



## European Territorial Cooperation post 2013 - Position Paper

Preparations for the next EU budgetary period 2014-2020 have begun and decision-makers have made clear that programme input is needed and desired in this process.

The main strategic processes for the future of the EU are evolving around the Europe 2020 strategy (<http://ec.europa.eu/eu2020/>), which has now been agreed by heads of state. The main consultation activities on the new policy framework are taking place now. In autumn several additional policy documents containing a more detailed outline of the EU 2020 process will be released by the Commission's Directorates General. It is currently envisaged that the new legislative package will be submitted to the European Council in spring 2011.

### *Contribution by ETC practitioners*

In autumn 2009 INTERACT developed a platform for involving Territorial Cooperation programmes in the future discussion to ensure that the new framework respects and effectively addresses the unique situation of ETC programmes. During spring two expert working group meetings were held with the aim of setting the background for a wider discussion. These workshops addressed the future strategic and thematic framework for European Territorial Cooperation, as well as programme management and control issues.

The main points raised during the workshops were summarised in a discussion paper which was distributed to ETC programmes and made available on the INTERACT website. To validate the provisional conclusions and proposals, as well as to obtain wider feedback and further inputs from practitioners, a consultation event was organised in Brussels on 1-2 June 2010.

INTERACT stakeholders also had a possibility to provide written contributions. These were received from Malta and Barcelona Provincial Council (Spain).

The approach taken in the consultation process followed the guidance for debate raised by the European Commission:

- Improving the way regional and local resources from all territories are used, so that they contribute to the competitiveness of the whole of Europe
- Focusing the policy more on results
- Continue simplifying the process used to implement the policy while at the same time ensuring it remains effective
- Focusing the policy towards the future and helping regions deal with future challenges

As far as possible the discussion was focused on solutions as the main challenges have been quite clear and generally accepted and most needed are concrete proposals for how to address them.

The outcome of the consultation process is summarised in this Position Paper which INTERACT is now making public and which will be forwarded to the European Commission.

The process does not end here - INTERACT will continue to follow developments to see how and if recommendations are implemented. We will also keep the programmes updated on the latest developments and try to monitor whether ETC specifics are kept in mind and respected when discussing the future. Later events will allow on-going programme feedback on proposals as they develop and as a next step in this process, there will be a conference looking back at past INTERREG achievements and desired future developments in Tournai, Belgium, on 30 September and 1 October of this year.

Last but not least - we strongly encourage you to approach other national, regional and even EU level stakeholders and bodies involved in the wider discussion on future EU policy and the legal framework. It is through our collective effort we can make sure that the voice of the ETC is heard!

### *Using this document*

Clearly, not everyone will agree with all of the recommendations included here and not all of those recommendations apply to all programmes. The inclusion of a comment does not even imply INTERACT backing for the view expressed. Rather, we have included here all of the comments that received extensive backing during the consultation process - and it is remarkable that there is more or less unanimous support for many of the ideas presented. It is up to each reader to form an opinion on the detailed proposals included but you are of course welcome to contact INTERACT at any time for more information on the discussion and thinking behind any of the points included in this document.

## Strategic and thematic framework

The evolution of Territorial Cooperation programmes has taken a leap in the current programming period. Introducing cooperation as one of the Cohesion Policy objectives has increased the pressure for cooperation programmes to realise their unique role in the policy framework and prove their added value to Europe's territorial, societal and economic integration. This is a profound change from the more experimental days of the Community Initiative INTERREG.

This change implies that programmes have to be targeted and decide on a small number of intervention areas rather than offering a little bit of everything. And there is a lot to consider:

- The strategy proposal outlined by José Manuel Barroso in the "Europe 2020" document -with its renewed ambition to ensure smart, sustainable and inclusive growth
- Challenges facing Europe in coming years (environment, energy, globalisation, demographic change, security)
- Territorial perspectives (preserving the uniqueness of each particular region and respecting it, as well as ensuring the best possible interaction between different types of territories)
- Traditional sectoral approaches (transport, environment, SME support, tourism, cross-border infrastructure and services, etc)
- The need to ensure coordinated implementation of EU 2020 as a cross-sectoral and multi-level governance effort as well as to improve governance and programme implementation in general

Certainly, there is little here that is completely new but there is a growing expectation that cooperation programmes make a lasting and visible contribution to solving these challenges. In the past INTERREG programmes have been criticised for lacking focus and as a result producing little visible effect. There are number of reasons for this ranging from a vague definition of objectives on the EU level, the limited funding available to cooperation programmes and their wide diversity, insufficient targeting of interventions on programme level and dispersed use of funds, etc. These factors arise for a number of good reasons but there is wide agreement to ensure greater focusing in future regardless of such issues. During the discussions ETC practitioners tried to address these and look at possible solutions to fully exploit the strategic potential of cooperation in future.

The understanding of term "strategic" in this context is multi-faceted: first, there are strategies and sectoral policies set and steered from the EU level and it is widely recognised that ETC programmes will have to respect this wider framework. The other dimension introduced recently is the strategic approach to the development of greater European (macro) regions, Baltic Sea and Danube Regions being the first to try it out. Apart from these, every programme has its own strategy which is rooted in the particular territory and cooperation history and sets out joint priorities of participating regions and countries.

The following points and proposals have been raised in the discussions:

## EU strategy framework

- There is need for a clearer vision at European level. A more detailed document outlining the roadmap towards the Europe 2020 objectives would be welcome. There is also a need for clearer European direction for territorial development. Further guidance on and clarification of the territorial cooperation objectives should be linked to these processes. The EU should be stronger in communicating its priorities to the programmes.
- Likewise, there is need for better coordination and cooperation among the different Commission services with regard to coordinated establishment and implementation of various EU financed instruments. Clear guidance on purpose, scope, implementing rules and requirements, as well as differences between these has to be communicated to potential beneficiaries.
- The overall objective of European Territorial Cooperation needs to be clarified on the EU level. The convergence and competitiveness objectives of the EU regional policy indicate their aim in their titles, whereas the title 'Territorial Cooperation' refers rather to a process. Links could be made to territorial cohesion and the need to progressively promote the territorial integration of cooperation areas by eliminating physical, administrative, regulatory obstacles and jointly addressing the cross-cutting challenges related to globalisation, climate change, demographic change, etc. affecting the Community territory as a whole. It also has to be respected that ETC has in particular contributed to societal integration of border regions. In a way, ETC is the simplest, shortest (and quite inexpensive) path to an integrated Europe.
- On the other hand, the ambition level set for the objective and the programmes can only reflect the overall political support for EU integration on EU, national, regional and local level, as well as the funding allocated to these programmes. Member State representatives at the high level working group have expressed their opinion that the ambition level should remain rather low. There is also an opinion that ETC programmes can only make a limited contribution to the fulfilment of EU 2020 because the main focus for ETC is cooperation and EU integration. The supporters of this view rather emphasise that small steps can be very important and that 'soft' cooperation is an important first step towards working together on strategic issues. It may, however, have the negative effect of suggesting that cooperation is unable to deliver on strategic aims. Furthermore, one cannot assume that the same level of cooperation exists on all borders and the potential therefore varies considerably.
- In order to promote higher and more effective visibility of ETC on the European level, there is need for common branding and corporate identity of ETC. Having an ETC specific logo and good quality policy level communication, including on Objective level achievements, would also increase recognition of the programmes and their achievements.

## Macro-regional strategies

- The introduction of the macro-regional strategies raises questions on their links to the Territorial Cooperation programmes. First, it needs to be clarified what macro-regional strategies are and what is their purpose? In general, it is understood that macro-regional strategies are a framework for setting common priorities, ensuring political support for them and aligning the available policy instruments for their implementation. In the Baltic Sea and Danube Region strategy, development is rather an institutionalisation of already existing cooperation processes.
- The Commission has indicated that at least for now there will be no new money, no new structures and no new programmes available for strategy implementation. Hence, the implementation of the strategies rests with the partner countries and their ability to mobilise and coordinate their actions and available funds, including (but in no sense limited to) ETC. This calls for the establishment of efficient cooperation and coordination structures for decision making and, even more importantly, implementation. The implementation related coordination has great potential of setting an example for transnational, cross-sectoral and multi-level governance and should therefore be monitored closely to learn from this experience.

- There is a call not to identify related ETC programmes solely with the macro-regional strategies. To respect an evidence and place based approach, there needs to be flexibility for ETC programmes, in particular on a cross-border level, to address issues which may be outside the scope of macro-regional strategies.
- It is clear that macro-regional strategies cannot be established throughout the EU and there is also no such intention. Areas outside the strategies might look at alternative ways of achieving the same benefits delivered by the strategies and existing ETC cooperation frameworks are seen as one of them.

### *Thematic focus*

- ETC is particularly influential in thematic areas like energy efficiency, innovation, seeking solutions for better functioning of the single market and addressing territorial challenges in the fields of environment and risk prevention, transport and communication links, demographic change and maritime issues. Due to the varied maturity of cooperation across the EU and its territorial diversity it is, however, quite impossible to limit the sectors or themes for European Territorial Cooperation. Flexibility is needed to respect the specifics of each programme area. Focus, however, must be ensured on the programme level by selecting a limited number of intervention areas and setting clear and measurable targets. "Whatever focus is needed - as long as there is a focus!"
- Private sector involvement in ETC is a problem: this issue is generally perceived and in particular in some areas (such as innovation, transport and renewable energy) it raises major obstacles to effectively pursuing the achievement of programme objectives. Often ETC programmes do not correspond to the needs of private sector stakeholders - they are not flexible and risk tolerant enough.

### *Programme strategies*

- Whilst a clear EU focus would be very welcome many programme strategies relate to place-based issues. The three strands tend to have different focus: cross border cooperation is clearly place-based with a local focus; transnational cooperation is a mixture of place-based needs and EU priorities, whereas inter-regional cooperation is solely based on EU priorities. Macro-regional strategies may apply to all of them horizontally, whenever appropriate.
- The strategic focus of the programmes has to be ensured. Programmes should build on an awareness of the particular territory in which they operate. Along with the socio-economic analysis, the territorial disparities and potential should also be analysed and reflected in programme strategies. It is also at this stage that coordination with other policies and instruments must take place to align local, regional, national and European strategies and funding instruments. Further on this alignment should extend also to monitoring systems.
- Any strategic approach should include a national and regional debate including the stakeholders. The specificity of regions should provide the strategy details but actions should be needs based. Softer actions are often more suitable for cooperation activities rather than infrastructure investments. Links with other instruments investing in infrastructure need to be established and maintained to ensure coordinated development in all domains.
- Better links with convergence and competitiveness objectives are needed. In this respect, each mainstream operational programme could pinpoint priorities which could benefit from cooperation with other countries and seek to address them either through ETC programmes or by making use of Article 37.6.B of the ERDF Regulation. Relevant operational programmes should also foresee the necessary coordination mechanisms between the three objectives of the cohesion policy. It is also noted that ETC can develop and test activities which afterwards can be implemented in the framework of other programmes.
- In moving forward it should be remembered that a great deal of experience already exists in current programmes. Draft findings of the INTERREG III ex post evaluation recognise that the maturity of cooperation has a significant influence on the quality of cooperation. Therefore any future should build on the accumulated experience.

### *ETC architecture*

- The current ETC structure including cross-border, transnational and inter-regional strands is based on certain needs and clear differences and works well. The general opinion is that it should not be changed.
- There may be scope for rationalisation and/or flexibility vis-à-vis different needs of cooperation: extending geographical scope for thematic cooperation, allowing cooperation between smaller number of countries in the transnational areas, extending geographical territory of cross-border programmes to cover river and sea basins or mountainous areas, etc.
- Advantages are seen in better inter-linking of cross-border and transnational strands, in particular in the context of macro-regional strategies but not only here. A certain degree of flexibility is desired to allow overlap of thematic interventions on a regional level.
- No major changes were put forward for inter-regional strand. It is recognised that even if lower on tangibility, the exchange of good practice and networking is useful.

### *Maintaining the focus*

- A strategic approach should be maintained during the implementation of programmes. Current experience is that a high administrative and technical burden is distracting from a strategic focus.
- Programmes must become efficient tools in the policy implementation process and this implies *adequate steering* through a top-down approach. Top-down approach here means strategic steering of programme implementation - i.e. taking a more proactive role on behalf of programme decision-makers and managers in ensuring that the strategic objectives are achieved. It is believed that one of the reasons why programmes have not been able to achieve the desired results in the past lies in the fact that programme implementation has relied too much on a bottom-up (or demand driven) implementation process<sup>1</sup>. A combination of both is required to ensure that strategic objectives are fulfilled. This also calls for programme management bodies to have adequate capacity to guide project development and implementation and to steer programmes on a strategic level.
- If there is anything that can be done by the ETC programmes to *ensure better focusing of the programmes and achievement of visible results already in this programming period*, it is worth pursuing. Programmes are encouraged to use on-going evaluation exercises to analyse programme performance and where appropriate make adjustments for the remaining calls. There is and will be an ever-increasing demand for a good evidence base from the European Commission and other decision-makers.

### *Cooperation on EU external borders*

- For the sake of beneficiaries and to ease programme implementation, the *legal and operational framework of IPA and ENPI must be harmonised with the ERDF*. Likewise, specificities and needs of cooperation on EU external borders should be taken into account while defining the priorities and strategic focus of such cooperation.

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<sup>1</sup> This has also been confirmed by the draft findings of the ex post evaluation of 2000-2006 INTERREG III Programmes.

## Programme implementation framework

Without effective programme management, territorial cooperation programmes cannot properly set goals, implement the programme and evaluate its progress. As ETC programmes operate in a dynamic and multi-national environment, programme management should also be flexible to adapt to changes and efficient in meeting tight time schedules.

In this programme period, management bodies and procedures are much clearer compared to previous periods – partially due to the requirement to outline programme bodies and procedures in detail in the Article 71 Description of Management and Control systems. But there is still room for improvement as concerns have been raised that the management of ETC programmes might have become overly complex and administrative requirements have increased substantially over time.

Few people question the value added of territorial cooperation – it is the complexity which makes stakeholders worry. The current heavy administrative burdens prevent focusing on strategic delivery. Thus the greatest challenge at the moment is to break with the perception that the management of territorial cooperation is over-complicated and in the worst cases more trouble than it is worth. Many such criticisms inevitably relate directly to control procedures or the requirements they create indirectly on applications and reporting. Control requirements grow out of a combination of EU, national and programme rules, procedures and documents. Undoubtedly one of the main challenges for the programmes has been implementation of the control framework in a multi-country context. There is a need to highlight the progress that has been made in this area and come up with constructive suggestions to solve the remaining problems – without weakening the basic security of the system.

Key points and recommendations:

### *Overall programme implementation framework*

- A separate regulation for ETC or an extended separate section in the general and the implementing regulations focusing specifically on ETC would allow for better reflection of ETC specific implementation provisions. So far, regulations were primarily made for Objective 1 and 2 programmes. This approach disregards the reality of cooperation programmes, which operate in the most complex environment of the ERDF world. Effort should be made to ensure that the regulatory framework works well for ETC.
- Nevertheless, the existing framework for ETC programme implementation is the result of many years of experience and evolution, therefore the system should not be changed entirely but rather improved. Recognising that more rules usually create more complexity and new errors, the improvements should rather concern harmonisation and improved interpretation of the rules.
- The size, set-up and scope of the ETC programmes is very different from the Objective 1 and 2 programmes and some management provisions for Objective 1 and 2 do not work well for ETC. For instance, MA, CA and AA have no regulatory powers on the other side of the border but bear major responsibilities. These difficulties should be addressed in a suitable way.
- There are also quite significant differences across the ETC programmes. These differences need to be recognised and management provisions for ETC programmes should be made more flexible compared to Objective 1 and 2 programmes. More detailed proposals for particular changes are outlined further in this paper, under respective headings.
- Existing rules, which have created uncertainty and caused over-interpretation in the ETC context, should be clarified. These include eligibility of costs, the various levels of control, state aid, generation of revenues, simplified cost options (flat rates) and others.
- The regulation should outline minimum and maximum requirements for programme scope and management, otherwise leaving sufficient flexibility for tailor-made contents and implementation arrangements.

- Harmonisation of certain programme implementation elements on the EU (Objective) level could also improve the efficiency of programme implementation.
- For ETC, somebody should take responsibility for the functioning of the entire system on the EU level. ETC representatives should be included in COCOF or a separate COCOF for ETC and relevant High Level working groups need to be established. Guidance issued by the Commission on interpretation of or amendments to the regulations should always include ETC specific explanations.
- Incentives should be provided for making programme management work in an effective and efficient way. Rather than increasing the complexity of management and control provisions, upgrading the capacity of relevant staff and retaining the experienced people should be considered. Apart from clear rules and regulations, the key to success in programme implementation rests in flexibility, trust and people. Application of the rules to the benefit of the projects and people and willingness to shift thinking is required. Who interprets the rules and in what way is thus as critical as having the rules. A truly client minded attitude would imply experienced programme staff members and controllers guiding the projects towards their objectives and ensuring that a particular cost is reasonable and relates to the project purpose etc.
- The regulations for cooperation programmes on external borders (the current IPA CBC and ENPI CBC programmes) should be streamlined with ERDF regulations or these external border programmes should be included in the ETC.

#### *Article 71 description*

- The obligation to develop an Article 71 description for each programme should be retained. It is useful to have procedures and manuals outlined at the start followed by ex-ante verification of the quality of the systems designed. The principle of proportionality, however, should also apply here - the implementation provisions for smaller programmes should somehow respect the limited resources they can allocate for management and controls.
- In order to speed up and streamline the elaboration of the descriptions in future, it is hoped that the requirements would not change significantly. New Article 71s should involve update rather than re-writing.
- Approach to compliance assessment needs to be harmonised on the EU level - currently things which may be accepted in one programme may be declared as unacceptable in another.

#### *Programme bodies*

- The purpose and the role of different programme bodies in the ETC need to be clarified. The principle of proportionality should be respected in requirements for the set-up of programme management systems. There should perhaps be flexibility for programmes to decide how many implementing bodies should there be (i.e. if there is need for both - MA and JTS or maybe the functions of these can be implemented by one body; if there is need for CA or its functions can be carried out by other bodies). There is also need for more guidance on separation of functions in case several programme bodies are located in one organisation.
- The Group of Auditors should be retained also in future, however still allowing programmes with centralised control frameworks (i.e. controls carried out centrally on a programme level) to chose not to have one.
- Mechanisms should be found to ensure sufficient independence of programme management from national/regional influences. In particular this concerns bodies like MA, JTS and AA. An organisation belonging to one country may not always be truly unbiased in making decisions and national and/or regional rules sometimes create serious barriers to genuine multi-national management and implementation. It is necessary to ensure that the interests of all involved countries are equally taken into consideration in programme design, decision making and implementation.

- Due to the nature of ETC programmes, any decision taken should reflect the interest of the programme, not the particular Member State. In light of this, it should be ensured that collaborative bodies like the Monitoring Committee and, where established, the Group of Auditors, assume responsibility for the entire programme rather than acting on national interests. MC should act as a managing board or a Programme Council taking responsibility for functioning of the programme, not only monitoring function. The strategic dimension of the MC needs to be reinforced in the regulations or guidance.
- Likewise, the *Group of Auditors* should assume responsibility for the programme as a whole. Presently the main responsibilities rest with the AA and members of the GoA rather assist the AA. In case additional resources are needed for GoA to undertake a more strategic role, these should be provided for.
- The significance of the *Joint Technical Secretariat* in ETC programmes needs to be recognised by stressing that main programme management tasks and resources need to be placed in it. A well functioning JTS creates dynamic programme implementation and where the JTS is strong, programmes tend to perform better. In order to reflect the significance of the JTS in programme implementation, it is also proposed to drop the word "Technical" from the name of the body.
- It is recognised that in most cases it is neither possible nor desired to establish legally, financially or organisationally truly independent programme implementation bodies. The establishment and operation of such separate institutions would require more administrative and financial resources. These are some of the reasons why the use of EGTC for programme management is not very appealing. So far only one EGTC has been established for management of an ETC programme. The review process of the EGTC Regulation in 2011 should take into consideration also the experiences of other instruments like the EEIG which seems to offer e.g. more flexible public procurement and salary conditions, possibility to recover VAT etc., where these are problematic.
- The functional independence of the JTS may be ensured in several ways; not all of them require regulatory provisions, rather reiteration in guidance and programme documents is needed. The following possible solutions were identified: (1) outlining in the Operational Programme factors and provisions to ensure independence, requiring that these are assessed during the ex-ante evaluation and management verifications, and ensuring they are addressed in programme negotiations with the European Commission, (2) entrusting JTS functions to cooperation bodies operating in the programme territory (Euroregions, regional committees, associations and alike), (3) reiterating the requirement for international staff, (4) ensuring transparency of the project assessment process and outcomes etc.
- The tasks of the *Managing Authority* with regard to first level control need to be clarified. MA has very limited means to ensure the quality of the FLC systems in all participating countries and the quality control role has led to a lot of duplication. Therefore this responsibility should be clearly assigned to the Member States. Likewise, the remaining role of MA and JTS in first level control (such as checking environmental and equal opportunities information in activity reports) needs to be better defined to avoid misunderstandings and duplication.
- In each partner country, a reliable and well informed *national contact person* for the MA is needed, who can obtain and provide reliable information on national rules concerning state aid, public procurement, first level control, eligibility of costs, 20% expenditure etc.
- The role of the *Certifying Authority* in the control framework needs to be specified and made more realistic for ETC: under current regulations the CA is responsible for certifying the functioning of the entire system through the requirement to certify reasonable assurance of the correctness of all expenditure. It is unclear how this can be done in ETC context. Most stakeholders agree that the certification function of the CA adds limited value to (already excessive) other controls carried out in ETC programmes and therefore could be abolished because the role of the national controllers, which does not exist in national programmes, already implies a greatly increased control load in ETC. Furthermore, it should be possible to transfer payment and reporting functions of the CA to the MA, if programmes would wish to do so.

- The role of the Audit Authority should be more of a coordinating body relying on the Group of Auditors for programme level decisions to be made. Audit Authorities would also benefit from better links with the European Commission and EU control bodies. In particular they would gain from being further trained by the Commission audit services.
- Of the elements introduced in this programme period, designation of First Level Controllers should be retained also in future. The responsibility for the quality of implementation of national FLC systems should clearly remain on national level - i.e. with the Member State (current responsibility is sometimes only felt to concern establishment of FLC system).
- The role of the First Level Controllers should be better defined in terms of scope and tasks. It should be made clear what is the task of a controller and what is not. Requirements to control issues beyond the typical expertise of controllers should be clarified or dropped from FLC tasks as they undermine the credibility of the entire system. This includes controlling environmental impacts, equal opportunities and non-discrimination, state aid, specialist and technical matters, the quality of outputs and potentially others.

### *Programme finances*

- ERDF allocations should be made per border/programme, not per Member State (i.e. single pot of money per programme without indicating national allocations). This would ensure better focusing of programmes and more collaborative approach.
- Having 100% financing for TA from ERDF would ease discussions on programme management bodies and provisions. It was, however, argued that when regions or Member States co-finance the TA, there is greater commitment to its implementation. 100% ERDF financing for TA would be necessary in case ERDF allocations are made per programme.
- The N+3 rule should be extended to all programmes and all Member States for the whole programme period.
- Currently established EU co-financing rates should be kept.
- The allocation of funds per priority should be kept, with flexibility to re-allocate resources between priorities.
- Advance payment to the ETC programmes could be increased in order to allow for advance payments to at least some beneficiaries or types of projects.
- To respect the diversity of ETC programmes, it is necessary to increase the maximum rate of TA. The exact TA rate for each programme should be established during programme negotiation process taking into account programme specifics, geography, budget etc. Current TA rate is too low for small and/or geographically dispersed programmes.
- Resources for FLC and qualification of controllers are of key importance to the overall success of ETC. Sufficient funding and training should be ensured. Project contributions or TA for FLC could be an option here.

### *Programme design and implementation provisions*

- Apart from SWOT analysis, programme priorities should be chosen based on territorial data, maps and spatial analysis (i.e. using ESPON, regional frameworks like VASAB, Norvision and alike).
- The EC should assume a stronger role in programming. Programmes should be negotiated between programme stakeholders and EC during programming in terms of focus and allocation of funding.
- Strategic projects could be pre-defined already at programming stage and included in the operational programmes if relevant.

- There is need for a common set of indicators for ETC programmes. Ideally the monitoring system should be harmonised for all ETC programmes. If this is not possible, a harmonised set of indicators, as well as harmonised key programme documents such as application and reporting forms would be a step in the right direction. Harmonisation should imply a significant simplification of many existing documents and procedures. It should not however be allowed to conflict with programme diversity and specific conditions.
- There is need to increase synergies among programmes and avoid reinventing similar tools and approaches. Scanning of programmes with regard to procedures, cooperation cultures, visions and results must be carried out to identify and make available good practice. INTERACT should take pro-active role in coordinating the development of standardised rules, model documents and tools; offering high quality basic texts, coordinating the process of continuous improvement of ETC operational framework. In particular there is a need for a tool to verify overlaps and find synergies between projects financed by different programmes, as well as to benchmark project results.
- There is need for better links between A, B and C programmes.
- Rules for implementing the 20% rule should be established on the EU level (e.g. Memorandum of Understanding involving all Member States). This is in particular important for transnational programmes.
- Reporting provisions (requirements, reporting periods, scope etc.) need to be eased on all levels.
- Possibilities for private sector participation in cooperation projects should be supported more. Better guidance on how to address economic advantage, state aid and ownership of project results is needed here.

#### *Financial control*

- The current control framework of ETC programmes consists of at least six levels: (1) internal control within the beneficiary institution; (2) First Level Control of the beneficiary; (3) control at Lead Partner level of the project as a whole; (4) MA/JTS verifications; (5) CA verifications; and (6) 2<sup>nd</sup> level audit. There is a need to reduce the number of controls.
- Optimisation of ETC programme control framework could consider clarifying the role of controls on LP level and removing the verification function of the CA.
- The amount and scope of controls and audits should reflect the general quality of the national financial management and control systems: if the overall system works well, controls should be reduced. It is best if there is credible FLC at national level and there is trust in controls done in another Member State.
- Main control bodies should be involved (or at least kept informed) during the programme preparation to ensure that they understand the rationale and objectives of ETC.
- The overall objective of the control system should be clarified: payment claims should be improved rather than rejected. The role of MA/JTS in control needs to be clarified. They should be involved in controlling content and progress. The JTS checks projects at the start and follows through to see if they are implemented as planned. MA role in management verifications needs to be clarified, it is now over-applied. There is also a need to clarify who is responsible for the overall control of the project as a whole, including the final outcomes and their quality, as well as checks after project closure?
- The acceptable error rate of 2% is not realistic for ETC and needs to be adjusted to a more realistic level. It is suggested that rather a 5% error rate should be considered.
- A more flexible approach to controlling is needed, which should be based on trust in experienced and qualified controllers. It should be made clear that FLC is required to ensure

the correctness of 100% of expenditure but is not required to check 100% of all items. A meaningful approach to sampling also in administrative verifications should be sought.

- A cost-benefit approach to control should replace the current approach of scattering control resources among all potential sources of errors. More control resources should be allocated to high-risk transactions, less to minor transactions and it needs to be ensured that controls do not repeat in scope. There is also a need to reduce the paper work in controls.
- The system for reporting, sharing information on and recovering / addressing irregularities needs to be clarified for ETC. There is need for EU wide guidance on this. Furthermore, the feedback loops from the European Court of Auditors need to be improved so that sufficient information and detail on the identified irregularities is available - only that way it will be possible to address them.
- Recovery rules must be adapted to ETC and relevant guidance issued on EU level.
- There is need to increase cross-country and cross-programme synergies in FLC and audit by establishing relevant networks and ensuring links to the EC. These networks should deal with identification of good practice and harmonisation of control and audit approach in ETC programmes.
- Current COCOF guidance on e.g. management and CA verifications is rather targeted at the mono-national framework of Objective 1 and 2 programmes. There is need for ETC related interpretation.

### *Eligibility rules*

- The core problem areas for eligibility are the same - staff costs, overheads and public procurement (in particular below thresholds). Acting on those will reduce the number of errors. There are quite significant differences in the eligibility of costs and interpretations among countries. Controllers and auditors provide personal interpretations and these tend to be rigid and restrictive. It would be useful to harmonise on the EU level the interpretation of the key eligibility rules - e.g. staff costs, overheads and public procurement below thresholds - if this can be done without creating inflexibility. It is believed that this cannot be done by regulations. The approach here would be better guidance by EC and better exchange of opinions among controllers and auditors.
- Control objectives that are unclear should be specified or dropped (such as compliance with all EU environmental legislation).
- The hierarchy of the rules has to be clarified (EU, national, regional rules). Does it always have to be the strictest rule that applies? There are programmes which allow for looser EU rules to apply instead of stricter national rules.
- It would be helpful if there was a common approach/harmonisation of the rules governing every euro spent from EU funds to avoid confusion amongst partners who access different funds e.g. Structural Funds and Framework funds. ETC fund rules are seen as particularly complex and can discourage applicants.

### *Simplified cost options*

- The recently introduced simplified cost options need to be clarified with regard to their application in ETC. On-going support from the EU level is required to ensure that these new options are widely adopted in future.
- A flat rate of overheads related to staff costs should be fixed in the regulation. This rate should be applied to all programmes and all beneficiaries. The definition of staff costs should be harmonised on the EU level and apply to all Member States equally.
- It is vital that the real costs behind flat rate expenditure (e.g. for overheads) is not controlled after the amount (or share) has been established and fixed in the project budget. If the

relevant cost categories are subject to further controls, even on a sample basis, there would be no real simplification.

- The use of lump sums needs to be tested and further developed - i.e. allocation of lump sums to small projects or preparatory projects may lead to real simplification.