

*Summary*

More to simplify! – Administration in  
Structural Funds projects

(RiR 2012:22)



## Summary

### More to simplify! – Administration in Structural Funds projects RiR 2012:22

The Swedish National Audit Office (Swedish NAO) has audited whether the Government, the Swedish ESF Council and the Swedish Agency for Economic and Regional Growth have made use of the possibilities available for simplifying the administration in Structural Funds projects.

#### **Audit background**

*Motive:* The purpose of European Cohesion Policy is to reduce economic and social disparities within the EU. The policy is also intended to contribute to the achievement of the Europe 2020 targets, which relate to making the EU more competitive. Within the framework of Cohesion Policy, Sweden is receiving approximately SEK 15 billion from the Structural Funds – the European Social Fund (ESF) and the European Regional Development Fund (ERDF) – in the programming period 2007–2013. The resources from the Structural Funds are matched by national public co-financing of about the same amount as the EU funds.

The objectives of the Structural Funds in Sweden are, among other things, to strengthen skills development, increase labour supply and foster innovative environments and entrepreneurship. Structural Funds resources finance projects that, for example, aim to provide support to jobseekers and to create new jobs. In total, it is estimated that just over 2000 national projects with at least 315,000 participants will receive support from the ESF during the programming period 2007–2013. About 1400 projects have been granted funds from the ERDF since 2007.

At present, negotiations are in progress on the EU budget and the Structural Funds Regulations for the programming period 2014–2020. In these negotiations, Sweden has pursued a more restrictive EU long-term budget and a realignment of priorities. In this context, Sweden is also acting for simplification of the rules for Cohesion Policy.

If the objectives of the Structural Funds in Sweden are to be achieved, it is important that the resources are used efficiently. The Riksdag has also expressed that it is of interest that Structural Funds resources going to Swedish projects shall be used in as efficient a manner as possible. Both at the national and the EU level, it has been established that there is a need for simplification in order to reduce the administrative burden and the risk of errors. According to the Swedish NAO, simplifying the administration in Structural Funds projects is an important precondition for an efficient use of Structural Funds resources in Sweden. It should be pointed out that a reduction of the administration should take place while maintaining sound financial reporting and control.

In Sweden, audit and control of the Structural Funds resources is performed both from the national and the EU level, since the European Commission has the overall responsibility for the Structural Funds budget. This means that the management of these resources takes place in a complex context.

*Aim:* The aim of the audit is to examine whether the Government and the managing authorities – the Swedish ESF Council and the Swedish Agency for Economic and Regional Growth – have created preconditions for a more efficient use of Structural Funds resources by simplifying administration concerning control and follow-up.

The Swedish NAO has chosen to focus the audit on simplification of the administration for control and follow-up in Structural Funds projects, which is a key objective of the simplification in the Structural

Funds area. The Swedish NAO has examined whether there is national discretion for introducing simplifications for ESF projects that has not been utilised during the current programming period. The Swedish NAO has also audited the extent to which three simplification measures developed by the EU have been applied in Sweden. These measures are the use of indirect costs declared on a flat rate basis, flat rate costs calculated by application of standard scales of unit costs and lump sums in projects that have received resources from the ESF and the ERDF.

*Implementation:* The empirical basis for the audit consists of a questionnaire addressed to ESF projects and interviews with individuals who run ESF projects. In addition, interviews have been conducted with officials at the Swedish ESF Council, the Swedish Agency for Economic and Regional Growth, the Ministry of Employment, the Ministry of Enterprise, Energy and Communications, the National Financial Management Authority, the European Commission, as well as evaluators of ESF projects. The Swedish NAO has also studied relevant documents and analysed applicable legislation.

### **Audit results**

The audit demonstrates that the Government and the managing authorities – the Swedish ESF Council and the Swedish Agency for Economic and Regional Growth – have not accomplished enough to simplify the administration in Structural Funds projects. The EU and the Riksdag have required sound financial management and efficiency and economy in the use of government funds. If the administration of Structural Funds projects were to be simplified to a greater extent, the preconditions for an efficient use of the resources would be improved. An efficient use of the resources is important for the achievement of the objectives to which the use of the Structural Funds resources is intended to contribute, such as economic growth and welfare.

#### *Better use can be made of the national discretion for the ESF*

According to the Swedish NAO's questionnaire, more than 90 per cent of the ESF projects perceive the administration to be resource-intensive. Just over 80 per cent of the projects believe that there is a need to simplify the administration. The projects also consider the administration to make the implementation of the projects more difficult. For example, about 64 per cent of the projects find that the administrative requirements make it difficult to work with innovative ideas and methods, something which is an important part of the added value of the ESF in Sweden. About 37 per cent of the projects are also hesitant towards applying for ESF resources again, and the main reason for this is the extensive administration. This hesitancy may lead to the Swedish ESF Council having future difficulty in attracting a sufficient number of qualified applications for funding from the ESF.

The Swedish NAO also notes that the Swedish system of national co-financing for the greater part of the ESF, the programme area for increased labour supply, causes extensive administration for the projects concerned. The main part of the co-financing within this programme area is based on the fact that the projects' accounting includes individual support that project participants receive for their maintenance. This support consists of various types of unemployment benefits such as the activity grant or the development allowance. Approximately 80 per cent of the ESF projects within the programme area for increased labour supply perceive the administration of this type of co-financing to be resource-intensive to quite a great or a very great extent. Representatives of these projects are also far more hesitant towards applying once more for funding from the ESF compared with representatives of skills supply projects.

Moreover, the audit demonstrates that the co-financing system gives rise to incentives that weaken the preconditions for adhering to the priorities of the ESF programme. Projects within the programme area

for increased labour supply must secure co-financing that matches the EU funds. Certain prioritised groups, such as unemployed young people or persons on long-term sick leave, receive low levels of support or are able to participate in the projects to a limited extent. As a result, projects targeting these groups generally have a low participant-based co-financing, something which causes problems for projects that do not have access to other types of co-financing. The Swedish NAO's questionnaire also shows that 59 per cent of the projects within this programme area find it difficult to raise sufficient co-financing. In the long term, there is also a risk that projects avoid targeting prioritised groups because they generate little co-financing.

The Swedish NAO assesses that there are possibilities within the national discretion for simplifying the administration in the ESF projects. With respect to co-financing, the Government should examine whether there is scope within the national discretion to simplify the administration for the ESF projects and to improve the preconditions for an efficient implementation of the projects without this having an impact on the central government budget.

The agencies too should make greater use of the possibilities for simplification. For example, it is possible for the Swedish ESF Council to review the level of detail and the scope of the projects' accounting and to introduce a greater degree of electronic financial reporting.

*The EU simplification measures have been used to a very limited extent in Sweden*

The audit shows that the EU simplification measures for the ESF and the ERDF that were part of the audit have in principle not been used in Sweden. Only one general flat rate is applied. That is a flat rate for indirect costs for ERDF projects. This flat rate, however, was introduced late and will thus only be used to a limited extent during the current programming period. Several other Member States use the simplification measures to a greater extent than Sweden.

The Swedish NAO is able to establish that the Government gave the Swedish ESF Council and the Swedish Agency for Economic and Regional Growth the opportunity to work with the measures by incorporating the EU simplification measures in the government's regulation for Structural Funds. The Government also started a working group to get the work off the ground. After this, the Government has not given the Swedish ESF Council or the Swedish Agency for Economic and Regional Growth formal tasks or reporting requirements for these agencies' work with the EU simplification measures.

The Swedish ESF Council and the Swedish Agency for Economic and Regional Growth have not carried out any systematic investigation of the potential for simplification that could result from applying the EU simplification measures for the Swedish Structural Funds programmes. However, both agencies have assessed that several of the EU measures would lead to significant simplifications for both managing authorities and projects in Swedish Structural Funds programmes. According to the Swedish NAO, the Swedish ESF Council and the Swedish Agency for Economic and Regional Growth have not sufficiently prioritised the work with the EU simplification measures and this has led to limited results.

According to the European Commission's proposal for the forthcoming programming period, current simplification measures will still be applicable and further developed. The Swedish NAO notes that both the Swedish ESF Council and the Swedish Agency for Economic and Regional Growth intend to work with the EU simplification measures before and during the next programming period.

## **Recommendations of the Swedish National Audit Office**

The Swedish NAO recommends the Government to

- examine the possibilities to simplify the administration related to co-financing in the ESF projects in order to counteract the risk of the Structural Funds resources not being used efficiently.
- direct and follow up the managing authorities' work with the EU simplification measures.

The Swedish NAO recommends the Swedish ESF Council and the Swedish Agency for Economic and Regional Growth to

- implement and apply the EU simplification measures that are relevant for Swedish Structural Funds programmes.

The Swedish NAO recommends the Swedish ESF Council to

- develop the electronic support for financial reporting in ESF projects.