highlighted a factor that creates burdens: the introduction of various modification to the fund implementation system after the start of a given programming period. Moreover, in the case of the current programming period, the Commission adopted a number of changes after 2021, which had to be taken into account at the level of ESIF implementation in Member States. This primarily (but not exclusively) refers to the General Block Exemption Regulation (GBER), as well as de minimis and de minimis for Services of General Economic Interest (SGEI) de minimis Regulations[19], which are the basis for granting state aid to entities operating in the single market.

Changes to the GBER, crucial for ESIF implementation, were officially approved on June 23, 2023, and two other regulations in December 2023 (theoretically after three years from the start of the new programming period). Although the proposals of all three regulations are beneficial for ESIF business beneficiaries[20] and should therefore be assessed positively, implementing them during the course of the current programming period is causing confusion to companies applying for financial support. The lack of coordination between the legislative package and the regulations governing state aid has led to the need for revisions to the implementation documents that were already in use and the re-opening of some calls for applications for EU grants dedicated to entrepreneurs.

New regulations may be difficult for MAs staff to comprehend, and they may consequently misinterpret them, leading to errors in the documentation related to the implementation of operational programmes at the national or regional level. Studies conducted by the European Court of Auditors (ECA) have shown that as much as 25% of errors occur as a result of this (ECA 2024). Correcting errors, such as updating competition rules or amending beneficiary agreements, not only increases administrative costs and burdens but also causes frustration. Moreover, sending queries to the Commission for seeking clarification on specific provisions is a time-consuming process that does not provide institutions with legally binding decisions. Consequently, this situation leads to the creation of additional documents required from beneficiaries as a precautionary measure by MAs and IBs to safeguard themselves in case of future audits.

Another example of changes introduced during the implementation of the current programming period can be seen in the Strategic Technologies for Europe Platform (STEP) Regulation[21], adopted in 2024. The initiative aims to strengthen the EU's technological sovereignty by supporting the development and manufacturing of critical and emerging technologies, i.e. digital technologies, clean and resource-efficient technologies, and biotechnologies. According to Article 3 of the STEP Regulation, financial support for the implementation shall be provided from existing EU programmes, thus also within ESIF. The Commission encourages Member States to include separate support tools for projects that fit into the STEP conditions within already implemented programmes. While the idea of STEP could be viewed very positively in the context of achieving Community goals, creating new

[19] GBER allows Member States to grant state aid to certain categories of activities without needing prior approval from the European Commission, provided the aid meets specific criteria. This helps to simplify the process for supporting activities such as research, development, environmental protection, and regional development, facilitating quicker aid distribution while ensuring compliance with EU competition rules. The de minimis regulation establishes a threshold below which state aid is considered too small to affect competition and trade within the EU, and thus does not require notification to the European Commission. The current threshold is €200,000 over three fiscal years. De minimis for Services of General Economic Interest (SGEI) refers to aid granted to support services provided for the public good that would otherwise not be supplied by the market under normal conditions. This aid has a separate threshold of €500,000 over three fiscal years.

[20] GBER increased the threshold values for co-financing investments in projects related to ecological and digital transformation, in the case of de minimis, the regulation increased the maximum state aid rates that companies can receive from EUR 200 000 to EUR 300 000 and from EUR 500 000 to EUR 750 000 for undertakings providing SGEI.

[21] Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), and amending Directive 2003/87/EC and Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241 https://eur-lex.europa.eu/eli/reg/2024/795/oj

priorities in already existing operational programme is associated with additional administrative costs for MA. Such strategic initiatives should be proposed at the programming stage of the next perspective or implemented based on more flexible centrally managed funds to ensure better planning, avoid disrupting ongoing programmes, and reduce the administrative burden on national and regional authorities.

Perhaps these changes would not be so burdensome if they were accompanied by legally binding interpretations to the regulations adopted during the programming period. As ECA (2024) points out, for the 2021-2027 period, the Commission opted to cease providing additional written guidance for managing and audit authorities, choosing to retain existing documents only when deemed necessary. This approach heightens legal uncertainty for MAs and beneficiaries, potentially leading to an increased likelihood of errors. For example, in the case of issues concerning the application of state aid regulations, the Commission launched a special tool, which is intended to support MAs in better understanding and interpreting the regulations. The eState Aid Wiki, however, is insufficient in this regard. Firstly, not all IBs involved in the ESIF implementation process have access to it. Secondly, the platform contains a set of questions submitted by Member States and answers provided by the Commission. Such information sometimes does not exhaust very specific information needs resulting from a particular context in the Member State and – again – is not legally binding. Even though the increased efforts to promote awareness and guidance in the field of state aid, the MAs claim that those instruments do not provide answers to all questions.

3.1.3. Increasing complexity of CP

The continuing complexity of CP creates significant challenges for MAs, IBs, and especially beneficiaries. For years, local and regional officials have expressed concerns about the increasing complexity and the growing number of requirements needed to develop projects and access funds. The practice of broadening the CP scope by adding new objectives to be achieved through ESIF has continued in the 2021-2027 programming period, further complicating the policy landscape. This ongoing expansion of goals, stemming from secondary legislation, has significantly contributed to the increased administrative burden in the current period (Bohme et al., 2023). The European Green Deal, in particular, has caused the most substantial changes to the legal context underlying CP (see: Pazos-Vidal, 2024a).

The Commission communication on the European Green Deal[22] stipulates that CP funds should play a crucial role in achieving climate neutrality and supporting the just transition. This has led to the integration of climate action and environmental sustainability across all EU funding programmes, including those under CP. The omnipresent influence of the Green Deal on CP is evident in the new regulations, funding priorities, and implementation requirements.

To prevent any negative environmental impacts, all investments funded by the EU must undergo assessment and adhere to the DNSH principle outlined in Art. 17 of the Taxonomy Regulation (EU) 2020/852[23]. This article specifies when economic activities are deemed to cause significant harm to environmental objectives. To ensure that an activity contributing significantly to one of the taxonomy's environmental goals[24] does not negatively impact the others, the European Commission established a

[22] European Commission. (2019). The European Green Deal. COM(2019) 640 final https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2019%3A640%3AFIN

[23] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Text with EEA relevance) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852

[24] The EU taxonomy is a classification system introduced as part of the European Green Deal and formalized under the Taxonomy Regulation (Regulation (EU) 2020/852). It aims to identify environmentally sustainable economic activities to guide investors, companies, and policymakers. The system ensures that financial flows support projects contributing to the EU's six environmental objectives: climate

list of environmentally sustainable activities, using technical screening criteria for each goal through delegated acts.

The implementation of the "do no significant harm" (DNSH) principle has increased the administrative workload for both MAs and IB, who are required to perform assessments to ensure that projects comply with DNSH criteria. This involves not only evaluating environmental impacts but also ensuring that these assessments are robust enough to withstand scrutiny from future national and EU-level auditors. The same regulation introduces new information obligations that burden the MAs and beneficiaries. Therefore, MAs require beneficiaries to include additional documents in their funding applications. An example of this is a document titled "Preliminary List of Evidence Collected by the Applicant Confirming Compliance with the Specific Objectives of the DNSH Principle," which must be attached by applicants seeking funding under the operational programme "European Funds for Infrastructure, Climate, Environment 2021-2027" (FEnIKS) implemented in Poland[25]. The evidence must be provided separately for each environmental objective and at each stage of the project's lifecycle, including investment preparation, investment implementation, investment operation, and project closure or decommissioning.

Furthermore, the multiplication of principles, including horizontal principles that institutions and beneficiaries must adhere to has exacerbated the administrative burden. The CPR for the 2021-2027 (Art. 9) period introduces new horizontal principles, such as the Charter of Fundamental Rights of the European Union, the United Nations Convention on the Rights of Persons with Disabilities, and the European Pillar of Social Rights. While these principles are undoubtedly important, their integration into project-level implementation creates additional complexities for beneficiaries. Beneficiaries are required to justify how their projects will implement horizontal principles. It seems absurd to impose on beneficiaries the obligation to justify the principle of equal rights in projects related to, for example, the purchase of fire engines, thermal modernisation of buildings, pre-war renovation of water and sewage networks, etc. Similarly, they must align their projects with various strategies (local, regional, sectoral), even though the selection criteria should ensure that approved projects contribute to these strategies. This redundancy in reporting and justification processes leads to increased administrative costs and time investments for beneficiaries. It is worth noting that these explicit requirements are not present to the same extent in centrally managed programmes like Horizon Europe or other funds like EARDF, creating an uneven playing field across EU funding instruments.

To sum up, the “vicious cycle” of complexity, has not been broken and expands into the 2021-2027 programming period (see: Ferry & Polverari, 2018, Bohme et al. 2023).

3.1.4. Audits and controls

Audits and controls remain burdensome for both MAs and beneficiaries of CP programmes for several key reasons.

The CP suffers from accountability overload, which bases on a hierarchy of (escalating) demands for accountability, from the European Parliament to the Commission, from the Commission to MAs, and from MAs to beneficiaries. Moreover, the regulations governing CP funds remain very complicated and multi-layered. They require detailed knowledge of EU and national law, which means that MAs and beneficiaries must devote a lot of time and resources to understanding and implementing these regulations for audits and controls;

The latter problem of lack of clear, understandable, and binding interpretation of regulations causes specific provisions to be interpreted differently by various audit bodies, leading to uncertainty and

change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems

[25] https://www.cupt.gov.pl/strefa-beneficjenta/wdrazanie-projektow/ochrona-srodowiska/zasada-dnsh/

concerns about inconsistency in decisions. Additionally, different interpretations of rules regarding the eligibility of expenditures can lead to different decisions depending on the auditor (Davies 2015). Audits and controls also involve the need to prepare and provide a large amount of documentation, often very detailed.

An additional issue arises from the use of statistical estimation methods to assess the overall error rate based on a sample of audited projects. While this approach allows auditors to extrapolate the most likely error rate for the entire population of projects, it carries inherent limitations. Errors identified in a sample may not accurately reflect the variability and complexity of errors across the broader population, leading to over- or under-estimation of the error rate. This creates a significant challenge for MAs, as even minor errors detected in a small sample can result in large-scale financial corrections when applied to the entire set of projects.

Fearing the detection of errors and irregularities during audits, MAs create additional regulations to secure the proper use of funds by beneficiaries (gold-plating). Beneficiaries must therefore document each stage of project implementation, which generates significant administrative burdens. As a consequence of high documentation requirements, processes related to audits and controls are very time-consuming. Some MAs estimate that the workload associated with preparing documentation for audits in certain periods amounts to 20% (compared to 80% devoted to program implementation). Preparing appropriate documentation, responding to auditors' questions, and participating in controls can significantly delay project implementation and generate additional costs and administrative burdens. In cases where irregularities are detected, both MAs and beneficiaries face serious financial consequences, including the potential obligation to return part or all of the received funds. This risk amplifies the pressure on MAs to impose stricter internal controls and compliance measures, which in turn increases administrative workloads and delays.

Furthermore, in case of irregularities detected during an audit, beneficiaries and MAs may be obliged to return part or all of the received funds. This risk causes all involved to try to comply with regulations very rigorously, which increases stress and burden associated with project administration. Hence, there is a pressure for accuracy and compliance - high requirements for compliance with regulations and the need to avoid errors mean that MAs and beneficiaries often must spend a lot of time ensuring that all activities comply with requirements.

The consequences of error detection through statistical sampling add to this pressure. Even if errors are minor or isolated, the extrapolation of these findings to all projects can lead to disproportionate financial corrections, further straining MAs and beneficiaries. This encourages a cautious approach, often resulting in gold-plating, as authorities strive to minimise any risk of audit findings, further complicating project administration.

In many cases, MAs and beneficiaries must face multiple audits and controls from various levels - both national and EU. Although the "Single Audit" principle was aimed at reducing the number of audits, in practice, situations still occur where the same projects are controlled multiple times by different bodies;

Although the Commission presents Member States with set deadlines, but other audit institutions do not, which leads to situations where if a systemic error occurs that such an institution detects, it halts implementation, and in extreme cases, the procedure drags on for several years, and MAs do not receive a final position or resolutions regarding errors (because usually they do not provide a prompt follow-up).

3.1.5. EU regulations that fall outside the realm of CP

The costs and administrative burdens of implementing the ESI funds also arise from the necessity of complying with broader legislation enacted at the EU level. According to the principle of shared management and the regulations governing it, Member States and the Commission are responsible for managing and controlling the programmes, ensuring the lawful and proper use of the funds.

State aid rules

State aid is another area that has consistently been identified by both MAs and beneficiaries as one that creates costs and administrative burdens. The concept of state aid, although seemingly straightforward, is challenging to manage in practice (Lipinsky, 2016, Popescu et al., 2024).

The GBER is undeniably a complex and multifaceted legal instrument that poses significant challenges for both beneficiaries and implementing bodies within the context of EU CP. Its intricate structure, comprising 58 articles and numerous annexes, along with its broad scope covering various categories of aid, creates a labyrinth of rules that requires extensive expertise to navigate effectively. The regulation's complexity is further exacerbated by its frequent cross-references, detailed eligibility criteria, and nuanced definitions, which necessitate a comprehensive understanding of both EU state aid law and sector-specific regulations. The attempt to provide a one-size-fits-all approach to state aid exemptions inevitably leads to a high degree of complexity and potential inconsistencies in interpretation (Nicolaides, 2014; Lipinsky, 2016).

One of the key challenges is the extensive and intricate regulatory framework that this regulation establishes (Bartosch, 2022). It covers a wide range of state aid categories, each with specific eligibility criteria, conditions, and procedures that must be meticulously followed. The regulation's detailed requirements for compliance, such as in the areas of environmental protection, research and development, and regional investment aid, require beneficiaries to navigate a labyrinth of technical definitions and legal stipulations. This often necessitates the involvement of specialised legal and financial advisors, thereby increasing the administrative burden and costs associated with project implementation. For example, in the case of private equity aid measures, there are several levels of complexity, meaning that designing such measures in compliance with the GBER falls to sophisticated experts rather than ordinary stakeholders (i.e. national authorities, fund managers, eligible enterprises) (Dascalescu, 2024).

Moreover, the frequent amendments to the GBER regulation, as highlighted by the numerous updates and corrections in the document, add another layer of complexity, requiring continuous monitoring and adaptation by the beneficiaries and MAs to remain compliant with the latest standards (Bartosch, 2022). Undoubtedly, the Commission's efforts to expand the categories of aid exempted from the prohibition of state aid established in the Treaty are beneficial for both Member States and potential beneficiaries. However, with each modification, the rules become less understandable. It should be noted that the responsibility for the incorrect application of GBER regulations rests entirely on the Member States and beneficiaries, without any reasonable expectations arising from independent assessment. All the benefits that GBER promises to beneficiaries could just easily evaporate like a mirage in the desert, if public authorities make a mistake in applying its provisions (Bartosch, 2022).

Additionally, the regulation mandates rigorous monitoring and reporting requirements, which are a significant source of administrative strain. MAs are required to ensure that all aid measures comply with the detailed provisions of the regulation, often necessitating the establishment of sophisticated internal procedures and systems for tracking compliance. This is further compounded by the need for regular reporting to the Commission, which not only requires extensive documentation but also the capacity to demonstrate adherence to the intricate rules laid out in the regulation. The administrative costs associated with these processes can be considerable, particularly for smaller beneficiaries, such as SMEs or local government bodies, which may lack the necessary resources or expertise to manage these obligations effectively.

In the 2014-2020 programming period, it was possible to certify advance payments for projects that involved state aid. In the current programming period, only support provided under the regional aid scheme can be certified. Therefore, advances can only be obtained for costs that are funded under the de minimis scheme. Such provisions are included in contracts with businesses implementing modular projects. From the advance payment received in their account, a business cannot pay for any expense that qualifies under the de minimis aid scheme. Entrepreneurs now need to carefully monitor this matter, often without fully understanding the aid schemes. Overall, from one programming period to the next, the Commission is increasingly restricting the ability to certify advance payments.

To sum up, the complexity of state aid rules, including the GBER, continues to contribute significantly to errors in the implementation of CP funds (ECA, 2024).

Prevention of conflicts of interest

In 2018, the Commission adopted the Financial Regulation[26] applicable to the general budget of the Union. The purpose of this Regulation is to provide a comprehensive set of financial rules applicable to the general budget of the EU, aiming to establish a more efficient, transparent, and accountable management of EU funds. Article 61 of the Regulation addresses the prevention of conflicts of interest and specifically mandates that all actors and institutions, including national authorities at any level involved in budget implementation, "shall take appropriate measures to prevent a conflict of interest from arising in the functions under their responsibility and to address situations which may objectively be perceived as a conflict of interest."

In 2021, the Commission issued a document that provided detailed guidance on the legal framework, responsibilities, and best practices for individuals and organisations involved in the implementation of the EU budget deriving from Article 61 of the Financial Regulation. According to these guidelines, MAs directly involved in the shared management framework for implementing ESIF at the national or regional level must ensure that conflicts of interest do not actually occur in the programmes they implement.

In practice, these regulations impose significant administrative costs on MA. For example, they are required to verify the truthfulness of declarations made by external experts participating in the evaluation of projects submitted by beneficiaries. Experts may (either in bad faith or through misinterpretation of the conflict of interest) provide false statements. Detecting familial and/or business connections is very labour-intensive, requiring officials to spend time reviewing various databases. It should be noted that the MAs do not have direct access to fiscal institution databases, which means they must also search through business intelligence sources or social media.

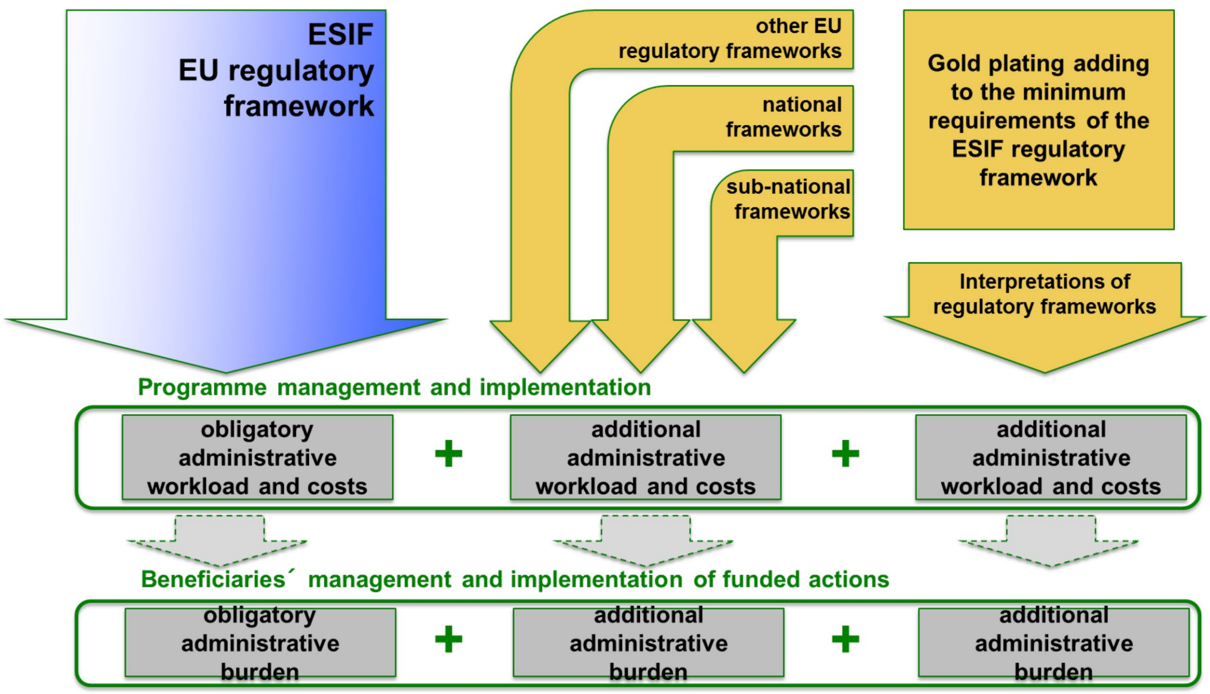
Since detecting a conflict of interest necessitates imposing financial corrections on the Member State—without any principle allowing for the mitigation of irregularities or adjusting penalties based on the conflict's impact on programme implementation—the administrations are tasked with undertaking this challenging responsibility.

[26] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012

Gold plating

Gold plating refers to the imposition of additional administrative obligations that go beyond the minimum requirements set by the EU regulatory framework for the ESIF. This practice can occur at various administrative levels—EU, national, regional, or programme at any point during the ESIF implementation process. Gold plating can take two forms: “active” and “passive”. Active gold plating involves introducing extra rules and procedures, while passive gold plating occurs when simplification measures provided in the ESIF regulations are not implemented. Gold plating directly influences both administrative costs and burdens for MAs, IBs and beneficiaries. It leads to increased administrative costs due to the need for additional staff, resources, and procedures to comply with the extra requirements. This draws heavily on technical assistance budgets and reduces the overall efficiency of ESIF management. It also creates higher administrative burdens for beneficiaries, who face increased workloads, as they must navigate more complex application processes, provide additional documentation, and comply with stricter reporting and payment procedures (Böhme et al, 2017).

Figure 3: Gold plating in implementation of ESIF



Source: Böhme et al, 2017

Main sources of gold-plating in implementation of ESIF are the following:

- Inconsistent regulatory frameworks. One of the main sources of gold-plating is the inconsistencies between EU-level rules and national laws. For example, overlapping requirements in public procurement or state aid regulations create additional obligations that MAs and beneficiaries must navigate. These inconsistencies arise when national authorities interpret EU rules more strictly or impose additional criteria beyond what the EU mandates;
- Risk aversion. National and regional authorities often introduce additional safeguards out of fear of audit failures or errors. This is particularly prevalent in Member States with past negative audit experiences. As a result, stricter-than-required measures are put in place to avoid potential penalties, even when these measures add unnecessary administrative burdens.

- Complexity of the system. The shared management system of ESIF is inherently complex, involving multiple layers of governance across EU, national, and regional levels. This complexity often leads to unclear responsibilities and communication gaps, which in turn encourage gold-plating as a way to ensure compliance across all levels.

Box 3: Gold plating practices examples

Gold plating practices that occur in Member States often share common characteristics, even though they are applied in different contexts. These additional administrative requirements, while intended to ensure compliance and reduce risks, lead to heightened administrative burdens.

- In Germany, stricter national public procurement rules exceed the requirements set by EU regulations. Higher thresholds and additional documentation requirements prolong the tendering process and increase administrative costs for beneficiaries, complicating the implementation of projects funded by the ESIF.
- In the Czech Republic, beneficiaries must navigate both the national ISPROFIN system and the EU's ESIF monitoring system, resulting in a duplicative reporting burden. Beneficiaries are forced to submit the same data in both systems, significantly increasing their workload and administrative costs.
- In Poland, national requirements for Environmental Impact Assessments are stricter and more demanding than EU regulations. These assessments are often required earlier in the project cycle and in more detail than necessary, causing project delays and raising costs, particularly for large infrastructure projects.
- Italian beneficiaries are required to submit hard copies of certain documents even though electronic reporting systems are in place. This duplicative requirement not only adds to administrative costs but also slows down the project implementation process due to the need for both digital and physical compliance.
- Spanish authorities have introduced additional eligibility criteria under the European Maritime and Fisheries Fund (EMFF), particularly for associations. These stricter national interpretations lead to confusion and delays in the funding process, with beneficiaries required to submit extra documentation beyond what EU regulations require.
- In France, beneficiaries often face overlapping audits from both national and EU authorities. These audits frequently cover the same ground but are conducted separately, leading to duplicative efforts, increased administrative costs, and delays in project timelines.

These examples highlight how gold-plating practices, despite occurring in different Member States, tend to produce similar outcomes—namely, increased complexity, administrative costs, and delays in the implementation of EU-funded projects.

Source: own elaboration based on Böhme et al, 2017

Public procurement is one of the major sources of administrative costs and burdens that derive from gold plating in all Member States. Errors in public procurement cause almost half of all irregularities detected in these programmes and projects (ECA, 2015; Bauer, 2017). The most common errors in public procurement within EU cohesion policy programmes include direct awards without competitive procedures, which bypass transparency and fair competition requirements, and unlawful contract modifications, where contracts are altered without following the necessary procurement processes. Additionally, improper application of selection or award criteria leads to unfair competition, while failure to meet transparency requirements, such as not publishing tenders as required, limits access for potential bidders. Another frequent issue is contract splitting to avoid procurement thresholds, undermining the competitive process. Many of these errors could be avoided if ESIF-programmes would not foresee such strict rules for purchases and the intensity and frequency of controls of programmes and projects would be reduced to an adequate level.

While both ESIF programmes and Member States' public procurement law aim to ensure the effective use of public funds, they differ significantly in terms of specific objectives, procedures, and implementation methodologies. ESIF funds often aim to achieve goals related to regional and social development, which may require a more flexible approach. In contrast, public procurement law, as applied in Member States, requires strict, uniform procedures.

Managers of ESIF programmes frequently face the challenge of simultaneously adhering to both ESIF regulations and public procurement laws, leading to additional administrative burdens (Popescu et al. 2024). These regulations can be unclear or interpreted differently by various institutions (i.e. MAs, audit authorities, beneficiaries), which may result in misunderstandings and errors. The complexity and overlap of rules between ESIF and public procurement can complicate compliance efforts, increasing the risk of administrative mistakes and reducing overall efficiency in the use of EU funds (Bauer, 2019).

3.2. Case studies

In this section, case studies of three projects are presented. The aim is to identify the main administrative burdens encountered by organisations while applying and implementing the project. These cases also provide for recommendations for further simplification based on beneficiaries' experience.

3.2.1 Case study: Green Hydrogen Mobility for Alpine Region Transportation (H2MA) project

Overview of the project

The H2MAs project is co-financed by the EU through the Interreg Alpine Space program, with a total budget of approximately EUR 2.5 million (around EUR 1.9 million are funded by the EU). The project was scheduled to run from October 2022 to June 2025. Through this funding, H2MAs aims to foster sustainable development in the Alpine region by enhancing green hydrogen mobility, supporting infrastructure development, and promoting cross-border cooperation.

The H2MAs project focuses on coordinating and accelerating the deployment of green hydrogen (H2) infrastructure for transport and mobility in the Alpine region. With the participation of 11 partners from five Interreg Alpine Space countries (Slovenia, Italy, Germany, France, Austria), the initiative aims to develop cooperation mechanisms, strategies, tools, and resources to enhance the capacities of territorial authorities and stakeholders to overcome barriers and collaboratively plan zero-emission routes across the alps. The project strives for the synchronised deployment of H2 infrastructure for freight and passenger transport, strengthening the macro-regional impact and contributing to the reduction of greenhouse gas emissions and air and noise pollution.

Assessment of administrative burdens

The lead partner of the H2MAs project is the Savinjska, Šaleška, and Carinthia Energy Agency (KSSENA), a Slovenian organisation committed to advancing sustainable energy solutions and improving energy efficiency in the region. The agency collaborates with local authorities, businesses, and other stakeholders to implement different projects and initiatives that support green mobility and environmental sustainability.

With its extensive experience in implementing international cooperation projects, KSSENA had no difficulties in inviting partners to participate in the H2MAs project. The partners included three public administrations (at regional and local levels), three business support organisations, two research organisations, a business cluster, and a logistics company.

KSSENA was the institution responsible for preparing the application documentation. Although the lead partner did not find the application process particularly challenging, given the limited human resources (heavily involved in various initiatives) at the time of the call for proposals, the preparation of the documentation was outsourced to a consulting firm.

Compared to projects implemented in previous programming period, the implementation of H2MAs is simpler, mainly due to the simplifications related to the use of simplified costs in accounting—allowing lump-sum reimbursements for costs related to personnel, office and administration, travel and accommodation, and even external expertise and service costs. This is a significant facilitation compared to projects implemented before the 2021-2027 period. However, a challenge is the exclusion of infrastructure and works-related costs from eligible costs within the Interreg Alpine Space programme. This exclusion stems from the programme's objectives, which focus on non-infrastructure-based initiatives. Allowing such costs could expand the project's scope to include building infrastructure elements supporting hydrogen-based transport development.

The administrative burdens for KSSENA during project implementation mainly stem from the cooperation framework among partners. The programme's guidelines enforce a contractual arrangement where the lead partner must manage and monitor the entire project consortium while ensuring compliance with the MA. Thus, the implementation relies on a contractual arrangement between the lead partner and its project partners on one side and between the entire project consortium and the MAs on the other. The partnership agreement establishes the contractual relationship among all project participants, while the subsidy contract is concluded between the lead partner and the MA. This arrangement means that the lead partner is responsible for the proper implementation of the project, while the other partners do not sign binding agreements with the MA. Consequently, if any partners fail to meet their obligations (whether intentionally or not), it is the lead partner who must undertake corrective actions to ensure the project can continue.

In the H2MAs project, the lead partner has already had to submit a request for change to the Joint Secretariat twice. Each change requires additional work from the lead partner, which is not accounted for during the application phase. The need for modifications was due to a change of partner (from CODOGNOTTO Austria S.p.A to CODOGNOTTO Italia S.p.A) and the non-expenditure of funds by project partners. As noted by a representative from the lead partner institution, issues with the proper implementation of project assumptions most often concern institutions lacking experience in implementing EU projects financed under Interreg (so-called "newcomers"). According to the respondent, such institutions could be required to undergo training before joining the project to familiarise themselves with the rules and obligations of participating in an Interreg project.

Another issue described by the lead partner representative as a “very demanding process” was the preparation of clarifications requested after submitting a periodic report. The clarification pertained to evidence that on-site checks had been conducted as part of the first-level control. Even though these checks are conducted and certified by national institutions, it is ultimately the lead partner who is required to provide evidence of the proper execution of controls by the partners.

Part of the administrative burden that KSSENA must bear also arises from certain inefficiencies in the Joint Electronic Monitoring System (JEMS)[27], such as the inability to quickly make changes to the website or the difficulty in sharing deliverables above a certain file size.

3.2.2. Case study: Zero Energy Buildings for Zero Energy Neighbourhoods (ZEB4ZEN) PROJECT

Overview of the project

The ZEB4ZEN project is an initiative funded under the Interreg Central Europe programme, specifically within Priority 2: Cooperation for a Greener Central Europe, and Action 2.1: Supporting Energy Transition to Climate Neutrality. The project runs from 2023 to 2026, with a total budget of EUR 2 041 426, of which EUR 1 633 140.80 is co-financed by the EU. ZEB4ZEN was initiated by the Croatian institution i.e. Energy Institute Hrvoje Požar Energy Institute (EIHP), which aimed to combine the energy transition towards a low-carbon society with the protection of historical architectural heritage. It connects two opposing concepts—modern and traditional—with the goal of identifying solutions that modernise historical centres while preserving their historical and cultural heritage.

Unlike the H2MAs project, ZEB4ZEN integrates both research and investment activities to develop a comprehensive approach to transforming historical centres into nearly zero-energy neighbourhoods by 2050. The project focuses on developing a transferable, international methodology and regional action plan to achieve near-zero energy standards in historic city districts, where strict conservation rules protect cultural heritage. Public buildings with almost zero energy consumption are characterised by their ability to generate enough renewable energy to meet their own needs, helping regions and cities save both energy and financial resources.

The investment component will be implemented in three historic city centres: Palmanova in Italy, Zamość in Poland, and Karlovac in Croatia. These cities were selected for their unique Renaissance layouts and star-shaped designs, providing ideal conditions to test innovative energy solutions that respect heritage preservation requirements.

Pilot investments are aimed at developing practical solutions for reducing energy consumption and greenhouse gas emissions while maintaining the historical and cultural value of urban areas. These investments will include:

- installation of a photovoltaic powerplant outside the UNESCO World Heritage city centre to provide green energy for the energy community ,which unites city centre residents;
- installation of an integrated photovoltaic power plant, storage system, and V2X charging station[28] in Karlovac to link both the building and the transport sector; and

[27] The JEMS is a digital platform used in Interreg programmes to manage, report, and monitor projects. It supports programme authorities and project beneficiaries by providing a unified system for project application, financial reporting, and overall monitoring. JEMS allows beneficiaries to submit project proposals, track budgets, request payments, and report on progress, while MAs and Joint Secretariats use it to oversee project implementation and ensure compliance with programme objectives.

[28] A V2X (Vehicle-to-Everything) charging station is an advanced energy system that allows electric vehicles (EVs) to not only charge from the power grid but also to discharge energy back to the grid or other connected systems, such as buildings or infrastructure. V2X technology enables two-way energy flow, meaning an EV can act as a mobile energy storage unit.

- internal thermal insulation in the UNESCO World Heritage city centre of Zamość to preserve the building's external historical appearance, accompanied by a rigorous assessment of the effectiveness of the implemented solutions.

The findings from the project will inform broader strategies across Central Europe, supporting cities in their efforts to achieve sustainability and energy efficiency targets.

Assessment of administrative burdens

According to the lead partner's representative, the implementation of the project generates significantly fewer administrative burdens compared to projects carried out in previous programming periods. The application process is not complicated, and the EIHP did not encounter any issues while preparing the project documentation. However, after receiving a positive evaluation and approval for funding, the lead partner was asked during subsequent clarification rounds to make specific modifications to ensure that the project more closely aligns with the programme's strategic objectives, which are strictly defined by the programme’s indicators and output types. The lead partner was also required to provide more detailed specifications for the planned pilot actions and related investments. This task has been challenging as our experience shows that external factors (politics, legal and financial issues, etc.) will always cause changes during project implementation. From the beneficiary's perspective, these modifications did not change the substantive aspects of the project and unnecessarily engaged the project staff's time.

This reduced burden is primarily due to the possibility of using simplified cost principles. A particularly helpful feature is the flexibility allowed—partners can choose whether to account on a lump-sum basis or use actual costs. The latter option is chosen by the public institutions in the project due to the need to report to national bodies overseeing public sector expenditures and because public institutions usually implement pilot investments with precise expenditure. The introduction of cost simplifications has increased the overall efficiency of EIHP's work, enabling it to engage in a wider range of activities than in the period before the 2021-2027 programming perspective. The EIHP has significantly increased the number of projects it is implementing, leading to the establishing of a Project Management Office (PMO) that now manages all administrative and financial requirements. Employees of all institutions involved in implementing ZEB4ZEN can also focus more on substantive activities rather than those related to cost accounting.

Although EIHP independently sought out partners, it positively assessed the functionality of the www.keep.eu platform, which provides a database of potential partners for international cooperation projects.

The regulations governing the implementation of Interreg Central Europe allow for the participation of private firms in projects. However, while the lead partner acknowledges that the involvement of such entities is crucial for developing new solutions in the area of zero-emission technologies, they ultimately decided not to include any companies in the project. This decision was due to the additional requirements imposed on companies using ESIF (primarily state aid rules). Additionally, the absence of advance payments from the programme and the time gap between incurring the expenditure and having it reimbursed may lead to cash flow issues, which is particularly disadvantageous for private companies and discourages them from participating in such projects. To create broader opportunities for private sector participation in Interreg projects, it would be advisable to adopt solutions from centrally managed initiatives, such as the HORIZON Europe programme. These solutions could include raising grant thresholds and implementing an advance payment system.

Another solution that could be transferred from HORIZON Europe to Interreg to further reduce administrative burdens for beneficiaries is the reduced frequency of reporting. The recommended changes include: one thematic report halfway through the project's implementation (mid-term), while maintaining the requirement for financial reporting every six months.

3.2.3. Case study: Implementation of E-Services for Spatial Information

The project "Implementation of E-Services for Spatial Information in the Municipality of Wałbrzych – City with County Rights" is being carried out under Priority 1, "European Funds for an Entrepreneurial Lower Silesia," Action 1.3 "Digitalisation of Public Services," within the European Funds for Lower Silesia Programme 2021–2027. The project has a total budget of around EUR 1 141 000, with almost EUR 800 000 co-financed by ERDF, and is scheduled for implementation from July 7, 2023, to June 30, 2025.

The primary goal of the project is to implement new e-services related to spatial information systems that were not previously available to residents in a digital format. These e-services will be developed to provide fully automated and interactive solutions, enabling users to complete entire processes online without the need for in-person visits.. The project involves the creation and modernisation of spatial information systems, including city road and landscape management and the digitisation of geodetic resources, which will improve processes and facilitate communication between public entities and citizens or businesses.

The project focuses on three main areas of e-services:

- spatial planning: enhancing access to information and services related to urban planning and land use;
- geodetic and cartographic issues: improving the accuracy and accessibility of geodetic and cartographic data; and
- road infrastructure and public spaces: streamlining the management of road infrastructure and public spaces through digital tools.

Additionally, the project envisages to digitise documentation, create comprehensive databases, and acquire necessary equipment and servers to support these initiatives. These efforts aim to provide a wide range of public e-services related to spatial information to the residents of Wałbrzych, with the operational management provided by various departments within the Wałbrzych City Hall and the Board of Roads, Communication, and City Maintenance.

Assessment of administrative burdens

Compared to the application process in previous programming period, this process was notably more burdensome due to the complexity of the procedures and the numerous required attachments[29]. The MAs required public sector entities to provide documents that confirmed the "credibility" of the beneficiary. This lack of trust was evident in the necessity to include multiple certificates in the application, which could have been significantly reduced or replaced with declarations or required only at the contract-signing stage rather than during the application process. For example, one required attachment was a certificate confirming the appointment of the mayor, while another verified the mayor's clean criminal record. Additionally, the city had to prepare financial situation analyses in three scenarios: assuming the project was implemented, assuming it was not, and highlighting the differences between these scenarios. The burden of these analyses forces the entity to either incur significant administrative costs to prepare these documents internally or outsource the analyses to external companies. Given the municipality's poor financial condition, both scenarios negatively impact the already limited city budget. It is worth noting that

[29] In another call for proposals within the regional operational programme, related to an action financed under the JTF, the number of attachments was 29.

Wałbrzych, the second-largest city in Lower Silesia, is a post-mining municipality struggling with numerous socio and economic problems arising from its mining past.

Some elements of the application are—according to city officials—unnecessary from the perspective of proper project implementation. Extensive descriptions (e.g. the rationale for applying, analysis of alternative funding options, experience in project implementation, references to horizontal policies, and strategic documents) could largely be reduced to simple checkboxes. The focus on describing irrelevant aspects of the project's substance results in a loss of the overall concept of the undertaking. City officials, with experience in applying for funds under the European City Facility (ECF) (funded through HORIZON 2020), assess the process of preparing documentation for a project financed under the regional operational programme as incomparably more challenging. A simple comparison of the number of pages in the applications (50-60 pages for projects under the operational programme) illustrates how much more complicated and burdensome the application process is compared to the ECF.

City officials also struggled with the new IT system (known as CST), whose functionalities were not tailored to the specifics of the project and type of beneficiary (the application generator included sections intended for companies). Additionally, the generator prevented independent work on individual sections of the application, requiring one part to be approved before moving on to the next. Additional administrative burdens in preparing and implementing the project stemmed from the overall delays in ESIF implementation. The IB, aiming to accelerate spending, set very tight deadlines for application submission and subsequent project implementation. Consequently, the city faced the challenge of implementing several projects (funded from different sources) simultaneously and issues with the availability of contractors (who were engaged in many projects). The pressure from MAs and IBs to contract projects also affected the quality of the tender documentation they prepared (which was at times sloppy and contained obvious errors), further complicating the city's application process. The workload in the IBs and their staffing shortages also extended the evaluation process of the submitted application to six months.

The lack of clarity, transparency, and complexity of the regulations resulted in city officials sending numerous queries regarding interpretation during the application stage. Waiting for responses from the MA, as well as, in many cases, the absence of concrete and/or legally binding interpretations, significantly prolonged the application process and created substantial uncertainty regarding the correct application of certain regulations. This issue is particularly significant in the context of the financial responsibility borne by the city if irregularities are detected during audits.

A significant facilitation in preparing the application, compared to the previous financial perspective, was the possibility of accounting for indirect costs as a percentage of direct costs. However, as a public institution, the city must still collect documentation related to the expenditure of indirect costs due to the requirements of national control bodies (unrelated to the implementation of ESIF). As such, SCOs are more of a simplification for IBs and MAs than for the beneficiaries themselves. Other regulations concerning SCOs (e.g. lump sum accounting for projects worth less than EUR 200 000) are also seen as difficult to implement by local governments due to the risk of not achieving the declared indicators and the need to return the investment costs.

The initial phase of project implementation also incurred many administrative costs. These arose from the need to comply with more stringent regulations on how to promote the project (e.g. specific information boards with precise dimensions) or to use public procurement procedures when a simplified procedure would have been sufficient and legally permissible. The administrative burden is not alleviated by the process of waiting for approval of payment requests or the inability to receive significant advances. According to city officials, a simplification that would reduce administrative costs involves conducting planned inspections during the project's implementation rather than after its completion.

4. CONSOLIDATION OF EU FUNDS

KEY FINDINGS

The CP framework includes numerous funds with distinct objectives, management modes, and implementation mechanisms, such as ERDF, ESF+, CF, EMFAF, JTF, RRF, SCF, and others, with different rules, timelines, and management structures, what leads to increased complexity and administrative burdens.

The consolidation of ESIF into a single CPR framework, coordinated by one DG, is suggested to simplify management and reduce administrative costs, while funds not directly tied to CP's core objectives should remain outside this framework.

Integrating the EARDF into the CPR, merging the JTF with ERDF, and eventually incorporating the SCF with ESF+ are proposed to enhance alignment with CP objectives and improve the efficiency of fund management.

Some centralised programmes, such as the EGF (European Globalisation Adjustment Fund for Displaced Workers), could also be integrated into ESIF to leverage existing decentralised systems and better support local-level needs, reducing the complexity of approvals and enhancing policy coherence.

4.1. Complex, expanding, and incoherent network of ESIF

The CP, deeply rooted in Article 174 of the Treaty on the Functioning of the European Union (TFEU), is implemented through a set of specific funds outlined in subsequent articles of the Treaty. Article 175 of the TFEU establishes the primary instruments for achieving the policy's objectives: the ERDF, the ESF, and the European Agricultural Guidance and Guarantee Fund, Guidance Section (now EARDF). These funds are designed to contribute to the overarching goals of promoting harmonious development across the Union and strengthening its economic, social, and territorial cohesion. The policy specifically aims to reduce disparities between the development levels of various regions and address the backwardness of the least favoured regions. Although the EARDF is listed as an ESIF, it is actually part of the Common Agricultural Policy (CAP) as per Title III of the TFEU. A separate article (Art. 177 of the TFEU) establishes the CF as a separate entity, specifically aimed at financing large environmental and infrastructure projects managed at the national level.

4.1.1. Evolution of ESIF: 2014-2020 and beyond

In the 2014-2020 programming period, efforts were made to ensure greater coherence among all four funds[30] by establishing common rules for all ESIF. The inclusion of rules for all four ESI funds in the CPR 2014-2020 was intended to enhance the effectiveness of CP, which had faced significant criticism. This approach also aimed to enable fund cooperation at local and regional levels, providing a foundation for implementing the widely discussed place-based approach advocated in the Barca Report (Barca, 2009)[31]. While the Commission's (EC, 2018) decision to maintain fundamental continuity with the previous programming period, the new programming period introduced some changes. The ESIF, specifically the

[30] i.e. ERDF, ESF, CF and EARDF

[31] In his Report, Professor Fabrizio Barca, proposed a shift in EU Cohesion Policy towards a place-based approach, emphasizing tailored interventions to address regional disparities. It highlighted the importance of better governance, accountability, and measurable results, heavily influencing the 2014-2020 programming period and the development of smart specialisation strategies.

2021-2027 CPR, became the centre of an expanding and increasingly incoherent network of related funds and regulations (Pazos-Vidal, 2024).

The five newly introduced CP objectives, which replaced the previous 11 thematic areas, are currently to be implemented by the four funds, i.e. ERDF, CF, EMFAF (which replaced the EMFF), and the ESF+. The ESF+ has merged the ESF with other funds that were already operational during the 2014-2020 period: the Youth Employment Initiative (YEI), the Fund for European Aid to the Most Deprived (FEAD), the EU Programme for Employment and Social Innovation (EASI), and the EU Health Programme (EU4Health) (Regulation (EU) 2021/1057, 2021).

The newly established Just Transition Fund (JTF) has also been recognised as a "Union fund implemented under shared management." The JTF was created in response to the need to address the socio-economic challenges of regions heavily dependent on carbon-intensive industries as the EU transitions to a climate-neutral economy. The JTF is integrated into the implementation system governed by CPR under shared management, where it supports regions and communities most affected by the transition, ensuring that the shift towards a greener economy is fair and inclusive. Each Member State must elaborate separate Territorial Just Transition Plans parallel to the ESIF Partnership Agreements (Article 11 of Regulation (EU) 2021/1056, 2021). While the JTF is not explicitly listed among the funds aimed at achieving the five new CP objectives, the CPR states that the JTF "shall support the specific objective of enabling regions and people to address the social, employment, economic and environmental impacts of the transition towards the Union’s 2030 targets for energy and climate and a climate-neutral economy of the Union by 2050." Furthermore, the CPR emphasises that the JTF, along with the ERDF, ESF+, and CF, "shall contribute to the actions of the Union, leading to the strengthening of its economic, social and territorial cohesion in accordance with Article 174 TFEU," underscoring the JTF’s strong alignment with the ESIF framework.

The CPR 2021-2027 has also maintained the principle that the European territorial cooperation goal (Interreg) shall be supported by the ERDF, continuing support to cross-border, transnational, and interregional cooperation within the EU.

Moreover, the CPR 2021-2027 also includes provisions for the implementation of "measures under shared management" such as the Asylum, Migration and Integration Fund (AMIF), the Internal Security Fund (ISF) (both established within 2014-2020 MFF), and the Instrument for Financial Support for Border Management and Visa Policy (BMVI) (established in 2021 as a continuation of previous financial instruments aimed at supporting border management and visa policy). These funds were established to address specific challenges that the EU has been facing in over the last decade. These funds are far away from the treaty-based long-term objectives set for CP. According to the Commission's argumentation (2018), the decision to include these funds in the CPR 2021-2027 was part of an effort to simplify the EU's legislative framework, specifically by reducing the number of words in EU legislation.

Summing up, with the CPR 2021-2027, creates common rules applicable to these eight funds and put them into a single legal framework.

While the ESIF remain the core instruments of CP, a wide array of additional funds and programmes contribute to achieving cohesion objectives, operating alongside each other, often with overlapping objectives but distinct implementation mechanisms. This proliferation of instruments, while aiming to address diverse needs, poses significant challenges in terms of coordination, efficiency, and overall policy coherence.

4.1.2. Funds established to mitigate the impact of the COVID-19 pandemic

Established by Council Regulation (EU) 2020/2094, NextGenerationEU is a temporary instrument, aiming to boost post-COVID-19 recovery. Its objectives - making the EU greener, more digital, and more resilient - closely mirror those of the CP outlined in the CPR 2021-2027. NextGenerationEU's impact extends to existing programmes and funds, including the Just Transition Fund (JTF), European Agricultural Fund for Rural Development (EARDF), InvestEU, Horizon Europe, and REACT-EU. The case of the latter, integrated into the ESIF framework through Regulation (EU) 2020/2221, REACT-EU in practise became an ESIF, managed and delivered using ESIF processes and procedures.

The RRF, the cornerstone of NextGenerationEU, adds another dimension to this complex landscape. The RRF was created on the basis of Articles 175 of TFEU, which means that the recovery plan must target the cohesion objectives set in Article 174. This legal foundation underscores the intrinsic link between the RRF and the broader goals of EU CP. While sharing similar overarching goals with ESIF, the RRF operates on a distinct model, with its own timeframe and focus. This alignment of objectives, coupled with distinct implementation mechanisms, creates a challenging situation where Member States must themselves delineate which projects are to be realised under ESIF and which under the RRF. An example of how countries deal with demarcation process is France's approach to funding building renovation projects. France has made funds available from both ESIF and RRF for thermal renovation of buildings. The criterion for choosing between these funding sources is based on the type of beneficiary eligible for assistance (Cichowlaz 2022). This approach, while potentially allowing for targeted interventions, also illustrates the potential for confusion and the need for clear demarcation strategies at the national level.

The most significant difference between RRF and ESIF lies in their implementation systems. The ESIF operates on a reimbursement model, where expenses are first incurred and then reimbursed based on submitted receipts. In contrast, the RRF employs a performance-based model, where disbursements are linked to the achievement of pre-agreed milestones and targets. Moreover, while ESIF programmes typically span a seven-year period with an additional two years for implementation (known as the N+2 rule), the RRF has a much shorter timeframe. Member States must commit the funds by the end of 2023 and spend them by 2026. Another difference is in the governance structure. ESIF programmes are managed through a multi-level governance system involving EU, national, and sub-national authorities. The RRF, on the other hand, is more centralised, with national governments playing a more prominent role in planning and implementation.

4.1.3. Social Climate Fund

In May 2023, the Social Climate Fund (SCF) was established by Regulation (EU) 2023/955[32] to address the social impacts of the climate transition, particularly in the context of extending the Emissions Trading System (ETS) to the buildings and road transport sectors (Preamble, point 8). The SCF is set to operate from 2026 to 2032. Its primary objective is to contribute to a socially fair transition towards climate neutrality by addressing the social impacts of the inclusion of greenhouse gas emissions from buildings and road transport.

While the SCF shares some similarities with the ESIF in terms of supporting EU climate goals and investments in energy efficiency, renewable energy, and sustainable mobility, there are significant differences. The SCF is implemented under direct management by the European Commission (Art. 12 Regulation (EU) 2023/955), unlike the shared management of ESIF. It has a unique funding mechanism, sourced from revenues generated by auctioning emission allowances (Art. 10 Regulation (EU) 2023/955),

[32] Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060 https://eur-lex.europa.eu/legal-content/pl/TXT/?uri=CELEX:32023R0955#

and requires Member States to prepare specific Social Climate Plans (Art. 4 Regulation (EU) 2023/955). Despite these differences, the SCF complements ESIF actions, creating synergy and complementarity in achieving the European Green Deal objectives (Preamble, point 4). The detailed comparison of ESIF, JTF, SCF and RRF is presented in the Annex.

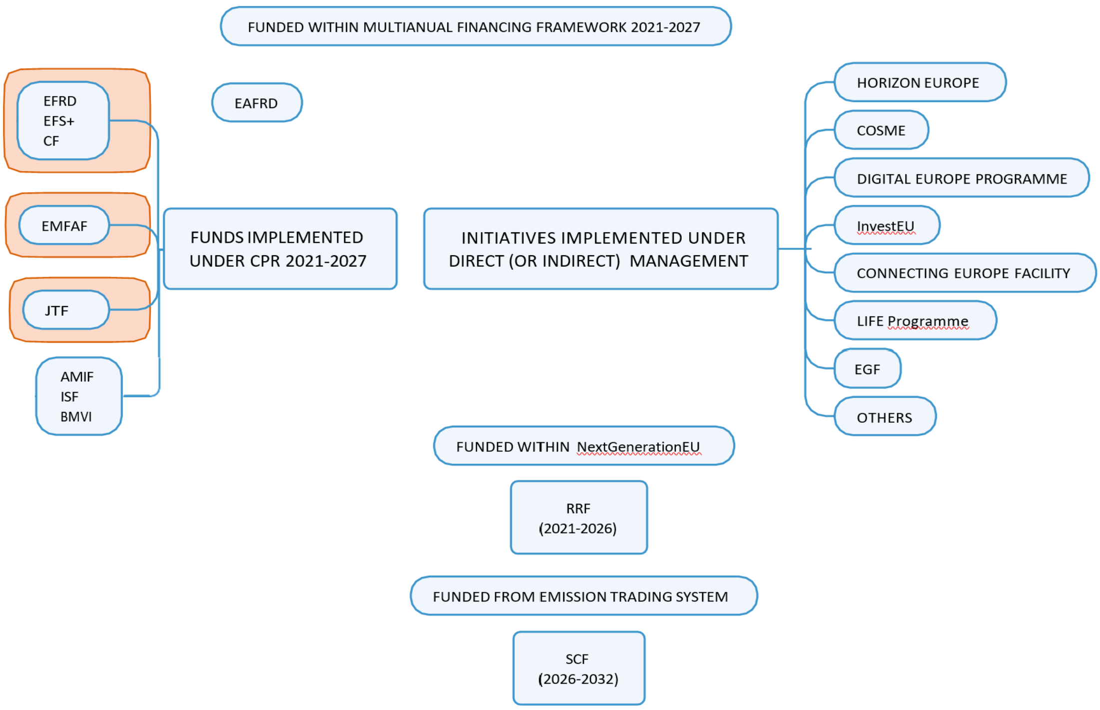
4.1.4. Complementing funds and programmes supporting CP objectives

Beyond ESIF, RRF, and SCF, a distinct group of programmes financed within MFF 2021-2027 under so called New and Reinforced Priorities, also complement the ESIF and contribute to CP objectives (EU-wide development goals). They differ from ESIF in their management modes (direct rather than shared), and geographical scope (mostly EU-wide competitive basis), and implementation mechanisms. This group includes (among others):

- Horizon Europe (Regulation (EU) 2021/695): Supporting research and innovation.
- Digital Europe Programme (Regulation (EU) 2021/694): Building strategic digital capacities.
- InvestEU (Regulation (EU) 2021/523): Mobilising public and private investment.
- Connecting Europe Facility (CEF) (Regulation (EU) 2021/1153): Supporting trans-European networks;
- LIFE Programme (Regulation (EU) 2021/783): Supporting environmental and climate action projects.
- COSME Programme (incorporated into the Single Market Programme) (Regulation (EU) 2021/690): Supporting the competitiveness of enterprises and SMEs.
- European Globalisation Adjustment Fund for Displaced Workers (EGF) (Regulation (EU) 2021/691): Providing support to workers losing their jobs due to globalisation-related structural changes or as a result of the economic crisis.

All these funds create a multi-faceted approach to achieving CP (and wider development) goals.

Figure 4: Funds and initiatives directly or indirectly contributing to CP goals



Source: own elaboration.

4.2. Make it simpler: rationale for consolidating EU funds

While efforts have been made to enhance coordination, such as the provisions in the CPR 2021-2027 for combining the ESIF with other EU instruments, the fundamental challenge of managing a multi-instrument policy framework remains. The proliferation of funds, each with its own rationale and rules, risks fragmenting the overall impact of CP. Furthermore, the multitude of funds is disadvantageous for several reasons:

- Overburdened MAs: the need to allocate more personnel to prepare additional documents (such as Just Transition (JT) plans and Social Climate (SC) plans) adds layers to monitoring and reporting procedures and creates difficulties in delineating boundaries (often artificial, as seen between the RRF and ESIF, ESF+ and SCF, ERDF and JTF) (EC, 2022). Another complication for MAs is the differing timelines for fund implementation, which do not align with the seven-year Multiannual Financial Framework (MFF) (e.g. RRF ends in 2026, while SCF starts in 2026). This overburdening can lead to delays in fund disbursement, reduced support for project applicants, and a decreased focus on strategic planning and impact assessment;
- Strain on beneficiaries: an increase in the number of different rules, regulations, and procedures that beneficiaries and MAs must learn and navigate makes it more difficult for companies, NGOs, and local and regional authorities—whose administrative capacities are often limited—to effectively apply for and implement projects. Consequently, this can lead to lower absorption rates, where available EU funds are not fully utilised due to capacity constraints;
- Increased risk of errors: with more funds and more complex rules, the risk of administrative errors and financial irregularities increases. Different funds have different eligibility criteria, monitoring requirements, and auditing procedures, which can lead to confusion among MAs and beneficiaries and increase the likelihood of mistakes or non-compliance;
- Hindrance to coherent, long-term planning: fragmentation makes it harder to create and implement coherent, integrated strategies for regional development, as efforts and resources are spread thinly across multiple, often duplicative programmes; and
- Difficulty in ensuring accountability: the proliferation of funds complicates oversight and accountability. It becomes more challenging to assess the impact of different funding streams and ensure that funds are being used effectively and efficiently.

Additionally, the multiplication of new funds can lead to a situation where CP—the EU's flagship policy, implemented "close to citizens"—becomes increasingly opaque and less understandable to them. This is evidenced by the fact that awareness of the new Just Transition Fund (JTF) is very low (see: Flash Eurobarometer, 2023).

4.3. Possibilities of EU funds consolidation

The answer to whether fund consolidation is possible must be preceded by determining what is expected from CP, what its role should be after 2027, and—perhaps most importantly—what the political will is to introduce fundamental changes to CP. Undoubtedly, the policy is currently at a critical juncture, requiring deeper reflection (Böhme et al., 2021; Bachtler & Mendez, 2021; Böhme & Toptsidou, 2024).

All changes introduced to the structure of ESIF in subsequent programming periods generally increase administrative burdens and costs associated with adapting to new regulations. Therefore, the most desirable change would be the consolidation of all ESIF (returning to the solution used for the 2014-2020 financial perspective) into a single CPR, ideally coordinated by a one DG (i.e. DG REGIO). To maintain distinctiveness and greater transparency in CP, other funds not related to achieving the treaty goals of economic, social, and territorial cohesion should not be included in the CPR. It is worth noting that the idea of a single ESIF was introduced by Commissioner Corina Crețu's group during the preparations for the 2021-2027 programming period. However, different DGs were reluctant to adopt this solution, which Pazos-Vidal (2024b) explains by the model of 'bureaucratic utility maximisation', where each policy department seeks to increase its budget and responsibilities rather than share or consolidate them with others.

Reintegrating the EARDF into the CPR would also be justified, as it often finances projects identical to those of the ERDF but implemented in rural areas. Furthermore, EARDF was combined with other ESIF in the previous programming period within integrated territorial development tools (Stoyanova et al., 2023). This solution would restore a stronger foundation for CP in the widely positively evaluated place-based approach (Barca 2009, Bachtler and Raines, 2008; Idczak et al., 2024; Bramanti & Rosso, 2024), ensuring that ESIF would be more coherent, consistent, and integrated at both strategic and delivery levels.

Merging the JTF with the ERDF for the 2027+ period is less controversial. There is no logical justification for separate programming of the JTF and ESIF, given that Just Transition Plans translate into priorities included in operational programmes (thus operating similarly to Integrated Territorial Investments (ITI)). In the next period, these plans should form an integral part of regional strategies and operational programmes negotiated with the Commission for the subsequent programming period.

The integration of the SCF presents a more complex issue due to the fund's financing method (through revenues generated from the Emissions Trading System (ETS)) and its planned implementation period (2026-2034). However, ultimately, this fund should also be integrated into operational programmes, as its goals fully support CP's objectives of ensuring economic, social, and territorial cohesion, and should be implemented at the local level. Ultimately, the SCF should also be integrated with ESF+, although this requires consideration of the different funding sources and the fact that, according to current regulations, the fund is set to be implemented until 2034. Accountability for the effectiveness of ESIF-funded actions for just transition and social climate can be achieved through monitoring relevant indicators.

There are generally no objections to basing CP solely on the funds listed in the Treaty. The specific objectives of the JTF and SCF can be integral parts of the development strategies of countries and regions, and the assumptions of the Just Transition and Social Climate Plans can be included in operational programmes approved at the EU level.

Box 2: Integrating EU funds: a case for the EGF

Many of the centrally implemented programmes and funds offer support that could, without compromising their effectiveness, be integrated into ESIF. An example is the European Globalisation Adjustment Fund for Displaced Workers (EGF). Established in 2006 (Regulation (EC) No 1927/2006), the fund, with some modifications, has continued in subsequent programming periods. It currently provides support to workers laid off due to significant economic changes caused by globalisation, such as production shifts outside the EU, trade changes, or economic crises. EGF funding supports actions aimed at reintegrating displaced workers into the labour market, such as training, career counselling, or job search assistance (Art. 7 of Regulation (EU) 2021/691). Member States can apply for EGF support by submitting a request to the European Commission when layoffs involve at least 200 workers within a specified reference period. After submission, the Commission assesses compliance with intervention criteria, and following approval by the Council of the European Union and the European Parliament (Art. 15 of Regulation (EU) 2021/691), funds are released. The Commission differentiates the EGF from the ESF by stating that the latter takes a strategic, long-term perspective in anticipating and managing the social impact of industrial change through activities such as lifelong learning[1]. However, this type of support would likely be more effective if implemented within ESF+ (as with FEAD, YEI, and EaSI). Implementation would occur within the already functioning, decentralised system, based on subsidiarity and participation, at the local level where mass layoffs occur. It would be desirable (and logical) to eliminate the need for such support to be approved by the Council and Parliament.

Source: own elaboration

5. RECOMMENDATIONS

KEY FINDINGS

No simplifications will be effective unless essential conditions are met, which include ensuring political commitment, continuity in shared management, maintaining a focused scope for CP and genuine application of partnership and evidence-based approaches.

A stable and timely legislative framework is required, which includes integrating funds such as the JTF with the ERDF and the SCF with the ESF+ and reintroducing the EAFRD under the CPR to streamline the number of funding mechanisms and reduce complexity.

Audit and control recommendations include strengthening the single audit principle, reducing duplicate audits across different levels, distinguishing between non-intentional errors and fraud, avoiding statistical extrapolation of detected errors, and introducing preventive controls early in the programming period.

Aligning rules across all EU-funded programmes, particularly in state aid, SCOs, and advance payments, and adopting practices from centrally managed programmes like HORIZON EUROPE should be considered to harmonise procedures and reduce complexity.

Long-term strategies should consider shifting to permanent programmes with the flexibility for periodic adjustments and revising the financing structure of CP to leverage EU-issued debt and new forms of taxation for greater financial autonomy and flexibility.

5.1. Prior conditions to proposed simplifications

The call for "more simplifications" consistently emerges in discussions about shaping CP during the programming of successive periods. However, in reality, both MAs and beneficiaries feel that administrative costs and burdens are not decreasing; on the contrary, they are increasing. Therefore, before undertaking efforts to develop new simplifications, several essential conditions must be identified, without which any further attempts to improve the programming and implementation system of the ESIF will be as ineffective as previous ones.

- **Build broad political consensus on simplifications and improvements**

CP requires changes that lacked political consensus in the previous programming period. Some rules creating the administrative burdens at the implementation level of ESIF (such as for example state aid regulations), fall under the responsibility of other policy areas (competition policy). Streamlining must become a genuine political goal pursued by all institutions, regardless of their particular interests (Bachtler & Mendez, 2020; Pazos-Vidal, 2024b). Achieving political consensus is essential for implementing effective and lasting improvements within the ESIF framework.

- **Ensure continuity in delivering ESIF**

Given that we are midway through the 2021-2027 period, all simplifications must be based on the well-established, currently functioning system of shared management, developed over many years. Maintaining continuity is crucial to ensure that any new measures build on the existing framework rather than disrupt it, thereby preserving stability and predictability for MAs and beneficiaries.

- **Focus CP on core objectives**

CP must stop being a "catch-all" policy, into which new objectives, far beyond the original treaty goals of ensuring economic, social, and territorial cohesion, are systematically added. ESIF have become tools for achieving various political goals because CP is treated as an "adjustment variable" of the EU budget, easily used to finance the objectives of other EU policies (Bachtler et al., 2016). This multi-purpose approach complicates the system, multiplies rules and guidelines that MAs and beneficiaries must follow, and thereby generates further costs and administrative burdens.

- **Develop genuine application of partnership and evidence-based approaches**

The genuine application of partnership and evidence-based approaches are crucial. All simplification proposals should be developed through a real, open, structured, continuous, and trust-based dialogue that includes all stakeholders involved in the implementation of ESIF. The participation of audit institution representatives is key in this dialogue. Additionally, proposed simplifications should undergo rigorous impact assessments to determine how each solution will influence the work of MAs and beneficiaries. This evidence-based approach ensures that any new measures are practical, effective, and do not inadvertently create additional burdens.

5.2. Short-term recommendation for simplification

- **Ensure a stable and timely legislative package**

It is essential to prepare a comprehensive legislative package as soon as possible, including all regulations beyond the legislation related to the ESIF that directly impact their implementation. It should be noted that any change, even those intended to simplify, requires time to be absorbed by both MAs and beneficiaries. A situation like the one experienced during the 2021-2027 programming period, where the legislative package was delivered late, the new JTF was belatedly created in 2020, and some key regulations (such as the GBER or the new STEP initiative) were modified or introduced after the implementation of ESIF had begun, should be avoided.

- **Consolidate existing funds and cease creation of ad hoc funds**

A key concern is to minimise complexity and competition among funding programmes, as they not only increase costs and administrative burdens but also generate deadweight effects. It is recommended to integrate the JTF with the ERDF and the SCF with the ESF+, thereby reducing the number of centrally managed funds.

Additionally, a detailed audit of all centrally managed instruments should be conducted to assess the feasibility of their integration with ESIF, which would increase transparency and eliminate overlapping objectives. The creation of new funds and initiatives, particularly during a programming period, is discouraged as it causes uncertainty and confusion and adds costs and administrative burdens. Emerging ad hoc challenges can be effectively addressed within the existing CP implementation system by extending the eligibility scope of activities within ESIF. The REACT-EU mechanism demonstrated that CP and its implementation system are sufficiently flexible to address new needs and challenges arising from crises.

- **Include EAFRD under the Common Provisions Regulation (CPR)**

In the 2027+ period, the CPR should, once again, include the European Agricultural Fund for Rural Development (EAFRD) to enable and facilitate the implementation of multi-funded projects by beneficiaries located in rural areas.

- **Ensure clarity of regulations and eliminate legal uncertainties**

Simplification efforts should not be limited to reducing the word count in the CPR, as the CPR is supplemented by numerous regulations governing the implementation of individual ESIF. Instead, actions should focus on creating clear and precise regulations from the outset and establishing procedures to ensure timely delivery of legally binding interpretations of adopted regulations whenever requested by a MA.

- **Modify procedures and approach of audit and controls**

While the principle of a single audit is a positive direction that reduces the number of controls, research clearly shows that audits and controls still generate significant costs and administrative burdens. Therefore, several changes are proposed in this area.

Firstly, the principle of a single audit should be strengthened, and measures should be implemented to reduce duplicate controls and audits that overlap with national oversight for the same project and beneficiary. The number of control and audit levels should be limited to eliminate overlaps in controls and audits conducted at the regional, national, and EU levels. Mechanisms should be introduced to ensure consistent interpretation of regulations by all institutions responsible for audit and control (see point above). Additionally, control mechanisms should focus on compliance with ESIF regulations and should not impose the burden on MAs to oversee the implementation of all EU legislation.

Secondly, a change in the approach to audits and controls is necessary to clearly distinguish between non-intentional errors (or omissions) and frauds. Making non-intentional errors should not automatically result in penalties but should align with the right to make unintentional mistakes. Only in cases where fraud is detected should sanctions be imposed on the specific institution or beneficiary. The consequences should depend on the type and severity of the errors, rather than automatically triggering a financial correction (e.g. when a conflict of interest involving a single expert evaluating a pool of projects is detected, it should not lead to the cancellation of all projects implemented under the measure/call). Auditors should increasingly consider whether, despite the irregularities, the project's objectives established during the application phase were actually delivered. In general, within audits less focus should be put on irregularity (often incremental) and more on results.

Thirdly, it is recommended to move away from the method of statistical extrapolation for financial corrections. This method assumes that an error detected in one project may be replicated in other similar projects, leading to financial penalties being applied across the entire programme, even when the error is isolated or incidental. As a result, MAs and beneficiaries may face significant financial corrections, even for small-scale or one-off mistakes. Instead, financial penalties should be imposed only on projects. Instead, financial penalties should be imposed only on projects where actual financial irregularities are identified.

Lastly, it is recommended to introduce preventive controls executed at the beginning of the budgetary perspective to detect and eliminate the possibility of repeating potential errors in subsequent years of implementation. Such a solution should be viewed as strengthening the learning (rather than accounting) of institutions implementing ESIF at an early stage of the new programming period. It would also reduce the "pile-up" of controls that usually occur at the end of each programming period.

- **Expand flexible approach to funding**

Given that the introduction of SCOs during the 2014-2020 period was praised by all stakeholders involved in the implementation of ESIF, it is recommended to further expand its application. For CP 2027+, a flexible funding approach that combines results-based funding with traditional cost-based funding is recommended, depending on the specific nature of projects and their objectives. MAs should have the flexibility to choose the most suitable funding model—either results-based or cost-based—according to local needs and project types. It is also important to ensure the availability of SCOs for all funds to avoid subsequent invalidation of settlements and to introduce standard unit costs established by the Commission. Furthermore, there should remain an option to transition to a full results-based funding model, where payments are linked to the achievement of agreed targets, while ensuring that programmes preferring the cost-based model can continue to use it.

- **Adopt beneficiary-friendly practices from directly managed programmes to ESIF**

There is a need to harmonise the implementation rules for all EU-funded programmes and initiatives, particularly in the areas like the use of SCOs, and, for selected programmes, increasing the level of advance payments. Programmes and initiatives implemented under direct management, such as HORIZON EUROPE, have significantly more beneficiary-friendly procedures concerning project application and execution. While this recommendation does not suggest moving away from the shared management structure of ESIF, it advocates for adopting simplified procedures from directly managed programmes to reduce administrative costs and burdens. Specific practices that could be transferred include for example more simple and flexible application procedures (with fewer documents required from beneficiaries), streamlined reporting requirements, or higher levels of advance payments to alleviate cash flow issues for beneficiaries.

Ensuring that funds under shared management can benefit from the same simplified procedures as those under direct management would not only significantly reduce administrative costs and burdens and enhance coherence but also legal complexity and uncertainty for MAs and beneficiaries. Adopting from directly managed programmes rules concerning state aid would be very desired, however, probably not possible without changing TFEU, as ESIF channelled through the MAs become state resources and constitute state aid if the criteria of Article 107(1) are satisfied (see: Nicolaides, 2018). Nevertheless, it is recommended to modify the state aid rules to make them as simple and clear to MAs and beneficiaries as possible.

- **Abandon a silo approach to ESIF and operational programmes**

From the perspective of beneficiaries and the administrative burdens placed on them, it would be desirable to increase flexibility to allow for the implementation of comprehensive projects without requiring them to be "split" into separate projects. Solutions that would facilitate this aim involve at least two areas: changes in the eligibility of certain costs at the level of individual ESIF and moving away from a silo-based planning approach in operational programmes. In the first case, regulations governing the eligibility of costs - currently separated into infrastructure investments under the ERDF and human capital investments under the ESF+ - should be amended to enable beneficiaries to implement projects that simultaneously invest in both areas. This would allow integrated projects that address multiple objectives, such as building infrastructure while also developing skills, without needing to adhere to fixed thresholds for different cost types. The second issue relates to the structure of operational programmes, which are currently organised around specific objectives, creating silos that limit the design of cross-cutting projects. For example, a project aimed at the integration of migrants and marginalised communities must be split between different programmes, even though these objectives are closely related. Moving towards a more flexible structure would allow beneficiaries to apply for funding within a single framework that addresses multiple specific objectives, reducing fragmentation and complexity.

From the perspective of MAs and IBs, one of the most significant challenges is the differences in eligibility rules between the ESIF, such as varying lists of ineligible expenditures. These differences strengthen the potential for inconsistent interpretation of rules. To address these issues, the adoption of a single set of eligibility rules for all ESIF is needed.

- **Ensure continuous support for e-systems**

A persistent source of costs and administrative burdens is the insufficient use of the opportunities provided by digitalisation. It is crucial to ensure that information necessary for the implementation and monitoring of ESIF is automatically generated from e-systems. Therefore, it is recommended to continue supporting and promoting the development and integration of e-systems used by various administrative bodies at different levels of the administrative structures of Member States and their regions.

5.3. Long-term recommendations

- **Implementation of permanent programmes with flexibility for adaptation**

In the long term, it is recommended to move away from strictly linking programming periods to the seven-year financial perspectives, and instead, introduce permanent programmes with built-in flexibility for periodic reviews and adjustments. Under this approach, programmes would not be fully restructured every seven years but would undergo scheduled evaluations, allowing for necessary modifications based on emerging needs or priorities. This would provide greater stability in the regulatory framework governing fund implementation, reduce the administrative burden linked to transitioning between programming periods, and allow for continuous project implementation without disruption.

Adoption of such solution would require the prior development of long-term sectoral and regional strategies, aligned with EU goals, that guide these permanent programmes. Additionally, periodic adjustments could be triggered by predefined benchmarks, performance reviews, or shifts in policy priorities, ensuring that programmes remain adaptable and responsive to changing circumstances without the need for a complete overhaul. Such an approach would offer several benefits, including stability in the regulations governing fund implementation and the elimination of the increased workload associated with drafting new programmes during the transition period at the end of the previous programming perspective.

- **Adopt a result-based financing model for ESIF**

The NGEU, introduced to mitigate the effects of the pandemic, has fundamentally changed the "rules of the game." It has demonstrated that objectives similar to those pursued by funds under CP do not necessarily require numerous constraints, such as ex-ante conditionality, horizontal principles, thematic concentration, detailed reporting, or burdensome auditing and control procedures that carry significant consequences in case of irregularities. Unlike the ESIF, the RRF is implemented fully on the basis of FNLC. This has made ESIF a much less attractive form of investment funding for both Member States and beneficiaries. So far, the RRF represents an unprecedented large-scale use of performance budgeting as a "real-life experiment" designed to deliver a budget that is twice the size of CP (Corti et al., 2021). Therefore, it is still uncertain whether this approach will result in 'concord or clash' (Moonen, 2022). Following a thorough evaluation of the RRF, if it is shown to be effective in achieving its goals without misuse, it is recommended to transfer the result-based mechanism to ESIF. Regardless of the evaluation outcomes on RRF effectiveness, the rollout of FNLC to ESIF must consider the specific characteristics of CP, ensuring that ESIF will be implemented under shared management with the involvement of various stakeholders at all stages—from programming to final execution. Thus, clear applicable rules should be provided by the Commission.

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ANNEX

Table 2: Comparison of ESIF, JTF, SCF and RRF

Criteria	European Structural and Investment Funds (ESIF)	Just Transition Fund (JTF)	Social Climate Fund (SCF)	Recovery and Resilience Facility (RRF)
Legal Basis	Regulation (EU) 2021/1060 (Common Provisions Regulation) and specific fund regulations.	Regulation (EU) 2021/1056	Regulation (EU) 2023/955	Regulation (EU) 2021/241
Funding Source	EU budget with national co-financing; resources from the Multiannual Financial Framework (MFF) 2021-2027.	Funded through the MFF 2021-2027, with additional resources possible from national co-financing and voluntary transfers from ERDF and ESF+.	Financed through revenues generated from the EU Emissions Trading System (ETS), especially from its extension to new sectors.	Financed through EU borrowing on the capital markets under the Next Generation EU (NGEU) instrument.
Budget (in billion EUR)	~370 (for 2021-2027; national co-financing not included)	19.3	~86.7 (proposed budget: revenues from ETS plus mandatory 25% contribution of the Member States)	~648[33]
Implementation Period	2021-2027 (with eligibility extending up to 2029).	2021-2027	2026-2032	2021-2026
Main Objectives	Promote economic, social, and territorial cohesion by reducing disparities between EU regions.	Mitigate the adverse social, economic, and environmental impacts of the transition towards a climate-neutral economy.	Support vulnerable households, micro-enterprises, and transport users affected by the transition to a climate-neutral economy.	Support recovery from the COVID-19 pandemic, enhance economic and social resilience, and promote green and digital transitions.
Management Method	Shared management between the Commission and Member States, involving national, regional, and local authorities.	Shared management; requires Member States to prepare Territorial Just Transition Plans approved by the Commission.	Direct management by the Commission with input from Member States for Social Climate Plans.	Direct management by the Commission with input from Member States for national plans.
Target Beneficiaries	Regions, businesses, workers, and sectors across the EU, especially less developed regions.	Regions heavily dependent on fossil fuels and carbon-intensive industries, particularly in coal, peat, and oil shale regions.	Vulnerable households, micro-enterprises, and transport users across all Member States.	Member States across the EU, with a focus on strategic projects supporting green and digital transitions.
Type of Support	Grants and financial instruments, including loans, equity, and guarantees.	Grants for investments in economic diversification, modernisation, and energy transition in affected regions.	Direct support, including income support for energy costs, grants for energy efficiency improvements, and sustainable transport.	Primarily grants and loans.
Allocation Methodology	Allocations are based on regional GDP per capita, population, and unemployment rates to target less developed regions.	Allocations are based on the impact of the transition towards a climate-neutral economy, focusing on carbon intensity and employment in regions reliant on fossil fuels.	Allocations are based on the impact of the ETS on low-income households, micro-enterprises, and transport users in different Member States.	Allocations are based on a formula considering population, GDP per capita, and the impact of the COVID-19 pandemic on economies.
Relation to CP	Directly contributes to CP by addressing regional disparities and promoting balanced development.	Complements CP by addressing the specific needs of regions undergoing economic transition due to decarbonisation.	Supports social aspects of CP by addressing the impact of climate transition on vulnerable populations.	Indirect contribution by supporting resilience and structural reforms that complement CP objectives.

Source: own elaboration

[33] With the amended RRF Regulation, additional grants under the Emissions Trading System (ETS) and Brexit Adjustment Reserve (BAR) have been made available to Member States. Therefore, the EUR 357 billion in grants is now split in EUR 338 billion of original RRF grants, EUR 17.3 billion in ETS grants and EUR 1.6 billion in BAR grants. Furthermore, Member States could request loan support until August 2023. Of the total available envelope of EUR 385 billion, close to EUR 291 billion has been committed by end 2023. These two changes (more grants available through ETS and BAR and less loans requested than the total available envelope) result in a total RRF envelope of EUR 648 billion by end 2023. (https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility_en)

This paper reviews the simplification measures aimed at reducing administrative costs and burdens for Managing Authorities (MAs) and beneficiaries in implementing European Structural and Investment Funds (ESIF). The study further provides an overview of the administrative burdens and challenges that MAs and beneficiaries face when implementing the ESIF. Although various initiatives have been undertaken, administrative challenges persist due to complex regulations and overlapping programmes. Recommendations include consolidating funds, expanding Simplified Cost Options (SCOs) use, enhancing audit principles, and adopting flexible funding models. Effective simplification requires a stable legislative framework and political commitment, with long-term changes including a shift to result-based financing.

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